



REVISED

August 9, 2013

Ms. Linda Mann, Principal Administrative Analyst
City of Carson
701 E. Carson St.
Carson, CA 90745

Dear Ms. Mann:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) Meet and Confer Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated April 25, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Carson Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 15, 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 19, 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 April 8, 2013.

Based on a review of additional information and documentation provided to Finance after the Meet and Confer process, Finance is reversing one of its previously stated adjustments. Finance originally questioned \$5,139,224 because it was a transfer to the City of Carson (City) pursuant to a City/Agency agreement dated June 17, 2003. Finance argued HSC section 34171 (d) (2) states "enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA. It is now our understanding the contract was specifically related to services provided by the City, and therefore, pursuant to HSC section 34179.5 (b) (3) is not considered a transfer. It is also our understanding that the types of services provided do not fall under the exceptions outlined in HSC section 34171 (d) (3), and therefore, should be considered enforceable. Therefore, we are reversing our previous determination and the OFA balance available for distribution will be decreased by \$5,139,224.

The following adjustments which were also identified in our April 25, 2013 OFA DDR Meet and Confer determination letter continue to be necessary.

- The Agency's request to retain \$19,037,696 for balances needed to satisfy Recognized Obligation Payment Schedules (ROPS) for the 2012-2013 fiscal year is partially denied as follows:
 - Our review indicates the Agency received \$5,302,706 for the Recognized Obligation Payment Schedule (ROPS) for the July through December 2012 (ROPS II) period. The Agency provided documentation this amount was

received prior to June 30, 2012 and was therefore included in the June 30, 2012 period. The Agency will be permitted to retain these funds.

- o Our review also indicates the County Auditor-Controller made a prior period adjustment to the ROPS distribution for the January through June 2013 ROPS (ROPS III) period totaling \$4,940,343 in accordance with HSC section 34186 (a). The prior period adjustment assumes these funds are available to meet ROPS III approved obligations. Therefore, the Agency will be permitted to retain these funds.
- o As a result, the OFA balance available for distribution will be increased by \$8,794,647 (\$19,037,696 - \$5,302,706 - \$4,940,343).
- A balance of \$2,788,489 million was adjusted under Procedure 10 by the CPA firm as an amount that was remitted to the county auditor controller during the Low and Moderate Income Housing (LMIHF) DDR process. It is our understanding the funds were inadvertently included in the LMIHF DDR when they should have been included in the OFA DDR. Subsequently, the county auditor controller returned the balance remitted so that the funds would be remitted during the OFA DDR process. As such the OFA balance available for distribution to the taxing entities is being increased by \$2,788,489 million.

The Agency's OFA balance available for distribution to the affected taxing entities is revised to \$13,108,092 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 1,524,956
Finance Adjustments	
Add:	
Requested retained balance not supported:	8,794,647
Remittance to the County Auditor Controller:	2,788,489
Total OFA available to be distributed:	\$ 13,108,092

Our records indicate the \$13,108,092 in unencumbered OFA balances have already been remitted to the County Auditor Controller. As a result, Finance concludes there are no remaining unencumbered OFA balances due.

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 Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Ms. Linda Mann
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Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay", with a large loop on the left and a horizontal line extending to the right. The word "for" is written in cursive below the signature.

STEVE SZALAY
Local Government Consultant

cc: Ms. Kim Sao, Accounting Manager, Carson Successor Agency
Ms. Denise Marrufo, Project Analyst, Carson Successor Agency
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office