BETTY T. YEE
California State Controller

2015 MAR 10 AM 11:45

March 3, 2015

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ruth Davidson-Guerra, Assistant
Community Development Director
Burbank Redevelopment/Successor Agency
150 N. Third Street
Burbank, CA 91502

Dear Ms. Davidson-Guerra:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Burbank Redevelopment Agency (RDA) to the City of Burbank (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 $213,372,117 in assets after January 1, 2011, including unallowable transfers to the City totaling $74,384,333, or 34.84% of transferred assets.

However, the City took the following corrective actions:

- In June 2013, the City turned over $17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid $2,500,000 into the former RDA's unfunded CalPERS liability account.
- On March 14, 2014, the City turned over $51,947,795 in capital assets to the Successor Agency.

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250-5874
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LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 (323) 981-6802

Therefore, the remaining $2,305,838 in unallowable transfers must be turned over to the Successor Agency.

Please submit any comments concerning the draft report within 10 calendar days after you receive this letter. In particular, you should address the accuracy of our finding. We may modify the report based on your comments or additional information that is presented as we complete the review. We will include your comments in the final report.

Please send your response to Elizabeth González, Chief, Local Government Compliance Bureau, at the State Controller's Office, Division of Audits, P.O. Box 942850, Sacramento, California 94250-5874. If we do not receive your comments within the specified time, we will release the report as final.

This draft review report is confidential. We limit report access and distribution to those referenced in this letter. However, when we issue the final report, it becomes a public record.

If you have any questions, please contact Ms. González by telephone at (916) 324-0622 or by email at egonzalez@sco.ca.gov.

Sincerely,

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

Attachment

cc: 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
Cecilia Michaels, Auditor-in-Charge
Division of Audits, State Controller's Office

BURBANK REDEVELOPMENT AGENCY

Review Report

ASSET TRANSFER REVIEW

January 1, 2011, through January 31, 2012

DRAFT

BETTY T. YEE
California State Controller

March 2015

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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Burbank 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 $213,372,117 in assets after January 1, 2011, including unallowable transfers to the City of Burbank (City) totaling $74,348,333, or 34.84% of transferred assets.

However, the City took the following corrective actions:

- In June 2013, the City turned over $17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid $2,500,000 into the former RDA's unfunded CalPERS liability account.
- On March 14, 2014, the City turned over $51,947,795 in capital assets to the Successor Agency.

Therefore, the remaining $2,305,838 in unallowable transfers must be turned over to the Successor Agency.

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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 Burbank Redevelopment Agency transferred $213,372,117 in assets after January 1, 2011, including unallowable transfers to the City of Burbank (City) totaling $74,348,333, or 34.84% of transferred assets.

However, the City took the following corrective actions:

- In June 2013, the City turned over $17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid $2,500,000 into the former RDA's unfunded CalPERS liability account.
- On March 14, 2014, the City turned over $51,947,795 in capital assets to the Successor Agency.

Therefore, the remaining $2,305,838 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.

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Views of Responsible Officials

At an exit conference on October 28, 2014, we discussed the review results with Ruth Davidson-Guerra, Assistant Community Development Director. We stated that the final report will include the views of responsible officials.

Restricted Use

This report is solely for the information and use of the City of Burbank, 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.

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

_____, 2015

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Finding and Order of the Controller

FINDING—
Unallowable asset transfers to the City of Burbank

The Burbank Redevelopment Agency (RDA) made unallowable asset transfers of $74,348,333 to the City of Burbank (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

The unallowable transfers were as follows:

- On March 16, 2011, the RDA transferred $13,000,000 in cash to the City for repayment of loans.
- On March 16, 2011 the RDA transferred 43 parcels to the City (see Attachment). The Mall Properties were listed in the RDA's financial statements with a value of $51,947,795. The remaining 26 parcels were listed with zero value.
- On June 14, 2011 the RDA transferred $1,327,404 to the City according to Resolution No. RDA 2245 to help fund various Burbank Housing Authority projects.
- On various dates throughout 2011, the RDA paid the City $35,053 in interest on loans from the City.
- On various dates throughout 2011, the RDA made $8,038,081 in payments to the Youth Endowment Services (YES) Fund. The YES fund was established by the City on January 15, 1991. The RDA passed resolution number R-1608 which states in part, the RDA will contribute 5% of all tax increment dollars received to the YES Fund.

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. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e). However, it appears that some of those assets also may be subject to the provisions of H&S Code section 34181(a). H&S Code section 34181(a) states,

> The oversight board shall direct the successor agency to do all of the following:
>
> (a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a government purpose, such as roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such as asset....

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Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfers in the amount of $74,348,333 and turn over the assets to the Successor Agency.

However, the City took the following corrective actions:

- In June 2013, the City turned over $17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid $2,500,000 into the former RDA's unfunded CalPERS liability.
- On March 14, 2014, the City turned over $51,947,795 in capital assets to the Successor Agency.

Therefore, the remaining $2,305,838 in unallowable transfers must be turned over to the Successor Agency.

