

SAN RAMON REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

April 2014



JOHN CHIANG
California State Controller

April 28, 2014

Greg Rogers, City Manager
San Ramon Redevelopment/Successor Agency
2226 Camino Ramon
San Ramon, CA 94583

Dear Mr. Rogers:

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

Our review found that the RDA transferred \$38,227,879 in assets after January 1, 2011, including unallowable transfers to the City totaling \$2,487,303, or 6.51% of transferred assets, that must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth Gonzalez, Bureau Chief, Local Government Compliance Bureau, by phone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/mh

cc: Eva Phelps, Director of Administrative Services
San Ramon Redevelopment/Successor Agency
Richard Price, Chair of the Oversight Board
City of San Ramon
Robert R. Campbell, Auditor-Controller
Contra Costa County
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth Gonzalez, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Venus Sharifi, Auditor-in-Charge
Division of Audits, State Controller's Office
Margaux Clark, Auditor
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 San Ramon 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 \$38,227,879 in assets after January 1, 2011, including unallowable transfers to the City of San Ramon (City) totaling \$2,487,303, or 6.51% of transferred assets, that must be turned over to the 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.

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 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.

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 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 San Ramon Redevelopment Agency transferred \$38,227,879 in assets after January 1, 2011, including unallowable transfers to the City of San Ramon totaling \$2,487,303, or 6.51% of transferred assets, that must be turned over to the Successor Agency.

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 report on September 5, 2013, and a revised draft report on October 25, 2013. Eva Phelps, Administrative Services Director, responded by letter on September 18, 2013, and November 7, 2013, disagreeing with the review results of both drafts, with the exception of a transfer described in Finding 1. The City's response is included in the final review report as an attachment.

Restricted Use

This report is solely for the information and use of the Successor Agency, Oversight Board, the City, the Housing Authority, 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 28, 2014

Findings and Orders of the Controller

FINDING 1— Unallowable cash transfers to the City of San Ramon

The San Ramon Redevelopment Agency (RDA) transferred \$2,487,303 in cash assets to the City of San Ramon (City). All of the asset transfers to the City 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 \$2,180,000 in cash to the City to repay a loan from the City's general fund. The loan was to finance the operating portion of the RDA budget.
- On December 31, 2011, the RDA transferred \$150,000 in cash to the City to fund a portion of the City's Certificate of Participation (COP10) annual debt service payment.
- On December 31, 2011, the RDA transferred additional administrative overhead expenses of \$157,303 in cash to the City for the purpose of paying for current and future administrative overhead expenses. Historically, the RDA's annual administrative overhead has been paid at the end of the fiscal year, in an amount of \$131,640. The \$157,303 was an unscheduled, extra payment, made during the middle of the fiscal year. The amount was never budgeted, appropriated, or encumbered by the RDA. While the RDA is liable for its actual share of administrative overhead expenses, there is no documentation supporting the extra and increased amount of payment to the City of San Ramon. The full amount should be returned to the Successor Agency and the City may re-bill the Successor Agency for the actual amount of costs incurred on behalf of the RDA. The bill is required to be included on a ROPS and approved for payment by the Department of Finance.

In the documentation and transactions provided by the City, the City was unable to provide any information showing proper agreements and payment schedules in place for the transfers. Therefore, the transfers are unallowable under Health and Safety (H&S) Code Section 34167.5.

Based on H&S Code section 34162(a)(3), the RDA was not allowed to refund, restructure, or refinance indebtedness or obligations that existed as of January 1, 2011.

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 sections 34177(d) and (e).

Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to turn over the assets, described in Schedule 1, in the amount of \$2,487,303 to the San Ramon Successor Agency. The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e).

City's Response to Draft

The City responded to an initial version of Finding 1 in a letter dated September 18, 2013. On October 25, 2013, the SCO issued a revised Finding 1, increasing the finding by \$2,180,000; the City responded to the revision with a letter dated November 7, 2013. The SCO's comments to the two City responses are given below. See Attachment 1 for the City's complete response.

City's September 18, 2013 Response

Regarding the \$157,303 cash transfer to the City for current and future administrative overhead expenses, the City disagrees that the total amount is an unallowable transfer. The City states, "The total adjustment should be corrected to \$80,513 (\$25,663 and \$54,850) instead of the full overhead amount of \$157,303;" and, ". . . it was acknowledged that the timing of the overhead payment was done in anticipation of the RDA wind-down and the allowable amount would be for 7 months (July 2011-January 2012) of the historical cost of \$131,640, which is \$76,790."

