

ARVIN COMMUNITY REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

August 2014



JOHN CHIANG
California State Controller

August 12, 2014

Robert D. Ruiz, CPA, Director of Finance
City of Arvin/Successor Agency
200 Campus Drive
Arvin, CA 93203

Dear Mr. Ruiz:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Arvin Community Redevelopment Agency (RDA) to the City of Arvin (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 \$7,457,132 in assets after January 1, 2011, including unallowable transfers to the City totaling \$3,940,149, or 52.94% of transferred assets. However, on June 30, 2012, the City turned over \$3,752,867 in real property to the Successor Agency. In addition, the City provided additional documentation in response to the draft report, validating \$187,282 in transfers. 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

cc: Steven Ojeda, Oversight Board Chairperson
Redevelopment Successor Agency
Mary B. Bedard, CPA, Auditor-Controller-County Clerk
Kern County
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
Claudia Corona, Auditor-in-Charge
Division of Audits, State Controller's Office
Trisha Quiambao, Auditor
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 Arvin Community 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 \$7,457,133 in assets after January 1, 2011, including unallowable transfers to the City of Arvin (City), totaling \$3,940,149, or 52.84% of transferred assets. However, on June 30, 2012, the City turned over \$3,752,867 in real property to the Successor Agency. In addition, the City provided additional documentation in response to the draft report, validating \$187,282 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 (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 has identified asset transfers 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 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 operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, and the Successor Agency.
- 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 Arvin Community Redevelopment Agency (RDA) transferred \$7,457,132 in assets after January 1, 2011, including unallowable transfers totaling \$3,940,149 to the City of Arvin (City), or 52.94% of transferred assets. However, on June 30, 2012, the City turned over \$3,752,867 in real property to the Successor Agency. In addition, the City provided additional documentation in response to the draft report, validating \$187,282 in transfers. Therefore, no further action is necessary.

Details of our findings are described in the Findings and Orders of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on April 7, 2014. Robert D. Ruiz, Director of Finance, responded by letter dated May 23, 2014, providing additional documentation. 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 Successor Agency, the City of Arvin, 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

August 12, 2014

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the City of Arvin

The Arvin Community Redevelopment Agency (RDA) made unallowable asset transfers of \$3,752,867, described in Schedule 1, to the City of Arvin (City). The asset transfers occurred after January 1, 2011, and were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers consisted of the following:

On March 8, 2011, the RDA transferred various parcels of land held for resale to the City, valued at \$3,752,867, via agreement between the City (Agreement No. 2011-05) and the RDA (Agreement No. 2011-02). The RDA transferred Low- and Moderate-Income Housing funds in the amount of \$477,772, and assets in the amount of \$3,275,095, to the City (Resolution 2011-09).

However, on October 18, 2012, the City reversed the transfers and turned over these assets to the control of the Successor Agency. Therefore, no further action is required for these transfers.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, or city and county after January 1, 2011, unless the assets are contractually committed to a third party prior to June 28, 2011.

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfers totaling \$3,752,867; however, on October 18, 2012, the City turned over these assets to the Successor Agency. Therefore, no further action is necessary.

FINDING 2— Unallowable transfers to the City of Arvin

The RDA transferred assets in the amount of \$187,282. The asset transfers occurred after January 1, 2011; however, the City could not provide supporting documentation validating that the transfers were committed to a third party; therefore, the following transfers are unallowable:

- Payments were made by the RDA on May 3, 2011, July 27, 2011, and October 25, 2011, totaling \$58,136, on Façade Improvement Program for Post Office.
- A transfer was made by the RDA on May 31, 2011, in the amount of \$67,145.50, to Fund 195.
- A transfer of \$62,000 was made by the RDA to the City on June 30, 2011, for ADA ramps project.

Order of the Controller

Pursuant to H&S Code section 34167.5, the City of Arvin is ordered to turn over to the Successor Agency assets in amount of \$187,282. The Successor Agency is directed to properly dispose of the assets in accordance with H&S Code section 34177(e).

City's Response to Draft Report

(Attachment 1 is a copy of the City's response)

In response to the SCO Finding stated in the draft report, the City provided additional documentation on May 8, 2014, supporting the transfer in the amount of \$67,145, and responded via letter dated, May 23, 2014, for the following transfers:

1. Payments made for the Façade Improvement Program totaling \$58,136 were due to an agreement entered into by the RDA with the City of Arvin to provide funds for the improvement of the City Post Office façade. This amount should have been booked as a receivable and will be included on future financial reports.
2. Transfer of \$62,000 was made to support a project to upgrade the ADA Ramps on Campus Drive, per Resolution No. 2010-30, which was a portion of the overall project expenditure of \$356,854. Refer to Exhibit A, which is attached.

