



December 17, 2015

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 18, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fresno Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 5, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 18, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on December 1, 2015.

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 determinations being disputed.

- Item No. 5 – CBD Property Based Improvement District #5 in the amount of \$25,452 requested for ROPS 15-16B, total obligation in the amount of \$208,052, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$452 to the administrative cost allowance (ACA). Finance denied a portion of this item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency contended that the CBD Property Based Improvement District is a project-specific obligation that requires project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. Activities such as attending and participating in meetings, conversations, and workshops and compiling worksheets are not project implementation activities, but general administrative activities. Therefore, Finance approves \$25,000 from the Redevelopment

Property Tax Trust Fund (RPTTF) funding for this item, and the excess \$452 (\$25,452 - \$25,000) is being reclassified to the ACA.

- Item No. 9 – Convention Center Development, Old Armenian Town LLC in the amount of \$2,172,320 requested for ROPS 15-16B, total obligation in the amount of \$2,613,961, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$42,922 to the ACA. Finance denied a portion of this item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency contended that the Convention Center Development, Old Armenian Town LLC is a project-specific obligation that requires legal and project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. While some of the activities listed appear to be specific project implementation, others are general administrative activities. Finance cannot determine the amount related to specific project implementation because the Agency provided a lump sum and did not provide the specific hours or costs for each activity described. Therefore, Finance approves \$2,129,398 for this item, and the excess \$42,922 (\$2,172,320 - \$2,129,398) is being reclassified to the ACA.

- Item No. 10 – Convention Center-Historic Houses in the amount of \$32,535 requested for ROPS 15-16B, total obligation in the amount of \$95,772, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$26,564 to the ACA. Finance denied a portion of this item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency contended that the Convention Center Development – Historic Houses is a project-specific obligation that requires legal and project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. While some of the activities listed appear to be specific project implementation, others are general administrative activities. Finance cannot determine the amount related to specific project implementation because the Agency provided a lump sum and did not provide the specific hours or costs for each activity described. Therefore, Finance approves \$5,971 for this item, and the excess \$26,564 (\$32,535 - \$5,971) is being reclassified to the ACA.

- Item No. 11 – CBD Property Based Improvement District #7 in the amount of \$1,052 requested for ROPS 15-16B, total obligation in the amount of \$11,760, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$452 to the ACA. Finance denied a portion of this item because the Agency was unable

to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided is not adequate to support the total amount requested.

During the Meet and Confer process, the Agency contended that the Convention Center Property Based Improvement District is a project-specific obligation that requires project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. Activities such as attending and participating in meetings, conversations, and workshops and compiling worksheets are not project implementation activities, but general administrative activities. Therefore, Finance approves \$600 for this item, and the excess \$452 (\$1,052 - \$600) is being reclassified to the ACA.

- Item No. 22 – Jefferson –CMC Regional Medical Center in the amount of \$154,368 was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$6,368 to the ACA. Finance denied a portion of this item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency contended that the Jefferson – CMC Regional Medical Center is a project-specific obligation that requires legal and project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. While some of the activities listed appear to be specific project implementation, others are general administrative activities. Finance cannot determine the amount related to specific project implementation because the Agency provided a lump sum and did not provide the specific hours or costs for each activity described. Therefore, Finance approves \$148,000 for this item, and the excess \$6,368 (\$154,368 - \$148,000) is being reclassified to the ACA.

- Item No. 24 – 2003 Mariposa Tax Allocation Bonds and Fees, debt service payment in the amount of \$364,083 was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$1,485 to the ACA. According to the payment schedule, \$359,598 is due February 1, 2016 for debt service. However, Finance denied a portion of the item because the Agency was unable to support the total amount claimed.

During the Meet and Confer process, the Agency contended that the additional \$4,485 requested is related to \$1,500 for arbitrage rebate fees, \$1,500 for annual disclosure services, and \$1,485 for project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. An activity such as compiling information is not a project

implementation activity, but a general administrative activity. Therefore, Finance approves \$362,598 for this item, and the excess \$1,485 (\$364,083 - \$362,598) is being reclassified to the ACA.

