



May 17, 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

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Manteca Successor Agency (Agency) submitted ROPS 13-14A to Finance for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 25, 2013.

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 item being disputed.

- Items 8 and 10 through 12 – 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; \$2,615,750 payable from Redevelopment Property Tax Trust Funds (RPTTF) and \$2,114,115 payable from Reserve Funds. Finance continues to deny this item. Finance denied the item because payment only occurs when and if the Agency defaults in reimbursing State Street Bank (the LOC issuer) when due. The Agency contends that the approval of the LOC does not prevent its payment or the making of contingent reserve to meet fluctuating rates. Pursuant to HSC section 34171(d)(1)(A), a reserve may be held when required by the bond indenture or when next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for next payment due in the following half of the calendar year.

The Agency has not provided justification that the next property tax allocation will be insufficient to pay all obligations due under the provision of the bond for the next payment due in the following half of the calendar year. Pursuant to Section 2.04 of the Letter of Credit and Reimbursement Agreement, no interest shall accrue and be payable if the Agency reimburses or causes the Trustee to reimburse State Street by 3.00 pm New York City time for a draw on the Draw Date for such draw. Therefore, with the renewal of the LOC complete, and in the absence of any foreseeable

circumstance that will result in a default by the Agency, the request for RPTTF and Reserve Funds for this line item is not necessary at this time.

- Item No. 10 – LOC Commitment Fee in the amount of \$1,120,000; \$560,000 payable from RPTTF and \$560,000 payable from Reserve Funds. Finance continues to deny the Agency's request to create a reserve of \$560,000 for the LOC commitment fee for the period January through June 2014. The Agency has not provided justification that the next property tax allocation will be insufficient to pay all obligations due under the provision of the bond for the next payment due in the following half of the calendar year. Pursuant to HSC section 34171(d)(1)(A), a reserve may be held when required by the bond indenture or when next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for next payment due in the following half of the calendar year. Therefore, the Agency request for reserve continues to be denied.

However, Finance no longer objects to the Agency's request in the amount of \$526,710 (amount recalculated following LOC approval) payable from RPTTF for the LOC commitment fee for the period July through December 2013. This is an enforceable obligation of the Agency following the approval for the renewal of the LOC effective May 13, 2013, and eligible for RPTTF funding.

- Item No. 11 – Remarketing Fee in the amount of \$150,000; \$75,000 payable from RPTTF and \$75,000 payable from Reserve Funds. Finance continues to object to the Agency's request to create a reserve of \$75,000 for the payment of the remarketing fee to the Remarketing Agent for the period January through June 2014. Pursuant to HSC section 34171(d)(1)(A), a reserve may be held if required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the bond provisions. The Agency has not provided justification that the next property tax allocation will be insufficient to pay all obligations due under the provision of the bond for the next payment due in the following half of the calendar year.

However, Finance no longer objects to the Agency request for the amount of \$30,550 (amount recalculated following LOC approval) of RPTTF for the payment of the bond remarketing fee for the period July through December 2013. This is an enforceable obligation and eligible for RPTTF funding.

- Item No. 12 – Principal amount of \$16,000,000 due after expiration. Finance continues to deny the Agency's request in the amount of \$8 million, payable from Reserve Funds. Finance originally denied this item because none of the conditions stated in Section 4.04 of the First Supplemental Indenture that should precede a mandatory tender have occurred or are anticipated to occur before the renewal of the LOC. Therefore, the Agency request for the amount of \$8 million continues to be denied, and this item is not eligible for Reserve Funds funding on this ROPS.
- Items 39 through 41 - Parking Lot Leases totaling \$87,950. Finance continues to deny these items. While Finance acknowledges the respective lease agreements require the Agency to return the leased properties to the lessors in good order, condition and repair, the Agency has been unable to provide sufficient documentation to support the cost and nature of work to be done on each of the sites. Requests for funding may be included in future

ROPS after the Agency has obtained sufficient documentation to support the request for repair work. Therefore, these line items are not eligible for RPTTF funding on this ROPS.

- Items 43 and 44 – Low-Mod related payments totaling \$2,629,231; payable from Housing Bond Proceeds. Finance continues to deny these items as there were no contracts in place prior to June 27, 2011. In order to obtain spending authority, housing successors can follow the process set forth in HSC section 34176 (g), which authorizes the housing successor to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants. The proceeds must have been derived from bonds that were issued for the purposes of affordable housing and issued prior to January 1, 2011.

To initiate this process, the housing successor is required to provide notice to the Agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the ROPS to the Oversight Board. These commitments and designations will not be considered valid or binding until they are included in, and approved in a valid ROPS. However, the housing successor did not provide notice to the Agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the ROPS to the Oversight Board.

Therefore, these items are not eligible for Housing Bond Proceeds funding at this time. However, 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.

In addition, per Finance's ROPS letter dated April 12, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 27 – Considered an administrative cost
- 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 Road 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

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. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is \$6,111,287 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
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	33,290
Item 11	44,450
Item 27*	259,282
Item 39	69,500
Item 40	8,300
item 41	10,150
Total approved RPTTF for enforceable obligations	\$ 5,861,287
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 6,111,287</b>

\*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 table below 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 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)

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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 Nichelle Thomas, Supervisor or Susana Medina Jackson, 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