

# **CITY OF RANCHO CUCAMONGA REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### Review Report

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



**JOHN CHIANG**  
California State Controller

February 2013



**JOHN CHIANG**  
California State Controller

February 13, 2013

John Gillison, City Manager  
City of Rancho Cucamonga/  
Successor Agency  
10500 Civic Center Drive  
Rancho Cucamonga, CA 91730

Dear Mr. Gillison:

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

Our review noted that the City of Rancho Cucamonga RDA transferred \$563,960,022 in assets during the period of January 1, 2011, through January 31, 2012, including unallowable transfers of assets totaling \$670,426, or 0.12% of the transferred assets. Additionally, assets totaling \$11,221,754 have not yet been completely transferred to the Successor Agency and must be transferred in full to the 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**  
Chief, Division of Audits

JVB/vb

cc: Larry Walker, Auditor-Controller  
County of San Bernardino  
Mike Costello, Chair  
Oversight Board of the Successor Agency  
to the Rancho Cucamonga Redevelopment Agency  
Steven Szalay, Local Government Consultant  
Department of Finance  
Scott Freesmeier, Audit Manager  
Division of Audits, State Controller's Office  
Albert Sim, 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 Rancho Cucamonga Redevelopment Agency (RDA) 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 noted that the City of Rancho Cucamonga RDA transferred \$563,960,022 in assets during the period of January 1, 2011, through January 31, 2012, including unallowable transfers of assets totaling \$670,426, or 0.12% of the transferred assets. Additionally, assets totaling \$11,221,754 have not yet been completely transferred to the Successor Agency and must be transferred in full 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.

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 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 City of Rancho Cucamonga RDA, the City of Rancho Cucamonga, 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, RDA, and 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 noted that the City of Rancho Cucamonga RDA transferred \$563,960,022 in assets during the period of January 1, 2011, through January 31, 2012, including unallowable transfers of assets totaling \$670,426, or 0.12% of the transferred assets. Additionally, assets totaling \$11,221,754 have not yet been completely transferred to the Successor Agency and must be transferred in full to the Successor Agency.

Unallowable asset transfers to City of Rancho Cucamonga	\$ 670,426
RDA assets that have not yet been completely transferred to the Successor Agency	<u>11,221,754</u>
Total	<u>\$ 11,892,179</u>

**Views of  
Responsible  
Official**

We issued a draft review report in December 2012. John R. Gillison, City Manager, responded by letter dated January 14, 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 City of Rancho Cucamonga Successor Agency, the 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

February 13, 2013

# Findings and Orders of the Controller

## **FINDING 1— Unallowable asset transfers to the City of Rancho Cucamonga**

The City of Rancho Cucamonga Redevelopment Agency (RDA) made unallowable transfers totaling \$670,426 to the City of Rancho Cucamonga (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. Unallowable asset transfers consisted of the following:

- The RDA transferred one property, located at 9153 Ninth Street—commonly referred to as the Municipal Corporate Yard—to the City on March 16, 2011. The property was valued at \$640,250.
- The RDA entered into a contract to acquire a Ford F-350 vehicle in the amount of \$30,176 on October 12, 2011. Subsequently, title to the truck was transferred to the City on October 30, 2011.

Pursuant to Health and Safety (H&S) Code section 34163, effective June 27, 2011, the RDA is prohibited from entering into contracts, incurring obligations, or making commitments to any entity for any purpose, including contracts for the purchase of capital equipment.

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 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 returned to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

Also, it appears that some of the assets may be considered government-purpose under H&S Code section 34181(a).

### Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to reverse the \$670,426 transfer of assets described in Schedule 1 and turn over the assets 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(a).

### City's Response

The City agreed with the Order of the Controller.

See Attachment 1 for the full response.



**FINDING 2—  
Incomplete  
transfer of RDA  
assets to the  
Successor Agency**

The RDA transferred nine properties with a cumulative value of \$11,221,754 to the City of Rancho Cucamonga Successor Agency, per its accounting records. However, the grant deeds were not transferred to the Successor Agency; rather, the deeds remained with the RDA. H&S Code section 34175(b) states that all assets are to be transferred to the control of the Successor Agency. As the Successor Agency has only partial control of the assets, this is an incomplete transfer.

