DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 22, 2013

Mr. Alex Terrazas, Assistant Town Manager
Town of Truckee
10183 Truckee Airport Road
Truckee, CA 96161

Dear Mr. Terrazas:

Subject: Other Funds and Accounts Due Diligence Review

The Town of Truckee 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 March 26, 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:

- An amount of $818,363 retained for Redevelopment Property Tax Trust Fund (RPTTF) funded obligations for the Recognized Obligation and Payment Schedule period of January through June 2013 (ROPS III). Since the tax distribution for the ROPS III took place on January 2, 2013, the June 30, 2012 balance in the DDR does not include any ROPS III RPTTF distribution. Therefore, the amount of $818,363 is not allowed to be retained and should be paid with January 2013 ROPS RPTTF distribution.

- Bond proceeds of $2,205,687 transferred to the Town of Truckee (Town) during January 2012. Based on review of documentation provided, the amount transferred to the Town is not valid. According to the Agency, the bond proceeds were transferred out of the bond account to reimburse the Agency's cash account for project expenditures incurred during fiscal years 2007-08 to 2010-11. However, the Agency was not able to provide sufficient to support the use of cash on claimed expenditures. HSC section 34167.5 states that asset transfers occurring after January 1, 2011 between the Town and the RDA are required to be contractually committed to a third party. Since bond proceeds are considered restricted cash, Finance has made no adjustment to the available balance to be distributed to the affecting taxing entities. However, the Agency is required to reverse the improper transfer and recover $2,205,687 in bond proceeds from the Town.

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/

The Agency's OFA balance available for distribution to the affected taxing entities is $1,407,459 (see table below).

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	589,096
Finance Adjustments		
Add:		
Balance retained for ROPS III obligations not supported:		818,363
Total OFA available to be distributed:	$	1,407,459

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, please 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Kim Szczurek, Administrative Services Director, Town of Truckee
Ms. Marcia L. Salter, Auditor-Controller, County of Nevada
California State Controller's Office