

CHINO REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

March 2014



JOHN CHIANG
California State Controller

March 14, 2014

Rob Burns, Director of Finance
City of Chino
13220 Central Avenue
Chino, CA 91710

Dear Mr. Burns:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Chino Redevelopment Agency (RDA) to the City of Chino (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 agencies have been reversed.

Our review found that the RDA transferred \$73,733,457 in assets after January 1, 2011, including unallowable transfers totaling \$1,925,985 to the City, or 2.61% of transferred assets.

However, on September 19, 2013, the Oversight Board retroactively approved \$1,925,985 in transfers. Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth Gonzalez, 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/mh

cc: Armando Compean, Principal Planner
City of Chino
Caryl Wheeler, Fiscal Services Manager
City of Chino
Dennis R. Yates, Chairman
Chino Redevelopment Successor Agency
Larry Walker, Auditor-Controller
San Bernardino County
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
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 Chino Redevelopment Agency (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 \$73,733,457 in assets after January 1, 2011, including unallowable transfers totaling \$1,925,985 to the City of Chino (City), or 2.61% of transferred assets.

However, on September 19, 2013, the Oversight Board retroactively approved \$1,925,985 in transfers. 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 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 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 SCO has identified an asset transfer 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 order 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 Council, the RDA, the Successor Agency, and the Oversight Board.
- 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 Chino Redevelopment Agency transferred \$73,733,457 in assets after January 1, 2011, including unallowable transfers totaling \$1,925,985 to the City of Chino, or 2.61% of transferred assets.

However, on September 19, 2013, the Oversight Board retroactively approved \$1,925,985 in transfers. Therefore, no further action is necessary.

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

Views of Responsible Officials

At an exit conference on December 17, 2013, we discussed the review results with Rob Burns, Director of Finance; Armando Compean, Principal Planner; and Caryl Wheeler, Fiscal Services Manager, who agreed with the review results. They further agreed that a draft review report was not necessary and that the report could be issued as final.

Restricted Use

This report is solely for the information and use of the City, 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

March 14, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to the City
of Chino**

The Chino Redevelopment Agency (RDA) transferred \$1,925,985 in capital assets to the City of Chino (City) on June 21, 2011. The capital asset was transferred as part of a property exchange agreement entered into by the City and RDA on June 21, 2011. Under the agreement, the City exchanged property, located at 4346 Corporate Center Avenue (APN 1025-211-28), for RDA property located at 5489-91 Schaefer Avenue (APN 1021-032-08).

Pursuant to Health and Safety (H&S) Code section 34167.5, any asset transfers by the RDA to a city, county, city and county or any other public agency after January 1, 2011, that were not contractually committed to a third party must be returned to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to reverse the transfer and return the capital asset in the amount \$1,925,985 to the Successor Agency.

However, on September 19, 2013 the Oversight Board approved the property exchange agreement. Therefore, no further action is required.

**Schedule 1—
Unallowable RDA Asset
Transfer to the City of Chino
January 1, 2011, through January 31, 2012**

Capital asset 5489-91 Schaefer Avenue (APN 1021-032-08) transferred to City of Chino	\$ 1,925,985
Oversight Board approval (Resolution No. 2013-003) on September 19, 2013	<u>(1,925,985)</u>
Total amount subject to Health and Safety Code section 34167.5	<u>\$ —</u>

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