SCO's Comment

The SCO disagrees with the City's response. After further review by management, it was determined that the entire amount should be returned to the Successor Agency for disposition because the calculation for the seven months reflects estimated historical costs and not the actual amount of administrative charges. The City may re-bill the Successor Agency for the actual amount incurred on behalf of the RDA. Such payments are required to be included on a Recognized Obligation Payment Schedule (ROPS) and approved for payment by the Department of Finance. The City was provided with notification of the determination from SCO management by phone on September 13, 2013, and email correspondence on October 15, 2013. The City responded with documentation of staff reports and budgets that were already provided to SCO auditors during fieldwork. The documents have been omitted from the final report because they do not substantiate a departure from the current determination.

The finding and Order of the Controller remain as stated.

City's November 7, 2013 Response to additional finding

Regarding the \$2,180,000 loan repayment made by the RDA to the City, the City disagrees with the finding pursuant to 34162(a)(3). The City states, "With the State's dissolution of Redevelopment Agencies and the dates established for the review of former Redevelopment assets it comes down to a timing issue. The City funded the loan on September 1, 2010 and the normal process at year-end reconciliation is to book the repayment on June 30, 2011. During the SCO review, documentation was provided to show this as a proper transfer." The City enclosed additional documents showing the RDA's annual budgeting of the loan in FY 2004-05 through FY 2010-11, and the implementation plan showing the loan as an existing obligation.

SCO's Comment

The SCO disagrees with the City. 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 sections 34177(d) and (e).

The SCO's authority under H&S Code section 34167.5 extends to all assets transferred after January 1, 2011, by the RDA to the city or county, or city and county that created the RDA, or any other public agency. This responsibility is not limited by the other provisions of the RDA dissolution legislation.

The documents have been omitted from the final report because they do not substantiate a departure from the current determination.

The finding and Order of the Controller remains as stated.

**FINDING 2—
Failure to transfer
capital asset to the
Successor Agency**

The RDA failed to transfer a capital asset to the Successor Agency.

As of February 1, 2012, no action was taken to transfer the Woodlot property located at 3000 Bollinger Canyon Road, (APN: 209-350-001) to the Successor Agency. The property is valued at \$1,804,539.

H&S Code section 34175(b) states, in part:

"All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are to be 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 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 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 RDA is ordered to turn over the asset to the Successor Agency for disposition under H&S Code section 34177(d) and (e). However, on February 12, 2013, the Oversight Board approved transferring the asset to the city, so no further action is necessary in relation to the asset transfer.

Please note that the Department of Finance (DOF) must approve the Oversight Board's decision in this matter. If the DOF does not approve this decision, the City is ordered to transfer the asset to the Successor Agency pursuant to H&S Code section 34167.5.

City's Response to Draft

The City provided additional documentation regarding the Woodlot Property. See Attachment 1 for the City's complete response.

SCO's Comment

As stated above, the Oversight Board approved the transfer; therefore, no further action is necessary.

FINDING 3— Unallowable assets transferred to the Housing Authority

The RDA made unallowable asset transfers totaling \$14,954,405 to the Entity Assuming the Housing Functions. The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

The RDA housing assets were transferred per City Resolution 2012-004 and RDA Resolution 2012-001.

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. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

Some of those assets also may be subject to the provisions of H&S Code section 34181(c).

H&S Code section 34181(c) states, "The oversight board shall direct the successor agency to do the following: Transfer housing responsibilities and all rights, powers, duties, and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to Section 34176."

Order of the Controller

Based on H&S Code section 34167.5, the Housing Authority is ordered to reverse the transfer of the above assets, described in Schedule 2, in the amount of \$14,954,405, and turn them over to the Successor Agency. The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e) and 34181(c).

City's Response to Draft

The City provided additional documentation to support its position. See Attachment 1 for the City's complete response.

SCO's Comment

The City provided additional documentation to support its position; therefore, no further action is necessary.

**Schedule 1—
Unallowable Assets Transferred to
the City of San Ramon
January 1, 2011, through January 31, 2012**

Unallowable asset transfers to the City of San Ramon:	
Loan repayment on June 30, 2011	\$ 2,180,000
Payment on COP debt service payment on December 31, 2011	150,000
Administrative expenses paid on December 31, 2011	<u>157,303</u>
Total unallowable asset transfers	<u>\$ 2,487,303</u>

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

Current Assets	
Cash with fiscal agent (bond proceeds)	\$ 2,557,694
Land held for resale ¹	3,092,668
Advances to other funds—SERAF	3,483,624
Accounts receivable	1,175
Notes receivable—Greystone	5,000
Notes receivable—American Baptist	5,500,000
Notes receivable—Rehabilitation Loan Program	314,244
	<hr/>
Total unallowable asset transfers	14,954,405
Additional documentation provided showing approval of asset transfer	<u>(14,954,405)</u>
Total transfers subject to H&S Code section 34167.5	<u><u>\$ —</u></u>

¹ See Schedule 3 for land held for resale subject to Health and Safety Code section 34167.5.

