

# **SEASIDE REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### Review Report

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

April 2013



**JOHN CHIANG**  
**California State Controller**

April 26, 2013

Daphne H. Hodgson, Deputy City Manager - Administrative Services  
City of Seaside Redevelopment/Successor Agency  
440 Harcourt Avenue  
Seaside, CA 93955

Dear Ms. Hodgson:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Seaside Redevelopment Agency (RDA) to the City of Seaside (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 it 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 of Seaside or any other public agencies have been reversed.

Our review found that on March 17, 2011, the RDA transferred \$2,333,431 in cash assets to the City to pay off the loan between the RDA and the City, pursuant to Agency Resolution No. RDA-11-08. However, on August 2, 2012, the Oversight Board approved a reverse transfer, and on October 30, 2012, the City repaid the Successor Agency by City Resolution No. 2012-49.

Our review also found that the RDA failed to transfer \$1,841,930 in capital assets to the Successor Agency by January 31, 2012. However, during the course of the review, city staff emailed journal entry documentation supporting the adjustments made on December 3, 2012, to the Successor Agency's financial records to reflect the assets (Attachment 2).

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/nh

cc: Sally Reed, Chairperson  
Oversight Board  
City of Seaside Redevelopment/Successor Agency  
Michael J. Miller, Auditor-Controller  
County of Monterey  
Steven Szalay, Local Government Consultant  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Scott Freesmeier, Audit Manager  
Division of Audits, State Controller's Office  
Claudia Corona, Auditor-in-Charge  
Division of Audits, State Controller's Office

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**Attachment 1—City of Seaside’s Response to Draft Review Report**

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Seaside 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 on March 17, 2011, the RDA transferred \$2,333,431 in cash assets to the City of Seaside (City) to pay off the loan between the RDA and the City, pursuant to Agency Resolution No. RDA-11-08. However, on August 2, 2012, the Oversight Board approved a reverse transfer, and on October 30, 2012, the City repaid the Successor Agency by City Resolution No. 2012-49.

Our review also found that the RDA failed to transfer \$1,841,930 in capital assets to the Successor Agency by January 31, 2012. However, during the course of the review, city staff emailed journal entry documentation supporting the adjustments made on December 3, 2012, to the Successor Agency's financial records to reflect the assets (Attachment 2).

## 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 (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 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 on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets 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 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 RDA and the City.
- 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 on March 17, 2011, the RDA transferred \$2,333,431 in cash assets to the City to pay off the loan between the RDA and the City, pursuant to Agency Resolution No. RDA-11-08. However, on August 2, 2012 the Oversight Board approved a reverse transfer, and on October 30, 2012, the City repaid the Successor Agency by City Resolution No.0 2012-49 on.

Our review also found that the RDA failed to transfer \$1,841,930 in capital assets to the Successor Agency by January 31, 2012. However, during the course of the review, city staff emailed journal entry documentation supporting the adjustments made on December 3, 2012, to the Successor Agency's financial records to reflect the assets (Attachment 2).

Details of our findings are in the Findings and Orders of the Controller section of this report.

**Views of  
Responsible  
Official**

We issued a draft review report on March 25, 2013. Daphne H. Hodgson, Deputy City Manager – Administrative Services, responded by letter dated April 3, 2013, agreeing with the review results. 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 Successor Agency, the Oversight Board, the City of Seaside, 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  
April 26, 2013

# Findings and Orders of the Controller

**FINDING 1—  
Failure to transfer  
assets to the  
Successor Agency**

The Seaside Redevelopment Agency (RDA) failed to transfer \$1,841,930 in capital assets to the Successor Agency by January 31, 2012. These assets included vacant lots located at the Fort Ord Project Area. While the list of lots was disclosed in the RDA's financial reports for fiscal year ended June 30, 2011, the land values were not recorded.

The vacant lots cited were gifted by the City of Seaside (City) to the RDA and were not acquired with tax increment funds. On December 3, 2012, City staff emailed journal entry documentation to support the adjustment made to the Successor Agency's financial records to reflect the \$1,841,930 in assets (Attachment 1).

Order of the Controller

Health and Safety (H&S) Code section 34175(b) states:

All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on February 21, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012.

The City made the necessary adjustments; therefore, no further action is needed.

City's Response (Attachment 1)

We have reviewed the report and agree with your findings. However, the report Summary on page 1 does not agree with Finding 1 on page 4. Finding 1 states that the required adjustment of \$1,841,930 has been made and no further action is necessary. This is true. The Summary states that the transfer has not been made and that we are ordered to make the transfer. This sentence in the Summary should be changed to reflect the Finding.

SCO's Comment

The SCO is in agreement with the City. The City made the necessary adjustments.



**FINDING 2—  
Unallowable cash  
transfer to the City**

The RDA made an unallowable asset transfer of \$2,333,431 to the City.

