

NORCO COMMUNITY 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 29, 2014

Andy Okoro, City Manager
Norco Community Redevelopment Agency/
Successor Agency
2870 Clark Avenue
Norco, CA 92860

Dear Mr. Okoro:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Norco Community Redevelopment Agency (RDA) to the City of Norco (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 \$49,697,298 in assets after January 1, 2011, including an unallowable transfer to the City totaling \$5,500,000, or 11.07% of transferred assets.

However, on November 26, 2014, the Oversight Board deemed the asset valued at \$5,500,000, as governmental-purpose and directed the Successor Agency to transfer the property to the City. 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: Paul Angulo, Auditor-Controller
Riverside County
Patrick Malone, Chairperson
Norco Oversight Board
Olivia Hoyt, Accounting Manager
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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Norco 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 \$49,697,298 in assets after January 1, 2011, including an unallowable transfer to the City of Norco totaling \$5,500,000, or 11.07% of transferred assets. The asset must be turned over to the Successor Agency.

However, on November 26, 2014, the Oversight Board deemed the asset valued at \$5,500,000, as governmental-purpose and directed the Successor Agency to transfer the property to the City. 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 Norco Community Redevelopment Agency transferred \$49,697,298 in assets after January 1, 2011, including an unallowable transfer to the City of Norco totaling \$5,500,000, or 11.07% of transferred assets.

However, on November 26, 2014, the Oversight Board deemed the asset valued at \$5,500,000, as governmental-purpose and directed the Successor Agency to transfer the property to the City. 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

At an exit conference on June 19, 2014, we discussed the review results with Andy Okoro, City Manager; and Olivia Hoyt, Accounting Manager. On November 24, 2014, Mr. Okoro agreed that the draft review report was not necessary and that the report could be issued as final.

Restricted Use

This report is solely for the information and use of the City of Norco, 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 29, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to the City
of Norco**

The Norco Community Redevelopment Agency (RDA) made an unallowable asset transfer of \$5,500,000 to the City of Norco (City). The transfer occurred after January 1, 2011, and the asset was not contractually committed to a third party prior to June 28, 2011.

On June 30, 2011 the RDA transferred \$5,500,000 in land to the City. To accomplish the transfer, the RDA and the City entered into a Purchase and Sale Agreement authorizing the conveyance of the Silverlakes property, identified by Riverside County Assessor's Parcel numbers 152-060-004-0, 152-070-011-07, and 152-070-002-9.

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 asset must be turned over to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City of Norco is ordered to reverse the transfer totaling \$5,500,000 and turn over the asset to the Successor Agency.

Corrective Action

Pursuant to a court order, the Silverlakes property is a deed-restricted property which can only be used for public park, recreational, and open-space purposes. On November 20, 2014, the Oversight Board adopted OB Resolution No. 2014-08, directing the Successor Agency to transfer ownership of the governmental-purpose property to the City. Therefore, no further action is necessary.

Please note, the Department of Finance (DOF) must approve the Oversight Board's decisions and resolutions. If the DOF does not approve the decisions, then the City is ordered to turn over the assets to the Successor Agency pursuant to H&S Code section 34167.5.

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