



May 24, 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

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated April 22, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Town of Truckee Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on December 13, 2012. 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 April 22, 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 May 20, 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:

- Bond proceeds in the amount of \$2,205,687 were transferred during January 2012. During our initial review, it was our understanding the transfer was made to the Town of Truckee (Town). However, during the Meet and Confer process, the Agency provided accounting records showing the transfer was made from the former Redevelopment Agency's (RDA) bond fund investment account to the former RDA's cash account for project expenditures incurred during fiscal years 2007-08 to 2010-11. Therefore, Finance is reversing its determination that the Agency is required to reverse the transfer and recover \$2,205,687 in bond proceeds from the Town.

The Agency did not object to the following adjustment made by Finance during the Meet and Confer process. HSC section 34179.6 (d) authorizes Finance to make adjustments. We maintain that the following adjustment is appropriate:

- 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 ROPS III RPTTF distribution.

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

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.

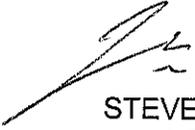
In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC sections 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.

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Please direct inquiries to Evelyn Suess, Supervisor, or Mary Halterman, 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