

LA MIRADA REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

October 2014



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California State Controller

October 31, 2014

Jeff Boynton, City Manager
La Mirada Redevelopment/Successor Agency
13700 La Mirada Boulevard
La Mirada, CA 90638

Dear Mr. Boynton:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the La Mirada Redevelopment Agency (RDA) to the City of Mirada (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 \$68,742,268 in assets after January 1, 2011, including unallowable transfers totaling \$28,521,141 to the City, or 41.49% of transferred assets.

However, on April 24, 2013, \$4,981,120 in cash was remitted to the Los Angeles County Auditor-Controller for distribution to the taxing entities. In addition, the May 1, 2014 approval of the Long-Range Property Management Plan by the Department of Finance corrects the \$23,540,021 in property transfers to the City. Therefore, no further action is necessary.

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/mh

Attachment

cc: Art Leslie, Chair

Oversight Board of the Successor Agency

John Naimo, Auditor-Controller

County of Los Angeles

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 La Mirada 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 \$68,742,268 in assets after January 1, 2011, including unallowable transfers totaling \$28,521,141 to the City of La Mirada (City), or 41.49% of transferred assets.

However, on April 24, 2013, \$4,981,120 in cash was remitted to the Los Angeles County Auditor-Controller for distribution to the taxing entities. In addition, the May 1, 2014 approval of the Long-Range Property Management Plan by the Department of Finance corrects the \$23,540,021 in property transfers to the City. 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 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 La Mirada Redevelopment Agency transferred \$68,742,268 in assets after January 1, 2011, including unallowable transfers totaling \$28,521,141 to the City of La Mirada (City), or 41.49% of transferred assets.

However, on April 24, 2013, \$4,981,120 in cash was remitted to the Los Angeles County Auditor-Controller for distribution to the taxing entities. In addition, the May 1, 2014 approval of the Long-Range Property Management Plan by the Department of Finance corrects the \$23,540,021 in property transfers to the City. Therefore, no further action is necessary.

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

Views of Responsible Officials

We issued a draft report on August 15, 2014. Judith Quinonez, Senior Accountant, City of La Mirada, responded by email dated September 25, 2014. 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 La Mirada, 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

October 31, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of La Mirada**

The La Mirada Redevelopment Agency (RDA) made unallowable asset transfers of \$28,521,141 to the City of La Mirada (City). The transfers occurred after January 1, 2011, and were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On various dates, the RDA transferred a total of \$4,981,120 in cash to the City for principal and interest payments on a loan agreement between the RDA and the City, dated July 13, 2010.
- On March 15, 2011, the RDA transferred seven parcels of real property to the City. Two of the seven properties have an assessed value of \$23,540,021. The remaining five properties are currently pending an appraisal for value of the properties.

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 other public agency after January 1, 2011, must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City of La Mirada is ordered to reverse the transfer of the above assets, described in in Schedule 1, in the amount of \$28,521,141, and turn them over to the Successor Agency.

However, on April 24, 2013, \$4,981,120 in cash was remitted to the Los Angeles County Auditor-Controller for distribution to taxing entities. In addition, the May 1, 2014 approval of the Long-Range Property Management Plan by the Department of Finance corrects the \$23,540,021 in property transfers to the City. Therefore, no further action is necessary.

City's Response

The City sent an email dated September 25, 2014, indicating that it is fine with the review results.

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

Cash		
January 24, 2011	\$	772,774
February 14, 2011		316,673
March 7, 2011		2,750,000
May 16, 2011		316,673
January 10, 2012		825,000
Total cash transfers to the City		4,981,120
<u>March 15, 2011 transfers</u>		
Capital assets: land		
14900 La Mirada Boulevard (Theater)		20,745,902
15515 Phoebe Avenue (Public Works facility)		2,794,119
<u>Valued at \$0 pending appraisal:</u>		
Parcel #8065-043-902 (Behringer Park)		
Parcel #7001-010-912 (Stage Road and Alondra Boulevard)		
Parcel #7001-013-912 (Firestone Boulevard)		
Parcel #7001-016-910 (Trojan Way and Firestone Boulevard)		
Parcel #7003-010-905 (Firestone Boulevard near Artesia Boulevard)		
Total land transfers (not including pending appraisals)		23,540,021
Total unallowable transfers		28,521,141
Remitted to the County Auditor-Controller on April 24, 2013		(4,981,120)
Department of Finance action approval of long-range property management plan on May 1, 2014		(23,540,021)
Total transfers subject to H&S Code section 34167.5	\$	—

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

Sharifi, Venus

From: Judy Quiñonez <jquinonez@cityoflamirada.org>
Sent: Thursday, September 25, 2014 4:32 PM
To: Sharifi, Venus
Subject: RE: La Mirada Asset Transfer Review *Finding Revision*

Good afternoon Venus,

The City did not provide a response as we were fine with the draft report. Please let me know if you need something in writing letting you know that we are fine with the report.

Thank you,

Judy

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

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