

PARLIER REDEVELOPMENT AGENCY

Reissued Review Report

ASSET TRANSFER REVIEW

January 1, 2011, through January 31, 2012



BETTY T. YEE
California State Controller

November 2015



BETTY T. YEE
California State Controller

November 3, 2015

Israel Lara, City Manager
City of Parlier/Redevelopment Successor Agency
1100 E. Parlier Avenue
Parlier, CA 93648

Dear Mr. Lara:

This report is a revision of the June 30, 2015 report to correct a clerical error that affected the context of the report.

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

Our review found that the RDA transferred \$6,106,873 in assets after January 1, 2011, including unallowable transfers to the City totaling \$405,000, or 6.63% of transferred assets. These assets must be turned over to the Successor Agency.

However, on February 26, 2014, the Successor Agency's Oversight Board passed resolution OB 2014-02 placing the zero dollar value property in its revised Long-Range Property Management Plan, which was approved by the Department of Finance on May 29, 2014. Therefore, the remaining \$405,000 in unallowable transfers must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau by telephone at (916) 324-0622 or by email at egonzalez@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

Attachment

cc: Vicki Crow, Auditor-Controller
Fresno County
Bryant Jolley, Interim Finance Director
City of Parlier
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Reginald Nidoy, Audit Manager
Division of Audits, State Controller's Office
Margaux Clark, Auditor-in-Charge
Division of Audits, State Controller's Office
Keith DeAnda, Auditor
Division of Audits, State Controller's Office

Contents

Reissued Review Report

Corrected Summary	1
Background	1
Objective, Scope, and Methodology	2
Corrected Conclusion	2
Views of Responsible Officials	2
Reason for Reissuance	2
Restricted Use	3
Finding and Order of the Controller	4
Schedule 1—Unallowable Asset Transfers to the City of Parlier	6
Attachment—City of Parlier’s Response to Draft Review Report	

Asset Transfer Review Report

Corrected Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Parlier 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 \$6,106,873 in assets after January 1, 2011, including unallowable transfers to the City of Parlier (City) totaling \$405,000, or 6.63% of transferred assets. These assets must be turned over to the Successor Agency.

However, on February 26, 2014, the Successor Agency's Oversight Board passed resolution OB 2014-02 placing the zero dollar value property in its revised Long-Range Property Management Plan, which was approved by the Department of Finance on May 29, 2014. Therefore, the remaining \$405,000 in unallowable transfers must be turned over to the Successor Agency.

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 and oversight boards 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 identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. 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's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, 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.).

**Corrected
Conclusion**

Our review found that the Parlier Redevelopment Agency transferred \$6,106,873 in assets after January 1, 2011, including unallowable transfers to the City of Parlier totaling \$405,000, or 6.63% of transferred assets. These assets must be turned over to the Successor Agency.

However, on February 26, 2014, the Successor Agency's Oversight Board passed resolution OB 2014-02 placing the zero dollar value property in its revised Long-Range Property Management Plan, which was approved by the Department of Finance on May 29, 2014. Therefore, the remaining \$405,000 in unallowable transfers must be turned over to the Successor Agency.

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

**Views of
Responsible
Officials**

We issued a draft review report on February 10, 2015. Bryant Jolley, Contract Accountant/Interim Finance Director, responded by letter dated March 4, 2015. The City's response is included in this final review report as an attachment.

**Reason for
Reissuance**

This report is a revision of the June 30, 2015 report to correct a clerical error that affected the context of the report.

Restricted Use

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

November 3, 2015

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of Parlier**

The Parlier Redevelopment Agency (RDA) made unallowable asset transfers of \$405,000 to the City of Parlier (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

1. On March 7, 2011, the RDA transferred \$60,000 in cash to the City for the City's Adult Education Program.
2. On April 5, 2011, the RDA transferred \$15,000 in cash to the City to pay for the City's Senior Center manager's salary.
3. On April 6, 2011, the RDA transferred property identified with APN No. 358-390-46 with a zero dollar value to the City pursuant to City Council Resolution 2011-21.
4. On December 19, 2011, the RDA transferred \$30,000 in bond proceeds to the City for Senior Center manager's salary.
5. On January 26, 2012, the RDA transferred \$200,000 in bond proceeds, and \$100,000 in cash, to the City. The transfer was used as local matching funds as outlined by a grant agreement between the City and the Department of Housing and Community Development.

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

Order of the Controller

Pursuant to H&S Code section 34167.5, the City of Parlier is ordered to reverse the transfers totaling \$405,000 and turn over the assets to the Successor Agency.

