

GLENDALE REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

December 2014



JOHN CHIANG
California State Controller

December 30, 2014

Scott Ochoa, City Manager
City of Glendale Redevelopment/Successor Agency
Management Services, Room 200
613 E. Broadway
Glendale, CA 91206

Dear Mr. Ochoa:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Glendale Redevelopment Agency (RDA) to the City of Glendale (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 \$213,776,582 in assets after January 1, 2011, including unallowable transfers to the City totaling \$53,089,685, or 24.83% of transferred assets.

However, on various dates, the City turned over \$53,089,685 in assets 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 or by email at egonzalez@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Robert P. Elliot, Director of Finance
City of Glendale Redevelopment/Successor Agency
Phillip Lanzafame, Director of Economic Development
City of Glendale Redevelopment/Successor Agency
John Naimo, County Auditor-Controller
Los Angeles County
Gillian Van Muyden, Chief Assistant City Attorney
City of Glendale Redevelopment/Successor Agency
Carl Raggio, Oversight Board Chairman
Glendale Redevelopment Successor Agency
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
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Elizabeth González, Bureau Chief
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Contents

Review Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	2
Finding and Order of the Controller	3
Schedule 1—Unallowable Asset Transfers to the City of Glendale	4
Schedule 2—Details of Asset Transfers to the City of Glendale	5
Attachment—City of Glendale’s Response to Draft Review Report	

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Glendale 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 \$213,776,582 in assets after January 1, 2011, including unallowable transfers to the City of Glendale (City) totaling \$53,089,685, or 24.83% of transferred assets.

However, on various dates, the City turned over \$53,089,685 in assets 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 Glendale Redevelopment Agency transferred \$213,776,582 in assets after January 1, 2011, including unallowable transfers to the City of Glendale (City) totaling \$53,089,685, or 24.83% of transferred assets.

However, on various dates, the City turned over \$53,089,685 in assets 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 Official

We issued a draft review report on October 8, 2014. Elena Bolbolian, of the Community Development Department, responded by email dated October 20, 2011, and had no comments or revisions. 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 Glendale, 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

December 30, 2014

Finding and Order of the Controller

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

The Glendale Redevelopment Agency (RDA) made unallowable asset transfers totaling \$53,089,685 to the City of Glendale (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:

- On March 8, 2011, the RDA transferred \$34,647,817 in capital assets to the City per RDA Resolution No. R-894.
- On June 30, 2011, the RDA transferred \$5,101,321 in property held for resale to the City per RDA Resolution No. R-894.
- On June 30, 2011, the RDA transferred \$3,235,131 in loans receivable to the City pursuant to the Assignment of Agreement under RDA Resolution No. R-895.
- On June 30, 2011, the RDA transferred \$10,105,416 in fund balances, Fund 406, to the City.

Pursuant to 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 is ordered to reverse the transfer of assets totaling \$53,089,685, and turn over the assets to the Successor Agency. However, on various dates, the City turned over \$53,089,685 plus interest earned, to the Successor Agency. Therefore, no further action is necessary.

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

Current assets:	
Cash transfer to the City (March 8, 2011)	\$ 34,647,817 ¹
Property held for resale transfer to the City (June 30, 2011)	5,101,321 ¹
Loans receivable transfer to the City (June 30, 2011)	3,235,131
Fund 406 balances to the City (June 30, 2011)	<u>10,105,416</u>
Total unallowable transfers to the City	53,089,685
City turned over assets to the Successor Agency (February 1 , 2012)	(13,340,547)
City turned over assets to the Successor Agency (September 25 , 2012)	<u>(39,749,138)</u>
Total transfers subject to H&S Code Section 34167.5	<u><u>\$ —</u></u>

¹ See Schedule 2 for details.

**Schedule 2—
Details of Asset Transfers to the City of Glendale
January 1, 2011, through January 31, 2012**

Capital Assets	Catalog Description	Sum Total Cost
PALMER PROJ CP #261	land	1,081,173.45
LAND FOR ALEX THEATER	land	837,138.81
139 S. BRAND	land	488,096.00
143-147 S. BRAND	land	2,100,000.00
210-212 S. CENTRAL	land	180,420.00
216 S. CENTRAL	land	109,413.60
218-220 W. HARVARD	land	63,664.80
220-222 S. CENTRAL	land	1,082,506.50
225 S. ORANGE	land	14,200.00
221 S. ORANGE	land	570,000.00
133-371 1/2 S. ORANGE	land	19,780.00
136 S. ORANGE	land	203,107.57
201-205 HARVARD	land	979,367.00
206-8 HARVARD/ 213 S.	land	2,567,996.30
126-30 S. CENTRAL	land	12,783,593.00
129-33 1/2 BRAND	land	1,895,683.00
135-37 BRAND	land	1,966,890.00
200 S. CENTRAL	land	190,273.00
200 W. HARVARD	land	869,034.50
217 S. ORANGE	land	915,655.00
217 S. ORANGE	land	63,618.55
TOWN CENTER 2001	land	8,161.88
ALEX THEATER RENOVATION	Buildings	8,357,893.29
ALEX THEATER EQUIPMENT	Equipment	600,776.24
ALEX THEATER EQUIP	Equipment	96,813.45
ALEX THEATER PROJECT	Equipment	248,881.62
DODGE R-2500	Mobile Equipment	20,946.90
RAM 3500	Mobile Equipment	18,613.03
		<u>38,333,697.49</u>
	Depreciation	<u>3,685,881.01</u>
	Total	<u><u>34,647,816.48</u></u>
 <u>Land held for resale</u>		
111 E. WILSON		351,648.00
820 N. CENTRAL		825,000.00
216-218 S. BRAND BLVD		2,884,911.70
212 S. BRAND		1,039,761.72
		<u><u>5,101,321.42</u></u>

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

From: Bolbolian, Elena <EBolbolian@GlendaleCA.GOV>
Sent: Monday, October 20, 2014 6:38 PM
To: Baker, Nicole
Cc: Tran, Tuan M.; Lanzafame, Philip; van Muyden, Gillian; Jimenez, Zinda; Fang, Lily; Elliot, Bob
Subject: RE: Glendale Redevelopment Agency - RDA Asset Transfers Review
Attachments: SCO_GRA Asset Transfers Review_Draft Report.pdf

Hi Nicole,

We have received and reviewed the SCO's Draft Report on Glendale's RDA Asset Transfers and do not have any comments or revisions. We look forward to receiving the final report expeditiously. Thank you.

Elena Bolbolian • City of Glendale • Community Development Department
633 E. Broadway, Suite 103 • Glendale, CA 91206 • (818) 548-2140 • ebolbolian@glendaleca.gov



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