

COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF HANFORD

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

August 2014



JOHN CHIANG
California State Controller

August 13, 2014

Tom Dibble, Finance Director
City of Hanford/Successor Agency
315 North Douty
Hanford, CA 93230

Dear Mr. Dibble:

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

Our review found that the RDA transferred \$6,906,275 in assets after January 1, 2011, including unallowable transfers to the City, totaling \$3,032,615, or 43.91% of transferred assets.

However, on April 27, 2012, the City turned over \$2,262,990 in Land Held for Resale to the Successor Agency. Furthermore, on July 5, 2013, the City remitted \$713,093 in cash to the Kings County Auditor-Controller to be distributed to the taxing entities. Therefore, the remaining \$56,532 in unallowable transfers must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, 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

cc: Tony Barba, Board Chair
Successor Agency Oversight Board
Rebecca Carr, Director of Finance
Kings County Finance Department
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
Scott Freesmeier, Audit Manager
Division of Audits, State Controller's Office
Steven Noguchi, 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 Community Redevelopment Agency of the City of Hanford (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 \$6,906,275 in assets after January 1, 2011, including unallowable transfers to the City of Hanford (City), totaling \$3,032,615, or 43.91% of transferred assets.

However, on April 27, 2012, the City turned over \$2,262,990 in Land Held for Resale to the Successor Agency. Furthermore, on July 5, 2013, the City remitted \$713,093 in cash to the Kings County Auditor-Controller to be distributed to the taxing entities. Therefore, the remaining \$56,532 in unallowable transfers 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 Community Redevelopment Agency of the City of Hanford transferred \$6,906,275 in assets after January 1, 2011, including unallowable transfers to the City of Hanford, totaling \$3,032,615, or 43.91% of transferred assets.

However, on April 27, 2012, the City turned over \$2,262,990 in Land Held for Resale to the Successor Agency. Furthermore, on July 5, 2013, the City remitted \$713,093 in cash to the Kings County Auditor-Controller to be distributed to the taxing entities. Therefore, the remaining \$56,532 in unallowable transfers 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 Officials

We issued a draft review report on June 10, 2014. Tom Dibble, Finance Director, responded by email on July 17, 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 of Hanford, 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

August 13, 2014

Finding and Order of the Controller

FINDING— Unallowable asset transfers to the City of Hanford

The Community Redevelopment Agency of the City of Hanford (RDA) made unallowable transfers totaling \$3,032,615 to the City of Hanford (City). These asset transfers occurred after January 1, 2011, and were not contractually committed to a third party prior to June 28, 2011.

- On August 12, 2011, the RDA transferred \$1,383,976 in cash consisting of principal and interest payments to the City in order to repay advances between the RDA and the City. Of this amount, \$614,351 was contractually committed to third parties. Therefore, the remaining amount of unallowable transfers is \$769,625.
- On December 29, 2011, the RDA transferred a total of \$2,262,990 in Land Held for Resale to the City.

H&S Code section 34167.5 states that any asset transfers by the RDA 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 must be turned over to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of cash and Land Held for Resale totaling \$769,625 and \$2,262,990 respectively. However, on April 27, 2012, the City of Hanford turned over \$2,262,990 in Land Held for Resale to the Successor Agency. Furthermore, on July 5, 2013, the City of Hanford remitted \$713,093 in cash to the Kings County Auditor-Controller to be distributed to the taxing entities. Therefore, the remaining \$56,532 in unallowable transfers must be turned over to the Successor Agency.

City's Response

The city has reviewed the draft report and does not have an issue with the report.

SCO's Comment

The Finding and Order of the Controller remains as stated.

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

Unallowable transfers to the City of Hanford

Cash	\$ 769,625
Land Held for Resale	\$ 2,262,990
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Total Unallowable Transfers to the City of Hanford	3,032,615
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Land Held for Resale Returned to the Successor Agency	(2,262,990)
Cash Remitted to the Kings County Auditor-Controller	(713,093)
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Total amount subject to Health and Safety Code section 34167.5	\$ 56,532
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**Attachment—
City of Hanford’s Response to
Draft Review Report**

Noguchi, Steven

Hi Steven,

This is to confirm that you and I discussed the Draft City of Hanford RDA Asset Transfer Report and the City does not have an issue with the report.

Regards,

Tom Dibble, Finance Director
City of Hanford
315 N. Douty St., Hanford CA 93230
tel: 559-585-2505
fax: 559-582-1152
email: tdibble@cityofhanfordca.com

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

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