

# **ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

## **ASSET TRANSFER REVIEW**

Review Report

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



**JOHN CHIANG**  
California State Controller

January 2014



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

January 28, 2014

Matt Hawkesworth, Assistant City Manager  
City of Rosemead/Successor Agency  
8838 East Valley Boulevard  
Rosemead, CA 91770

Dear Mr. Hawkesworth:

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

Our review found that the RDA transferred \$18,439,349 in assets after January 1, 2011, including unallowable transfers totaling \$884,908 to the City, or 4.8% of transferred assets. However, on April 18, 2012, the City turned over \$884,908 in cash to the Successor Agency. Therefore, no further action is necessary.

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/kw

cc: Carolyn Chu, Finance Manager  
City of Rosemead  
Patricia Wallach, Chairman  
Oversight Board  
City of Rosemead/Successor Agency  
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  
Division of Audits, State Controller's Office  
Ernesto Pangilinan, Auditor-in-Charge  
Division of Audits, State Controller's Office

# Contents

## Review Report

<b>Summary</b> .....	1
<b>Background</b> .....	1
<b>Objective, Scope, and Methodology</b> .....	2
<b>Conclusion</b> .....	2
<b>Views of Responsible Officials</b> .....	2
<b>Restricted Use</b> .....	2
<b>Finding and Order of the Controller</b> .....	3
<b>Schedule 1—Unallowable RDA Asset Transfers to the City of Rosemead</b> .....	4
<b>Attachment—City’s Response to Draft Review Report</b>	

# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Rosemead Community Development Commission (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 \$18,439,349 in assets after January 1, 2011, including unallowable transfers totaling \$884,908 to the City of Rosemead (City), or 4.8% of transferred assets. However, on April 18, 2012, the City turned over \$884,908 in cash to the Successor Agency. Therefore, no further action is necessary.

## 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 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 Rosemead Community Development Commission transferred \$18,439,349 in assets after January 1, 2011, including unallowable transfers totaling \$884,908 to the City of Rosemead (City), or 4.8% of transferred assets. However, on April 18, 2012, the City turned over \$884,908 in cash to the Successor Agency. Therefore, no further action is necessary.

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

## **Views of Responsible Officials**

We issued a draft review report on November 1, 2013. Matt Hawkesworth, Assistant City Manager, responded by email on November 18, 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, 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

January 28, 2014

# Finding and Order of the Controller

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

The Rosemead Community Development Commission (RDA) transferred \$884,908 in cash to the City of Rosemead (City), via two transfers.

On January 31, 2012, the RDA transferred \$744,383 in cash to the City for the RCRC Plaza project.

On January 31, 2012, the RDA transferred \$140,525 in cash to the City for the Capital Improvement Program project.

All of the asset transfers occurred after January 1, 2011. These assets were not contractually committed to a third party prior to June 28, 2011.

Pursuant to Health and Safety (H&S) Code section 34167.5, an 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).

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 \$884,908, to the Successor Agency. On April 18, 2012, the City turned over \$884,908 in cash to the Successor Agency. Therefore, no further action is required.

City's Response

The City has reviewed the draft report has no comments or formal response.

SCO's Comment

The finding and Order of the Controller remains as stated.

---

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

---

Current Assets	
Cash – RCRC Plaza	\$ 744,383
Cash – Capital Improvement Program	140,525
Cash turned over to the Successor Agency on April 18, 2012	<u>(884,908)</u>
Total unallowable transfers – City of Rosemead	<u><u>\$ —</u></u>

---

<sup>1</sup> See the Finding and Order of the Controller section.



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

---

**Pangilinan, Ernesto**

---

**Subject:** RE: SCO - Rosemead Asset Transfer Review Draft Report Response

**From:** Matt Hawkesworth [<mailto:mhawkesworth@cityofrosemead.org>]

**Sent:** Monday, November 18, 2013 2:46 PM

**To:** Pangilinan, Ernesto

**Subject:** RE: SCO - Rosemead Asset Transfer Review Draft Report Response

Ernesto,

The City has reviewed the draft report and does not have any comments or formal response.

Respectfully,

Matt Hawkesworth

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

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