

RIO VISTA REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

May 2014



JOHN CHIANG
California State Controller

May 14, 2014

Tim Chapa, City Manager
Rio Vista/Successor Agency
One Main Street
Rio Vista, CA 94571

Dear Mr. Chapa:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Rio Vista Redevelopment Agency (RDA) to the City of Rio Vista (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 assets 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 \$2,671,584 in assets after January 1, 2011, including unallowable transfers totaling \$34,792 to the City, or 1.30% of transferred assets. These assets 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/mh

Attachment

cc: Mary Lee Sharer, Finance Manager
City of Rio Vista
Simona Padilla-Scholtens, CPA
Solano County Auditor-Controller
Jon Blegen, Oversight Board Chairperson
City of Rio Vista 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
Claudia Corona, Auditor-in-Charge
Division of Audits, State Controller's Office
Daniela Anechitoaie, 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 Rio Vista 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 \$2,671,584 in assets after January 1, 2011, including unallowable transfers totaling \$34,792 to the City of Rio Vista (City), or 1.30% of the 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 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 RDA, the City, 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 Rio Vista Redevelopment Agency transferred \$2,671,584 in assets after January 1, 2011, including unallowable transfers totaling \$34,792 to the City of Rio Vista, or 1.30% of transferred assets. These assets 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 4, 2013. Mary Lee Sharer, Finance Manager, responded by letter dated January 31, 2014, 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

May 14, 2014

Finding and Order of the Controller

**FINDING—
Unallowable RDA
asset transfers to
the City of Rio
Vista**

The Rio Vista Redevelopment Agency (RDA) made unallowable asset transfers of \$34,792, to the City of Rio Vista (City). The asset transfers occurred after January 1, 2011, and were not contractually committed to a third party prior to June 28, 2011.

On June 30, 2011, the RDA transferred cash to the City, totaling \$34,792, as a loan repayment. Of this total, \$22,157.39 was principal and \$12,634.89 was loan interest. This obligation to repay the City dates back to March 18, 1993, per Resolutions 93-1 and 93-8, approved by the City Council and the RDA.

Pursuant to Health and Safety (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, that were not contractually committed to a third party prior to June 28, 2011.

Order of the Controller

Based on H&S Code section 34167.5, the City of Rio Vista is ordered to reverse the unallowable asset transfers described above, in the amount of \$34,792, 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).

City's Response to Draft Report

(Attachment 1 contains a copy of the City's response)

The City agrees that during the applicable review period, \$34,792 was transferred by the RDA to the City, and it concurs with our findings. Representatives from the City stated that the City plans to take corrective action by returning the assets to the Successor Agency as soon as it receives the Finding of Completion from the Department of Finance.

SCO Comment

The finding and Order of the Controller remains as stated.

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

Unallowable transfers to the city of Rio Vista:	
Cash	\$ 34,792
Total unallowable asset transfers	<u>\$ 34,792¹</u>

¹ See the Finding and Order of the Controller section.

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



CITY OF RIO VISTA

One Main Street, Rio Vista, California 94571
Phone (707) 374-6451 Fax: (707) 374-5063

January 31, 2014

Elizabeth Gonzalez, Bureau Chief
Local Government compliance Bureau
Division of audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 942558-5874

Dear Ms. Gonzalez,

The City of Rio Vista wishes to respond to your draft report and we concur with your findings.

We plan on taking corrective action on returning the assets to the Successor Agency as soon as we receive the Finding of Completion. We will complete the asset return through the ROPS process.

If you need anything else from the City of Rio Vista, please contact me. Thank you.

Sincerely,

Mary Lee Sharer
Finance Manager

cc: Tim Chapa, City Manager

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

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