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

On March 16, 2011, the RDA repaid City loans.	$ 13,000,000
On March 16, 2011, the RDA transferred 44 parcels to the City.	
On June 14, 2011, the RDA made a transfer according to Resolution No. RDA 2245 to help fund various Burbank Housing Authority projects.	1,327,404
On various dates throughout 2011, the RDA paid interest on loans from the City.	35,053
On various dates throughout 2011, the RDA transferred funds to the Youth Endowment Services (YES) Fund.	8,038,081
On June 30, 2011 the RDA transferred 43 parcels to the City	51,947,795
Total unallowable transfers	74,348,333
Less:	
Cash turned over to the Successor Agency (June 2013)	(17,594,700)
City paid a portion of the RDA's unfunded CalPERS liability (July 9, 2013)	(2,500,000)
Capital assets (43 parcels) turned over to the Successor Agency (March 14, 2014)	(51,947,795)
Total Transfers Subject to H&S Code Section 34167.5	$ 2,305,838

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Attachment—
List of RDA Properties Transferred

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burbank redevelopment agency

BURBANK REDEVELOPMENT AGENCY REAL PROPERTY INTERESTS
EXHIBIT B

Property Address	Asset System Number	Cost	Assessor Parcel Number	Redevelopment Project Area	Brief Description or Estimated Sq Ft	Term	Notes
No Address	N/A	N/A	2405-011-902	Golden State	16,683 square feet		Landscaped Island (San Fernando Blvd. & Hollywood Way)
No Address	N/A	N/A	2405-011-903	Golden State	5,271 square feet		Landscaped Island (San Fernando Blvd. & Hollywood Way)
No Address	N/A	N/A	2438-032-904	N/A	26,700 square feet		Location of Dr. Burbank Art Piece (Burbank Blvd. & Victory Blvd.)
10 W MAGNOLIA BLVD	39901		2451-010-904	South San Fernando	2.43 acres (Former AmeriCold site)		Agency Undivided 25% Interest; City Undivided 75% Interest
427 W VALENCIA AVE	42658		2451-031-901	N/A-Housing	1 unit	Thru 06/2061	55 year lease w- Burbank Housing Corporation
313 W VALENCIA AVE	42656		2451-032-902	N/A-Housing	4 units	Thru 06/2061	55 year lease w- Burbank Housing Corporation
57 E PALM AVE	N/A	525,669.13	2453-004-900	City Centre	1 story building (3,000 Sq.Ft.)		Opportunity Site 6-B
133 ORANGE GROVE AVE	N/A	N/A	2453-005-938	City Centre	Parking Structure		North side of Orange Grove btw First & San Fernando
374 E ORANGE GROVE AVE	N/A	N/A	2453-008-907	City Centre	aka: 141 N. Glenoaks	Thru 9/2013	ATM Lease at former Wells Fargo Bank Building
140 E ORANGE GROVE AVE	N/A	N/A	2453-010-019	City Centre	Parking Structure	Thru 4/2058	Ground Lease & Operating Agmt: RDA & Cusumano Bros Partnership
120 E ORANGE GROVE AVE	N/A	N/A	2453-010-019	City Centre	Agency sub-leases parking	Thru 8/2019	Parking Spaces Lease w- Universal City Studios Credit Union
No Address	11807		2453-010-911	City Centre	2,500 square feet		Between Elephant Bar and Parking Structure
600 N SAN FERNANDO BLVD	N/A	N/A	2460-023-044	City Centre		Thru 11/2084	Lease of Real Property to IKEA Property Inc.
No Address	N/A	See Mall Land	2460-023-993	City Centre	3,790 square feet		Remnant portion of mall parcel (adjacent to In-N-Out Burger)
No Address	N/A	See Mall Land	2460-023-994	City Centre	558 square feet		Remnant portion of mall parcel (adjacent to In-N-Out Burger)
123 W BURBANK BLVD	N/A	N/A	2462-020-908	Golden State	9,450 square feet		Adjacent remnant parcels
111 W BURBANK BLVD	N/A	N/A	2462-020-909	Golden State	2,760 square feet		Adjacent remnant parcels
107 W BURBANK BLVD	N/A	N/A	2462-020-910	Golden State	2,770 square feet		Adjacent remnant parcels
101 W BURBANK BLVD	N/A	N/A	2462-020-911	Golden State	2,760 square feet		Adjacent remnant parcels
No Address	N/A	N/A	2466-005-900	Golden State	13,068 square feet		Landscaped Island (San Fernando Blvd. & Hollywood Way)
No Address	N/A	N/A	2466-005-907	Golden State	24,306 square feet		Landscaped Island (San Fernando Blvd. & Hollywood Way)
2712 N HOLLYWOOD WAY	N/A	N/A	2466-009-902	Golden State	11,326 square feet	Month to Month	Month to Month Lease w- Airport Authority
2760 N HOLLYWOOD WAY	40913		2466-009-903	Golden State	9,583 square feet	Month to Month	Month to Month Lease w- Airport Authority
2760 N HOLLYWOOD WAY	40913		2466-009-904	Golden State	15,682 square feet		Month to Month Lease w- Airport Authority
No Address	N/A	N/A	2466-009-905	Golden State	6,599 square feet		Month to Month Lease w- Airport Authority
No Address	N/A	N/A	2466-011-905	Golden State	17,428 square feet		Hollywood Way adjacent infrastructure
1819 GRISMER AVE	42636		2468-013-907	N/A-Housing	70 units	Thru 01/2063	55 year lease with Burbank Housing Corporation for 70 units
Multiple mall-related parcels	12105	51,947,795.00	Multiple	City Centre	see APN's below	Thru 11/2084	Lease of Real Property to Haagen-Burbank Partnership

As retrieved from the Oracle system on 1/24/12

Mall Properties	2460-23-044
	2460-23-045
	2460-23-046
	2460-23-047
	2460-23-048
	2460-23-049
	2460-23-050
	2460-23-051
	2460-23-052
	2460-23-054
	2460-23-055
	2460-23-056
	2460-23-057
	2460-23-060
	2460-23-061
	2460-23-062
	2460-23-063