

WESTMINSTER REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



BETTY T. YEE
California State Controller

February 2015



BETTY T. YEE
California State Controller

February 13, 2015

Michael Solorza, Administrative Director
Westminster Redevelopment/Successor Agency
8200 Westminster Boulevard
Westminster, CA 92683

Dear Mr. Solorza:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Westminster Redevelopment Agency (RDA) to the City of Westminster (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 \$253,959,621 in assets after January 1, 2011, including unallowable transfers of assets totaling \$39,141,295, or 15.41% of the transferred assets. The unallowable transfers included \$23,619,667 to the City and \$15,521,628 to the Westminster Housing Authority.

However, the following corrective actions have been taken:

- On February 1, 2012, the City turned over capital assets totaling \$23,619,667 to the Successor Agency.
- On July 24, 2012, and May 15, 2014, the Successor Agency effectuated the transfer of housing assets totaling \$15,521,628 to the Westminster Housing Authority.

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: Eric H. Woolery, Auditor-Controller
Orange County
Margie L. Rice, Chair of the Oversight Board
Westminster Redevelopment/Successor Agency
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
Betty Moya,, Audit Manager
Division of Audits, State Controller's Office
Tuan Tran, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Findings and Orders of the Controller	4
Schedule 1—Unallowable Asset Transfers to the City of Westminster	6
Schedule 2—Unallowable Asset Transfers to the Housing Authority	7
Attachment—City’s Response to Draft Review Report	

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Westminster 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 \$253,959,621 in assets after January 1, 2011, including unallowable transfers of assets totaling \$39,141,295, or 15.41% of the transferred assets. The unallowable transfers included \$23,619,667 to the City of Westminster (City) and \$15,521,628 to the Westminster Housing Authority.

However, the following corrective actions have been taken:

- On February 1, 2012, the City turned over capital assets totaling \$23,619,667 to the Successor Agency.
- On July 24, 2012, and May 15, 2014, the Successor Agency effectuated the transfer of housing assets totaling \$15,521,628 to the Westminster Housing Authority.

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 Westminster Redevelopment Agency transferred \$253,959,621 in assets after January 1, 2011, including unallowable transfers of assets totaling \$39,141,295, or 15.41% of the transferred assets. The unallowable transfers included \$23,619,667 to the City of Westminster (City) and \$15,521,628 to the Westminster Housing Authority.

However, the following corrective actions have been taken:

- On February 1, 2012, the City turned over capital assets totaling \$23,619,667 to the Successor Agency.
- On July 24, 2012, and May 15, 2014, the Successor Agency effectuated the transfer of housing assets totaling \$15,521,628 to the Westminster Housing Authority.

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 December 11, 2014. Michael Solorza, Administrative Director, responded by letter dated January 12, 2015. 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

February 13, 2015

Finding and Order of the Controller

FINDING 1— Unallowable asset transfers to the City of Westminster

The Westminster Redevelopment Agency (RDA) made unallowable asset transfers of \$23,619,667 to the City of Westminster (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 June 30, 2011, the RDA transferred \$21,777,575 in land and building to the City per City Council/RDA Board approval on March 9, 2011.
- On January 31, 2012, the RDA transferred \$1,842,092 in capital assets to the City per City Council/RDA Board approval on March 9, 2011.

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 transfers totaling \$23,619,667 and turn over the assets to the Successor Agency. However, on February 1, 2012 the City turned over capital assets totaling \$23,619,667 to the Successor Agency. Therefore, no further action is required.

City's Response

The City of Westminster/Successor Agency has no objections to the findings of the draft report at this time. However, the City of Westminster/Successor Agency specifically reserve their right to contest these findings in the future should it be necessary.

SCO's Comments

The Finding and Order of the Controller remains as stated.

**FINDING 2—
Unallowable asset
transfers to the
Westminster
Housing Authority**

The Westminster Redevelopment Agency (RDA) made unallowable asset transfers of \$15,521,628 to the Westminster Housing Authority. 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 June 30, 2011, the RDA transferred \$14,293,047 in land, buildings, and loans and notes receivable to the Westminster Housing Authority per City Council/RDA Board approval on March 9, 2011, and RDA Resolution No. 215.
- On January 31, 2011, the RDA transferred \$1,228,581 in loans and notes receivable to the Westminster Housing Authority per RDA Resolution No. 215.

