

CALIMESA REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

October 2014



JOHN CHIANG
California State Controller

October 28, 2014

Randy Anstine, City Manager
Calimesa Redevelopment/Successor Agency
908 Park Avenue
Calimesa, CA 92320

Dear Mr. Anstine:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Calimesa Redevelopment Agency (RDA) to the City of Calimesa (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 \$1,910,955 in assets after January 1, 2011, including unallowable transfers to the City totaling \$63,900, or 3.34% of transferred assets. These assets 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.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Bonnie Johnson, Assistant City Manager/Finance Director
City of Calimesa
William Davis, Chairperson of the Oversight Board
City of Calimesa
Paul Angulo, CPA, M.A., Auditor-Controller
Riverside County Auditor-Controller
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Wan Ting Lo, Auditor-in-Charge
Division of Audits, State Controller's Office
Kevin Kanemasu, Auditor
Division of Audits, State Controller's Office

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Attachment—City of Calimesa’s Response to Draft Audit Report

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Calimesa 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 \$1,910,955 in assets after January 1, 2011, including unallowable transfers to the City of Calimesa (City) totaling \$63,900, or 3.34% of transferred assets. These assets 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 an asset transfer 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.).

Conclusion

Our review found that the Calimesa Redevelopment Agency transferred \$1,910,955 in assets after January 1, 2011, including unallowable transfers to the City of Calimesa totaling \$63,900, or 3.34% of transferred assets. These assets 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 Official

We issued a draft review report on August 11, 2014. Bonnie Johnson, Assistant City Manager/Finance Director, responded by letter dated September 24, 2014, disagreeing 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 Calimesa, 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

October 28, 2014

Finding and Order of the Controller

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

The Calimesa Redevelopment Agency (RDA) made an unallowable asset transfer of \$63,900 to the City of Calimesa (City). The transfer 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 cash in the amount of \$63,900 for a loan repayment on the loan the City made to the RDA on October 4, 1993.

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

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of assets in the amount of \$63,900, and turn over the assets to the Successor Agency.

City's Response

A valid loan was established between the City and the RDA in 1993. The inability of the RDA to repay a valid loan which was established approximately 18 years prior to the RDA dissolution legislation is unfortunate. The City believes the loan repayment is appropriate and should be allowed.

See Attachment for the City's complete response.

SCO's Response

On April 26, 2013, the Successor Agency received a Department of Finance Finding of Completion, so the Successor Agency may place loan agreements between the RDA and the City on the Recognized Obligation Payment Schedule, as an enforceable obligation, provided that the Oversight Board finds that the loan was for legitimate redevelopment purposes.

The Finding and Order of the Controller remain as stated.

**Attachment—
Auditee’s Response to
Draft Review Report**



City of Calimesa

September 24, 2014

Elizabeth Gonzales
Chief of Local Government Compliance Bureau
State Controller's Office
Sacramento, Ca.

Re: Calimesa Redevelopment Agency Asset Transfer Review dated August 2014

In response to the finding – "Unallowable asset transfer to the City of Calimesa" – the City submits the following response:

A valid loan was established between the City and the RDA in 1993. The inability of the RDA to repay a valid loan which was established approximately 18 years prior to the RDA dissolution legislation is unfortunate. The City believes the loan repayment is appropriate and should be allowed.

The City appreciates the opportunity to respond to this finding.

If you should have any questions, please feel free to contact me.

Thank you,

Bonnie Johnson
Assistant City Manager/Finance Director
(909) 795-9801

cc: Randy Anstine, City Manager

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

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