The nine properties are as follows:

Address	Purchase Price
9th and Madrone	\$ 937,997
NEC of Civic Cnt and Law/Justice Road	566,280
NWC of Utica and Civic Center Dr	321,205
Baseline Rd between Rochester and Victoria Park	2,273,832
Baseline Rd between Rochester and Victoria Park	1,200,000
Baseline Rd between Rochester and Victoria Park <sup>1</sup>	—
9561 San Bernardino Road	261,000
9547 San Bernardino Road	755,528
SEC of Church Street and Arbor Lane	4,905,912
<b>Total</b>	<b>\$ 11,221,754</b>

<sup>1</sup> Value is included in above amounts (\$2,273,832 and \$1,200,000)

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 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 returned to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

Some of the properties transferred may be considered housing or government-purpose under H&S Code section 34181(a) and (c).

Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to complete the transfer of RDA assets, which are described above, to the Successor Agency. The Successor Agency is directed to properly dispose of these assets in accordance with H&S Code sections 34177(d) and section 34181(a) and (c).

City’s Response

The City agreed with the Order of the Controller.

See Attachment 1 for the full response.

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**Schedule 1—  
Unallowable Asset Transfers to the  
City of Rancho Cucamonga  
January 1, 2011, through January 31, 2012**

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9153 Ninth Street (Municipal Corporate Yard)	\$ 640,250
Ford F-350 Truck	<u>30,176</u>
Total Unallowable Transfers—City of Rancho Cucamonga	<u>\$ 670,426</u> <sup>1</sup>

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

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

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Mayor L. DENNIS MICHAEL • Mayor Pro Tem SAM SPAGNOLO  
Council Members WILLIAM J. ALEXANDER, MARC STEINORTH, DIANE WILLIAMS  
City Manager JOHN R. GILFISON

THE CITY OF RANCHO CUCAMONGA

January 14, 2013

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

Re: City of Rancho Cucamonga Redevelopment Agency Asset Transfer Review

The City of Rancho Cucamonga appreciates and welcomes the opportunity to comment on your division's draft "Asset Transfer Review Report" dated December 2012. The City of Rancho Cucamonga respectfully submits these comments in an effort to ensure accuracy of your findings and compliance with the applicable laws. The comments are submitted in the same order of the draft report.

**Report Findings and Orders:**

**Finding 1 – Unallowable asset transfers to the City of Rancho Cucamonga**

- *The City of Rancho Cucamonga Redevelopment Agency transferred property referred to as "Municipal Corporate Yard" to the City of Rancho Cucamonga on March 16, 2011.*
- *The City of Rancho Cucamonga Redevelopment Agency transferred title of property referred to as "Ford F-350" to the City of Rancho Cucamonga on October 30, 2011.*

**Comment:** The City of Rancho Cucamonga (the City) concurs with the finding of the properties in question. The City will transfer the "Municipal Corporate Yard" and the "Ford F-350" back to the Successor Agency to the Rancho Cucamonga Redevelopment Agency (Successor Agency). In addition, the City will complete a title change for the "Ford F-350" to read as "Successor Agency." Lastly, the City agrees with the statement that the assets may be considered government-purpose under H&S Code section 34181(a).

**Finding 2 – Incomplete transfer of RDA assets to the Successor Agency**

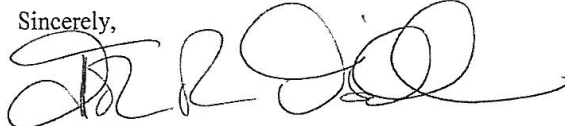
- *The RDA transferred nine properties with a cumulative value of \$11,221,754 to the City of Rancho Cucamonga Successor Agency, per its accounting records. However, the grant deeds were not transferred to the Successor Agency; rather, the deeds remained with the RDA....."*

**Comment:** The City concurs with the finding of the properties in question. The City will submit the necessary paper work to the appropriate office at the County of San Bernardino to

record the grant deed in the name of the Successor Agency in an effort to complete the transfer of RDA assets. Lastly, the City agrees with the statement that the properties transferred may be considered housing or government-purpose under H&S Code section 34181(a) and 34181(c).

Once again, the City of Rancho Cucamonga appreciates the opportunity to comment on each of the findings on your draft report. If you have any questions regarding the City's comments, please contact Javier Carcamo, Senior Accountant, at 909-477-2700, extension 2433.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. R. Gillison', with a stylized flourish at the end.

John R. Gillison  
City Manager

cc: Linda Daniels, Assistant City Manager  
Tamara L. Layne, Finance Director  
Javier Carcamo, Senior Accountant

**State Controller's Office  
Division of Audits  
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