



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 8, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fresno Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 24, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 8, 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 November 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 items being disputed.

- Item No. 6 – Central City Apple Valley Infrastructure Project in the amount of \$344,927. Finance no longer denies this item. Finance initially denied this item as the Memorandum of Understanding between the former redevelopment agency (RDA) and Apple Valley Farms, Inc. does not adequately address the project scope and costs. Based on further review during the Meet and Confer process, the MOU does state the responsibilities of the former RDA as well as the amount of funds to be committed and the time period in which these responsibilities are to be completed. Therefore, this item is an enforceable obligation and is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 24 – 2003 Mariposa Tax Allocation Bonds in the amount of \$7,428. Finance no longer denies this item. The Agency requested \$348,424 in RPTTF funding; however, based on Finance's initial review, the requested amount to be spent during ROPS 13-14B was reduced to \$340,996. During the Meet and Confer process, the Agency provided clarifying information that the additional amount requested is to cover the administrative and audit fees of the trustee, annual arbitrage rebate services, bond disclosure services, and project management services. These items are enforceable obligations since they are required pursuant to the bond documents. Therefore, the requested amount is approved for RPTTF funding.

Finance notes, this item contains more than one contract and more than one payee. On future ROPS, the Agency should list each contract as a separate obligation with its own item number and list them in sequential order. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

- Item No. 30 – 2001 Merger 2 Tax Allocation Bonds in the amount of \$6,985. Finance no longer denies this item. The Agency requested \$103,029 RPTTF funding; however, based on Finance's initial review, the requested amount to be spent during ROPS 13-14B was reduced to \$96,044. During the Meet and Confer process, the Agency provided clarifying information that the additional amount requested is to cover the administrative and audit fees of the trustee, annual arbitrage rebate services, bond disclosure services, and project management services. These items are enforceable obligations since they are required pursuant to the bond documents. Therefore, the requested amount is approved for RPTTF funding.

Finance notes, this item contains more than one contract and more than one payee. On future ROPS, the Agency should list each contract as a separate obligation with its own item number and list them in sequential order. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

- Item No. 34 – Property Sale/Disposition of Agency Properties in the amount of \$2,032,072. Finance no longer denies \$423,706 of this item to be funded from Reserve Funds. The Agency requested \$769,182 from Reserve Funds and \$458,974 from the RPTTF. Finance initially denied Reserve Funds for this item as the documentation provided was insufficient to support the amounts requested. During the Meet and Confer process, the Agency provided the breakdown for the Reserve Funds requested. The request for the use of Reserve Funds consists of the following items:

- Costs associated with maintaining properties and preparing Long Range Property Management Plan - \$133,706
- Mold remediation and roof replacement for 887 Fulton Mall - \$200,476
- Roof replacement for 829 Fulton Mall - \$70,000
- Demolition for 823 Waterman - \$75,000
- Soil and groundwater assessment and soil vapor extraction pilot test ordered by the California Regional Water Quality Control Board for 655 G Street - \$290,000

The costs associated with maintaining properties prior to disposition, preparing the LRPMP, and implementing existing cleanup plans are enforceable obligations. However, the costs associated with roof replacements and demolition are not enforceable obligations because these are improvements to properties and are beyond routine maintenance and repairs that would be associated with maintaining the property in the current condition. Additionally, the Agency's LRPMP has not been reviewed or approved by Finance to determine if these proposed costs will be necessary to prepare the properties for disposition. Therefore, \$345,476 of this item is not an enforceable obligation and not eligible for Reserve Funds at this time.

Furthermore, based upon additional review during the Meet and Confer process, \$190,000 of the \$458,974 requested from the RPTTF is not an enforceable obligation. Specifically, the following projects are not required pursuant to an enforceable obligation

existing prior to June 28, 2011, and are beyond routine maintenance and repairs that would be associated with maintaining the property in the current condition:

- o Hazardous survey abatement and clearance for 10th and Ventura - \$105,000
- o Hazardous survey abatement and clearance for 731 California Ave. - \$85,000

Since the Agency's LRPMP has not been reviewed or approved by Finance to determine if these proposed costs will be necessary to prepare the properties for disposition, \$190,000 of this item is not an enforceable obligation and not eligible for RPTTF funding at this time.

Finance also notes, this item contains more than one contract and more than one payee. On future ROPS, the Agency should list each contract as a separate obligation with its own item number and list them in sequential order. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

- Claimed administrative costs exceed the allowance by \$65,064. 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 \$307,815 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 \$59,936 available for the January through June 2014 period. Although \$125,000 is claimed for administrative costs, only \$59,936 is available pursuant to the cap. Therefore, \$65,064 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 funding; however, Finance is denying \$190,000 and 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 \$95,574 and Other Funds in the amount of \$173,400, totaling \$268,974 for Item No. 34.
- Item No. 38 – Agency Administrative Budget in the amount of \$54,856. Although the Agency requested \$125,000, only \$59,936 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 \$54,856 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,136,858 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. 34	(190,000)
Total RPTTF before reclassification	4,766,766
<u>Reclassified Items</u>	
Item No. 34	(173,400)
Total RPTTF approved for non-administrative obligations	4,593,366
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	59,936
<u>Reclassified Items</u>	
Item No. 38	(54,856)
Total RPTTF approved for administrative obligations	5,080
Total RPTTF approved for obligations	4,598,446
ROPS III prior period adjustment	(2,461,588)
Total RPTTF approved for distribution	\$ 2,136,858

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)	4,766,766
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	10,260,511
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	307,815
Administrative allowance for 13-14A (July through December 2013)	247,879
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	59,936

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/).

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 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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