DEPARTMENT OF FINANCE

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April 11, 2014

Ms. Suzanne Mallory, Finance Director
City of Manteca
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 14-15A) to the California Department of Finance (Finance) on February 28, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

Item Nos. 53 through 57 and 59 – Various Bond Debt Service Reserves totaling $3,027,150. It is our understanding that the Agency is requesting Redevelopment Property Tax Trust Fund (RPTTF) funding for the debt service payments due January through June 2015. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due in the *following half* of the calendar year. Therefore, the requests to fund payments due for the *first half* of the calendar year for the following bonds are not allowed:

- Item No. 53 – 2002 Tax Allocation Bonds (TAB) in the amount of $590,000
- Item No. 54 – 2004 Housing TAB in the amount of $105,950
- Item No. 55 – 2004 TAB in the amount of $510,250
- Item No. 56 – 2005 Refunding Bonds in the amount of $810,000
- Item No. 57 – 2005 Refunding Bonds in the amount of $560,000
- Item No. 59 – 2006 TAB in the amount of $450,950

During our review, which may have included obtaining financial records, Finance determined that the funding source for the following item should be reclassified to Reserve Balances in the amount specified below:

Item No. 14 – 2006 TAB in the amount of $932,675. The Agency requests $932,675 of RPTTF for the October 1, 2014 debt payments; however, Finance is reclassifying the

whole amount to Reserve Balances. This item is an enforceable obligation; however, this obligation has been fully funded on ROPS 13-14B, Item No. 59. Therefore, Finance is approving the use of Reserve Balances in the amount of $932,675 on this ROPS period.

In addition, the Agency has requested to adjust the following:

Item No. 10 – 2005 Refunding Bonds in the amount of $21,625. The Agency realized the discrepancies with the funding sources for the December 31, 2014 payment and has requested Finance to increase the original estimates for Reserve Balances from $533,375 to $555,000 ($533,375 + $21,625) and decrease RPTTF funding from $71,144 to $49,519 ($71,144 - $21,625), totaling $604,519 during the ROPS 14-15A period.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 $956,645 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		4,818,095
Total RPTTF requested for administrative obligations		120,000
Total RPTTF requested for obligations	**$**	**4,938,095**
Agency requested RPTTF adjustment to non-administrative obligation		
Item No. 10		(21,625)
Total Agency requested RPTTF adjustments	**$**	**(21,625)**
Total RPTTF requested for non-administrative obligations		**4,796,470**
Denied Items		
Item No. 53		(590,000)
Item No. 54		(105,950)
Item No. 55		(510,250)
Item No. 56		(810,000)
Item No. 57		(560,000)
Item No. 59		(450,950)
		(3,027,150)
Reclassified Item		
Item No. 14		(932,675)
Total RPTTF authorized for non-administrative obligations	**$**	**836,645**
Total RPTTF requested for administrative obligations		**120,000**
Total RPTTF authorized for administrative obligations	**$**	**120,000**
Total RPTTF authorized for obligations	**$**	**956,645**
ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**956,645**

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 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses 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 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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 July 1 through December 31, 2014. 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 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 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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Donald Smail, Economic Development Manager, City of Manteca
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County
California State Controller's Office