SCO Comment

The SCO acknowledges the receipt of additional documents for the asset transfers, totaling \$187,282. Therefore, no further action is necessary.

**Schedule 1—
Arvin Community Redevelopment Agency
Summary of Assets Transferred after January 1, 2011**

Transfer Date	Description	Total ¹	Allowable	Unallowable	Adjustments	Clawback
March 8, 2011	Land held for resale transferred to the City	\$ 3,752,867	\$ —	\$ 3,752,867	\$ 3,752,867	\$ —
Various	Transfers to the City not validated as third-party commitments	187,282	—	187,282	187,282	—
January 31, 2012	Non-depreciable assets transferred to the Successor Agency ²	384,006	384,006	—	—	—
January 31, 2012	Depreciable assets transferred to the Successor Agency ³	1,492,748	1,492,748	—	—	—
January 31, 2012	Assets transferred to the Successor Agency	1,640,230	1,640,230	—	—	—
		<u>\$ 7,457,133</u>	<u>\$ 3,516,984</u>	<u>\$ 3,940,149</u>	<u>\$ 3,940,149</u>	<u>\$ —</u>
			47.16%	52.84%		—

¹ See the Findings and Orders of the Controller section.

² Non-depreciable assets consisting of Infrastructure in Process transferred to the Successor Agency.

³ Depreciable assets consisting of Infrastructure, Building and Improvement, and Vehicles transferred to the Successor Agency.

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



CITY OF ARVIN

MAYOR
Jose Flores

MAYOR PRO TEM
Antionette Pichardo

COUNCIL MEMBERS
Steven Ojeda
Jose Gurreola, Jr.
Lupe Vasquez

May 23, 2014

Elizabeth Gonzalez
Chief Local Compliance Bureau
PO Box 942850
Sacramento, CA 94250-5874

Dear Ms. Gonzalez:

RE: Arvin Community Redevelopment Agency - Response to Draft Asset Transfer Report dated April 2014.

In response to the findings indicated in the draft report for the City of Arvin Asset Transfers the City submits the following information:

1. Payments made for the Façade Improvement Program totaling \$58,136 were due to an agreement entered into by the RDA with the City of Arvin to provide funds for the improvement of the City Post Office facade. This item was agreed to by Claudia Corona and Trisha Quiambo in an email sent on 5/12/2014. This amount should have been booked as a receivable and will be included on future financial reports.
2. Transfer of \$62,000 was made to support a project to upgrade the ADA Ramps on Campus Drive per Resolution No. 2010-30, which was a portion of the overall project expenditure of \$356,854. Please see the attached documentation supporting this transfer of funds as authorized by the RDA. Refer to Exhibit A, which is attached.

Please let me know if you need further details or justifications to support the above transactions.

Sincerely,

Robert D. Ruiz, CPA
Director of Finance
City of Arvin

Phone (661) 854-3134
Fax (661) 854-0817

200 Campus Drive
P.O. Box 548
Arvin, California 93203
www.arvin.org

Exhibit A

Supporting documents for the payments made for the Façade Improvements program, Arvin RDA.

Includes:

- Resolution 2010-30 Arvin RDA – Campus Dr. Reconstruction
- Caltrans Invoice for Campus Drive reconstruction

In response to Draft Asset Transfer Report dated April 2014.

9

RESOLUTION NO. 2010-30

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARVIN MAKING THE FINDINGS REQUIRED BY HEALTH AND SAFETY CODE SECTION 33445 DETERMINING THAT THE PROVISION OF CERTAIN PUBLIC IMPROVEMENT PROJECTS ARE OF BENEFIT TO THE REDEVELOPMENT PROJECT AREA AND AUTHORIZING THE AGENCY TO USE ITS FUNDS FOR THOSE PUBLIC IMPROVEMENT PROJECTS.

WHEREAS, the City of Arvin, pursuant to Health & Safety Code section 33445 is authorized to consent to payment of funds by its Redevelopment Agency for the purchase and installation of public structures and improvements such as street improvements provided that necessary findings can be made; and

WHEREAS, the Arvin Redevelopment Agency (the "Agency") is a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Law"), including the power to expend funds for public facilities for the benefit of the Redevelopment Project Area; and

WHEREAS, there are appropriate facts supporting the findings required by Health & Safety Code Section 33445 for the City Council to consent to the Agency's expenditure of funds for the Campus Drive reconstruction project, Jewett Square Infrastructure Improvements, and Sycamore and Meyer Drainage Project; and

WHEREAS, notice and public hearing was published and held as required by Section 33679 of the Community Redevelopment Law.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ARVIN DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Recitals. The Arvin City Council finds and declares that the above recitals are true and correct and incorporates them herein.

