

LOS BANOS REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

March 2013



JOHN CHIANG
California State Controller

March 6, 2013

Michael Amabile, Chair of the Los Banos Designated Local
Authority, as Successor Agency to the Los Banos Redevelopment Agency
865 South Figueroa Street, Suite 3500
Los Angeles, CA 90017

Dear Mr. Amabile:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers of the Los Banos Redevelopment 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 was to include an assessment of whether any asset transfers occurred, and whether assets should be turned over to the Los Banos Designated Local Authority (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.

Our review found that the Los Banos Redevelopment Agency (RDA) appropriately transferred \$32,361,978 to the Designated Local Authority, as the Successor Agency to the Los Banos RDA. These assets consisted of \$12,633,448 of current assets and \$19,728,530 of capital assets. We did not identify any transfers of assets that occurred during the review period between the RDA, the City of Los Banos, and/or other public agencies.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

cc: Steven Szalay, Local Government Consultant
California Department of Finance
Michael Amabile, Chair of the Los Banos Designated
Local Authority
Mark Persico, Kosmont Companies Consultant
Kosmont Companies
Lisa Cardella-Presto, CPA
Auditor-Controller
Merced County
Richard J. Chivaro, Chief Legal Counsel
Executive Office, State Controller's Office
Moises Laurel, Audit Manager
Division of Audits, State Controller's Office
Daniela Anechitoaie, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Restricted Use	3

Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the assets of the Los Banos Redevelopment Agency (RDA) for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review found that the Los Banos Redevelopment Agency (RDA) appropriately transferred \$32,361,978 to the Designated Local Authority, as the Successor Agency to the Los Banos RDA. These assets consisted of \$12,633,448 of current assets and \$19,728,530 of capital assets. We did not identify any transfers of assets that occurred during the review period between the RDA, the City of Los Banos, and/or other public agencies.

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 Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of redevelopment agencies (RDAs), "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," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The City of Los Banos elected not to serve as the Successor Agency.

Health and Safety Code section 34173(d)(3)(A) states:

If no **local** agency elects to serve as a successor agency for a dissolved **redevelopment** agency, a public body, referred to herein as a “**designated local authority**” shall be immediately formed, pursuant to this part, in the county and shall be vested with all the powers and duties of a successor agency as described in the part. The Governor shall appoint three residents of the county to serve as the governing board of the **authority**. The **designated local authority** shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

On February 1, 2012, Governor Brown appointed a three-member governing board to serve as the Local Designated Authority (Successor Agency) for the former Los Banos Redevelopment Agency.

Objectives, 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 Los Banos Redevelopment Agency and the City of Los Banos.
- 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 Los Banos Redevelopment Agency (RDA) appropriately transferred \$32,361,978 to the Designated Local Authority, as the Successor Agency to the Los Banos RDA. These assets consisted of \$12,633,448 of current assets and \$19,728,530 of capital assets. We did not identify any transfers of assets that occurred during the review period between the RDA, the City of Los Banos, and/or other public agencies.

Restricted Use

This report is solely for the information and use of the City of Los Banos; Designated Local Authority as the Successor Agency to the Los Banos RDA; the Los Banos Designated Local Authority Governing Board; Kosmont Companies, Consultant, Mark Persico; 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 as final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

March 6, 2013

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

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