**Attachment—
City of San Ramon's Response to
Draft Review Report**

RESOLUTION NO. SA 2013-004

**RESOLUTION OF THE SUCCESSOR AGENCY OF THE CITY OF SAN RAMON
ACKNOWLEDGING THAT CERTAIN REAL PROPERTY
CURRENTLY HELD AND ADMINISTERED BY THE SUCCESSOR AGENCY IS
GOVERNMENTAL PURPOSE PROPERTY THAT SHOULD BE
TRANSFERRED TO THE CITY OF SAN RAMON AND
REQUESTING APPROVAL FROM THE OVERSIGHT BOARD
FOR SUCH TRANSFER**

WHEREAS, the San Ramon Redevelopment Agency ("Agency") was a redevelopment agency organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.* "CRL") and was authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council of the City of San Ramon ("City Council" or "City," as applicable); and

WHEREAS, pursuant to the CRL, the City Council approved and adopted the Redevelopment Plan ("Redevelopment Plan") for the San Ramon Redevelopment Project ("Project") on May 26, 1987, by Ordinance No. 104, and the Agency was vested with the responsibility for implementing and carrying out the Redevelopment Plan; and

WHEREAS, in connection with the approval and adoption of the State Budget for Fiscal Year 2011-12, the California Legislature approved, and the Governor signed Assembly Bill 1X 26 (Stats. 2011, First Extraordinary Session, chap. 5, "AB1X 26"), which immediately suspended all otherwise legal redevelopment activities and incurrence of indebtedness, and set a timetable and procedures to dissolve all redevelopment agencies effective October 1, 2011 (the "Dissolution Act"); and

WHEREAS, the constitutionality of the Dissolution Act was upheld by the California Supreme Court (*California Redevelopment Association, et al., v. Ana Matosantos, et al.*, Case No. S194861) by its decision entered December 29, 2011, and, as part of its decision, the Court generally reformed the timelines applicable to the Dissolution Act, extending most of them by 4 months, and

WHEREAS, the City Council adopted Resolution No. 2012-004 on January 10, 2012, affirming that the City would serve as the successor agency ("Successor Agency") to the Agency, in which capacity the City will wind down the affairs of the Agency; and

WHEREAS, on February 1, 2012, pursuant to Section 34172 of the Health and Safety Code, the Agency was dissolved by operation of law and pursuant to Section 34175(h), all assets, properties, contracts, leases, books and records, buildings and equipment of the dissolved Agency were transferred to the City, in its capacity as Successor Agency for administration pursuant to the provisions of Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code; and

WHEREAS, in implementation of the Redevelopment Plan for the Project Area, the former Agency acquired those certain real properties listed in Exhibit I attached hereto

and incorporated herein by this reference (the "Governmental Purpose Properties"), for parkland, open space, and public facilities; and

WHEREAS, as more particularly described in the staff report accompanying this resolution, the Governmental Purpose Properties were acquired by the former Agency for ownership ultimately by the City and in accordance with applicable provisions of the CRL authorizing the former Agency to pay all or part of the value therefore, in particular, CRL Section 33445; and

WHEREAS, the Successor Agency desires to transfer ownership of the Government Purpose Properties to the City of San Ramon;

NOW, THEREFORE, THE SUCCESSOR AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Successor Agency hereby finds and determines that the facts set forth above are true and correct and are incorporated herein by this reference.

Section 2. The Successor Agency hereby requests approval from the Oversight Board (Health and Safety Code Section 34181) to transfer the above described Government Purpose Properties to the City of San Ramon.

Section 3. Following approval from the Oversight Board, the Agency Chair is hereby authorized to execute and record whatever documents are necessary to transfer ownership of the Government Purpose Properties to the City of San Ramon.


PASSED, APPROVED AND ADOPTED at the meeting of February 12, 2013 by the following votes.

