DEPARTMENT OF FINANCE

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April 13, 2016

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

Dear Ms. Murphey:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fresno Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 29, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 10 – Convention Center Historic Houses contingencies in the amount of $27,712 is partially allowed. The Agency provided invoices to support repairs performed in the July through December 2015 period. However, these documents are not sufficient to support the entire amount requested because they only represent one-time repair costs, not ongoing maintenance costs. Additionally, allocating funds for unknown contingencies is not an allowable use of funds. Therefore, Finance approves funding for this item in the amount of $10,110, and the excess, $17,602 ($27,715 – $10,110), is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS. .

- Item No. 33 – Property Maintenance costs in the total outstanding obligation amount of $165,500 are partially allowed. This obligation consists of weed abatement costs, contingency funds, maintenance and repair costs, and purchasing services.

  The Agency is requesting $135,000 for annual weed abatement costs. However, documentation provided by the Agency only supports approximately $60,000 in annual weed abatement costs. Although costs necessary to maintain Agency-owned properties are enforceable obligations, the total amount requested does not agree with the documentation provided by the Agency; therefore, the excess, $75,000 is not eligible for RPTTF.

  The Agency is also requesting $8,000 for an annual contingency related to property maintenance and $15,000 in annual maintenance and repairs, totaling $23,000. The Agency provided invoices to support repairs performed in the July through December 2015 period, including roof repairs. However, these documents are not

sufficient to support the requested amount because they only represent one-time repair costs, not ongoing maintenance costs. Additionally, allocating funds for unknown contingencies is not an allowable use of funds. Therefore, $23,000 is not an enforceable obligation and not eligible for RPTTF.

Although the Agency requested $165,500, $98,000 ($75,000 + $23,000) is not eligible for RPTTF. Finally, the Agency is requesting $7,500 for purchasing services. According to documentation provided by the Agency, these are costs incurred by the City of Fresno (City) in the competitive bidding process for Agency contracts. Finance considers these costs to be administrative in nature and has therefore reclassified the requested amount of $7,500 from RPTTF to the Administrative Cost Allowance (ACA).

- Item No. 34 – Property Disposition costs of $91,476 are partially allowed and $66,600 has been reclassified from RPTTF to Other Funds.

  The Agency is requesting $6,100 for an annual contingency related to property disposition. The Agency provided invoices to support repairs performed in the July through December 2015 period, including vandalism and theft repairs. However, these documents are insufficient to support the requested amount because they only represent one-time repair costs, not ongoing maintenance costs. Additionally, allocating funds for unknown contingencies is not an allowable use of funds. Therefore, the $6,100 is not eligible for RPTTF funding on the ROPS.

  The Agency also requests $5,600 for title reports, $56,000 for appraisals, and $5,000 for legal descriptions of properties for the ROPS 16-17 period, totaling $66,600. Based on additional documentation, and with the consent of the Agency, these costs are expected to be funded by the proceeds from the sale of the property. Therefore, Finance is approving these costs for funding by Other Funds.

  Although the Agency requested $91,476, only $18,776 ($91,476 - $6,100 - $66,600) is eligible for RPTTF funding; therefore, Finance is approving RPTTF in the amount of $18,776 and the use of Other Funds in the amount of $66,600, totaling $85,376 ($91,476 - $6,100) for the ROPS 16-17 period.

- Item No. 36 – CalPERS Unfunded and Employee Leave Payout in the amount of $212,788 is partially allowed. The Agency has added $4,000 annually for a contingent cost in case the monthly obligation increases. Additionally, the Agency has requested $181,080 to fund employee leave balances. However, it is our understanding the Agency is not currently obligated to pay these leave balances and has not provided any documentation to support the leave balances will be due and payable in the ROPS 16-17 period. Allocating funds for unknown contingencies is not an allowable use of funds. Therefore, $185,080 is not eligible for RPTTF on this ROPS.

- Item No. 81 – City Loan in the amount of $2,082,110 is partially allowed. The Agency has previously requested and received RPTTF totaling $1,525,101 for the repayment of the loan. Upon recalculation to verify the requested amount, Finance determined an additional $2,034,613 is outstanding. Therefore, Finance has reduced the amount requested by $47,497, and has approved RPTTF funding in the amount of $2,034,613 on this ROPS. This obligation will be paid in full and considered retired.

- Item Nos. 82 through 85 and 95 – City Loans totaling $1,306,885 ($634,494 + $101,609 + $14,156 + $487,346 + $69,280) are not allowed. Finance approved full funding for these items in our ROPS determination letters dated December 17, 2014 and May 15, 2015. The Agency has not provided sufficient documentation to support that funding approved in ROPS 14-15B and ROPS 15-16A was inadequate; consequently, Finance continues to consider these items retired. Therefore, these items are no longer eligible for RPTTF funding

- Item No. 90 – City Loan in the amount of $231,860 is partially approved. The Agency has previously requested and received RPTTF in the amount of $12,232 for the repayment of this loan. Upon recalculation to verify the requested amount, Finance determined the outstanding loan balance to be $230,373. Therefore, Finance has reduced the amount requested by $1,487, and has approved RPTTF funding in the amount of $230,373 on this ROPS. This obligation will be paid in full and considered retired.

