



May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 17, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fresno Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 3, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 17, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 7, 2014.

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 items being disputed.

- Item No. 9 – Convention Center Development – Old Armenian Town, LLC in the amount of \$2,519,887. Finance continues to deny \$350,000 of this item. The Agency provided third party appraisals totaling \$1,487,500. However, Finance initially denied a portion of this item because the Agency is requesting \$2,519,887 for this item and was unable to provide sufficient documentation to support the full amount claimed. During the Meet and Confer process, the Agency provided additional documents supporting the estimates for \$682,387 of the remaining \$1,032,387 (\$2,519,887 - \$1,487,500). The Agency stated that the remaining \$350,000 (\$1,032,387 - \$682,387) is not needed for the ROPS 14-15A period. Therefore, this item is eligible for \$2,169,887 of 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 No. 33 – Property Maintenance costs in the amount of \$95,190. Finance no longer denies this item. Finance initially denied this item because the Agency originally

provided a funding agreement that expired March 31, 2014. Subsequently, the Agency provided a copy of a "Notice Inviting Bids" for this item, with bids due to the Agency February 11, 2014. However, the Agency was unable to provide additional information to support the requested funding. During the Meet and Confer process, the Agency provided an executed agreement dated April 24, 2014, for property maintenance and year-round weed control not to exceed \$129,910 and a breakdown of the estimated maintenance costs. Therefore, this item is eligible for 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 No. 34 – Property Sale/Disposition of Agency Properties; \$348,682 from Reserve Balances, and \$389,073 from RPTTF. Finance continues to deny \$170,000 of RPTTF funding for this item. The Agency provided operating statements and bids for parking lot costs and the Venture Demolition. However, Finance initially denied RPTTF funding for this item because the Agency was unable to provide sufficient documentation to support the amount claimed. During the Meet and Confer process, the Agency provided a breakdown of the estimated costs and support for the estimates. However, the Agency did not provide any documents to support that \$135,000 in tenant relocation costs and \$35,000 in hazardous material survey and abatement costs are required pursuant to an enforceable obligation existing prior to June 28, 2011. Therefore, this item is eligible for \$219,073 (\$389,073 - \$135,000 - \$35,000) in RPTTF funding for various operations, maintenance, and Long Range Property Management Plan preparation costs.

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.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (I) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$159,459.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 6 – Central City/Apple Valley Infrastructure costs in the amount of \$353,027. The Agency requests \$353,027 from RPTTF; however Finance is reclassifying \$159,459 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$159,459 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$193,568 and the use of Other Funds in the amount of \$159,459, totaling \$353,027.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes 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 audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,769,761 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	5,186,458
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	\$ 5,436,458
Total RPTTF requested for non-administrative obligations	5,186,458
<u>Denied Item</u>	
Item No. 9	(350,000)
Item No. 34	(170,000)
	(520,000)
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 6	(159,459)
Total RPTTF authorized for non-administrative obligations	\$ 4,506,999
Total RPTTF requested for administrative obligations	250,000
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 4,756,999
ROPS 13-14A prior period adjustment	(1,987,238)
Total RPTTF approved for distribution	\$ 2,769,761

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. 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 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 successor agency in the RPTTF.

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant 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