However, on February 26, 2014, the Successor Agency's Oversight Board passed resolution OB 2014-02 placing the zero dollar value property with APN No. 358-390-46 in its revised Long Range Property Management Plan (LRPMP), which was subsequently approved by the Department of Finance (DOF) on May 29, 2014. Therefore, \$405,000 in remaining cash and bond proceeds must be turned over to the Successor Agency.

City's Response

The City concurs with the unallowable asset transfers noted in items 1, 2, 4, and 5 above. The City did not agree with item 3 and provided additional documentation. The City explained that the property with APN No. 358-390-46 was placed on its revised LRPMP, which was approved by the DOF.

SCO's Comment

The SCO reviewed the additional documents related to number 3 and believes that the City has taken proper corrective action. The Finding and Order of the Controller has been modified accordingly.

**Schedule 1—
Unallowable Asset Transfers to
the City of Parlier
January 1, 2011, through January 31, 2012**

Cash – March 7, 2011	\$ 60,000
Cash – April 5, 2011	15,000
Real Property APN 358-390-46 – April 6, 2011	–
Bond Proceeds – December 19, 2011	30,000
Bond Proceeds – January 26, 2012	200,000
Cash – January 26, 2012	<u>100,000</u>
Total unallowable transfers	405,000
Less: zero-valued real property placed on the Long-Range Property Management Plan approved by the DOF on May 29, 2014	<u>–</u>
Total transfers subject to H&S Code section 34167.5	<u><u>\$ 405,000</u></u>

**Attachment—
City of Parlier’s Response to
Draft Review Report**



A Federally Designated
Rural Renewal Community
•Incorporated November 14, 1921•

March 4, 2015

Betty Yee
California State Controller
Attention: Jeffrey V. Brownfield, Chief, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5872

Re: City of Parlier, Successor Agency to the Parlier Redevelopment Agency; your letter dated February 10, 2015 and as adjusted per March 2, 2015 email

Dear Mr. Brownfield:

This letter responds to the Controller's findings and directives contained in a letter dated February 10, 2015 (amended in subsequent email) directed to the City of Parlier as Successor Agency to the former Parlier Redevelopment Agency. Although we agree with certain State audit findings, in other areas we feel the State has misinterpreted facts and circumstances. We will address each noted finding as follows:

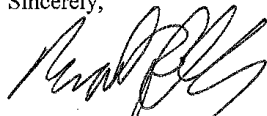
1. The City concurs with the disallowance of the March 7, 2011 \$60,000 Adult Education transfer.
2. The City concurs with the disallowance of the April 5, 2011 \$15,000 Senior Center transfer.
3. The SCO audit finding relating to the parcel identified as Assessor's Parcel number 358-390-46 is not justified. This parcel is addressed in the Long Range Property Management Plan (LRPRMP) prepared by the Successor Agency and approved by the Department of Finance on May 29, 2014, pursuant to Health and Safety Code section 34191.5. Under the approved LRPRMP, this parcel has been approved for retention by the Successor Agency for conveyance to the City for long term use for public uses (it is a storm water drainage basin). The Department of Finance has already approved the transfer and the retention of this property as a part of its review and approval of the LRPRMP. A copy of LRPRMP has been furnished under separate email.
4. In connection with a Community Development Block awarded in March 2010 for \$967,541 to demolish and rebuild a Community Youth/Cooling Center, the RDA committed in 2009 up to \$400,000 in matching funds. When the original application was started in 2009, the City was aware of a forecasted shortfall of at least \$400,000. Per Resolution 2009-40a dated June 17, 2009 (see attached), the RDA specifically set

\$400,000 aside for this project and further authorized the initial transfer of \$150,000. Project expenditures eventually were \$1,424,163 and upon closing out the project and shortfall verification, the entire \$400,000 was transferred in December 2011. This transfer was based on the legal commitment entered into with U.S. Housing and Urban Development to provide matching funds for project completion. Although construction spanned the years 2010 and 2011, legal commitment to fully fund the project existed prior to January 1, 2011. Please note that the City funds are comingled in a single bank account. As such, management never felt the need to make a journal entry until it was brought to their attention by the outside auditors upon project closeout. As the transfer was legally authorized prior to January 1, 2011, and was simply awaiting a journal entry, the City strongly contends that this was not an unallowable transfer. At a minimum, the \$150,000 was clearly authorized.

5. The City concurs with the disallowance of the December 19, 2011 \$30,000 Senior Center transfer.
6. The City concurs with the disallowance of the January 26, 2012 \$100,000 Housing transfer.

We request the Controller review our positions and carefully consider the contents of this letter and reverse Item 3 and modify Item 4 in accordance with the above information.

Sincerely,



Bryant Jolley
Contract Accountant
City of Parlier

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

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