AYES: *Agency Members Hudson, Livingstone, O'Loane, Perkins, and Chair Clarkson*

NOES:

ABSENT:

ABSTAIN:


Bill Clarkson, Agency Chair

ATTEST:



Patricia Edwards, Agency Clerk

Exhibit 1 Governmental Purpose Properties

GOVERNMENTAL PURPOSE PROPERTIES

APN 210-520-059	Triana Way	Richard Fahey Village Green
APN 210-520-060	Greylyn Drive	Trail Landscaping
APN 210-520-061	Alcosta Boulevard	Trail Landscaping
APN 209-770-014	105 Park Place	Crow Canyon Gardens Park
APN 208-240-049	211 Deerwood Drive	Mill Creek Hollow
APN 208-290-005	2700 Old Crow Canyon Road	Park/Open space
APN 209-350-001	3000 Bollinger Canyon Road	Park (Wood Lot)

RESOLUTION OB NO. 2013-002

**RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF SAN RAMON
ACKNOWLEDGING THAT CERTAIN REAL PROPERTY
CURRENTLY HELD AND ADMINISTERED BY THE SUCCESSOR AGENCY IS
GOVERNMENTAL PURPOSE PROPERTY THAT SHOULD BE
TRANSFERRED TO THE CITY OF SAN RAMON**

WHEREAS, the San Ramon Redevelopment Agency ("Agency") was a redevelopment agency organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*, "CRL") and was authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council of the City of San Ramon ("City Council" or "City," as applicable); and

WHEREAS, pursuant to the CRL, the City Council approved and adopted the Redevelopment Plan ("Redevelopment Plan") for the San Ramon Redevelopment Project ("Project") on May 26, 1987, by Ordinance No. 104, and the Agency was vested with the responsibility for implementing and carrying out the Redevelopment Plan; and

WHEREAS, in connection with the approval and adoption of the State Budget for Fiscal Year 2011-12, the California Legislature approved, and the Governor signed Assembly Bill 1X 26 (Stats. 2011, First Extraordinary Session, chap. 5, "AB1X 26"), which immediately suspended all otherwise legal redevelopment activities and incurrence of indebtedness, and set a timetable and procedures to dissolve all redevelopment agencies effective October 1, 2011 (the "Dissolution Act"), and

WHEREAS, the constitutionality of the Dissolution Act was upheld by the California Supreme Court (*California Redevelopment Association, et al. v Ana Matosantos, et al.* Case No. S194861) by its decision entered December 29, 2011, and, as part of its decision, the Court generally reformed the timelines applicable to the Dissolution Act, extending most of them by 4 months; and

WHEREAS, the City Council adopted Resolution No. 2012-004 on January 10, 2012, affirming that the City would serve as the successor agency ("Successor Agency") to the Agency in which capacity the City will wind down the affairs of the Agency; and

WHEREAS, on February 1, 2012, pursuant to Section 34172 of the Health and Safety Code, the Agency was dissolved by operation of law, and pursuant to Section 34175(b), all assets, properties, contracts, leases, books and records, buildings and equipment of the dissolved Agency were transferred to the City in its capacity as Successor Agency, for administration pursuant to the provisions of Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code; and

WHEREAS, in implementation of the Redevelopment Plan for the Project Area, the former Agency acquired those certain real properties listed in Exhibit I, attached hereto and incorporated herein by this reference (the "Governmental Purpose Properties"), for parkland, open space, and public facilities, and

GOVERNMENTAL PURPOSE PROPERTIES

APN 210-520-059	Triana Way	Richard Fahey Village Green
APN 210-520-060	Greylyn Drive	Trail Landscaping
APN 210-520-061	Alcosta Boulevard	Trail Landscaping
APN 209-770-014	105 Park Place	Crow Canyon Gardens Park
APN 208-240-049	211 Deerwood Drive	Mill Creek Hollow
APN 208-290-005	2700 Old Crow Canyon Road	Park/Open space
APN 209-350-001	3000 Bollinger Canyon Road	Park (Wood Lot)

RESOLUTION NO. 2013-063

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN RAMON
AMENDING SECTION 4 OF RESOLUTION NO. 2012-004 IN ORDER TO
DESIGNATE THE CITY OF SAN RAMON AS HOUSING SUCCESSOR
IN PLACE OF THE SAN RAMON HOUSING AUTHORITY AND
REQUESTING THAT THE CITY OF SAN RAMON SUCCESSOR AGENCY
FORMALLY APPROVE AND TRANSFER THE
HOUSING ASSETS TO THE CITY**

WHEREAS, the former San Ramon Redevelopment Agency ("Agency") was a redevelopment agency organized and existing under the California Community Redevelopment Law (Part 1 of Division 24, commencing with Section 33000, of the Health and Safety Code) and was authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council of the City of San Ramon ("City Council" or "City" as applicable); and

WHEREAS, pursuant to Parts 1.8 and 1.85 of Division 24 (commencing with Section 34161) of the Health and Safety Code (Parts 1, 1.8 and 1.85 of Division 24 of the Health and Safety Code are hereinafter referred to as the "CRL"), activities of the Agency were suspended and the Agency was ultimately dissolved on February 1, 2012; and