Finance notes that the Agency has included more than one contract and more than one payee for this item. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance. Failure to properly complete the ROPS in a manner provided by Finance may cause the ROPS to be rejected in its entirety and returned to the Oversight Board for reconsideration. On future ROPS, list each contract as a separate obligation with its own item number in sequential order.

- Item No. 25 – Roeding California Infrastructure Bank Loan & Fees in the amount of in the amount of \$28,113 requested for ROPS 15-16B, total obligation in the amount of \$2,197,532, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$742 to the ACA. Finance denied a portion of the item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency contended that the Roeding California Infrastructure Bank Loan & Fees is a project-specific obligation that requires legal and project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. Activities such as processing documents and responding to questions are not project implementation activities, but general administrative activities. Therefore, Finance approves \$27,371 for this item, and the excess \$742 (\$28,113 - \$27,371) is being reclassified to the ACA.

- Item No. 27 – SVN-Foundry Park CFD #5 Developer Agreement in the amount of \$73,120 requested for ROPS 15-16B, total obligation in the amount of \$1,243,044, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$3,120 to the ACA. Finance denied a portion of the item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency contended that the SVN-Foundry Park CFD #5 Developer Agreement is a project-specific obligation that requires legal and project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. Activities such as obtaining tax roll information, determining current assessed values, and preparing worksheets are not project implementation activities, but general administrative activities. Therefore, Finance approves \$70,000 for this item, and the excess \$3,120 (\$73,120 - \$70,000) is being reclassified to the ACA.

- Item No. 30 – Southwest Fresno GNRA and Fruit/Church 2001 Merger Tax Allocation Bonds and Fees, debt service payment in the amount of \$63,791, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$4,684 to the ACA. According to the payment schedule, \$56,307 is due February 1, 2016 for debt service. However, Finance denied a portion of the item because the Agency was unable to support the total amount claimed.

During the Meet and Confer process, the Agency contended that the additional \$7,484 requested is related to \$1,000 for arbitrage rebate fees, \$1,800 for annual disclosure services, \$3,200 for administrative services, and \$1,485 for project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. Activities such as administrative services and compiling information are not project implementation activities, but general administrative activities. Therefore, Finance approves \$59,107 for this item, and the excess \$4,684 (\$63,791 - \$59,107) is being reclassified to the ACA.

Finance notes that the Agency has included more than one contract and more than one payee for this item. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance. Failure to properly complete the ROPS in a manner provided by Finance may cause the ROPS to be rejected in its entirety and returned to the Oversight Board for reconsideration. On future ROPS, list each contract as a separate obligation with its own item number in sequential order.

- Item No. 33 – Property Maintenance in the amount of \$100,365 requested for ROPS 15-16B, total obligation in the amount of \$301,095, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$23,615 to the ACA. Finance denied a portion of the item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency provided a list of duties and tasks to be completed related to property maintenance. However, the duties and tasks listed do not directly related to the actual maintenance of the properties, but are general administrative activities. Therefore, Finance approves \$76,750 for this item, and the excess \$23,615 (\$100,365 - \$76,750) is being reclassified to the ACA.

- Item No. 34 – Property Sale/Disposition of Agency Properties in the amount of \$115,112 requested for ROPS 15-16B, total obligation in the amount of \$345,335, was partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$99,674 to the ACA. Finance denied a portion of the item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided an explanation of the project and legal costs and the duties performed for this item. However, the explanation provided was not adequate to support the total amount requested.

During the Meet and Confer process, the Agency provided a list of duties and tasks to be completed related to property disposition. While some of the activities listed appear to

be related to property disposition, others are general administrative activities. Finance cannot determine the amount related to property disposition because the Agency provided a lump sum and did not provide the specific hours or costs for each activity described. Additionally, some of the duties and tasks listed were already included under Item No. 33. Therefore, Finance approves \$15,438 for this item, and the excess \$99,674 (\$115,112 - \$15,438) is being reclassified to the ACA.

