DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 16, 2015

Ms. Laurie Smith, Administrative Services Officer
City of Modesto
1010 Tenth Street
Modesto, CA 95354

Dear Ms. Smith:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Modesto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 4, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

> Item No. 18 – Loan from Housing Set-Aside Funds for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of $100,000 is not allowed. The Agency received a Finding of Completion on April 26, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (3) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.
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> According to the County Auditor-Controller's (CAC) report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are $14,815 and $0, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (3) (A), the maximum repayment amount authorized for 2015-16 is $0. Therefore, the Agency is not eligible for any loan repayment on this ROPS. The Agency may be eligible for additional funding beginning ROPS 16-17A.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the CAC. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table on the

following page reflects the following adjustments made by Finance to the Agency's self-reported prior period adjustment:

- Item No. 4 – Finance decreased the Agency's self-reported actual expenditure to $0. Pursuant to HSC section 34177 (a) (3), only those payments listed in the ROPS may be made by the Agency and only from the funds specified in the ROPS. The prior period adjustment will not be affected by this adjustment, but the expenditures on the cash balance page will be reduced by $31,561.

- Item No. 28 - Finance increased the Agency's self-reported actual expenditure to $1,153,928. The Agency requested to hold these funds in reserve during the ROPS 14-15B as there would be insufficient RPTTF to make bond payments. Although these funds were not spent in the 14-15B period, the Agency should have shown the amount as being spent so the funds would not be included in the prior period adjustment.

Except for the item denied in whole, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 $927,500 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		1,223,148
Total RPTTF requested for administrative obligations		58,600
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**1,281,748**
Total RPTTF requested for non-administrative obligations		**1,223,148**
Denied Item		
Item No. 18		(100,000)
Total RPTTF authorized for non-administrative obligations	**$**	**1,123,148**
Total RPTTF requested for administrative obligations		**58,600**
Total RPTTF authorized for administrative obligations	**$**	**58,600**
Total RPTTF authorized for obligations	**$**	**1,181,748**
ROPS 14-15B prior period adjustment		(254,248)
Total RPTTF approved for distribution	**$**	**927,500**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined

the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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

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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Wendy Griffe, Supervisor, or Jared Smith, Lead Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Stephan Christensen, Budget and Financial Analysis Manager, City of Modesto
Ms. Lauren Klein, Auditor-Controller, Stanislaus County