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 transfers totaling \$15,521,629, and turn over the assets to the Successor Agency. However, on July 24, 2012, the Successor Agency effectuated the transfer of housing assets totaling \$13,496,117 to the Westminster Housing Authority. Additionally, on May 15, 2014, the Successor Agency effectuated the transfer of housing assets totaling \$2,025,512 to the Westminster Housing Authority. Therefore, no further action is required.

City's Response

The City of Westminster/Successor Agency has no objections to the findings of the draft report at this time. However, the City of Westminster/Successor Agency specifically reserve their right to contest these findings in the future should it be necessary.

SCO's Comments

The Finding and Order of the Controller remains as stated.

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

<u>Capital assets transferred to the City</u>	<u>Asset Value</u>
Land transfers to the City:	
13761 Goldenwest Street (203-541-34)	\$ 426,500
7191 Westminster Blvd. (096-084-15)	—
7185 Westminster Blvd. (096-084-27)	—
7200 Westminster Blvd. (096-085-12)	—
15550 Beach Blvd. (107-721-02)	18,021,151
14140 All American Way (097-080-50)	—
6699 Westminster Blvd. (203-621-31)	—
Wyoming Street (096-091-40)	—
7201 Westminster Blvd. (096-085-11)	—
13942 Cherry Street (096-085-10)	—
Building transfers to City:	
Reroof Post Office building	106,010
Cultural arts center building	533,802
U.S. Post Office	228,134
Reservoir #2 storage building	30,319
Sign for Post Office	2,460
Property and building improvement (7600 Westminster Blvd.)	63,967
Reconfigure mall office project	—
Chamber building	<u>2,365,232</u>
Total land and buildings transferred (June 30, 2011)	21,777,575
Improvements, furniture, and equipment transfers to the City:	
Major equipment	124,447
Office furniture and equipment	<u>1,717,645</u>
Total improvements, furniture, and equipment (January 31, 2012)	<u>1,842,092</u>
Total assets transferred to the City	23,619,667
Less: Capital assets turned over to the Successor Agency, February 1, 2012	<u>(23,619,667)</u>
Total transfers subject to H&S Code section 34167.5	<u>\$ —</u>

**Schedule 2—
Unallowable Asset Transfers to the Housing Authority
January 1, 2011, through January 31, 2012**

<u>Assets transferred to the Westminster Housing Authority</u>	<u>Asset Value</u>
Land transfers on June 30, 2011:	
14242 Locust Street (096-162-01)	\$ 296,400
14262 Locust Street (096-062-02)	296,400
14282 Locust Street (096-162-03)	200,310
13920 Hoover Street (096-232-16)	1,162,665
Building transfer on June 30, 2011:	
Homeless Shelter	69,737
Loans and notes receivables transfers:	
Loans receivable (June 30, 2011)	6,581,234
Notes receivable (June 30, 2011)	5,686,301
Loans receivable (January 31, 2012)	399,707
Notes receivable (January 31, 2012)	828,874
Total assets transferred to the Westminster Housing Authority	15,521,628
Less: Asset transfers effectuated by the Successor Agency on July 24, 2013	(13,496,116)
Less: Asset transfers effectuated by the Successor Agency on May 15, 2014	(2,025,512)
Total transfers subject to H&S Code section 34167.5	<u>\$ —</u>

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



City of Westminster

8200 Westminster Boulevard, Westminster, CA 92683 714.898.3311
www.westminster-ca.gov

January 12, 2015

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

Dear Ms. Gonzalez:

This letter represents the City of Westminster/Successor Agency's response to the draft audit produced by your office pursuant to Health and Safety Code Section 34167.5.

The draft report focused on unallowable transfers totaling \$39,141,295. The SCO found that subsequent actions taken by the City and Successor Agency corrected the unallowable transfers and no further action is required since \$23,619,667 in assets were turned over to the Successor Agency and \$15,521,628 in assets were turned over to the Westminster Housing Authority.

The City of Westminster/Successor Agency has no objections to the findings of the draft report at this time. However, the City of Westminster/Successor Agency specifically reserve their rights to contest these findings in the future should it be necessary.

Thank you and please do not hesitate to contact me should you have questions.

Sincerely,

Michael Solorza
Administrative Services Director
714-548-3190
msolorza@westminster-ca.gov

TRI TA
Mayor

SERGIO CONTRERAS
Mayor Pro Tem

DIANA LEE CAREY
Council Member

TYLER DIEP
Council Member

MARGIE L. RICE
Council Member

EDDIE MANFRO
City Manager

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

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