

YUBA CITY REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

March 2014



JOHN CHIANG
California State Controller

March 10, 2014

Robin Bertagna, Director of Finance/IT
Yuba City Redevelopment/Successor Agency
1201 Civic Center Boulevard
Yuba City, CA 95993

Dear Ms. Bertagna:

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

Our review found that the RDA transferred \$43,231,394 in assets after January 1, 2011, including unallowable transfers of assets totaling \$3,033,919 to the City, or 7.02% 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 telephone, at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

Robin Bertagna, Director of Finance

-2-

March 10, 2014

cc: Robert Stark, Auditor-Controller

Yuba County

John Buckland, Chair

Successor Agency Oversight Board

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

Scott Freesmeier, Audit Manager

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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 Yuba City 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 \$43,231,394 in assets after January 1, 2011, including unallowable transfers of assets totaling \$3,033,919 to the City of Yuba City (City), or 7.02% 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 Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of 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.

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 Yuba City City Council, 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 Yuba City Redevelopment Agency transferred \$43,231,394 in assets after January 1, 2011, including unallowable transfers of assets totaling \$3,033,919 to the City of Yuba City, or 7.02% of transferred assets, that must be turned over to the Successor Agency.

Details of our finding are in the Finding and Order of the Controller section of this report.

Views of Responsible Official

We issued a draft review report on November 13, 2013. Robin Bertagna, Finance Director, responded by email on February 6, 2014, indicating the City's concurrence with the report and findings.

Restricted Use

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

March 10, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of Yuba City**

In March 2011, the Yuba City Redevelopment Agency (RDA) made unallowable transfers of land and capital assets to the City of Yuba City totaling \$3,033,919. The transfers are unallowable because they were made for purposes of fulfilling former RDA loan obligations to the City as a form of exchange for payments due the City. Subsequent to January 31, 2012, the City determined that the assets transferred, in the amount of \$3,033,919, belong with the Successor Agency (for other non-housing RDA-funded properties). The City recorded correcting accounting entries transferring the assets to the Successor Agency. However, the SCO learned from the City's Finance Director that legal ownership has not been turned over and titles to properties remain under City possession. The properties are described in greater detail in Schedule 1.

Order of the Controller

Pursuant to Health and Safety (H&S) Code section 34167.5, the City of Yuba City is ordered to reverse the transfer of the above assets in the amount of \$3,033,919. Although the City has subsequently recorded the assets in the Successor Agency's fund ledgers and no further accounting entry is required, legal title must still be transferred, respectively, to both the Successor Agency and to the Successor Housing Agency.

The City and Successor Agency are directed to complete the transfer of properties by conveying titles of property assets in the name of the Successor Agency and to dispose of these assets and transfer the proceeds to the Sutter County Auditor-Controller for distribution to taxing entities pursuant to Health and Safety (H&S) Code section 34177(d), and with approval of the Oversight Board, pursuant to H&S Code section 34181(c).

City's Response

The City concurred with the findings and noted that it is in the process of properly transferring the title to the assets identified in Schedule 1 to the Successor Agency.

SCO's Comment

The finding and Order of the Controller remains as stated.

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

| | <u>Asset ID</u> | <u>Amount</u> |
|--|-----------------|---------------------|
| Other RDA Fund Assets (Successor Agency) | | |
| 1) 353 B St, APN #52-324-023 | 11038 | \$ 194,447 |
| 2) 320 A St, APN #52-324-023 | 11039 | 540,543 |
| 3) 395 B St, APN #02-064-015 | 11040 | 344,335 |
| 4) 360 Bridge St, APN #52-324-023 | 11041 | 629,494 |
| 5) 414 Bridge St, APN #52-324-023 | 11042 | 477,002 |
| 6) 444 Colusa St., APN #52-262-001 | 11043 | 100,615 |
| 7) 454 Stevens Ave, APN #52-401-014 | 11044 | 52,440 |
| 8) 259 Percy Ave, APN unknown | 11045 | 100,876 |
| 9) 275 Percy Ave, APN #53-194-013 | 11046 | 206,865 |
| 10) 429 Wilbur Ave, APN #52-380-017 | 11047 | 166,263 |
| 11) Land, APN #52-380-016 | 11048 | 193,528 |
| 12) Demolition Bridge/Shasta | 11041 | 27,511 |
| Total capital assets not transferred | | <u>\$ 3,033,919</u> |

¹ See the Finding and Order of the Controller section.

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

Mellas, John

From: Robin Bertagna <rbertagn@yubacity.net>
Sent: Thursday, February 06, 2014 4:34 PM
To: Mellas, John
Cc: Gonzalez, Elizabeth; Freesmeier, Scott; Spencer Morrison
Subject: City of Yuba City Response to SCO Asset Transfer Review Report
Attachments: revised final report schedule.pdf

John,

Yuba City, as the Successor Redevelopment Agency has reviewed the Asset Transfer Review Report issued by the state Controller's Office and concur with the findings and recommendations in the report as shown on the attached Schedule 1 with the following exceptions:

- 1) The assets listed as ID numbers 11038 (353 B Street), 11039 (320 A Street), 11040 (395 B Street), 11041 (360 Bridge Street), and 11042 414 (Bridge Street) were assembled as part of a development project and combined into one parcel, assessor's parcel number 52-324-023 with a new address of 400 Bridge Street.
- 2) Asset ID number 11041 is also part of the asset 400 Bridge Street, it was for demolition costs, and should also be included as "Other RDA Fund Assets" (Non Housing). The City capitalized the demolition costs as part of the cost of the project that was being developed. This is not a Low/Mod Housing Asset. Furthermore, demolition costs, are not something that the City can transfer title to the Successor Agency for. The City will accomplish the SCO's requirements by transferring title to 400 Bridge Street to the Successor Agency.

The City is in the process of properly transferring the title to the assets identified in Schedule 1 to the Successor Agency.

Thank you for your assistance and cooperation through the audit process.

Robin

Robin Bertagna, CPA
Finance Director
City of Yuba City
(530) 822-4615
www.yubacity.net

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