

**CITY OF DIXON  
REDEVELOPMENT AGENCY**

**ASSET TRANSFER REVIEW**

Review Report

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



**JOHN CHIANG**  
California State Controller

March 2013



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

March 21, 2013

Jim Lindley, City Manager  
City of Dixon Redevelopment/  
Successor Agency  
600 East A Street  
Dixon, CA 95620

Dear Mr. Lindley:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office reviewed all asset transfers made by the City of Dixon Redevelopment Agency to the City of Dixon 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 City of Dixon 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 rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Dixon or any other public agencies have been reversed.

Our review found that the City of Dixon Redevelopment Agency transferred \$8,705,398 in assets. These included unallowable transfers of assets totaling \$3,665,866, or 42.11%, that must be turned over to the City of Dixon Redevelopment Successor Agency.

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/bf

cc: Joan Michaels Aguilar  
Director of Finance & Technology  
City of Dixon  
Jack Batchelor, Jr.  
Oversight Board Chair  
City of Dixon  
Simon Padilla-Scholtens, CPA  
County Auditor-Controller  
Solano County  
Steven Szaley, Local Government Consultant  
Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
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Betty Moya, Audit Manager  
Division of Audits, State Controller's Office  
Anita Bjelobrk, Auditor-in-Charge  
Division of Audits, State Controller's Office

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the City of Dixon Redevelopment Agency 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 City of Dixon Redevelopment Agency transferred \$8,705,398 in assets. These included unallowable transfers of assets totaling \$3,665,866, or 42.11%, that must be turned over to the City of Dixon Redevelopment Successor Agency.

## 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 City of Dixon Redevelopment Agency, the City of Dixon, 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 of Dixon, the Redevelopment Agency, and the Successor Agency.
- 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 City of Dixon Redevelopment Agency transferred \$8,705,398 in assets. These included unallowable transfers of assets totaling \$3,665,866, or 42.11%, that must be turned over to the City of Dixon Redevelopment Successor Agency.

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

**Views of  
Responsible  
Official**

We issued a draft review report on February 20, 2013. Jim Lindley, Jr., City Manager, responded by letter dated February 28, 2013. 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 Dixon Redevelopment/Successor Agency, Dixon Oversight Board, the City of Dixon, 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

March 21, 2013

# Findings and Orders of the Controller

## **FINDING 1— Unallowable asset transfer to the City of Dixon**

The City of Dixon Redevelopment Agency (RDA) made an unallowable asset transfer of \$2,392,566 to the City of Dixon (City). The asset transfer to the City occurred during the period of January 1, 2011, through February 1, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011. Those assets consisted of current and capital assets.

On March 8, 2011, the RDA transferred \$2,392,566 in assets to the City. However, on January 11, 2012 the City partially reversed the transfer. Currently, the City is still in possession of \$1,360,566 in capital assets.

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 must be returned to the Successor Agency for disposition in accordance with H&S Code section 34177(e).

### Order of the Controller

Based on H&S Code section 34167.5, the City would have been ordered to reverse the transfer of the above assets, in the amount of \$1,360,566, and turn the assets over to the Successor agency. The Successor Agency would have been directed to properly dispose of those assets in accordance with H&S Code section 34177(d) and (e). However, the Successor Agency Oversight Board approved the transfer of the two assets under H&S Code 34176.

### Response From City

On February 6, 2013, the Oversight Board of the Successor Agency of the City of Dixon adopted a Resolution No. OB 2013-03 directing the Successor Agency to transfer ownership of property to the City of Dixon for the purposes of continuing a government activity. The assets have been turned over to the Successor Agency.

### SCO's Comments

We agree with the City's response that the Successor Agency Oversight Board has approved the asset transfer on February 6, 2013.

The City of Dixon provided documentation that the Oversight Board approved the transfer to the City; therefore, no further action is required.

**FINDING 2—  
Unallowable asset  
transfer to the  
Successor Housing  
Agency**

The City of Dixon Redevelopment Agency (RDA) made an unallowable asset transfer of \$2,305,300 in current assets, described in Schedule 2, to the Successor Housing Agency. The asset transfer occurred during the period of January 1, 2011, through February 1, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011.

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 1, 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.” Pursuant to H&S Code section 34175(b) the RDA was required to transfer all assets, including housing assets, to the Successor Agency.

Pursuant to H&S Code section 34177(e) the Successor Agency is to “dispose of assets and properties of the former redevelopment agency as directed by the oversight board; . . .” Also, pursuant to H&S Code section 34177(g) the Successor Agency is to “[e]ffectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.” However, H&S Code section 34181(c) requires the oversight board to direct the Successor Agency to transfer housing assets to the appropriate entity pursuant to Section 34176.

Order of the Controller

Based on H&S Code section 34167.5, the Successor Housing Agency would have been ordered to reverse the transfer of the above assets, in the amount of \$2,305,300, and turn the assets over to the Successor agency. The Successor Agency would have been directed to properly dispose of those assets in accordance with H&S Code section 34177(d) and (e) and 34181(c). However, the Successor Agency Oversight Board approved the transfer of the housing assets under H&S Code 34176.

