

# **TAFT COMMUNITY DEVELOPMENT 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 31, 2014

Craig Jones, City Manager  
City of Taft Redevelopment/Successor Agency  
209 E. Kern Street  
Taft, CA 93268

Dear Mr. Jones:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Taft Community Development Agency (RDA) to the City of Taft (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 \$3,979,343 in assets after January 1, 2011, including unallowable transfers to the City totaling \$2,655,132, or 66.72% of transferred assets. However, on October 4, 2012, the City voluntarily turned over \$2,655,132 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.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

cc: Teresa Binkley, Finance Director  
City of Taft  
Randy Miller, Oversight Board Chairperson  
City of Taft/Successor Agency  
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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Taft Community Development 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 \$3,979,343 in assets after January 1, 2011, including unallowable transfers to the City totaling \$2,655,132, or 66.72% of transferred assets. However, on October 4, 2012, the City voluntarily turned over \$2,655,132 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 Taft Community Development Agency transferred \$3,979,343 in assets after January 1, 2011, including unallowable transfers to the City of Taft (City) totaling \$2,655,132, or 66.72% of transferred assets. However, on October 4, 2012, the City voluntarily turned over \$2,655,132 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 Officials**

We issued a draft report on September 25, 2014. Jason S. Epperson, City Attorney, Cota Cole LLP, responded by letter dated October 9, 2014. 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 Taft, 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 31, 2014

# Finding and Order of the Controller

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

The Taft Community Development Agency (RDA) made unallowable asset transfers totaling \$2,655,132 to the City of Taft (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

In March 2011, the RDA transferred capital assets totaling \$2,655,132. The RDA entered into a Cooperation Agreement with the City via Resolutions 129-11 and 130-11. Per the agreement, the RDA was to transfer capital assets, including land, buildings, and building improvements to the City.

Pursuant to Health and Safety (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(e).

## Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the assets transferred totaling \$2,655,132 and turn over the assets to the Successor Agency. However, on October 4, 2012, the City voluntarily turned over \$2,655,132 in assets to the Successor Agency. Therefore, no further action is necessary.

## City's Response

The City requested the following changes:

First we ask that you revise the letter to acknowledge the City of Taft not only returned the assets on October 4, 2012, but that the City voluntarily returned the assets. Including this detail is entirely consistent with your office review.

Second, we ask that as a result of the voluntary return, the letter acknowledge that there is no "order" of the State Controller . . .

See Attachment for the City's complete response.

## SCO Comment

The SCO revised the report to acknowledge that the City voluntarily returned the assets. However, the voluntary return of the assets corrects the finding; therefore, no further action is necessary.

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**Schedule 1—  
Unallowable Asset Transfers to the City of Taft  
after January 1, 2011**

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Capital Asset Transfers:	
New Police Facility	\$ 1,208,486
Land	111,932
Railroad Property	168,128
Land Union Pacific Railroad	1,418,104
Industrial Park Infrastructure	165,229
Project #3 Industrial Park Phase II	241,886
Less Accumulated Depreciation/ Structures & Improvements	<u>(658,633)</u>
Total Transfers to the City of Taft:	<u>2,655,132</u>
Less adjustment:	
Capital Assets voluntarily turned over to the Successor Agency	<u>(2,655,132)</u>
Total amount subject to Health and Safety Code section 34167.5	<u><u>\$ —</u></u>

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

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**Cota Cole** LLP  
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REPLY TO:  
 ROSEVILLE  ONTARIO  
 MADERA  REDDING

October 9, 2014

BY ELECTRONIC MAIL: [JBROWNFIELD@SCO.CA.GOV](mailto:JBROWNFIELD@SCO.CA.GOV)  
& U.S. MAIL

Jeffrey V. Brownfield, CPA  
Chief, Division of Audits  
California State Controller  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Asset Transfer Review

Dear Mr. Brownfield:

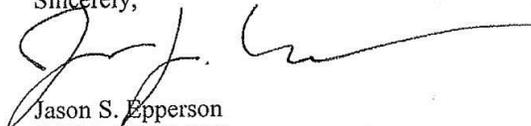
I am City Attorney for the City of Taft. I am writing regarding the Asset Transfer Review provided by your office to my client. I ask that two changes be made to the Asset Transfer Review or accompanying correspondence.

First, we ask that you revise the letter to acknowledge the City of Taft not only returned the assets on October 4, 2012, but that the City *voluntarily* returned the assets. Including this detail is entirely consistent with your office's review.

Second, we ask that as a result of the voluntary return, the letter acknowledge that there is no "order" of the State Controller. Again, I believe this is entirely consistent with your office's review.

Thank you for your time and consideration. Please do not hesitate to contact me if you would like to discuss this further.

Sincerely,



Jason S. Epperson  
COTA COLE LLP

JSE:maj

cc: Craig Jones, City of Taft, City Manager  
Teresa Binkley, City of Taft, Finance Director

{JSE/00033702.}

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