- Item No. 41 – Audit costs in the amount of \$50,000 were partially allowed. Finance no longer denies a portion of this item; however, Finance reclassifies \$17,000 to the ACA. Finance denied a portion of the item because the Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency previously requested, and Finance approved, \$50,000 in ROPS 15-16A. According to the Certified Public Accountants engagement letter, total audit costs are estimated at \$33,000, and work will begin January 2016.

During the Meet and Confer process, the Agency contended that the Audit Costs is a project-specific obligation that requires legal and project management. However, HSC section 34171 (b) (5) states that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs. Activities related to gathering and preparing documents are not project implementation activities, but general administrative activities. Therefore, Finance approves \$33,000 for this item, and the excess \$17,000 (\$50,000 - \$33,000) is being reclassified to the ACA.

- The Agency's claimed administrative costs exceed the allowance by \$233,889. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. The Fresno County Auditor-Controller distributed \$250,000 for the July through December 2015 period, thus leaving a balance of \$53,047 available for the January through June 2016 period. Although \$59,858 is claimed for administrative cost and Finance reclassified items totaling \$227,078 to the ACA, only \$53,047 is available pursuant to the cap. Therefore, \$233,889 of excess administrative cost is not allowed.

In addition, per Finance's letter dated November 18, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance. Failure to properly complete the ROPS in a manner provided by Finance may cause the ROPS to be rejected in its entirety and returned to the Oversight Board for reconsideration. Finance notes the Agency has included more than one contract and more than one payee for the items listed above. On future ROPS list each contract as a separate obligation with its own item number and list them in sequential order.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 Agency's self-reported prior period adjustment.

In addition, Finance noted the Agency's expenditures exceeded Finance authorization for the following items on the ROPS 14-15B prior period adjustment worksheet:

- Item No. 37, \$31,520 and Item No. 38, \$243,313, Other Funds totaling \$274,833.

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$352,253 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	3,280,457
Total RPTTF requested for administrative obligations	59,858
Total RPTTF requested for obligations on ROPS 15-16B	\$ 3,340,315
Total RPTTF requested for non-administrative obligations	3,280,457
<u>Reclassified Items</u>	
Item No. 5	(452)
Item No. 9	(42,922)
Item No. 10	(26,564)
Item No. 11	(452)
Item No. 22	(6,368)
Item No. 24	(1,485)
Item No. 25	(742)
Item No. 27	(3,120)
Item No. 30	(4,684)
Item No. 33	(23,615)
Item No. 34	(99,674)
Item No. 41	(17,000)
	(227,078)
Total RPTTF authorized for non-administrative obligations	\$ 3,053,379
Total RPTTF requested for administrative obligations	59,858
<u>Reclassified Items</u>	
Item No. 5	452
Item No. 9	42,922
Item No. 10	26,564
Item No. 11	452
Item No. 22	6,368
Item No. 24	1,485
Item No. 25	742
Item No. 27	3,120
Item No. 30	4,684
Item No. 33	23,615
Item No. 34	99,674
Item No. 41	17,000
	227,078
Administrative costs including Finance adjustments	286,936
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(233,889)
Total RPTTF authorized for administrative obligations	\$ 53,047
Total RPTTF authorized for obligations	\$ 3,106,426
ROPS 14-15B prior period adjustment	(2,754,173)
Total RPTTF approved for distribution	\$ 352,253

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	7,048,175
Total RPTTF for 15-16B (January through June 2016)	3,053,379
Total RPTTF for fiscal year 2015-2016	10,101,554
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	303,047
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
Remaining administrative cost cap for ROPS 15-16B	53,047
ROPS 15-16B administrative obligations after Finance adjustments	(286,936)
Administrative costs in excess of the cap	\$ (233,889)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Debra Barletta, Director of Finance, City of Fresno
Mr. George Gomez, Accounting Financial Manager, Fresno County