- On March 17, 2011, by Agency Resolution RDA-11-08, the RDA transferred \$2,333,431 in cash to the City pay off a loan. This transfer was accepted through City Resolution No. 11-15.
- During the course of our review, the City provided sufficient documents to support its statement of the reversal of the loan repayment made on March 17, 2011. On October 30, 2012, the City repaid the Successor Agency by City Resolution No. 2012-49, adopted August 2, 2012.

Order of the Controller

Based on H&S 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.

As the transfer was reversed, no further action is needed.

City's Response (Attachment 1)

We have reviewed the report and agree with your findings.

SCO's Comment

The City is in agreement with the finding; no further action is required

**Attachment 1—  
City of Seaside’s Response to  
Draft Review Report**

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**ADMINISTRATIVE SERVICES DEPARTMENT**

440 Harcourt Avenue  
Seaside, CA 93955

Telephone (831) 899-6718  
FAX (831) 394-8646

April 3, 2013

Steven Mar, Chief  
Local Governments Audit Bureau  
Division of Audits  
State Controller's Office  
P.O. Box 942850  
Sacramento, California 94250-5874

Dear Mr. Mar:

Today the City of Seaside received the Asset Transfer Report dated March 2013 for the period January 1, 2011 through January 31, 2012.

We have reviewed the report and agree with your findings. However, the report Summary on page 1 does not agree with Finding 1 on page 4. Finding 1 states that the required adjustment of \$1,841,930 has been made and no further action is necessary. This is true. The Summary states that the transfer has not been made and that we are ordered to make the transfer. This sentence in the Summary should be changed to reflect the Finding.

If you have any questions, please contact me at 831-899-6718 or via email at [dhodgson@ci.seaside.ca.us](mailto:dhodgson@ci.seaside.ca.us).

Sincerely,

A handwritten signature in blue ink that reads "Daphne H. Hodgson".

Daphne H. Hodgson  
Deputy City Manager – Administrative Services

cc: Jeffrey V. Brownfield, CPA, Chief, Division of Audits, State Controller's Office  
Richard J. Chivaro, Chief Legal Counsel, State Controller's Office  
Scott Freesmeier, Audit Manager, Division of Audits, State Controller's Office  
Claudia Corona, Auditor-in-Charge, Division of Audits, State Controller's Office

**Attachment 2—  
City of Seaside Grant Deed Transfer to RDA**

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CITY OF SEASIDE  
Grant Deed Transfer to RDA - 2005

Land cost basis: \$26,279.13 per acre  
Source: MGO Audit at June 30, 2008

APN	Description	City Acres	RDA Acres	SRD Acres	Per City Audit June 30, 2011	Transferred to RDA then sold to SRD	Transfer to RDA	Adjusted Balance July 1, 2011
031-051-030-000	Hotel Parcel 1		16.76				440,438.00	440,438.00
031-051-031-000	Hotel Parcel 2		0.91				23,914.00	23,914.00
031-051-032-000	Timeshare Parcel 1		6.51				171,077.00	171,077.00
031-051-033-000	Timeshare Parcel 2		9.26				243,345.00	243,345.00
031-051-034-000	Timeshare Parcel 3		3.56				93,554.00	93,554.00
031-051-035-000	Residential Parcel 1 (Less #1-29)			10.17		267,258.76	-	-
031-051-036-000	Residential Parcel 2a (Less #30)		1.29	0.42		11,037.23	33,900.00	33,900.00
031-051-037-000	Residential Parcel 2b		3.37				88,561.00	88,561.00
031-051-038-000	Residential Parcel 3		4.25				111,686.00	111,686.00
031-051-041-000	Residential Parcel 6a & 6b		10.11				265,682.00	265,682.00
031-052-031-000	Residential Parcel 4/5		1.55				40,733.00	40,733.00
031-052-032-000	Residential Parcel 4/5		1.52				39,944.00	39,944.00
031-052-033-000	Residential Parcel 4/5		1.53				40,207.00	40,207.00
031-052-034-000	Residential Parcel 4/5		1.51				39,681.00	39,681.00
031-052-035-000	Residential Parcel 4/5		1.57				41,258.00	41,258.00
031-052-036-000	Residential Parcel 4/5		1.52				39,944.00	39,944.00
031-052-037-000	Residential Parcel 4/5		1.45				38,105.00	38,105.00
031-052-038-000	Residential Parcel 4/5		1.52				39,944.00	39,944.00
031-052-039-000	Residential Parcel 4/5		1.90				49,930.00	49,930.00
	Parcels 4 (6.66 acres) & Parcel 5 (7.41 acres)		14.07					
	Transfer per grant deed recorded 12/15/2005	-	70.09	10.59		278,295.99	1,841,903.00	1,841,903.00
								Adjusted Balance July 1, 2011
031-051-042-000	Fort Ord Golf Courses Parcel 1	Vacant Lot	324.9686		10,381,795.99	(1,841,903.00)	8,539,892.99	*

\* County Assessor Office recording error. This is not RDA property

Prepared by Tom Levendowski, Financial Analyst  
Revised, November 30, 2012

*Tom Levendowski* 11/30/2012

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

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