

SAN BRUNO REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

June 2014



JOHN CHIANG
California State Controller

June 13, 2014

Jim O'Leary, Interim Finance Director
San Bruno Redevelopment/Successor Agency
567 El Camino Real
San Bruno, CA 94066

Dear Mr. O'Leary:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the San Bruno Redevelopment Agency (RDA) to the City of San Bruno (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 \$9,644,324 in assets after January 1, 2011, including unallowable transfers totaling \$486,716 to the City, or 5.05% of transferred assets. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Bureau 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: Peggy Jensen, Chair
Oversight Board
Bob Adler, Controller
County of San Mateo
Darlene Wong, Accounting Manager
City of San Bruno
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
Kandy Liu, 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 San Bruno 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 \$9,644,324 in assets after January 1, 2011, including unallowable transfers totaling \$486,716 to the City of San Bruno, or 5.05% 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 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 Code (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 Council, 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 San Bruno Redevelopment Agency transferred \$9,644,324 in assets after January 1, 2011, including unallowable transfers totaling \$486,716 to the City of San Bruno, or 5.05% 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 Officials

We issued a draft review report on March 27, 2014. Jim O'Leary, Interim Finance Director, responded by letter dated April 25, 2014, agreeing with the review results with the exception of the El Camino Real Phase I Median and Pedestrian Improvement project. 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, 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

June 13, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of San Bruno**

The San Bruno Redevelopment Agency (RDA) transferred \$486,716 in cash assets to the City of San Bruno (City). The asset transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011. The unallowable transfers consist of \$299,864 for city improvement projects and \$186,852 to pay interest towards city/RDA loans.

Pursuant to Health and Safety (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, that were not committed to a third party 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 transfers of the above assets in the amount of \$486,716, and turn them over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

City's Response

The City objects to the finding related to the transfer of \$25,626 for the El Camino Phase I Median and Pedestrian Improvement project. Along with this letter, I am providing the contract agreement, and additional supporting documents, the City entered into with a third party prior to June 28, 2011. We respectfully request the Office of the Controller review and revise its findings to reflect this allowable transfer.

In regards to the remaining transfers considered unallowable, the City has no objection with the Controller's findings and will turn the assets over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

SCO's Comment

After reviewing additional documents submitted by the City; the El Camino Phase I Median and Pedestrian Improvement project finding is reduced by \$19,700. This amount was supported by the City of South San Francisco invoice #514709. The additional documentation did not support the reduction of the remaining \$5,926.

The SCO agrees with the City that the remainder Finding and Order of the Controller remains as stated.

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

<u>Description</u>	<u>Date</u>	<u>Amount</u>
Unallowable transfers of cash assets for City improvements:		
RDA CapTrfrInECRPh1Med&PedImpr to City Fund #201 GJ #25570	5/31/2011	\$ 25,626
RDA CapTrfrInStrMedianGrndBlvd to City Fund #201 GJ #25570	5/31/2011	268,938
RDA Cap TrfrInAccessPedRamps to City Fund #203 GJ #25570	5/31/2011	25,000
Additional document received adjustment	4/25/2014	<u>(19,700)</u>
Total		<u>\$ 299,864</u>
Unallowable transfers of cash assets for interest payments:		
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #23755	1/31/2011	\$ 16,667
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #24285	2/28/2011	16,667
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #24726	3/31/2011	16,667
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #25208	4/30/2011	16,667
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #25643	5/31/2011	16,667
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #26231	6/30/2011	16,667
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #27786	7/31/2011	14,475
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #29244	8/31/2011	14,475
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #29770	9/30/2011	14,475
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #30259	10/31/2011	14,475
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #30748	11/30/2011	14,475
RDA Ops Trfr to GenFd-Interest to City Fund #001 GJ #31202	12/31/2011	<u>14,475</u>
Total		<u>186,852</u>
Total unallowable transfers subject to H&S Code section 34167.5		<u>\$ 486,716</u>

**Attachment—
City of San Bruno's Response to
Draft Review Report**



CITY OF SAN BRUNO
FINANCE DEPARTMENT

April 25, 2014

Ms. Elizabeth Gonzalez, Chief
Local Government Compliance Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, California 94250-5874

Subject: City of San Bruno Redevelopment Agency Asset Transfer Review

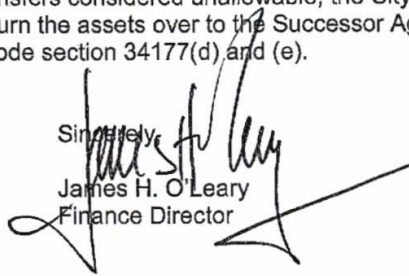
Dear Ms. Gonzalez:

This letter is provided in response to the draft State Controller Report regarding the City of San Bruno Redevelopment Agency Asset Transfer Review. In the draft report, the Controller indicated the Redevelopment Agency made unallowable transfers totaling \$319,564 for City improvement projects and \$186,852 for interest on City/RDA loans and is ordering the City to transfer the assets to the Successor Agency for disposition. These transfers were deemed unallowable because the assets were not committed to a third party prior to June 28, 2011.

The City objects to the finding related to the transfer of \$25,626 for the El Camino Real Phase I Median and Pedestrian Improvement project. Along with this letter, I am providing the contract agreement, and additional supporting documents, the City entered into with a third party prior to June 28, 2011. We respectfully request the Office of the Controller review and revise its findings to reflect this allowable transfer.

