



REVISED

May 20, 2013

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

Dear Ms. Benedetti-Leal:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 17, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Paramount Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 27, 2013 for the period of July through December 2013. 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 1, 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 the specific item being disputed.

Item No. 27 – Owner Participation Agreement (OPA) in the amount of \$5.5 million. This item was not reviewed during ROPS 13-14A since the Agency did not request funding for it. Agency claims that the line item was restricted for entry on the ROPS 13-14A template due to item being denied during previous ROPS period. According to the Agency, Finance's December 18, 2012 letter approved this item as an enforceable obligation to be paid from reserve balance. However, because the line item was restricted, the Agency could not request for funding.

Subsequent to our meet and confer meeting with the Agency, additional information was reviewed related to Agency's Other Funds and Accounts Due Diligence Review meet and confer meeting. Under section 3.A of the OPA, the Agency has unfettered discretion to terminate the agreement by providing the owner a 30-day notice without any recourse by the owner. As a result, the Agency is under no obligation to continue the OPA indefinitely. Pursuant to HSC section 34177 (h), Successor agencies have a duty to expeditiously wind down the affairs of the redevelopment agency; as such, the Agency should provide a 30-day notice to the owner to terminate the agreement. Since the reserve balances would be considered unencumbered and required to be remitted to the taxing entities, the Agency won't have reserves to pay the owner which would extinguish the Agency's duty to perform.

Further, the Agency notified Finance of its April 23, 2013 oversight board (OB) resolution on April 24, 2013. Pursuant to HSC section 34179 (h), Finance has completed its review

of the OB action. Based on our review and application of the law, the Agency's OB Resolution No. 13-004 related to approving a revised ROPS 13-14A, is not approved. Finance is not accepting revised ROPS. Finance returns the OB action of the Agency, and pursuant to HSC section 34179 (h) the action is not effective.

In addition, per Finance's ROPS letter dated April 17, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 12 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for ERAF in the amount of \$272,956 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B). Therefore, the Agency may be able to request funding for the repayment of LMIHF loans beginning with ROPS 14-15A.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate "oversight" when evaluating the administrative resources required to successfully wind-down the Agency.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$2,577,045 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,081,278
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 12	272,956
Total approved RPTTF for enforceable obligations	\$ 2,808,322
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
Minus: ROPS II Prior Period Adjustment	(356,277)
Total RPTTF approved:	\$ 2,577,045

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in

the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

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