

COUNTY OF SACRAMENTO REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

February 2013



JOHN CHIANG
California State Controller

February 7, 2013

Troy Givans, Principal Planner
County of Sacramento Redevelopment/
Successor Agency
700 H Street
Sacramento, CA 95814

Dear Mr. Givans:

Pursuant to Health and Safety code section 34167.5, the State Controller's Office reviewed all asset transfers made by the County of Sacramento Redevelopment Agency to the County of Sacramento 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 it should be turned over to the County of Sacramento Redevelopment 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 County of Sacramento or any other public agencies have been reversed.

Our review found that the County of Sacramento Redevelopment Agency transferred \$70,132,356 in assets. These transfers included unallowable transfers of assets totaling \$262,659, or 0.37%, that must be turned over to the County of Sacramento Redevelopment Successor Agency.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

Troy Givans, Principal Planner

February 7, 2013

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cc: Greg K. Peterson, Chair of Oversight Board
County of Sacramento Redevelopment/Successor Agency
Chris Pahule, Oversight Board Administrator
County of Sacramento Redevelopment/Successor Agency
Steven Szalay, Local Government Consultant
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Steven Mar, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
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Michael Mock, Auditor-in-Charge
Division of Audits, State Controller's Office

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Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the County of Sacramento Redevelopment Agency (RDA) for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review disclosed that the County of Sacramento RDA transferred \$70,132,356 in assets. These transfers included unallowable transfers of assets totaling \$262,659, or 0.37%, that must be turned over to the County of Sacramento Redevelopment Successor Agency (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 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 at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred during that period between the County of Sacramento Redevelopment Agency, the County of Sacramento, 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.

Objectives, 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 Sacramento County Board of Supervisors, the RDA, and Housing Authority of the County of Sacramento.
- 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 disclosed that the County of Sacramento Redevelopment Agency transferred \$70,132,356 in assets. These transfers included unallowable transfers of assets totaling \$262,659, or 0.37%, that must be turned over to the Successor Agency.

UNALLOWABLE ASSETS TRANSFERRED

Unallowable assets transferred to Housing Authority of the County of Sacramento	\$ 262,659
Total unallowable transfers	<u>\$ 262,659</u>

The County of Sacramento is ordered to reverse the unallowable transfers and turn over the assets identified in this report to the Successor Agency (see Schedule 1).

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

Views of Responsible Officials

We issued a draft review report on December 6, 2012. Chris Pahule, Oversight Board Administrator of the Successor Agency, responded by letter dated December 17, 2012. The county's response is included as an attachment to this final review report.

Restricted Use

This report is solely for the information and use of the County of Sacramento, the Housing Authority of the County of Sacramento, the Successor Agency, the Successor Agency 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
Chief, Division of Audits

February 7, 2013

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to the
Housing Authority
of the County of
Sacramento**

The County of Sacramento Redevelopment Agency (RDA) transferred \$262,659 in assets to the Housing Authority of the County of Sacramento (Housing Authority). The asset transfer to the Housing Authority occurred during the period of January 1, 2011, through January 31, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011.

An unallowable asset transfer occurred on February 1, 2012, as the RDA transferred \$262,659 in Low and Moderate Income Housing cash to the Housing Authority. To accomplish those transfers, the Housing Authority and the Sacramento Housing and Redevelopment Agency (SHRA) entered into an agreement on July 26, 2011, and encumbered Low-Mod Tax Increment under Housing Authority Resolution No. HA-2325. Based on Health and Safety Code (H&S Code) sections 34163(b) and (d), the RDA was not allowed to enter into such an agreement or transfer physical assets or cash after June 27, 2011.

Pursuant to 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. Those assets should be turned over to the County of Sacramento Redevelopment Successor Agency for disposition in accordance with H&S Code sections 34177 (d) and (e).

Order of the Controller

Based on H&S Code section 34167.5, the County of Sacramento is ordered to reverse the transfer of the above assets, described in Schedule 1, in the amount of \$262,659 and turn them over to the Successor Agency.

County's Response

The \$262,659 in unallowable asset transfers cited in your report is scheduled for a Meet and Confer with the Department of Finance. Based upon the outcome of that meeting the Successor Agency and the Housing Successor Agency will coordinate the appropriate action.

SCO's Comment

The SCO notes the statement made by the Successor Agency. The finding remains as stated.

**Schedule 1—
Unallowable Asset Transfer to the Housing
Authority of the County of Sacramento
January 1, 2011, through January 31, 2012**

Current Assets

Cash Transfer to Housing Authority	\$ 262,659
Total Unallowable Transfer – Housing Authority	<u>\$ 262,659</u>

¹ See the Finding and Order of the Controller section.

**Attachment 1—
County of Sacramento’s Response to
Draft Review Report**



INVESTING IN COMMUNITIES December 17, 2012

A Joint Powers Agency

MEMBERS

City of Sacramento

County of Sacramento

Housing Authority of the
City of Sacramento

Housing Authority of the
County of Sacramento

Steven Mar, Chief, Local Governments Audit Bureau
State Controller's Office, Division of Audits
PO Box 942850
Sacramento, CA 942850-5874

Dear Mr. Mar,

This is the response of the County of Sacramento's Successor Agency (Successor Agency) to your December 6, 2012 correspondence (received on December 11, 2012) in which you provided a draft Asset Transfer Review report completed by the State Controller's Office on asset transfers by the County of Sacramento's Redevelopment Agency from January 1, 2011 through January 31, 2012.

Your report concludes that the Redevelopment Agency transferred \$262,659 in unallowable transfers that must be turned over to the Successor Agency.

The \$262,659 in unallowable asset transfers cited in your report is scheduled for a Meet and Confer with the Department of Finance. Based upon the outcome of that meeting the Successor Agency and the Housing Successor Agency will coordinate the appropriate action.

Sincerely,

Chris Pahule
Oversight Board Administrator
Sacramento County Redevelopment Successor Agency

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

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