



November 6, 2014

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 14-15B) to the California Department of Finance (Finance) on September 22, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 34 – Property Sale/Disposition of Agency Properties in the amount of \$315,630 is partially approved. The Agency was able to provide documentation to support estimated costs in the amount of \$207,630. However, the Agency did not provide documents to support \$55,000 in tenant relocation costs, or \$53,000 for hazardous material surveys and abatement and construction management costs. Should the Agency be able to provide documentation to support these costs as required pursuant to an enforceable obligation, existing prior to June 28, 2011, these costs may be eligible for funding on a subsequent ROPS. Therefore, \$108,000 (\$315,630 - \$55,000 - \$53,000) is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Finance notes this item contains more than one contract and more than one payee. On future ROPS, the Agency must 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. Future ROPS not completed in a manner provided by Finance may be rejected in its entirety and returned to the oversight board for reconsideration.

- Item Nos. 42 through 45, 47, 48, 50 through 56, 58 through 63, 65 through 80, 86 through 92, and 97 through 109 – City of Fresno (City) loan repayments totaling \$95,367,867 are not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of

Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on June 2, 2014. Oversight Board Resolution OB-19 approved sixty-eight loans between the City and the former redevelopment agency totaling \$110,186,469 as enforceable obligations and found the loans were for legitimate redevelopment purposes. However, fifty-six loans with a total of \$73,654,619 were denied in our letter dated October 29, 2014. The Agency was unable to provide support for these loans including promissory notes, loan amounts, and properly executed loan agreements. Additionally, while Item No. 89 is eligible for repayment, pursuant to the terms of the agreement, this loan cannot be repaid until all other indebtedness of the Agency has been repaid.

For the other remaining City loans, to the extent the Agency can provide suitable documentation, such as properly executed loan agreements, promissory notes, and documentation to support the outstanding loan amounts, and once all other indebtedness of the Agency has been repaid, the Agency may be able to obtain RPTTF funding on future ROPS. Finance will continue to work with the Agency to obtain the necessary documentation.

- Item No. 49 – The total outstanding balance for the Chinatown Expanded Project loan is overstated and the requested payment of \$2,508 is partially denied. Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). The total outstanding balance reported for Item No. 49 includes miscalculated interest in which the Agency applied more than one interest rate. However, the accumulated interest on the loan should be recalculated using the LAIF interest rate at the time when the Agency's Oversight Board makes a finding the loan was for legitimate redevelopment purposes.

Finance has recalculated the total outstanding loan balance to be approximately \$1,542, and therefore has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by approximately \$66,157. The Agency is requesting \$2,508 in RPTTF for the ROPS 14-15B period; however, the recalculated outstanding balance is approximately \$1,542. Therefore, \$966 (\$2,508 - \$1,542) is denied and this item is eligible for \$1,542 in RPTTF funding.

- Item Nos. 57, 81 through 85, and 94 through 96 – The total outstanding loan balances for these City loans are overstated. Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the LAIF. The total outstanding balances reported for these items include miscalculated interest in which the Agency applied more than one interest rate. However, the accumulated interest on the loans should be recalculated using the LAIF interest rate at the time when the Agency's Oversight Board makes a finding the loan was for legitimate redevelopment purposes. Therefore, Finance's recalculated outstanding loan balances are as follows:
 - Item No. 57 – Finance has recalculated the total outstanding loan balance to be approximately \$2,300 and therefore has reduced the reported outstanding loan balance by approximately \$30,600.

- Item No. 81 – Finance has recalculated the total outstanding loan balance to be approximately \$2,060,000 and therefore, has reduced the reported outstanding loan balance by approximately \$3,889,000.
- Item No. 82 – Finance has recalculated the total outstanding loan balance to be approximately \$954,000 and therefore, has reduced the reported outstanding loan balance by approximately \$1,282,000.
- Item No. 83 – Finance has recalculated the total outstanding loan balance to be approximately \$159,000 and therefore, has reduced the reported outstanding loan balance by approximately \$215,000.
- Item No. 84 – Finance has recalculated the total outstanding loan balance to be approximately \$21,000 and therefore, has reduced the reported outstanding loan balance by approximately \$58,000.
- Item No. 85 – Finance has recalculated the total outstanding loan balance to be approximately \$791,000 and therefore, has reduced the reported outstanding loan balance by approximately \$834,000.
- Item No. 94 – Finance has recalculated the total outstanding loan balance to be approximately \$643,000, and therefore, has reduced the reported outstanding loan balance by approximately \$221,000.
- Item No. 95 – Finance has recalculated the total outstanding loan balance to be approximately \$206,000 and therefore, has reduced the reported outstanding loan balance by approximately \$72,000.
- Item No. 96 – Finance has recalculated the total outstanding loan balance to be approximately \$1,482,000 and therefore, has reduced the reported outstanding loan balance by approximately \$307,000.

Since the amounts requested do not exceed the repayment formula outlined in HSC section 34191.4 (b) (2) (A), or the total outstanding balance owed, Finance is approving the amounts requested for RPTTF funding in the ROPS 14-15B period.

- The Agency's claimed administrative costs exceed the allowance by \$122,207. HSC section 34171 (b) limits fiscal year 2014-15 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 \$264,772 in administrative expenses. The Fresno County Auditor - Controller's Office distributed \$250,000 of administrative costs for the July through December 2014 period, thus leaving a balance of \$14,772 available for the January through June 2015 period. Therefore, \$122,207 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects 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 review by the county auditor-controller (CAC) and the State Controller.

Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$838,169 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	8,232,831
Total RPTTF requested for administrative obligations	136,979
Total RPTTF requested for obligations on ROPS	\$ 8,369,810
Total RPTTF requested for non-administrative obligations	8,232,831
<u>Denied Items</u>	
Item No. 34	(108,000)
Item Nos. 42 through 45, 47 through 56, 58 through 63, and 65 through 80	(902,992)
Item Nos. 86 through 92, and 97 through 109	(2,903,107)
	(3,914,099)
Total RPTTF authorized for non-administrative obligations	\$ 4,318,732
Total RPTTF requested for administrative obligations	136,979
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(122,207)
Total RPTTF authorized for administrative obligations	\$ 14,772
Total RPTTF authorized for obligations	\$ 4,333,504
Total ROPS 13-14B PPA	(3,495,335)
Total RPTTF approved for distribution	\$ 838,169
Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	4,506,999
Total RPTTF for 14-15B (January through June 2015)	4,318,732
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2014-2015	8,825,731
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	264,772
Administrative allowance for 14-15A (July through December 2014)	250,000
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	14,772
Total RPTTF administrative obligations after Finance adjustments	136,979
Administrative costs in excess of the cap	\$ (122,207)

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

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