In regards to the remaining transfers considered unallowable, the City has no objection with the Controller's findings and will turn the assets over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

Sincerely,


James H. O'Leary
Finance Director

Attachments

cc: Connie Jackson, City Manager
Darlene Wong, Accounting Manager
Kandy Liu, Auditor-in-Charge

567 El Camino Real, San Bruno, CA 94066-4299
Voice: (650) 616-7080 • Fax: (650) 876-0256
<http://sanbruno.ca.gov>

Department of Finance

CITY OF SOUTH SAN FRANCISCO
PROPOSAL

To: Dept. of Finance Date: 5/21/2010

From: Public Works Div: Streets Prepared by: Marissa Falzon

Name: City of San Bruno - Finance Dept. Approved by: _____

Address: 570 Linden Ave. Finance Approval: _____
San Bruno, CA 94066

Locations: Eight intersections along the El Camino Real in San Bruno

Description of Work Performed:

Install 46 ADA pedestrian push buttons at 8 intersections.

Work will involve removing and salvaging existing buttons to the City of San Bruno

Install new Audible push buttons which meet ADA standards and wire into controller

Program push buttons with directional information and adjust decibel level to San Bruno specs.

Assist San Bruno in obtaining permits from Caltrans through attending meetings and modifying plans.

				Acct#:	AMOUNT
Labor:	138	Hrs. @	\$85	Per Hour	
Labor:	24	Hrs. @	\$125.00	Per Hour	\$ 11,730.00
Equipment Rental:	92	Hrs. @		\$ 40.00 Per Hour	\$ 3,680.00
Total Labor					\$18,410.00
Material Used: (or outside services - attach invoice)					
San Bruno to supply material.				Material:	
				Tax:	
				Total Material:	
For Additional space, use attached sheet					
Account Number: 10-00000-3490					TOTAL DUE
					\$18,410.00



City of San Bruno
 567 El Camino Real
 San Bruno, CA 94066
 (650) 616-7025

DATE
9/20/2010

PO NUMBER
3010-00117

VENDOR: 0000386
 CITY OF SOUTH SAN FRANCISCO
 P.O. BOX 711
 SO SAN FRANCISCO, CA 94083

SHIP TO: SAN BRUNO CITY HALL
 567 EL CAMINO REAL
 SAN BRUNO, CA 94066

FOB Point: DESTINATION
 Terms: Net 30 Days

Req. No: 3010-00130
 Dept: PW Admin & Engineering
 Contact: SHAPONA, JENNIFER
 Confirming? No

Req Del Date:
 Contract No:
 Special Inst:

Quantity	Unit	Description	Unit Price	Ext. Price
		City of San Bruno portion paid to City of South San Francisco for installation of forty six (46) ADA pedestrian push buttons at 9 locations on El Camino Real per proposal dated May 21, 2010.		18,410.00
		Contingency		3,690.00
		El Camino Real Phase I Median and Pedestrian Improvement Project no. 83705		

BILL TO: CITY OF SAN BRUNO
 567 EL CAMINO REAL
 SAN BRUNO, CA 94066

SUBTOTAL	22,000.00
TAX	0.00
FREIGHT	0.00
TOTAL	22,000.00

Account Number	Amount	Account Number	Amount
E 201-1801-8020	22,000.00		

RECEIVING COPY

Authorized Signature

Shapona
 Authorized Signature



CITY OF SOUTH SAN FRANCISCO
 400 Grand Avenue
 South San Francisco, CA 94080
 Telephone (650) 877-8507
 Fax (650) 829-6614

INVOICE 514709 - 12/10/12 not pd
 Page 1 of 1 ylt

RECEIVED
 City of San Bruno

OCT 25 2012

Dept. of Public Works
 Engineering

DATE	10/12/2012
ACCOUNT	00025
AMOUNT DUE	19,700.00

AMOUNT PAID _____

CITY OF SAN BRUNO
 FINANCE DEPT
 567 EL CAMINO REAL
 SAN BRUNO, CA 94066

MAKE CHECKS PAYABLE TO CITY OF SOUTH SAN FRANCISCO
 PLEASE DETACH AND RETURN WITH YOUR REMITTANCE

CITY OF SOUTH SAN FRANCISCO

DESCRIPTION	AMOUNT
<p>Traffic Signal Maintenance Work performed in July 2012 along El Camino Real: Installed 51 audible pedestrian push buttons and related components at 10 intersections on El Camino Real; assisted San Bruno Engineering in choosing acceptable product; writing a spec; procuring a CalTrans permit; ordering and receiving material.</p> <p>Labor: 140 hours @ \$85/hour = \$11900.00 40 hours @ \$125/hour = \$5000.00 Equip use: 70 hours @ \$40/hours = \$2800.00</p> <p>Total Amount Due: 19,700.00</p>	19,700.00

ENGINEERING
 PROJECT



Equipment received
 & installed late June
 & early July.

Recommended for
 payment of
 \$19,700.00 from
 P.O. # 2010-00117

Thux
 11/06/2012

ACCOUNT NO. 00025

PAYABLE UPON RECEIPT

19,700.00

INTEREST AT THE RATE OF 1% PER MONTH
 WILL BE CHARGED AFTER SIXTY DAYS

Please Remit to: CITY OF SOUTH SAN FRANCISCO
 PO BOX 711
 South San Francisco, CA 94080

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

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