DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 8, 2013

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

Dear Ms. Mallory:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Manteca Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 26, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 10 and 11 – Letter of Credit (LOC) Fees totaling $272,125 ($241,575 and $30,550, respectively). Item No. 10 totaling $796,575 is funded by Redevelopment Property Tax Trust Fund (RPTTF) in the amount of $555,000 and $241,575 in reserve balances. Item No. 11 totaling $61,100 is funded by RPTTF in the amount of $30,550 and $30,550 in reserve balances. It is our understanding that the reserve payments totaling $272,125 ($241,575 and $30,550) are anticipated additional costs of the LOC if the 2005 Variable Rate Refunding Bonds were downgraded. However, the Agency did not provide sufficient documentation to substantiate the imminent downgrade of the bonds. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding Redevelopment Agency bonds. The statute does not currently recognize anticipated obligations for next ROPS period, thus the request for additional payments from reserves are not permissible. Therefore, the $272,125 of reserve balances is denied.

- Item No. 39 – Parking Lot Lease located at 133 North Grant Avenue in amount of $36,800 is partially denied. This item totaling $40,832 is funded by RPTTF in the amount of $36,800 and $4,032 in reserve balances. The Agency rescinded the request for RPTTF funding in the amount of $36,800 on October 15, 2013. Therefore, the $36,800 is not eligible for RPTTF funding.

- Item No. 41 – Parking Lot Lease located at 173 East Yosemite Avenue in the amount of $48,300 is denied. The Agency rescinded the request for RPTTF funding in the amount

of $48,300 on October 15, 2013. Therefore, the $48,300 is not eligible for RPTTF funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. 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. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $5,709,364 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		7,277,740
Total RPTTF requested for administrative obligations		78,000
Total RPTTF requested for obligations	**$**	**7,355,740**
Total RPTTF requested for non-administrative obligations		**7,277,740**
Denied Items		
Item No. 39		(36,800)
Item No. 41		(48,300)
Total RPTTF approved for non-administrative obligations		**7,192,640**
Total RPTTF requested for administrative obligations		**78,000**
Total RPTTF approved for administrative obligations		**78,000**
Total RPTTF approved for obligations		7,270,640
ROPS III prior period adjustment		(1,561,276)
Total RPTTF approved for distribution	**$**	**5,709,364**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13 14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13 14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13 14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay

approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14 15A.

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

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) 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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Donald Smail, Economic Development Manager, City of Manteca
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County
California State Controller's Office