



May 25, 2012

Marlene Murphey, Executive Director
City of Fresno Successor Agency
2344 Tulare Street, Suite 200
Fresno, CA 93721

Dear Ms. Murphey:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Fresno Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 24, 2012 for January to June 2012 and July to December 2012. Finance has completed its review of your ROPS.

Finance is approving the items listed in your ROPS for both periods except for items shown below. HSC section 34171 (d) lists enforceable obligation (EO) characteristics. The following do not qualify as EOs:

January through June 2012 ROPS

- Items No. 1, 5, 11, 17, 18, 20, and 21 on page 1 of Other Obligations are administrative expenses totaling \$1,088,641. HSC section 34171 (b) limits administrative expenses for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$335,932. Therefore, \$838,641 of the claimed \$1,088,641 is not an EO (See Attachment).
- Items No. 1 through 61 on page 2 of Other Obligations and items No. 1 through 11 on page 3 of Other Obligations totaling \$125.9 million are for loans and agreements with the City of Fresno. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. Therefore, these items do not qualify as EOs.

July through December 2012

- Items No. 1, 5, 11, 17, 18, 20, and 21 on page 1 of Other Obligations are administrative expenses totaling \$717,815. HSC section 34171 (b) limits administrative expenses in fiscal year 2012-13 to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$322,515. Therefore, \$467,815 of the claimed \$717,815 is not an EO (See Attachment).
- Items No. 1 through 61 on page 2 of Other Obligations and items No. 1 through 11 on page 3 of Other Obligations totaling \$125.9 million are for loans and agreements with the

City of Fresno. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. Therefore, these items do not qualify as EOs.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Robert Scott, Supervisor at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

Attachment

cc: Mr. George Gomez, Accounting Financial Manager, Fresno County
Ms. Robin Cook, Senior Accountant, Fresno County

Attachment

Administrative Cap for January - June 2012	
Total RPTTF claimed, all pages	\$ 10,419,546
Less amounts qualifying as administrative expenses	1,088,641
Less disallowed Other Obligations, page 3, items 1-11	<u>2,612,256</u>
Total funded from RPTTF:	6,718,649
5% Property tax allocation =	335,932
Allowable Administrative Costs (Greater of 5% or \$250,000):	\$ 335,932

Amount Claimed for January – June 2012: Other Obligations, page 1		
Item	Description	
1	Successor Agency - Administration, Operations, Maintenance	\$472,949
5	Oversight Board – Legal, Parking, Meeting costs	25,075
11	Audit, Financial Services, Legal, etc...	491,572
17	File Storage	0
18	Agency Facilities Lease Agreement	0
20	Successor Agency insurance premium	89,951
21	Equipment Lease - Copier	<u>9,094</u>
Total:		1,088,641
Allowable Administrative Costs:		335,932
Amount Disallowed (Total - Allowable Administrative Costs):		\$ 838,641

Administrative Cap for July - December 2012	
Total RPTTF claimed, all pages	\$ 11,468,316
Less amounts qualifying as administrative expenses	<u>717,815</u>
Total funded from RPTTF:	10,750,501
3% Property tax allocation =	322,515
Allowable Administrative Costs (Greater of 3% or \$250,000):	\$ 322,515

Amount Claimed for July - December 2012: Other Obligations, page 1		
Item	Description	
1	Successor Agency - Administration, Operations, Maintenance	\$342,719
5	Oversight Board – Legal, Parking, Meeting costs	74,850
11	Audit, Financial Services, Legal, etc...	211,230
17	File Storage	0
18	Agency Facilities Lease Agreement	0
20	Successor Agency insurance premium	80,386
21	Equipment Lease - Copier	<u>8,630</u>
Total:		717,815
Allowable Administrative Costs:		322,515
Amount Disallowed (Total - Allowable Administrative Costs):		\$ 467,815