Response From City

The Oversight Board also adopted Resolution No. OB 2013-04 approving the transfer of housing assets per applicable Health and Safety Code sections that allow the Oversight Board to direct the Successor agency to transfer housing assets. Thus, these assets have been turned over to the Successor Agency.

SCO’s Comments

We agree with the City’s response that the Successor Agency Oversight Board has approved the housing transfer as of February 6, 2013.

The City of Dixon provided documentation that the Oversight Board approved the transfer to the Successor Housing Agency; therefore, no further action is required.



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**Schedule 1—  
Unallowable RDA Asset Transfer  
to the City of Dixon  
January 1, 2011, through January 31, 2012**

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**Transfer to the City:**

Original transfer to City – March 8, 2011	\$ 2,392,566
Partial reverse of transfer – January 11, 2012	<u>(1,032,000)</u>
Total RDA assets with the City	<u>\$ 1,360,566</u> <sup>1</sup>

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<sup>1</sup> See the Findings and Orders of the Controller section.

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**Schedule 2—  
Unallowable RDA Asset Transfer  
to the Successor Housing Agency  
January 1, 2011, through January 31, 2012**

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**Transfer to the Successor Housing Agency:**

Interest receivable	\$ 6,599
Loans receivable	<u>2,298,701</u>
Total RDA assets with the Successor Housing Agency	<u>\$ 2,305,300</u> <sup>1</sup>

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<sup>1</sup> See the Findings and Orders of the Controller section.

**Attachment 1—  
City's Response to  
Draft Review Report**

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MAYOR JACK BATCHELOR, JR.  
VICE MAYOR DANE BESNEATTE  
COUNCILMEMBER STEVEN BIRD



COUNCILMEMBER THOM BOGUE  
COUNCILMEMBER JERRY CASTAÑON, SR.  
CITY TREASURER SCOTT PEDERSON

February 28, 2013

Steven Mar  
Chief, Local Government Audits Bureau  
State Controller's Office  
Division of Audits  
P O Box 942850  
Sacramento CA 94250-5874

Dear Mr. Mar:

The City of Dixon Redevelopment/Successor Agency is in receipt of the State Controller's Office (SCO) review of asset transfers as prescribed by Health and Safety Code Section 34167.5. At the exit conference took place on January 15, 2013 with Dixon responsible officials, SCO representatives shared the review summary. Dixon staff noted that at the next regularly scheduled Oversight Board meeting that recommended action would be taken by resolution.

On February 6, 2013, the Oversight Board of the Successor Agency of the City of Dixon adopted Resolution No. OB 2013-03 directing the Successor Agency to transfer ownership of property to the City of Dixon for the purposes of continuing a government activity. The assets have been turned over to the Successor Agency.

The Oversight Board also adopted Resolution No. OB 2013-04 approving the transfer of housing assets per applicable Health and Safety Code sections that allow the Oversight Board to direct the Successor Agency to transfer housing assets. Thus, these assets have been turned over to the Successor Agency.

Signed copies of the resolutions that ordered these actions have been included as an attachment for your reference.

Sincerely,



Jim Lindley  
City Manager

Attachments

Cc: Joan Michaels Aguilar, Finance & Technology Director

City of Dixon

600 East A Street • Dixon, California • 95620-3697  
(707) 678-7000 • FAX (707) 678-0960 • TTY (707) 678-1489

**RESOLUTION NO. OB 2013-03**

**RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE DIXON REDEVELOPMENT AGENCY DIRECTING THE SUCCESSOR AGENCY TO TRANSFER OWNERSHIP OF PROPERTY APN # 114-052-230 AND APN # 116-070-160 TO THE CITY OF DIXON FOR THE PURPOSES OF CONTINUING A GOVERNMENTAL ACTIVITY**

**WHEREAS**, the California Legislature passed, and the Governor of California signed, AB 26x in 2011, calling for the dissolution of Redevelopment Agencies; and

**WHEREAS**, the Dixon Redevelopment Agency transferred the properties of the Police Station and Engineering Building to the City for continued governmental use; and

**WHEREAS**, the California State Controller's Office has begun reviewing the transfer of public use properties as part of their Asset Transfer Review and

**WHEREAS**, staff anticipates an audit finding, based on discussions with Controller's Office staff, related to property transfer disposition on two properties: APN # 114-052-230 (the Police Station); APN # 116-070-160 (the Engineering Building); and

**WHEREAS**, Property APN # 114-052-230 located at 201 West A Street and 160 South Jackson Street in Dixon, California owned by the Dixon Redevelopment Agency was constructed upon and is used for the purposes of operating a Police Station; and

**WHEREAS**, Property APN # 116-070-160 located at 171 South 5<sup>th</sup> Street in Dixon, California was owned by the Dixon Redevelopment Agency and constructed on and is currently used for the purpose of maintaining an administrative office for the City of Dixon Public Works – Engineering; and

**WHEREAS**, pursuant to Health and Safety Code Section 34181(a), the Oversight Board is authorized to direct that the Successor Agency transfer ownership of assets that were acquired or constructed and used for a governmental purpose such as roads, school buildings, police and fire stations, and local agency administrative buildings to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset; and

**WHEREAS**, as per Section 34181(f) of the California Health and Safety Code notice was provided to the public of the specific proposed actions at a special Oversight Board meeting held on January 9, 2013 meeting the requirement to have at least 10 days' notice.

