

ANDERSON REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

July 2014



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California State Controller

July 31, 2014

Liz Cottrell, Finance Director
City of Anderson Redevelopment/Successor Agency
1887 Howard Street
Anderson, CA 96007

Dear Ms. Cottrell:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Anderson Redevelopment Agency (RDA) to the City of Anderson (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 the asset 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 \$3,879,394 in assets after January 1, 2011, including unallowable transfers to the City totaling \$50,675, or 1.31% of transferred assets. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, 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/mh

cc: Jeff Kiser, City Manager
City of Anderson
James Yarbrough, Chair of the Oversight Board
City of Anderson Redevelopment/Successor Agency
Brian Muir, Auditor-Controller
Shasta County
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, 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

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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Anderson 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 \$3,879,394 in assets after January 1, 2011, including unallowable transfers to the City of Anderson (City) totaling \$50,675, or 1.31% of transferred assets. These assets 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 and oversight boards 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 identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. 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 action 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's 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 Anderson Redevelopment Agency transferred \$3,879,394 in assets after January 1, 2011, including unallowable transfers to the City of Anderson totaling \$50,675, or 1.31% of transferred assets. These assets must be turned over to the Successor Agency.

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

Views of Responsible Official

We issued a draft review report on November 1, 2013. Liz Cottrell, Finance Director, responded by email dated February 21, 2014, agreeing with the review results. Please note that the City's response references a finding related to the housing assets. This finding was eliminated due to a subsequent court ruling.

Restricted Use

This report is solely for the information and use of the City of Anderson, 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

July 31, 2014

Finding and Order of the Controller

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

The State Controller’s Office (SCO) found that the Anderson Redevelopment Agency (RDA) transferred \$50,675 in cash to the City of Anderson (City) after January 1, 2011.

On June 30, 2011, \$50,675 in RDA funds were transferred to the City to match the City’s contribution for the City’s Bike Lane 273 project. The City was unable to provide any information showing proper agreements in place for such a transfer.

Pursuant to Health and Safety (H&S) Code section 34167.5, any asset transfers by the RDA to a city, county, city and county, or any public agency after January 1, 2011 must be turned over to the Successor Agency for disposition in accordance with H&S Code sections 34117(d).

Order of the Controller

Pursuant to H&S Code section 64167.5, the City is ordered to turn over the assets described above in the amount of \$50,675 to the Successor Agency. The Successor Agency is directed to properly dispose of these assets in accordance with H&S Code sections 34177(d).

City’s Response

The City of Anderson agrees with the review results.

SCO’s Comment

The Finding and Order of the Controller remain as stated.

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

Sharifi, Venus

From: lcottrell <lcottrell@ci.anderson.ca.us>
Sent: Friday, February 21, 2014 3:28 PM
To: Sharifi, Venus
Subject: RE: Anderson Asset Transfer Review Draft Report

Yes.....

Thank you....

From: VSharifi@sco.ca.gov [mailto:VSharifi@sco.ca.gov]
Sent: Friday, February 21, 2014 3:19 PM
To: lcottrell
Subject: RE: Anderson Asset Transfer Review Draft Report

Hi Liz,

You are correct. The housing assets had to go to the successor agency first and with oversight board approval, transferred to the City as the Housing authority.

Since we didn't receive a response to the draft from your city, could this email serve as confirmation that you agree with the findings and we can move forward and issue the final report?

Thank you,
Venus

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

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