WHEREAS, pursuant to CRL Section 34175(b), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the Agency (including all housing assets and obligations) were automatically transferred to the control of the City of San Ramon Successor Agency ("Successor Agency") by operation of law; and

WHEREAS, on January 10, 2012, the City adopted Resolution 2012-004 selecting the San Ramon Housing Authority ("Housing Authority") as the local housing authority to assume all rights, powers, assets, duties, and obligations associated with the housing activities of the Agency (pursuant to the authority granted in CRL Section 34176); and

WHEREAS, notwithstanding selection by City of the Housing Authority to assume the housing functions, there has been no formal action transferring either the housing functions or the housing assets to the Housing Authority; and

WHEREAS, on March 13, 2012, the Housing Authority conducted its first and only meeting since being reactivated in February 2011, but at that meeting, the Housing Authority did not take any formal action related to accepting the housing assets or functions of the Agency; and

WHEREAS, currently, all housing assets and functions of the Agency continue to remain in the exclusive control of the Successor Agency; and

WHEREAS, the Successor Agency timely filed, and the California Department of Finance (“DOF”) has already approved, the list of all housing assets (hereinafter the “Approved Housing Assets”) required by CRL Section 34176(a)(2); and

WHEREAS, pursuant to CRL Section 34176, the City now desires to rescind its initial decision in Resolution 2012-004 selecting the Housing Authority as the housing successor in order to designate the City as the housing successor.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of San Ramon hereby amends Resolution 2012-004 by repealing Section 4 and adopting in its place the following language:

Section 4. Election of City of San Ramon to Retain the Housing Assets and Functions of the San Ramon Redevelopment Agency.

Pursuant to CRL Section 34176, the City hereby elects to retain the housing assets and functions previously performed by the Agency. As the housing successor, the City hereby assumes all rights, powers, assets, duties and obligations associated with the housing activities of the Agency.

BE IT FURTHER RESOLVED that the City Council of the City of San Ramon hereby requests the following in the order described below:

1. That the Successor Agency approve the proposed transfer of the Approved Housing Assets to the City; and
2. That the Successor Agency formally transfer the Approved Housing Assets to the City, acting as the housing successor; and
3. That the City Manager and City Clerk, and/or their designees, take all actions necessary and appropriate to effectuate the transfer of title to the Approved Housing Assets from the Successor Agency to the City without further action by the City Council, this resolution serving as the formal acceptance by the City Council of the Approved Housing Assets; and
4. That the City Council, at a future date, adopt a resolution de-activating the Housing Authority pursuant to Health and Safety Code Section 34245 and take whatever steps necessary to achieve final de-activation.

Signatures on following page

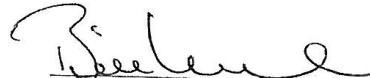
PASSED, APPROVED, AND ADOPTED at the meeting of June 11, 2013 by the following votes:

AYES: *Councilmembers Hudson, Livingstone, O'Loane, and Mayor Clarkson*

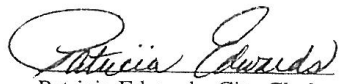
NOES:

ABSENT: *Councilmember Perkins*

ABSTAIN:


Bill Clarkson, Mayor

ATTEST:


Patricia Edwards, City Clerk

RESOLUTION NO. SA 2013-006

**A RESOLUTION OF THE SUCCESSOR AGENCY
OF THE CITY OF SAN RAMON
TRANSFERRING ALL HOUSING ASSETS AND OBLIGATIONS OF THE
FORMER SAN RAMON REDEVELOPMENT AGENCY TO THE
CITY OF SAN RAMON AS HOUSING SUCCESSOR**

WHEREAS, on February 1, 2012 all assets, properties, contracts, leases, books and records, buildings, and equipment of the former San Ramon Redevelopment Agency were transferred to the City of San Ramon Successor Agency by operation of law (Health and Safety Code Section 34175(b)); and

WHEREAS, the Successor Agency timely filed, and the California Department of Finance has approved, the list of all housing assets as required by Health and Safety Code Section 34176(a)(2); and

WHEREAS, all housing assets, liabilities and functions transferred to the Successor Agency on February 1, 2012, were held under the exclusive control and management of the Successor Agency pending a determination by the City of San Ramon whether the City elects under Health and Safety Code Section 34176 to retain the housing assets and functions previously performed by the San Ramon Redevelopment Agency; and

WHEREAS, on June 11, 2013, the City Council of the City of San Ramon adopted Resolution No. 2013-063 formally electing under Health and Safety Code Section 34176 to retain the housing assets and – as housing successor – to assume all rights, powers, assets, duties and obligations associated with the housing activities of the former San Ramon Redevelopment Agency; and

WHEREAS, by Resolution No. 2013-063 the City of San Ramon has requested that the San Ramon Successor Agency transfer the aforementioned housing assets and functions to the City of San Ramon as housing successor.

