



April 12, 2013

Ms. Suzanne Mallory, Finance Director
City of Manteca Successor Agency
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 13-14A) to the California Department of Finance (Finance) on February 27, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- 2005 Amended Project Area Variable Rate Refunding Bonds totaling \$21,999,865 includes the following:
 - Item No. 8 – Letter of Credit (LOC) in the amount of \$4,729,865
 - Item No. 10 – LOC Commitment Fee in the amount of \$1,120,000
 - Item No. 11 – Remarketing Fee in the amount of \$150,000
 - Item No. 12 – Principal amount of \$16,000,000 due after expiration

The above items listed are expenses that will occur if the LOC is not renewed by May 10, 2013. Finance has approved the LOC renewal pursuant to Oversight Board Resolution 2013-03-OB determination letter dated April 12, 2013. Therefore, these items are not eligible to be funded using Reserves and Redevelopment Property Tax Trust Fund (RPTTF).

- Parking Lot Leases totaling \$87,950 includes the following:
 - Item No. 39 – Parking Lot Lease for 133 N. Grant Ave in the amount of \$69,500
 - Item No. 40 – Parking Lot Lease for 114 N. Grant Ave in the amount of \$8,300
 - Item No. 41 – Parking Lot Leases for 173 E. Yosemite Ave in the amount of \$10,150

It is our understanding that the contracts for these line items have expired. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, these items are not eligible to be funded using RPTTF.

- Project Area 1 and 2 totaling \$52,229,231 in bond proceeds includes the following:
 - Item No. 43 – Low/Mod Affordable Housing Development in the amount of \$2,129,231
 - Item No. 44 – Low/Mod Down Payment Assistance Grants in the amount of \$500,000
 - Item No. 45 – Courts Project in the amount of \$5,000,000
 - Item No. 46 – South Area Regional Infrastructure in the amount of \$15,000,000
 - Item No. 47 – McKinley/ 120 Interchange in the amount of \$4,000,000
 - Item No. 48 – Union Road Bridge Widening in the amount of \$15,500,000
 - Item No. 49 – Access Rd Milo Candini in the amount of \$1,225,000
 - Item No. 50 – Property Acquisition in the amount of \$5,375,000
 - Item No. 51 – Community Park Improvements in the amount of \$2,000,000
 - Item No. 52 – Community Center in the amount of \$1,500,000

HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these items have not yet been awarded. Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.

- Claimed administrative costs exceed the allowance by \$9,282. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. Item No. 27 for Administrative Allowance in the amount of \$259,282 is considered an administrative expense and should be counted toward the cap. Therefore, \$9,282 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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: \$4,829,027 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 8,902,009
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 8	2,615,750
Item 10	560,000
Item 11	75,000
Item 12	725,000
Item 27*	259,282
Item 39	69,500
Item 40	8,300
item 41	10,150
Total approved RPTTF for enforceable obligations	\$ 4,579,027
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 4,829,027

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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

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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 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 Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Donald Smail, Economic Development Manager, City of Manteca
Ms. Sandra Chan, Chief Deputy Auditor Controller, County of San Joaquin
California State Controller's Office