



December 18, 2012

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

Dear Mr. Terrazas:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Town of Truckee Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 2012. 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 Friday, November 2, 2012.

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 items being disputed.

- Item No. 9, Development contract in the amount of \$1.5 million – Finance continues to deny the item. Finance denied the item as an enforceable obligation as HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. Further, HSC section 34177.3 (a) prohibits a successor agency to create new enforceable obligations, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The agreement was either executed after June 27, 2011, or has not been executed to establish the item as an enforceable obligation. The Agency contends the item is an enforceable obligation because the Memorandum of Understanding (MOU) was authorized and approved on June 16, 2011 by the former RDA Board. At the June 16, 2011 RDA Board meeting, the draft MOU with JMA Truckee was approved. Therefore, signing the MOU on June 30, 2011 was a ministerial act since no changes were made to the draft MOU that was approved by the Board. However, the MOU expired on December 1, 2011 per Section 4 of the MOU. The MOU could not be amended per HSC section 34163 (c) (1), which states the RDA "shall not have the authority to, and shall not...amend or modify existing agreements... including, but not limited to... renewing or extending term of... agreements." Since the MOU had expired, the funding agreement should not have been entered into. Additionally, even if the MOU could have been amended, HSC section 34163 (b) states that the RDA "shall not have the authority to, and shall not...enter into contracts with...any entity." Furthermore, the contract entered into on January 30, 2012, was

between the Town of Truckee (Town) and JMA Truckee, the former RDA was not a party to the agreement. Therefore, this is not an enforceable obligation.

- Item No. 12, Loan agreement in the amount of \$55,000 – Finance continues to deny the item. Finance denied the item as an enforceable obligation as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Further, HSC section 34177.3 (a) prohibits a successor agency to create new enforceable obligations, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The Agency contends the item is an enforceable obligation because the agreement is the implementation of a completed and approved application. However, the agreement was entered into on October 24, 2011 and HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, the item is not an enforceable obligation.
- Item No. 24, Microenterprise Loan Program in the amount of \$35,000 – Finance no longer objects to the item. Finance denied the item as an enforceable obligation as the contract was between the Town and the Department of Housing and Community Development. The former RDA is neither a party to the contract nor responsible for payment of the contract. The Agency contends the item is an enforceable obligation because the payment of \$35,000 in matching funds is and was the responsibility of the former RDA. The former RDA Board committed \$35,000 in local match if the Town received a Community Development Block Grant. The Town received the grant, which was executed on July 6, 2010. Therefore, the item is an enforceable obligation.
- Item No. 28, Senior Housing Rehabilitation Project in the amount of \$250,000 Low and Moderate Income Housing Fund funding – Finance no longer objects to the item. Finance denied the item as an enforceable obligation as the agreement was signed on January 17, 2012. The Agency contends the item is an enforceable obligation because the agreement was fully contracted for on January 24, 2011, the former RDA was to provide matching funds is and was the responsibility of the former RDA. The former RDA Board committed \$250,000 in local match if the Town received a Community Development Block Grant. The Town received the grant, which was executed on January 24, 2011. Therefore, the item is an enforceable obligation.
- Items Nos. 5 and 8 were reclassified as administrative costs – Finance continues to reclassify the items as administrative costs. The Agency believes Finance wrongly reclassified the items as administrative costs. However, the items are related to general legal services, not for litigation expenses related to assets or obligations, which is excluded from the administrative cap per HSC section 34171 (b). Therefore, the items are reclassified as administrative costs.
- Administrative costs claimed exceed the allowance by \$21,666. The Agency contends that the plain meaning and legislative intent of H & S 34171(b) is that the \$250,000 is a minimum allowance for the payment of administrative costs. However, HSC section 34171 (b) limits administrative costs for each fiscal year to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of property tax allocated to the Agency is less than the \$250,000; therefore, the Agency may receive the \$250,000. The Agency received \$126,208 of the administrative allowance for the July through December 2012 period, leaving \$123,792 for the January

through June 2013 period. The requested and reclassified administrative costs totaled \$145,458, which results in an excess of \$21,666.

In addition, per Finance's Recognized Obligation Payment Schedule letter dated October 8, 2012, the following items were denied:

- HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Further, HSC section 34177.3 (a) prohibits a successor agency to create new enforceable obligations, except in compliance with an EO that existed prior to June 28, 2011. The following items are not enforceable obligations:
 - Item Nos. 13, 14, 17, and 22 – Development contracts and loan agreements in the amount of \$220,000. The contracts and agreements were either executed after June 27, 2011 or have not been executed to establish items as an enforceable obligation. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 26 – Various projects in the amount of \$6.5 million. Contracts have not been executed to establish the item as an enforceable obligation. Furthermore, HSC section 34191.4 (c) (1) states that until Finance has issued a finding of completion, bond proceeds derived from bonds issued on or before December 31, 2010, shall be used for the purposes for which the bonds were sold. Finance has not issued a finding of completion to the Agency; therefore, this line item is not eligible for bond proceeds funding on this ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$521,697 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 678,655
Less: Six-month total for items denied or reclassified as administrative cost (*)	
Item 5 *	3,250
Item 8 *	2,500
Item 12	55,000
Item 13	60,000
Item 14	60,000
Item 17	50,000
Item 22	50,000
Total approved RPTTF for enforceable obligations	\$ 397,905
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	123,792
Total RPTTF approved:	\$ 521,697
Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 397,655
Total RPTTF for the period January through June 2013	397,905
Total RPTTF for fiscal year 2012-13:	\$ 795,560
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	126,208
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 123,792

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

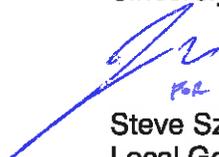
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. 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 January 1 through June 30, 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 questioned on this ROPS or a preceding ROPS.

Mr. Alex Terrazas
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Please direct inquiries to Evelyn Suess, Dispute Resolution 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