

WEST SACRAMENTO REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

November 2012



JOHN CHIANG
California State Controller

November 8, 2012

Martin Tuttle, City Manager
City of West Sacramento
West Sacramento Redevelopment/Successor Agency
1110 West Capitol Avenue
West Sacramento, CA 95691

Dear Mr. Tuttle:

Pursuant to Health and Safety (H&S) code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the West Sacramento Redevelopment Agency to the City of West Sacramento or any other public agency during the period from January 1, 2011, through January 31, 2012. As you know, this statutory provision explicitly states that, "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 it should be turned over to the West Sacramento Redevelopment 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 any rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of West Sacramento or any other public agencies have been reversed.

Our review disclosed that the West Sacramento Redevelopment Agency transferred \$76,982,802 in assets. These included transfers of 12 properties with zero book value, which should have been turned over to the Successor Agency. However, on August 16, 2012, the West Sacramento Successor Agency Oversight Board (Oversight Board) approved the transfer of those properties because the properties were constructed and used for a governmental purpose. The City of West Sacramento does not need to reverse the transfer of those assets.

Assembly Bill 1484 (AB 1484) was passed on June 27, 2012, adding Health and Safety Code section 34178.8, which states, ". . . the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012. . . ." The SCO has initiated the review associated with AB 1484 and will complete the review at a later date.

If you have any questions, please contact Mr. Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Scott Freesmeier, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Finding and Order of the Controller	4
Schedule 1—RDA Assets Transferred to the City of West Sacramento	6
Attachment 1—Summary of Asset Transfers, Capital Assets	

Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the West Sacramento Redevelopment Agency for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review disclosed that the West Sacramento Redevelopment Agency transferred \$76,982,802 in assets. These included transfers of 12 properties with zero book value that should have been turned over to the Successor Agency. However, on August 16, 2012, the West Sacramento Successor Agency Oversight Board approved the transfer of those properties because the properties were constructed and used for a governmental purpose. The City of West Sacramento (City) does not need to reverse the transfer of those assets.

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.

On June 27, 2012 the Governor signed a trailer bill, AB 1484, which clarified provisions of ABX1 26, and imposed new tasks on county auditor-controllers and successor agencies related to RDA dissolution.

ABX1 26 and AB 1484 were codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of redevelopment agencies (RDAs), "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," and the date at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred during that period between the West Sacramento Redevelopment Agency, the City of West Sacramento 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 order to ensure compliance with this order.

Objectives, 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 and the RDA.
- 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.).

AB 1484 was passed on June 27, 2012 adding Health & Safety Code section 34178.8 which states “. . . the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012. . . .”

The SCO has initiated the review associated with AB 1484, and will complete the review at a later date.

Conclusion

Our review disclosed that the West Sacramento Redevelopment Agency transferred \$76,982,802 in assets. These included transfers of 12 properties with zero book value that should have been turned over to the Successor Agency.

However, on August 16, 2012, the Oversight Board approved the transfer of those properties because the properties were constructed and used for a governmental purpose. The City does not need to reverse the transfer of those assets. Details of our finding and order are in the Finding and Order of the Controller section of this report.

**Views of
Responsible
Officials**

At an exit conference held on September 20, 2012, we discussed the review results with Philip A. Wright, Director of Administrative Services; Paul Blumberg, Public Finance Manager; and Nitish Sharma, Budget Manager. At the exit conference, we stated that the final report will include the views of responsible officials.

Restricted Use

This report is solely for the information and use of the City of West Sacramento, the West Sacramento Redevelopment Successor Agency, the West Sacramento Successor Agency 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
Chief, Division of Audits

November 8, 2012

Finding and Order of the Controller

FINDING— Unallowable asset transfers to the City of West Sacramento

The West Sacramento Redevelopment Agency (RDA) transferred 12 properties with zero book value to the City of West Sacramento (City). All of the asset transfers to the City occurred during the period of January 1, 2011, through January 31, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011. Those assets consisted of capital assets.

Asset transfers were as follows:

- On May 18, 2011, the RDA transferred nine properties from the Stone Lock District and one property from the Bridge District to the City. To accomplish those transfers, the City and the RDA entered into an agreement under Joint Resolution 11-28. Under H&S Code sections 34163(b) and (d), the RDA was not allowed to enter into new agreements such as this or to dispose of its assets.
- On May 18, 2011, the RDA transferred two properties within the I Street Bridge-South Site Early Implementation Project Area, to the City. To accomplish those transfers, the City and the RDA entered into an agreement under Joint Resolution 11-29. Under H&S Code sections 34163(b) and (d), the RDA was not allowed to enter into new agreements such as this or to dispose of its assets.
- On August 16, 2012, the West Sacramento Successor Agency Oversight Board approved the transfer of the properties to the City under Oversight Board Resolutions 12-5 and 12-6, pursuant to H&S Code section 34181(a)

Pursuant to 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, should have been turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d) and (e). It appears that all the properties were subject to the provisions of H&S Code section 34181(a).

H&S Code section 34181(a) states, “The oversight board shall direct the successor agency to do all of the following:

- (a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a government purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset....”

City's Response

The Successor Agency does not have any comments to submit on the draft report.

SCO's Comment

The finding remains as stated.

Order of the Controller

Based on H&S Code section 34167.5, the City of West Sacramento would have been ordered to reverse the transfer of the above assets, described in Schedule 1 and Attachment 1. However, the Redevelopment Successor Agency Oversight Board approved the transfer of those properties because the properties were constructed and used for a governmental purpose under H&S Code section 34181(a). Therefore, the city does not need to reverse the transfer of those assets.

**Schedule 1—
RDA Assets Transferred to the City of West Sacramento
January 1, 2011, through January 31, 2012**

Transfers to the City of West Sacramento:

Capital Assets

Nine (9) Properties

(Stone Lock District)

\$ —

One (1) Property

(Bridge District)

—

Two (2) Properties

(I Street Bridge-South Site Early Implementation Project Area)

—

Total Asset Transfers

\$ —

* Detail listing of assets on Attachment 1.

**Attachment 1—
Summary of Asset Transfers, Capital Assets
January 1, 2011, through January 31, 2012**

Line	Historical APN(s)	Current APN(s)	Address	Property Description
1	067-180-001, 002, 003, 004, 007, 008, 024, 036 and 046-010-011	067-180-001, 002, 003, 004, 024, 053, 054 and 046-010-011	Jefferson Blvd. and South River Rd.	Stone Lock Properties; Vacant
2	058-330-004	058-330-030 ¹	900 Bridge St. (formerly 900 South River Rd.)	Former Weyerhaeuser Parcel
3	058-320-052	058-320-052	Fifth St. (Right-of-Way)	Former Portion of WYE Track
4	058-320-053	058-320-072 and 058-320-073	Tower Bridge Gateway and Third St.	Former Portion of WYE Track
5	010-373-012	010-373-012	Rose Alley	Adjacent to River Walk Park

Line 1: Stone Lock District

Line 2: Bridge District

Lines 3 and 4: I Street Bridge-South Site Early Implementation Project

Source-Exhibit A from West Sacramento Successor Oversight Board Resolution 12-6

¹ Authority to transfer via RDA Successor Agency Oversight Board Resolution No. 12-04 adopted on June 14, 2012.

**State Controller's Office
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