

EL CENTRO 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 21, 2014

Leticia Salcido, Finance Director
El Centro Redevelopment/Successor Agency
1275 Main Street
El Centro, CA 92243

Dear Ms. Salcido:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the El Centro Redevelopment Agency (RDA) to the City of El Centro (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 \$84,062,628 in assets after January 1, 2011, including unallowable transfers to the City totaling \$2,500,000, or 2.97% of transferred assets.

However, on June 30, 2012, and March 30, 2013, the City turned over \$1,000,000 and \$1,500,000, respectively, in cash to the Successor Agency. Therefore, no further action is necessary.

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/mh

Attachment

cc: Douglas Newland, CPA, Auditor-Controller
Imperial County
Sadalía Sander, Chairperson
Oversight Board
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
Scott Freesmeier, Audit Manager
Division of Audits, State Controller's Office
John Mellas, Auditor-in-Charge
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 El Centro 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 \$84,062,628 in assets after January 1, 2011, including unallowable transfers to the City of El Centro (City) totaling \$2,500,000, or 2.97% of transferred assets.

However, on June 30, 2012, and March 30, 2013, the City turned over \$1,000,000 and \$1,500,000, respectively, in cash 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 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.).

Conclusion

Our review found that the El Centro Redevelopment Agency transferred \$84,062,628 in assets after January 1, 2011, including unallowable transfers to the City of El Centro (City) totaling \$2,500,000, or 2.97% of transferred assets.

However, on June 30, 2012, and March 30, 2013, the City turned over \$1,000,000 and \$1,500,000, respectively, in cash 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 Officials

We issued a draft review report on July 31, 2014. Leticia Salcido, Finance Director, responded by email on September 9, 2014, agreeing with the results of the review. A copy of the email is included in the attachment to this report.

Restricted Use

This report is solely for the information and use of the City of El Centro, 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 21, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of El Centro**

The El Centro Redevelopment Agency (RDA) made unallowable cash transfers of \$2,500,000 to the City of El Centro (City) on December 31, 2011. The asset transfer (cash) occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

The transfer amount consists of cash (\$1,000,000) to assist in financing an indoor sports pavilion and cash (\$1,500,000) to the City for construction of Fire Station 3. However, the City turned over cash in the amount of \$1,000,000 to the Successor Agency on June 30, 2012, and subsequently turned over \$1,500,000 in cash to the Successor Agency on March 30, 2013.

Pursuant to 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 must be turned over to the Successor Agency for disposition in accordance with H&S Code sections 34177(d).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of the above assets in the amount of \$2,500,000 and turn over the assets to the Successor Agency. However, on various dates, the City turned over a total of \$2,500,000 to the Successor Agency. Therefore, no further action is needed.

City's Response

The City agrees with the results of the review.

SCO's Comment

No further action is needed.

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

Description	Amount
Cash transfer to City Project Fund #267 (je #456, 12/31/2011)	\$ 1,000,000
Cash transfer to City Project Fund #267 (je #456, 12/31/2011)	<u>1,500,000</u>
Total cash transfer to City	2,500,000
Cash turned over to Successor Agency	<u>(2,500,000)</u>
Total transfers subject to Health and Safety Code section 34167.5	<u><u>\$ —</u></u>

**Attachment—
City's Response to
Draft Review Report**

Mellas, John

From: Leticia Salcido <lsalcido@cityofelcentro.org>
Sent: Tuesday, September 09, 2014 9:59 AM
To: Mellas, John
Subject: RE: report follow up

Hi John:

Yes, we did receive the report and agree with the comments. I am looking forward to the final version.

Thank-you, have a great day!

Leticia Salcido
Director of Finance
City of El Centro

From: JMellas@sco.ca.gov [<mailto:JMellas@sco.ca.gov>]
Sent: Tuesday, September 09, 2014 8:59 AM
To: Leticia Salcido; Richard Romero
Subject: report follow up

Good Morning Leticia and Richard,

I hope that both of you are doing well and the heat has been kind.

Our office sent out a draft report on July 31st. We typically look for a response by 10 days, but this has slipped past due, so I'd like to touch base to close the process and issue the final version of the report. Please let me know. I will need to issue the report either way by the end of this week.

Thank you very much. I look forward to hearing from you soon.

John Mellas

Staff Management Auditor - Specialist
State Controller's Office
Division of Audits – Local Government Audits Bureau
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