SECTION 2. Findings Required by Health & Safety Code Section 33445. The City Council hereby determines that:

- (i) The Projects are of benefit to the Redevelopment Project Area. This finding is based on the fact that the Project Area has deficient public facilities and improvements. Specifically within the Project area there are many unimproved and under improved streets lacking curbs and gutters or streets; and insufficient road facilities on Campus Drive. The Projects will provide needed curbs, gutters, proper drainage, sidewalks and drainage at Sycamore and Meyer Streets. The Projects will also provide for infrastructure improvements at the Jewett Square area. A description of the Projects and their costs are attached hereto as Exhibit A.
- (ii) There are no other reasonable means of financing the Projects. This finding is based on the lack of sufficient funds in the capital improvement budget of the City or its general fund to fund the Projects together with other needed public improvements and facilities which the City is trying to provide.

(iii) The Projects will address blight in the Project area which is caused by unimproved roads and under-improved parks which exist in the Project Area and assist in redevelopment in the Project Area by improving the safety and aesthetics of the streets, neighborhoods and parks.

(iv) The Projects are consistent with the Agency's 5-year Implementation Plan.

SECTION 3. City's Consent. The City of Arvin consents to the Agency's request to use it funds for the Projects. The City consents to the Agency allocating its funds in an amount not to exceed Eight hundred nineteen thousand and one hundred eighteen dollars (\$819,118) and as further described in the Summary attached as Exhibit A.

SECTION 4. Effective Date. This Resolution shall take effect from and after its date of passage, approval and adoption.

SECTION 5. Certification. The City Clerk shall certify the adoption of this Resolution.

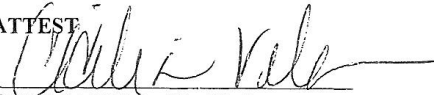
I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the Arvin City Council at a regular meeting thereof held on the 13th day of July, 2010 by the following vote:

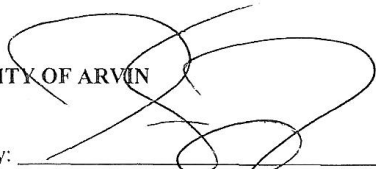
AYES: CM Pichardo, CM Flores, Mayor Tarver

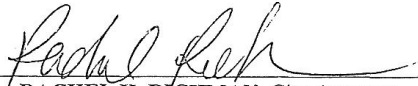
NOES: _____

ABSTAIN: _____

ABSENT: CM Guzman, MPT Ojeda

ATTEST

CECILIA VELA, City Clerk

CITY OF ARVIN

By: _____
TIM TARVER, Mayor

APPROVED AS TO FORM:
By: 
RACHEL H. RICHMAN, City Attorney
BURKE, WILLIAMS & SORENSEN, LLP

I, _____, City Clerk of the City of Arvin, California, DO HEREBY CERTIFY that the foregoing is a true and accurate copy of the Resolution passed and adopted by the City Council of the City of Arvin on the date and by the vote indicated herein.

City of Arvin
FY 2010-2011

REDEVELOPMENT AGENCY
FUND: SPECIAL REVENUE / DEBT SERVICE
FUND NO.: 430
EPT NO.: 031

Account	Actual 2007-2008	Actual 2008-2009	Projected 2009-2010	Budget 2010-2011
REVENUE				
Interest Income	4040	157,992	111,128	12,000
Miscellaneous	4054	29,278	2,490	5,000
Low & Moderate Housing Tax Increment	4055	194,466	225,329	196,000
Revenue - Tax Increment	4065	790,221	922,750	783,000
AQMD Grant	4074	0	0	240,000
Bond Proceeds	4125	0	2,824,000	0
Total Revenue		1,171,957	4,085,697	1,236,000
			1,236,000	1,030,370

