



April 2, 2013

Mr. Bill Aylward, Assistant City Manager
City of Beaumont
550 E. 6th Street
Beaumont, CA 92223

Dear Mr. Aylward:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated March 9, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Beaumont Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 11, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued an OFA DDR determination letter on March 9, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on March 26, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- Asset transfers in the amount of \$561,582. Our initial review indicated that the \$561,582 obligation was paid during February through May 2012; however, the obligation was not on a Recognized Obligation Payment Schedule (ROPS). Additionally, the obligation was a contract between the City of Beaumont (City) and Christensen Brothers General Engineering. Since the former Redevelopment Agency (RDA) was neither a party to the contract nor responsible for payment of the contract, the item was not considered an enforceable obligation.

The Agency contends that the former RDA approved the use of RDA funds for the project. However, Resolution No. RDA 2010-01 does not specify or estimate a dollar amount for the project nor does it state that the City would be contracting on behalf of the RDA and the funds would be used to reimburse expenditures incurred by the City. Furthermore, the City entered into a contract with a third party in December 2011 and the staff report provided states the project is to be funded from transportation funds and School District funds. Therefore, the item is not an enforceable obligation of the Agency and the balance to be remitted is being increased by \$561,582.

The Agency's OFA balance available for distribution to the affected taxing entities is \$594,066 million (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 32,484
Finance Adjustments	
Disallowed transfers	\$ 561,582
Total OFA available to be distributed:	\$ 594,066

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days. If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Please direct inquiries to Evelyn Suess, Supervisor or Mary Halterman, Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

Mr. Aylward
April 2, 2013
Page 3

cc: Mr. Kyle Warsinski, Community Development Analyst, City of Beaumont
Ms. Pam Elias, Chief Accountant, Property tax Division, County of Riverside
Auditor Controller
California State Controller's Office