- Item No. 106 – City Loan in the total outstanding obligation amount of $531,403 has been adjusted. Finance has recalculated the current total outstanding principal loan balance to be $247,962. Due to the maximum repayment amount authorized for fiscal year 2016-17, and with the Agency's request, the amount requested will be increased to $90,552 is approved for funding on this ROPS. The remaining principal loan balance of $157,140 and any interest accrued pursuant to HSC section 34191.4 (b) (3) will be reconsidered for payment in ROPS 17-18.

- Item No. 107 – City Loan in the total outstanding obligation amount of $1,350,190 has been adjusted. Although Finance and the Agency agree on the total outstanding principal balance of the loan, the Agency appears to have calculated interest on an annual basis, accrued through June 30, 2017. Per HSC section 34191.4 (b) (3), interest shall be applied to the outstanding principal balance on a quarterly basis at a rate not to exceed three percent. Finance has recalculated the total outstanding loan balance to be $1,329,454 and has reduced the reported outstanding loan balance by $20,736. Due to the maximum repayment amount authorized for fiscal year 2016-17, and with the Agency's request, the amount requested will be increased to $1,329,454 for funding on this ROPS. This obligation will be paid in full and considered retired.

- Item No. 108 - City Loan in the amount of $1,306,111 is partially approved. The Agency has previously requested and received RPTTF totaling $104,747 for the repayment of the loan. Upon recalculation to verify the requested amount, Finance determined the outstanding loan balance to be $1,276,182. Therefore, Finance will reduce the amount requested by $29,929, and approves RPTTF funding in the amount of $1,276,182 on the ROPS. This obligation will be paid in full and considered retired.

- The Agency's claimed administrative costs exceed the allowance by $7,500. HSC section 34171 (b) (3) limits the fiscal year 2016-17 ACA to three percent of actual distributed RPTTF in the preceding fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is $250,000 for the fiscal year 2016-17.

Although $250,000 is claimed for the ACA, a portion of Item No. 33 in the amount of $7,500 is considered an administrative cost and should be counted toward the cap. Therefore, $7,500 of excess administrative cost allowance is not allowed.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $6,951,356 as summarized in the Approved RPTTF Distribution Table on Page 6 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Nichelle Thomas, Supervisor, or Alex Watt, Lead Analyst, at (916) 445-1546.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

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

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 6,214,996	$ 833,034	$ 7,048,030
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	6,339,996	958,034	**$ 7,298,030**
Adjustments to Agency Requested RPTTF			
Item No. 106	90,552		
Item No. 107	1,329,454	0	0
Total RPTTF adjustments	1,420,006	0	**$ 0**
Total RPTTF requested	7,635,002	833,034	**8,468,036**
Denied Items			
Item No. 10	(8,801)	(8,801)	(17,602)
Item No. 33	(49,000)	(49,000)	(98,000)
Item No. 34	(3,050)	(3,050)	(6,100)
Item No. 36	(92,540)	(92,540)	(185,080)
Item No. 81	(47,497)	0	(47,497)
Item No. 82	(634,494)	0	(634,494)
Item No. 83	(101,609)	0	(101,609)
Item No. 84	(14,156)	0	(14,156)
Item No. 85	(487,346)	0	(487,346)
Item No. 90	(1,487)	0	(1,487)
Item No. 95	(69,280)	0	(69,280)
Item No. 108	(29,929)	0	(29,929)
	(1,539,189)	(153,391)	(1,692,580)
Reclassified Items			
Item No. 33	(3,750)	(3,750)	(7,500)
Item No. 34	(33,300)	(33,300)	(66,600)
	(37,050)	(37,050)	(74,100)
Total RPTTF authorized	6,058,763	642,593	**$ 6,701,356**
Total Administrative RPTTF requested	125,000	125,000	**250,000**
Reclassified Item			
Item No. 33	3,750	3,750	7,500
Total Administrative RPTTF after Finance adjustments	128,750	128,750	257,500
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(7,500)	(7,500)
Total Administrative RPTTF authorized	128,750	121,250	**$ 250,000**
Total RPTTF approved for distribution	6,187,513	763,843	**$ 6,951,356**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 4,361,882
Less sponsoring entity loan and Administrative RPTTF	3,741,401
Actual RPTTF distributed for 2015-16 after adjustment	620,481
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	257,500
Administrative Cost Allowance in excess of the cap	**$ (7,500)**