NOW, THEREFORE, BE IT RESOLVED that the Successor Agency of the City of San Ramon does hereby transfer to the City of San Ramon, as housing successor, all housing assets, rights, powers, duties and all obligations of the former San Ramon Redevelopment Agency received by the Successor Agency on February 1, 2012 pursuant to Health and Safety Code Section 34175(b).

BE IT FURTHER RESOLVED that the Successor Agency Chair and Clerk shall execute all deeds and other documents necessary to complete transfer of all housing assets, rights, powers, duties and obligations as provided herein to the City of San Ramon as housing successor to the former San Ramon Redevelopment Agency.

BE IT FURTHER RESOLVED that the transfers provided for hereunder are

contingent upon any review or approval as may be required by the Oversight Board.

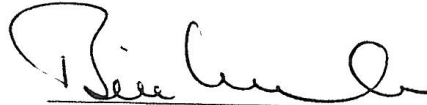
PASSED, APPROVED AND ADOPTED on this 25th day of June 2013 by the following vote:

AYES: *Agency Members Livingstone, O'Loane, Perkins, and Chair Clarkson*

NOES:

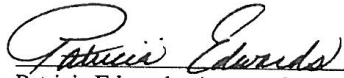
ABSENT: *Agency Member Hudson*

ABSTAIN:



Bill Clarkson, Agency Chair

ATTEST:



Patricia Edwards, Agency Clerk



CITY OF SAN RAMON

2222 CAMINO RAMON
SAN RAMON, CALIFORNIA 94583
PHONE (925) 973-2500
WEB SITE: www.sanramon.ca.gov

September 18, 2013

Mr. Steven Mar, Chief
Local Government Audits Bureau
State Controller's Office
PO Box 942850
Sacramento, CA 94250-5874

Dear Mr. Mar:

This letter is in response to the State Controller's Office letter dated September 4, 2013 and received by the San Ramon Successor Agency on September 9, 2013, on the review of all asset transfers made by the former San Ramon Redevelopment Agency to the City of San Ramon or any other public agency after January 1, 2011:

Finding 1 – Unallowable cash transfer to the City of San Ramon of \$157,303

For clarification, the Redevelopment Agency as part of their annual FY 2011/2012 budget process did budget, appropriate, and schedule the \$157,303 as overhead cost. Documentation was provided to the auditors for the administrative overhead calculation of \$131,640, except for the additional increase of \$25,663. Per an email from Venus Sharif, Auditor-in-Charge dated May 14, 2013, it was acknowledged that the timing of the overhead payment was done in anticipation of the RDA wind-down and the allowable amount would be for 7 months (July 2011-January 2012) of the historical cost of \$131,640, which is \$76,790. The email also indicated that the remaining 5 months (February 2012-June 2012) of \$54,850 would be treated as a finding. The total adjustment should be corrected to \$80,513 (\$25,663 and \$54,850), instead of the full overhead amount of \$157,303. Copy of email is included as an attachment.

Finding 2 – Failure to transfer capital asset to the Successor Agency of \$1,804,539

On February 1, 2012, the Woodlot property located at 3000 Bollinger Canyon Rd. was in control of the San Ramon Successor Agency to former Redevelopment Agency (RDA). The discrepancy happened when staff prepared a list of RDA properties requested by the State Controller's Office auditors. The thought process was that the auditors wanted a list of properties that were on record in the name of the former Redevelopment Agency. Therefore, staff verified all RDA properties to County records. County records showed that in 2000, the Woodlot property was

CITY COUNCIL: 973-2530
CITY MANAGER: 973-2530
CITY ATTORNEY: 973-2549

CITY CLERK: 973-2539
ADMINISTRATIVE SERVICES: 973-2609
PLANNING/COMMUNITY DEVELOPMENT: 973-2560

ENGINEERING SERVICES: 973-2670
POLICE SERVICES: 973-2700
PUBLIC SERVICES: 973-2800

PARKS & COMMUNITY SERVICES: 973-3200
ECONOMIC DEVELOPMENT: 973-2554

recorded in the name of the City of San Ramon. Therefore, staff removed the Woodlot property from the RDA property list only. However, the Woodlot property was transferred to the Successor Agency by operation of law as part of Health & Safety Code section 34175(b).

