DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 15, 2015

Mr. Micah Runner, Economic Development Director
City of Stockton
425 North El Dorado Street, Room 317
Stockton, CA 95202

Dear Mr. Runner:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 09, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stockton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 25, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 09, 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 27, 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 Nos. 65 through 67 – Housing Projects and Non-housing Projects totaling $8,556,452 requested to be funded with Bond Proceeds. Finance no longer denies these items. The Agency received a Finding of Completion on October 30, 2014. In addition, the Agency provided an Oversight Board (OB) approved agreement entered into between the Agency and the City of Stockton to expend the excess bond proceeds and submitted the OB action to Finance for review. Finance approved the excess bond expenditure agreement on May 14, 2015. Therefore, the Agency's request to expend bonds issued prior to December 31, 2010 pursuant to HSC section 34191.4 (c) is approved.

In addition, per Finance's letter dated April 09, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 63 – Low/Moderate Housing Bonds Certificates of Participation legal fees totaling $280,000 is not an obligation of the Agency. It is our understanding the Agency is not a party to the Amended and Restated Stipulation and Settlement Agreement entered into on July 1, 2014 between the City of Stockton, Stockton Public Financing Authority, Wells Fargo Bank, and Ambac Assurance Corporation. Therefore, this line item is not enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF).

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency requested to use $225,068 in Reserve Balances for Item No. 63, which is denied; resulting in available Reserve Balances totaling $225,068.

Therefore, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

> Item No. 1 – Low/Moderate Housing Bonds COPS in the amount of $692,587. The Agency requests $692,587 of RPTTF; however, Finance is reclassifying $225,068 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the Agency has $225,068 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $467,519 and the use of Reserve Balances in the amount of $225,068, totaling $692,587.

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) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments 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; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part or the item that has been reclassified, 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 $3,164,636 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		3,319,636
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**3,444,636**
Total RPTTF requested for non-administrative obligations		**3,319,636**
Denied Item		
Item No. 63		(54,932)
Reclassified Item		
Item No. 1		(225,068)
		(280,000)
Total RPTTF authorized for non-administrative obligations	**$**	**3,039,636**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**3,164,636**
ROPS 14-15A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**3,164,636**

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. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except the Reserve Balance. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

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 Danielle Brandon, Analyst, at (916) 445-3274

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. LaVerna Blanco, Program Manager II, City of Stockton
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County
California State Controller's Office

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Email Addresses of Addressee and ccs:

Micah.Runner@stocktongov.com
laverna.blanco@stocktongov.com
jwilverding@sjgov.org
RDA-SDSupport@sco.ca.gov