

City of Riverside

Presentation of Report on Northside Property Transfers

May 24, 2016



Baker Tilly refers to Baker Tilly Virchow Krause, LLP,
an independently owned and managed member of Baker Tilly International.



Candor. Insight. Results.

Executive Summary



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Baker Tilly was engaged to give a formal opinion on the City of Riverside and Riverside Public Utilities management's assertions:

- (1) The Northside property transfers were properly recorded under Generally Accepted Accounting Principles*
- (2) The property transfers were approved by the City Council*
- (3) The purchase prices were appropriately supported by documentation*
- (4) The property titles remained with the City*
- (5) The transfers were completed within the City's approved policies*
- (6) The transfers were completed within applicable State laws and City Charter*

Executive Summary



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Based on our analysis, Baker Tilly has the following conclusions:



The Northside transactions were recorded in accordance with Generally Accepted Accounting Principles



The property transfers were properly approved by the City Council



The purchase prices paid for the properties were appropriately supported by documentation



The titles of the properties remained with the City



The City complied with the requirements of the City of Riverside Administrative Manual on the Disposition and Sale of City Owned Real Property – the Manual did not require appraisals to be made for transfers of property

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Executive Summary



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Baker Tilly conclusions (continued):



The City complied with the requirements of the City Charter Section 1204 for the Northside Property transactions – Section 1204 (e) allows the use of utility revenues for the capital expenditures of the utility - Land is a capital expenditure



The City complied with the requirements of Proposition 218 in the Northside Property transactions - there was no tax, property related assessment or fee imposed for the transactions



The City complied with the requirements of Proposition 26 in the Northside Property transactions - there were no levies, charges or exactions involved with the transactions

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Findings and Recommendations



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Our report included two findings and recommendations

Finding

1. During discussions with management and review of council minutes, it appeared the AB Brown and Reid Park / Golf Course properties included water wells and other land associated with water property. It was unclear based on review of the detailed fixed asset listings if the land specific to the water fund was retained in that fund.

Recommendation

We recommend the City review its detailed fixed asset listings to ensure the specific property is recorded in the correct fund.

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Findings and Recommendations



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Finding 1 Management's Response:

Management agrees with this recommendation when the value of the property is material. These parcels were acquired many decades ago, and are carried at a book value reflecting the purchase prices paid at that time. As a result, the value of the small portions of the properties' value that relate to water wells, water rights, and easements is deemed to be immaterial. These portions of the property were documented in the maps presented to the Board and City Council at the time of the transfer, and at such time as the properties are sold to third parties appropriate parcel maps will be recorded that clearly illustrate the property retained by the Utility with title remaining with the City for the benefit of the Utility.

Additionally, recognizing that in the future similar immaterially-valued assets may be retained at the time of sales or transfers, the City will include a statement in the related Board/City Council report and/or resolution that acknowledges that the utility will retain ownership of all wells, water rights, and easements.

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Findings and Recommendations




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Finding	Recommendation
<p>2. During review of the transactions, we noted one instance when an independent appraisal was not performed. For the golf course property the City prepared a comparable property listing based on the best information on hand to determine a reasonable estimate of the fair market value of the property.</p>	<p><i>We recommend the City obtain an appraisal from an independent source for any property transfers, when possible.</i></p>

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Findings and Recommendations



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Finding 2 Management's Response:

Management agrees with the recommendation. The City's Administrative Policy is being updated to require a current appraisal from an independent source for any disposition or sale of property unless a Waiver Valuation is deemed feasible under California Department of Transportation (Caltrans) guidelines for simple valuations when the fair market value is estimated at \$10,000 or less, based upon review of available data. Authority to waive an appraisal under these guidelines is allowed by Federal Regulation [49 CFR 24.102 (c)(2)].

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Best Practices



We were asked to comment on best practices in this area

1. The City follows best practices in recording the property transactions.
2. Best practices are that independent appraisals are obtained for all property transfers. City staff is revising its administrative policy to require independent appraisals as recommended.

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