



May 15, 2015

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

Dear Ms. Mallory:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Manteca Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 3, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 15, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 30, 2015.

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 determinations being disputed.

- Item No. 67 – Roof Replacement in the amount of \$2,560,100. Finance continues to deny this item. The Agency's request pertains to the cost of various improvements on Agency property at 555 Industrial Park Drive (Assessor's Parcel Number 221-190-36). Per HSC section 34171 (d) (1) (F), the Agency may create enforceable obligations for maintaining assets prior to disposition. However, Finance initially denied this item because the scope of the work for the property pertains to property improvements, rather than normal maintenance activities. During the Meet and Confer process, the Agency contended that this item is an enforceable obligation because the roof repair project, resulting from several years of deferred maintenance, is necessary for maintaining the property and preventing further deterioration. However, as previously stated, this is an improvement to the property and is beyond routine maintenance and repairs that would be associated with maintaining the property in the current condition. Additionally, the proposed improvement is not pursuant to an enforceable obligation existing prior to June 28, 2011, and HSC section 34177.3 (a) states that successor agencies shall lack the authority to, and shall not, create new enforceable obligations. Therefore, Item No. 67 is not an enforceable obligation and not eligible for funding.

In addition, per Finance's letter dated April 15, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 66 - Consolidated Bond Funding Agreement pertaining to OB Resolution No. 2015-03-OB. OB Resolution No. 2015-03-OB is approved and Item No. 66 is authorized for the ROPS 15-16A period. However, during Finance's review it was determined that Section 4 of the Consolidated Bond Funding Agreement erroneously references ROPS 15-16A Item No. 59 as the ROPS authorization for transfer of the remaining excess bond proceeds to the City of Manteca. Finance notes Section 4 of the Consolidated Bond Funding Agreement should reference ROPS 15-16A Item No. 66.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments (PPA)) associated with the July through December 2014 period (ROPS 14-15A PPA). HSC section 34186 (a) also specifies PPAs self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter. However, during Finance's review of the Agency's ROPS 14-15A PPA, Finance determined the Agency's self-reported ROPS 14-15A PPA of \$82,742 was overstated by \$69,807, attributable to Item Nos. 40 and 41. Therefore, the table below includes Finance's adjustment to the Agency's ROPS 14-15A PPA of \$69,807, resulting in an adjusted ROPS 14-15A PPA of \$12,935 (\$82,742 - \$69,807).

Except for the item denied in whole or the adjustment to the ROPS 14-15A PPA, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$839,389 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	3,315,589
Total RPTTF requested for administrative obligations	96,835
Total RPTTF requested for obligations on ROPS	\$ 3,412,424
Total RPTTF requested for non-administrative obligations	3,315,589
<u>Denied Item</u>	
Item No. 67	(2,560,100)
Total RPTTF authorized for non-administrative obligations	\$ 755,489
Total RPTTF requested for administrative obligations	96,835
Total RPTTF authorized for administrative obligations	\$ 96,835
Total RPTTF authorized for obligations	\$ 852,324
Self-reported ROPS 14-15A PPA	(82,742)
Finance adjustment to ROPS 14-15A PPA	69,807
Total ROPS 14-15A PPA	(12,935)
Total RPTTF approved for distribution	\$ 839,389

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
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