



April 17, 2013

Ms. Linda Benedetti-Leal, City Manager  
City of Paramount  
16400 Colorado Avenue  
Paramount, CA 90723

Dear Ms. Benedetti-Leal:

Subject: Other Funds and Accounts Due Diligence Review

The City of Paramount, successor agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 31, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- The Agency's request to retain \$5.5 million for an Owner Participation Agreement (OPA) with Falcon Fuels is denied. The OPA dated February 1, 2011, states the former RDA's obligations are to be paid from existing RDA funds and shall not be construed as a pledge of any other revenues of the former RDA. RPTTF funding for this item was denied by Finance in our letter dated November 15, 2012. In addition, Finance's determination for this item was further confirmed in our December 18, 2012 Meet and Confer determination letter.

Pursuant to HSC 34177 (a) (3), expenditures approved in the ROPS can only be made from the funds identified. However, HSC 34177 (a) (4) allows Agencies, with prior approval from the oversight board, to pay enforceable obligations from sources other than those listed on the ROPS. It is our understanding prior oversight board approval was not obtained and therefore, the Agency did not have the authority to use funding sources other than those identified and approved on the ROPS. Since the law prohibits the use of funds other than what was approved on a ROPS unless prior approval from the oversight board is obtained, the Agency's request to retain \$5.5 million in OFA balances is not allowed. Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by \$5.5 million.

To the extent this item remains an enforceable obligation, the Agency should request payment through the ROPS process.

- Balances to be retained in the amount of \$8.2 million for fiscal year 2012-13 obligations is partially denied:
  - Included in this amount is \$5 million requested to be retained for Recognized Obligation Payment Schedule (ROPS II) enforceable obligations. Although Finance approved \$5.1 million for obligations during the ROPS II period, the County Auditor Controller distributed only \$4.7 million on June 1, 2012; therefore, the Agency is limited to retaining \$4.7 million for ROPS II enforceable obligations. As such, the OFA balance available for distribution to the taxing entities will be adjusted \$300,329.

To the extent these constitute enforceable obligations, the Agency should request funding for these in a future ROPS.

- In addition, \$3.2 million of January through June 2013 Recognized Obligation Payment Schedule (ROPS III) expenditures were approved with Redevelopment Property Tax Trust Fund (RPTTF) funding. Since the County Auditor Controller distributed RPTTF for approved ROPS III obligations on January 2, 2013, after the June 30, 2012 OFA balances delineated in the DDR, it is inappropriate for the Agency to retain current OFA balances for obligations that have already been funded through a separate process. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by an additional \$3.2 million, totaling \$3.5 million.

If you disagree with Finance’s adjusted amount of OFA balances available for distribution to the taxing entities, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency’s OFA balance available for distribution to the affected taxing entities is \$3,658,364 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ (5,318,105)
Finance Adjustments	
Add:	
Denied ROPS item:	5,500,000
Requested retained balance not supported:	3,476,469
<b>Total OFA available to be distributed:</b>	<b>\$ 3,658,364</b>

Absent a Meet and Confer request, 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.

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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 Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Terry Cahoon, Assistant Finance Director, City of Paramount  
Ms. Karina Lam, Finance Director, City of Paramount  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office