EXPENDITURES

Salary	5001	108,513	159,624	140,000	247,601
Maintenance - Graffiti Removal	5008	6,919	9,902	10,000	10,000
Payroll Taxes	5009	9,046	13,175	12,000	22,358
PERS	5011	6,080	9,586	10,412	16,075
Maintenance - Sweeper	5012	3,548	0	2,000	2,000
Risk Management	5013	2,996	5,675	5,664	6,455
Medical Insurance	5015	3,697	5,835	12,000	26,858
Legal	5018	62,019	63,443	60,000	40,000
Bond Principal Payments	5028	110,000	88,000	112,000	115,000
Bond Interest Expenditure	5033	296,062	248,970	410,000	410,000
Administrative Services	5032	64,414	80,758	48,295	89,319
Professional Service	5034	82,448	184,550	130,000	80,000
SERAF Payments	5037	0	0	306,478	306,478
Enterprise Zone (EIR Consultant)	5041	71,948	0	22,000	5,000
Miscellaneous Expense	5046	7,497	1,546	2,000	2,000
LOW/MOD ARDA Pass Through	5047	225,329	225,329	196,000	201,880
Blighted Property Cleanup	5044	15,362	10,000	10,000	20,000
Capital Expense - Façade Program	5044	128,945	300,000	200,000	100,000
Capital Expense - Electric Car	5052	0	0	0	10,000
Capital Expense - Sweeper/Car Payments	5052	25,717	0	0	0
Capital Expense - Bear Mt. & Commanche	5052	0	0	277,072	0
Capital Expense - Bush Street Improvements	5052	22,888	142,112	175,000	0
Capital Expense - Butte Ave. Improvements	5052	133,276	168,024	0	0
Capital Expense - Campus Drive	5052	0	0	0	469,118
Capital Expense - Hill Street Improvements	5052	24,275	383,225	28,599	0
Capital Expense - Hwy 223 Streetscape Improvements	5052	0	12,000	0	0
Capital Expense - Jewett Square Infrastructure	5052	0	0	0	250,000
Capital Expense - Kovacovich /Smothermon Restrooms	5052	0	0	0	250,000
Capital Expense - Land Given to Habitat	5052	32,939	0	0	0
Capital Expense - Land J. Square	5052	0	1,264,000	0	380,000
Capital Expense - Meyer Street/Right of Way Projects	5052	7,178	0	0	0
Capital Expense - Other Property Purchases	5052	0	70,823	0	0
Capital Expense - Parking Lot	5052	14,951	294,049	201,269	0
Capital Expense - Smotherman Park Playground	5052	32,224	0	0	0
Capital Expense - Street Sweeper	5052	0	0	240,000	0
Capital Expense - Swimming Pool	5052	686,000	0	0	0
Capital Expense - Sycamore/Meyer Drainage	5052	12,808	22,000	42,799	100,000
Capital Expense - Sycamore/Meyer Land for Drainage	5052	0	0	0	0
Capital Expense - Walker Street	5052	0	0	106,365	0
Commercial Business Grants	5052	0	0	0	0
Tier I Passthrough	5057	199,092	225,329	196,000	205,800
Travel & Conference	5058	2,924	7,442	10,000	10,000
Tier II Passthrough	5059	0	52,538	30,768	32,306
Fees and Subscriptions	5062	1,740	1,951	2,000	2,000
- Administrative Charge	5067	12,351	15,905	17,325	18,191
Bond Issuance Costs	5073	0	166,064	0	0
Fuel Expense	5080	15,753	2,866	5,000	15,000
Interest Expense	5092	35,018	37,119	38,000	38,760
Total Expenditures		2,463,957	4,271,841	3,059,046	3,482,200



CITY OF ARVIN

August 9, 2011

MAYOR
Tim Tarver
MAYOR PRO TEM
Steven Ojeda
COUNCIL MEMBERS
Jose C. Flores
Fernando Guzman
Antionette Pichardo

Sharri Bender-Ehler
District Director of Transportation
Caltrans-Local Assistance
855 M Street, Suite 200
Fresno, CA 93721

Campus Dr. Project - 021

Attn: James Perrault
District Local Assistance Engineer

Billing No: 3A-Final
Invoice No.: 003A-Final
Federal -Aid Project No.: ESPL-5370 (021)
Tax Identification No.: 95-6006602
Date Project Accepted by City: November 17, 2010
Project Location: **City of Arvin, CA**
Project Expenditure Authorization: 06-928353L

Reimbursement for Federal Funds is claimed pursuant to Local Agency-State Agreement No. 06-5370R
Program Supplement No. N012 executed on December 23, 2009.

	Construction Engineering	Construction Contract
Federal Appropriations Code	C200	C200
Federal Authorization Date	September 10, 2009	Sept. 10, 2009
Federal Participating Costs From	October 15, 2009	July 16, 2010
To	March 31, 2011	November 11, 2010
Total Indirect Costs to Date	\$0.00	\$0.00
Total Direct Costs to Date	\$86,975.82	\$356,853.67
Less: Retention		\$0.00
Liquidated Damages	N/A	\$0.00
Not Billed	\$22,707.47	\$0.00
Total Federal Participating Costs to Date	\$64,268.35	\$356,853.67
Less: Participating Costs on Previous Invoice	\$10,000.00	\$356,853.67
Change in Participating Costs	\$54,268.35	\$0.00
Reimbursement Ratio (Federal and/or State)	100%	100%
Amount of this Claim	<u>\$54,268.35</u>	<u>\$0.00</u>
TOTAL INVOICE AMOUNT	<u>\$54,268.35</u>	

Phone (661) 854-3134
Fax (661) 854-0817

200 Campus Drive
P.O. Box 548
Arvin, California 93203
www.arvin.org

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

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