



May 17, 2016

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

Dear Ms. Mallory:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Manteca Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 29, 2016. Finance issued a ROPS determination letter on April 13, 2016. 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, 2016.

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. 17 – Parking Lot Lease in the amount of \$883,250. Finance continues to deny this item as an enforceable obligation. The Agency contends the requested amount is necessary for improvements prior to returning the parking lot to its owner in good order, condition and repair. However, the schedule of projects listed in the Engineers estimate goes beyond regular maintenance, and repair as required pursuant to the Parking Lot Lease, which also provides that reasonable wear and tear and damage by casualty is excluded from needing to be addressed prior to the lots return. Therefore, the item is not considered an enforceable obligation, and not eligible for Redevelopment Property Tax Trust Fund (RPTTF).
- Item No. 39 – Parking Lot Lease in the amount of \$132,825. Finance continues to deny this item as an enforceable obligation. The Agency contends the requested amount is necessary to repair the parking lot. However, it is our understanding the lease agreement expired in January 2013, and at time the Agency should have returned the parking lot to the owner in a good order, condition and repair, except for reasonable wear and tear and damage by casualty. Any costs associated with the parking lot after this date is not the Agency's responsibility. Furthermore, the Agency was unable to provide documentation that the parking lot was not in good order, condition and repair, except for reasonable wear and tear and damage by casualty in January 2013.

Therefore, the item is not considered an enforceable obligation, and not eligible for RPTTF.

In addition, per Finance's letter dated April 13, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 53 through 59 and 69, 79 – Bond Reserves from RPTTF totaling \$6,112,459 are approved. However, Finance notes the approved RPTTF must be used for ROPS 17-18 debt service obligations.

Pursuant to HSC section 34183 (a) (2) (A), debt service obligations have first priority for payment from distributed RPTTF funding. As such, the \$6,112,459 of RPTTF authorized to be held in reserve, along with the amounts required for the current ROPS period,

should be transferred upon receipt to the bond trustee(s). RPTTF funding approved for debt service obligations is restricted for that purpose and is not authorized to be used for other ROPS items. Any requests to fund the \$6,112,459 again from RPTTF will not be approved unless insufficient RPTTF was received to satisfy the approved debt service.

Except for the items denied in whole, Finance is not objecting to the remaining items listed on your ROPS 16-17.

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,301,951 as summarized in the Approved RPTTF Distribution Table on Page 4 (see Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (I) (1) (E) requires these balances to be used prior to requesting RPTTF.

In addition, on the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Evelyn Suess, Dispute Resolution Supervisor, or Satveer Ark, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Donald Small, Economic Development Manager, City of Manteca
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 1,485,067	\$ 8,563,820	\$ 10,048,887
Requested Administrative RPTTF	269,139	0	\$ 269,139
Total RPTTF requested for obligations on ROPS 16-17	\$ 1,754,206	\$ 8,563,820	\$ 10,318,026
Total RPTTF requested	1,485,067	8,563,820	10,048,887
Denied Items			
Item No. 17	(883,250)	0	(883,250)
Item No. 39	(132,825)	0	(132,825)
	(1,016,075)	0	(1,016,075)
Total RPTTF authorized	468,992	8,563,820	\$ 9,032,812
Total Administrative RPTTF authorized	269,139	0	\$ 269,139
Total RPTTF approved for distribution	738,131	8,563,820	\$ 9,301,951