On February 12, 2013, the Successor Agency approved Resolution No. SA 2013-004 acknowledging that certain real property currently held and administered by the Successor Agency is Governmental Purpose Property, which included the Woodlot property, and should be transferred to the City of San Ramon; and on February 21, 2013, the Oversight Board approved Resolution OB 2013-002 also acknowledging the Woodlot property as a Governmental Purpose Property. Copies of resolutions SA 2013-004 and OB 2013-002 are included as attachments.

Furthermore, on September 11, 2013, the Successor Agency submitted to the Department of Finance its Long Range Property Management Plan, which includes the Woodlot Property as a Governmental Purpose Property. Therefore no further action is necessary.

Finding 3 – Unallowable assets transferred to the Housing Authority of \$14,954,405

The former San Ramon Redevelopment Agency did not transfer any housing assets to the San Ramon Housing Authority on or before February 1, 2012, or at any time. In fact, as of February 1, 2012, the Housing Authority Board had not met in more than sixteen years. The Housing Authority was deactivated by the City Council on January 23, 1996 (Resolution No. 96-11) and its functions assumed by the Redevelopment Agency. It was reactivated by the Council on February 8, 2011, because of "...significant uncertainty as to the, form, funding, and future of Redevelopment Agencies in California." (Resolution No. 2011-018) However, the Housing Authority Board never met until a year later on March 13, 2012, when it convened to adopt several procedural resolutions none of which had anything to do with Redevelopment. The Board has not met since that one meeting on March 13, 2012.

The only transfer of housing assets occurred by operation of law under Health & Safety Code section 34175(b) which provides in part: "All assets, properties, contracts, leases, books and records, buildings and equipment of the former redevelopment agency are to be transferred on February 1, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part." Even though on January 10, 2012, by Resolution No. 2012-004, the City Council selected the Housing Authority to assume the former Redevelopment housing functions, no further steps were taken to transfer either the functions or the assets to the Housing Authority.

In fact the City Council reversed its action selecting the Housing Authority to assume the former Redevelopment Agency housing functions. On June 11, 2013, the City Council elected under Health & Safety Code 34176 to retain the housing assets and functions of the former Redevelopment Agency. Copy of City Council resolution 2013-063 is included as an attachment. On June 25, 2013, the Successor Agency approved Resolution SA 2013-006 transferring all housing assets and obligations of the former San Ramon Redevelopment Agency to the City of San Ramon as Housing Successor. Copy of resolution SA 2013-006 is included as an attachment.

In summary, the San Ramon Successor Agency is in agreement with the unallowable transfer to the City of San Ramon in Finding #1 the \$150,000 transfer to fund a portion of the City's Certificate of Participation (COP10) annual debt service payment; and agrees to the corrected amount of \$80,513 for administrative overhead. The San Ramon Successor Agency disagrees with Finding #2 and #3, which was explained above. Therefore, the revised unallowable transfers total \$230,513.

If you have any questions or need additional documentation, please contact me at (925) 973-2514.

Sincerely,


Eva Phelps
Administrative Services Director

Attachments



CITY OF SAN RAMON

2226 CAMINO RAMON
SAN RAMON, CALIFORNIA 94583
PHONE: (925) 973-2500
www.sanramon.ca.gov

November 7, 2013

Mr. Steven Mar, Chief
Local Government Audits Bureau
State Controller's Office
PO Box 942850
Sacramento, CA 94250-5874

Dear Mr. Mar:

The San Ramon Successor Agency was notified by the State Controller's Office that the original draft report dated September 4, 2013 was the incorrect draft. Although, the San Ramon Successor Agency submitted its responses in a timely manner on September 18, 2013, it is now required to send a second letter responding to the revised draft report dated October 25, 2013. The Successor Agency received the revised report on October 29, 2013. The following are the comments to the findings:

Finding 1 – Unallowable cash transfer to the City of San Ramon of \$157,303

For clarification, the Redevelopment Agency as part of their annual FY 2011/2012 budget process did budget, appropriate, and schedule the \$157,303 as overhead cost. Documentation was provided to the auditors for the administrative overhead calculation of \$131,640, except for the additional increase of \$25,663. Per an email from Venus Sharif, Auditor-in-Charge dated May 14, 2013, it was acknowledged that the timing of the overhead payment was done in anticipation of the RDA wind-down and the allowable amount would be for 7 months (July 2011-January 2012) of the historical cost of \$131,640, which is \$76,790. The email also indicated that the remaining 5 months (February 2012-June 2012) of \$54,850 would be treated as a finding. The total adjustment should be corrected to \$80,513 (\$25,663 and \$54,850), instead of the full overhead amount of \$157,303. Copy of email was sent with the original letter dated September 18, 2013.

