



November 8, 2013

Ms. Marlene Murphey, Executive Director
City of Fresno
2344 Tulare Street, Suite 200
Fresno, CA 93721

Dear Ms. Murphey:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Fresno City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 24, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 No. 6 – Central City Apple Valley Infrastructure Project in the amount of \$344,927. The Memorandum of Understanding between the former redevelopment agency (RDA) and Apple Valley Farms, Inc. does not adequately address the project scope and costs. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 24 – 2003 Mariposa Tax Allocation Bonds in the amount of \$7,428. The Agency requested \$348,424 RPTTF funding, however, the total amount required during ROPS 13-14B is \$340,996. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves.

Additionally, based on the history of the Agency's RPTTF distributions, it is our understating property tax allocations are sufficient to make debt service payments when due. Therefore, the requested amount has been revised by \$7,428 (\$348,424-\$340,996) to \$340,996.

- Item No. 30 – 2001 Merger 2 Tax Allocation Bonds in the amount of \$6,985. The Agency requested \$103,029 RPTTF funding, however, the total amount due during ROPS 13-14B is \$96,044. HSC section 34171 (d) (1) (A) allows agencies to hold a

reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves.

Additionally, based on the history of the Agency's RPTTF distributions, it is our understating property tax allocations are sufficient to make debt service payments when due. Therefore, the funding requested has been reduced by \$6,985 (\$103,029-\$96,044) to \$96,044.

- Item No. 34 – Property Sale/Disposition of Agency Properties in the amount of \$2,032,072. The Agency requested \$769,182 from Reserve Funds, and \$458,974 from RPTTF. However, the documentation provided was insufficient to support the amounts requested from Reserve Funds. Therefore, this line item is not eligible for Reserve Funds on this ROPS.
- Claimed administrative costs exceed the allowance by \$70,144. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$302,735 in administrative expenses. The Fresno County Auditor-Controller's Office distributed \$247,879 in administrative costs for the July through December 2013 period, thus leaving a balance of \$54,856 available for the January through June 2014 period. Although \$125,000 is claimed for administrative costs, only \$54,856 is available pursuant to the cap. Therefore, \$70,144 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$228,256.

Therefore, with the Agency's concurrence, the funding sources for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item No. 34 – Property Sale/Disposition of Agency Properties in the amount of \$2,032,072. The Agency requests \$458,974 of RPTTF; however Finance is reclassifying \$173,400 of RPTTF to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$173,400 in Other Funds. Therefore, Finance is approving RPTTF in the amount of \$285,574 and Other Funds in the amount of \$173,400, totaling \$458,974 for Item No. 34.
- Item No. 38 – Agency Administrative Budget in the amount of \$54,856. Although the Agency requested \$125,000, only \$54,856 was available for RPTTF funding in the ROPS 13-14B period pursuant to the administrative cap. However, the obligation does not require payment from property tax revenues and the Agency has \$54,856 in Other Funds. Therefore, Finance is reclassifying the entire amount to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below 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.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 \$1,962,438 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	4,956,766
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 5,081,766
Total RPTTF requested for non-administrative obligations	4,956,766
<u>Denied Items</u>	
Item No. 6	(344,927)
Item No. 24	(7,428)
Item No. 30	(6,985)
	(359,340)
Total RPPT before reclassification	4,597,426
<u>Reclassified Items</u>	
Item No. 34	(173,400)
Total RPTTF approved for non-administrative obligations	4,424,026
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	54,856
<u>Reclassified Items</u>	
Item No. 38	(54,856)
Total RPTTF approved for administrative obligations	-
Total RPTTF approved for obligations	4,424,026
ROPS III prior period adjustment	(2,461,588)
Total RPTTF approved for distribution	\$ 1,962,438

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	5,493,745
Total RPTTF for 13-14B (January through June 2014)	4,597,426
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	10,091,171
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	302,735
Administrative allowance for 13-14A (July through December 2013)	247,879
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	54,856

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. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund 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 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

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

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, 2014. This determination applies only 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 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.

Ms. Marlene Murphey
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Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at
(916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Debra Barletta, Director of Finance, Fresno City
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office