**WHEREAS**, the Oversight Board's timely action approving the transfer of public

use properties will facilitate the State Controller's Office audit of the Asset Transfer Review which is currently on-going and scheduled for completion in the near term.

**NOW THEREFORE BE IT RESOLVED**, that the Oversight Board of the Successor Agency of the Dixon Redevelopment Agency finds that the properties more commonly referred to as the Police Station (APN # 114-052-230) and Engineering Building (APN # 116-070-160) are currently used for a governmental purpose

**BE IT FURTHER RESOLVED**, that the Oversight Board of the Successor Agency of the City of Dixon hereby authorizes the Chairperson of the Successor Agency to sign documents transferring ownership of APN # 114-052-230 to the City of Dixon for purposes of the continued operation of a Police Station; and

**BE IT FURTHER RESOLVED**, that the Oversight Board of the Successor Agency of the Dixon Redevelopment Agency authorizes the Chairperson of the Successor Agency (subject to subsequent Successor Agency action) to sign documents transferring ownership of APN #: 116-070-160 to the City of Dixon for the purposes of continued use as an administrative office.


**PASSED AND ADOPTED** by the Oversight Board at a regular meeting held on this 6th day of February, 2013, by the following vote:

**AYES:**

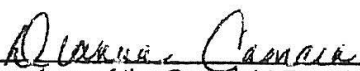
**NOES:**

**ABSTAIN:**

**ABSENT:**

  
\_\_\_\_\_  
Chairperson of the Oversight Board of  
Successor Agency City of Dixon

**ATTEST:**

  
\_\_\_\_\_  
Secretary of the Oversight Board of Successor  
Agency City of Dixon

**RESOLUTION NO. OB 2013- 04**

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE  
SUCCESSOR AGENCY OF THE CITY OF DIXON APPROVING  
THE TRANSFER OF HOUSING ASSETS OF THE FORMER DIXON  
REDEVELOPMENT AGENCY TO THE CITY OF DIXON**

**WHEREAS**, the City Council confirmed on January 11, 2012, that the City would serve as the successor agency to the former Agency ("Successor Agency City of Dixon"), in which capacity the City will wind down the affairs of the Agency at the direction of an oversight board; and

**WHEREAS**, on June 27, 2012, the Governor signed AB1484 into law, making substantive changes and clarifications of AB1X26, including a definition of "housing assets"; and

**WHEREAS**, Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) has conducted an asset transfer review to determine if any asset transfers occurred after January 1, 2011 and whether the asset should be turned over to the Successor Agency; and

**WHEREAS**, SCO audit staff has recommended that formal action be taken by the Oversight Board to authorize the transfer of assets to the City of Dixon, including, housing assets per the list attached as Exhibit A to this resolution; and

**WHEREAS**, Health and Safety Code Section 34177(g) directs the Successor Agency to effectuate the transfer of housing functions and assets to the appropriate entity designated pursuant to Health and Safety Code Section 34176, and Health and Safety Code Section 34181(c) provides that the Oversight Board shall direct the Successor Agency to transfer housing assets pursuant to Section 34176; and

**WHEREAS**, pursuant to Health and Safety Code Sections 34179(f) and 34181(f), notice of this action was posted on the Successor's Agency website.

**NOW, THEREFORE BE IT RESOLVED**, by the Oversight Board as follows:

**Section 1.** The Oversight Board of the Successor Agency of the hereby authorizes and directs the Successor Agency to transfer the housing assets described on Exhibit A, attached hereto and incorporated by reference. The Successor Agency staff are further authorized and directed to transfer the housing responsibilities and all rights, powers, duties, and obligations associated with the housing activities of the former Agency related to housing assets.

**Section 2.** The Dixon City Manager, in his capacity as the Chief Executive Officer of the Successor Agency, is hereby authorized and directed to work with staff to effectuate the transfer of housing assets.

**PASSED AND ADOPTED** by the Oversight Board at a regular meeting held on this 6th day of February, 2013, by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**



**Chairperson of the Oversight Board of  
Successor Agency City of Dixon**

**ATTEST:**



**Secretary of the Oversight Board of Successor  
Agency City of Dixon**



**State Controller's Office  
Division of Audits  
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**<http://www.sco.ca.gov>**