Enclosed are additional documents proving that the \$157,303 administrative overhead cost was budgeted, appropriated, and scheduled properly. See Exhibit 1 - the FY 11/12 RDA budget and budget printouts showing the line item expenditure and detail.

Finding 1 – Unallowable cash transfer to the City of San Ramon of \$2,180,000

CITY COUNCIL:	973-2530	CITY CLERK:	973-2539	ENGINEERING SERVICES:	973-2670	PARKS & COMMUNITY SERVICES:	973-3200
CITY MANAGER:	973-2530	ADMINISTRATIVE SERVICES:	973-2500	POLICE SERVICES:	973-2700	ECONOMIC DEVELOPMENT:	973-2554
CITY ATTORNEY:	973-2549	PLANNING/COMMUNITY DEVELOPMENT:	973-2560	PUBLIC SERVICES:	973-2800		

On May 25, 2004, the former San Ramon Redevelopment Agency (RDA) approved Resolution No. 2004-02 approving a tax revenue anticipation note in the amount of \$2,000,000 from the City General Fund to finance the operating portion of the RDA budget. This loan includes interest of 9% or \$180,000 annually. Since then, the RDA has included this note in the budget process and approved by resolution. This annual loan is funded at the beginning of the fiscal year and repaid at the end of the fiscal year by journal entry, which has been consistent since inception (2005-2011). With the State's dissolution of Redevelopment Agencies and the dates established for the review of former Redevelopment assets it comes down to a timing issue. The City funded the loan on September 1, 2010 and the normal process at year-end reconciliation is to book the repayment on June 30, 2011. During the SCO review, documentation was provided to show this as a proper transfer. Enclosed are additional documents showing the RDA's annual budgeting of the loan in FY 2004-05 through FY 2010-11, and the 2010-2014 Implementation Plan showing the loan as an existing obligation. See Exhibit 2 through 8 and Exhibit 9.

In addition, this finding was not part of the May 10, 2013 Exit Conference call with Betty Moya, Audit Manager, Venus Sharifi, Auditor and Margaux Clark, Auditor, in which a list of the findings was provided prior to the meeting. This finding was also excluded from the original September 4, 2013 draft report. I received notification of this new finding four (4) months later by phone call from Betty Moya on September 13, 2013. At that time, she would not provide a written explanation as to why this finding was added after the fact. See Exhibit 10 – Exit Conference Agenda and Management Letter.

Finding 2 – Failure to transfer capital asset to the Successor Agency of \$1,804,539

On February 1, 2012, the Woodlot property located at 3000 Bollinger Canyon Rd. was in control of the San Ramon Successor Agency to former Redevelopment Agency (RDA). The discrepancy happened when staff prepared a list of RDA properties requested by the State Controller's Office auditors. The thought process was that the auditors wanted a list of properties that were on record in the name of the former Redevelopment Agency. Therefore, staff verified all RDA properties to County records. County records showed that in 2000, the Woodlot property was recorded in the name of the City of San Ramon. Therefore, staff removed the Woodlot property from the RDA property list only. However, the Woodlot property was transferred to the Successor Agency by operation of law as part of Health & Safety Code section 34175(b).

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Furthermore, on September 11, 2013, the Successor Agency submitted to the Department of Finance its Long Range Property Management Plan, which includes the Woodlot Property as a Governmental Purpose Property. Therefore no further action is necessary.

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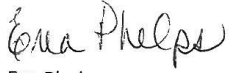
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In fact the City Council reversed its action selecting the Housing Authority to assume the former Redevelopment Agency housing functions. On June 11, 2013, the City Council elected under Health & Safety Code 34176 to retain the housing assets and functions of the former Redevelopment Agency. Copy of City Council resolution 2013-063 was included with original September 18, 2013 letter. On June 25, 2013, the Successor Agency approved Resolution SA 2013-006 transferring all housing assets and obligations of the former San Ramon Redevelopment Agency to the City of San Ramon as Housing Successor. Copy of resolution SA 2013-006 was included with original September 18, 2013 letter.

In summary, the San Ramon Successor Agency is in agreement with the unallowable transfer to the City of San Ramon in Finding #1 the \$150,000 transfer to fund a portion of the City's Certificate of Participation (COP10) annual debt service payment; and agrees to the corrected amount of \$80,513 for administrative overhead. The San Ramon Successor Agency disagrees with Finding #1 bullet #1, Finding #2 and #3, which was explained above. Therefore, the revised unallowable transfers total \$230,513.

If you have any questions or need additional documentation, please contact me at (925) 973-2514.

Sincerely,

A handwritten signature in cursive script that reads "Eva Phelps".

Eva Phelps
Administrative Services Director

Attachments

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

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