



April 6, 2015

Ms. Marlene Murphey, Executive Director  
Fresno City  
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 15-16A) to the California Department of Finance (Finance) on February 20, 2015 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 15-16A, 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. 6 – Central City, Apple Valley Infrastructure contract in the amount of \$308,935 is not allowed. The Memorandum of Understanding between the former redevelopment agency (RDA) and Apple Valley Farms, Inc. does not adequately address the project scope and costs. Additionally, contracts provided by the Agency for actual construction activities were awarded after June 27, 2011. HSC section 34163 (c) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 34 – Disposition of Agency Properties in the amount of requested \$112,112 has been adjusted by \$72,800 to \$39,312. Insufficient documentation was provided to support the amounts claimed for project management. The disposition of Agency properties is not a project-specific obligation that requires project management. The Agency provided documents to support the other costs, including fence rental and legal costs. However, these documents are insufficient to support the requested amount because they do not address the requirement for project management costs. To the extent the Agency can provide suitable documentation, such as information regarding the person assigned to oversee the sale of assets and their specific duties, the Agency may be able to obtain RPTTF on future ROPS.
- Item No. 37 – US Environmental Protection Agency (EPA) Grant in the amount of \$45,000 is not an enforceable obligation. It is our understanding the EPA awarded a grant to the Agency on August 31, 2011, with pre-award costs approved back to

July 1, 2011. HSC section 34177.3 (a) states that agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011.

The Agency provided a copy of the EPA grant; however, this document is insufficient, on its own, to support the requested amount. To the extent the Agency can provide suitable documentation, such as an executed contract, or third-party vendor invoices which predate dissolution, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Items 42, 44, 45, 47, 48, 51 through 53, 55, 56, 58, 67 through 70, 72, 78 through 80, 86 through 88, 91, 92, 100 through 104, and 109 – City loan repayments continue to be denied at this time. 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.

Oversight Board (OB) Resolution OB-19 was submitted to Finance to approve 68 loans between the City and the former RDA as enforceable obligations and made a finding that the loans were for legitimate redevelopment purposes. However, 56 loans were denied in our letter dated October 29, 2014. Finance initially denied these loans because the Agency was unable to provide support for these loans including promissory notes, loan amounts, and properly executed loan agreements. The Agency subsequently submitted OB Resolution OB-22 to approve the remaining 56 loans; however, 38 remain denied in our letter dated April 6, 2015. Finance continues to deny these loans because the Agency was unable to provide support for these loans including promissory notes, loan amounts, and properly executed loan agreements. To the extent the Agency can provide additional documentation to demonstrate the monetary amounts of loans and the required repayments, these items may be eligible for repayments on future ROPS.

- Item Nos. 49, 57, 84, and 95 – City loans totaling \$226,946. Finance approved full funding for these items in our letter dated December 17, 2014 and considered these items retired. The Agency has not provided sufficient documentation to support that funding approved in ROPS 14-15B was inadequate; therefore, Finance continues to consider these items retired.
- Item 82 – City loan in the amount of \$41,674. Finance originally approved RPTTF in the amount of \$951,480 in our letter dated December 17, 2014. Upon recalculation to verify the requested amount, we determined an additional \$2,526 is outstanding. Therefore, Finance will reduce the amount requested by \$39,148 and \$2,526 will be repaid in this ROPS and the item will be considered retired.
- Item 83 – City loan in the amount of \$6,992. Finance originally approved RPTTF in the amount of \$158,250 in our letter dated December 17, 2014. Upon recalculation to verify the requested amount, we determined an additional \$391 is outstanding. Therefore, Finance will reduce the amount requested by \$6,601 and \$391 will be repaid in this ROPS and the item will be considered retired.

- Item 85 – City loan in the amount of \$27,111. Finance originally approved RPTTF in the amount of \$789,600 in our letter dated December 17, 2014. Upon recalculation to verify the requested amount, we determined an additional \$1,804 is outstanding. Therefore, Finance will reduce the amount requested by \$25,307 and \$1,804 will be repaid in this ROPS and the item will be considered retired.
- Items 110 through 114 – Various Property Disposition costs, including relocation and remediation costs, totaling \$173,530, are not allowed. HSC section 34177.3 (a) states that agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. HSC section 34171 (d) (1) (F) allows agencies to maintain assets prior to disposition, however, remediation and relocation costs are beyond the ordinary maintenance work necessary to maintain the property prior to disposition, and is not pursuant to an existing enforceable obligation.

Finally, contracts and agreements for these obligations have not been approved by the OB as required pursuant to HSC section 34180. Once approved by the OB, and the necessary disposition costs are identified, the Agency may be able to obtain RPTTF on future ROPS. Therefore, these items are not eligible for RPTTF funding on this ROPS.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. 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. 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, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,269,520 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	7,575,640
Total RPTTF requested for administrative obligations	250,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 7,825,640</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>7,575,640</b>
<b>Denied Item</b>	
Item No. 6	(308,935)
Item No. 34	(72,800)
Item No. 37	(45,000)
Item Nos. 42, 44, 45, 47, 48, 51 through 53, 55, 56, 58, 67 through 70, 72, 78 through 80, 86 through 88, 91, 92, 100 through 104, and 109	(1,588,889)
Item Nos. 49, 57, 84, and 95	(7,364)
Item No. 82	(39,148)
Item No. 83	(6,601)
Item No. 85	(25,307)
Item Nos. 110-114	(173,530)
	(2,267,574)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 5,308,066</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>250,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 250,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 5,558,066</b>
ROPS 14-15A prior period adjustment	(3,288,546)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,269,520</b>

Please refer to the ROPS 15-16A 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, 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 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 Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
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