

**COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF
RANCHO CORDOVA**

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

June 2014



JOHN CHIANG
California State Controller

June 18, 2014

Ted Gaebler, City Manager
Rancho Cordova Redevelopment Successor Agency
City Manager's Office
2729 Prospect Park Drive
Rancho Cordova, CA 95670

Dear Mr. Gaebler:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Community Redevelopment Agency of the City of Rancho Cordova (RDA) to the City of Rancho Cordova (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$7,227,114 in assets after January 1, 2011, including unallowable transfers to the City totaling \$369,535, or 5.11% of transferred assets.

However, on April 8, 2013, the City turned over \$369,535 in current assets to the Successor Agency. Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth González, Bureau Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Michelle Mingay, Senior Finance Analyst
Rancho Cordova Redevelopment/Successor Agency
David Sander, Oversight Board Chair
Rancho Cordova Redevelopment/Successor Agency
Julie Valverde, Director of Finance
County of Sacramento Auditor Controller
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Division of Audits, State Controller's Office

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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Community Redevelopment Agency of the City of Rancho Cordova (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$7,227,114 in assets after January 1, 2011, including unallowable transfers to the City of Rancho Cordova (City) totaling \$369,535, or 5.11% of transferred assets.

However, on April 8, 2013, the City turned over \$369,535 in current assets to the Successor Agency. Therefore, no further action is necessary.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states, in part, ". . .the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency."

The SCO has identified asset transfers that occurred after January 1, 2011, between the RDA, the City, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the Successor Agency, and the RDA.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Community Redevelopment Agency of the City of Rancho Cordova transferred \$7,227,114 in assets after January 1, 2011, including unallowable transfers to the City of Rancho Cordova (City), totaling \$369,535, or 5.11% of transferred assets.

However, on April 8, 2013, the City turned over \$369,535 in current assets to the Successor Agency. Therefore, no further action is necessary.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Official

We issued a draft review report on February 18, 2014. Joe Chinn, Interim City Manager, responded by letter dated February 25, 2014, agreeing with the review results. The City's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City of Rancho Cordova, the Successor Agency, the Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 18, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of Rancho
Cordova**

The Community Redevelopment Agency of the City of Rancho Cordova (RDA) transferred \$369,535 in current assets to the City of Rancho Cordova (City). The asset transfers to the City occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On June 30, 2011, the RDA transferred \$369,535 from the Debt Service Fund to the City's General Fund for the fiscal year 2010-2011 interest expense payment in accordance with the July 1, 2005 Reimbursement Agreement.

Pursuant to Health & Safety (H&S) Code section 34167.5, a redevelopment agency may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to turn over the transfer of the cash asset above in the amount of \$369,535 to the Successor Agency. The Oversight Board is directed to dispose of these funds in accordance with H&S Code section 34177 (e).

However, on April 8, 2013, the City remitted \$369,535 to the Successor Agency. Therefore, no further action is necessary.

City's Response:

The City of Rancho Cordova (City) responded to the draft review report with a letter dated February 25, 2014, and the City concurs with the Finding and Order of the Controller. See attachment for Details of the City of Rancho Cordova's response.

SCO's Comment:

The State Controller's Office is in agreement with the City. The Finding and Order of the Controller remain as stated.

**Attachment—
City of Rancho Cordova's Response to
Draft Review Report**

CITY OF **Rancho
Cordova**
Incorporated July 1, 2003



2729 Prospect Park Drive • Rancho Cordova, CA 95670
Phone: (916) 851-8700 • Fax: (916) 851-8787

February 25, 2014

Elizabeth Gonzalez, Chief
Local Government Compliance Bureau
State Controller's Office, Division of Audits
P.O. Box 942850
Sacramento, CA. 94250-5874

Dear Ms. Gonzalez,

The City of Rancho Cordova is in receipt of the California State Controller's Office February 2014 Draft Asset Transfer Review Report for the Community Redevelopment Agency of the City of Rancho Cordova. The City of Rancho Cordova concurs with the findings of an unallowable transfer of assets totaling \$369,535, which it had taken actions to correct prior to the State Controller's Review as noted in the review draft. The City of Rancho Cordova does not have any additional comments on the draft report.

If you have any additional questions, please do not hesitate to contact Michelle Mingay at (916) 851-8738.

Sincerely,

Joe Chinn
Interim City Manger

cc: Michelle Mingay, Sr. Finance Analyst



**State Controller's Office
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Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>