



Agenda Report

Fullerton City Council / Fullerton Successor Agency

MEETING DATE: JANUARY 21, 2020

TO: CITY COUNCIL/SUCCESSOR AGENCY

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: RAMONA CASTAÑEDA, REVENUE MANAGER

SUBJECT: TRANSFER OF FIXED ASSETS FROM FULLERTON
SUCCESSOR AGENCY TO THE CITY OF FULLERTON

SUMMARY

Transfer of fixed assets held by the Fullerton Successor Agency to the City of Fullerton in furtherance of completing the dissolution of former redevelopment agency.

RECOMMENDATION

As the Fullerton Successor Agency:

1. Authorize the transfer of fixed assets from the Fullerton Successor Agency to the City of Fullerton.
2. Authorize the Executive Director, or his/her designee, to execute all transfer instruments and take all actions reasonably necessary to complete the transaction(s).

As the City Council of the City of Fullerton:

1. Accept the transfer of fixed assets from the Fullerton Successor Agency to the City of Fullerton.
2. Authorize the Mayor, or his/her designee, to execute all transfer instruments and acceptance and take all actions reasonably necessary to complete the transaction(s).

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Infrastructure and City Assets.

FISCAL IMPACT

The City of Fullerton's asset value and corresponding accumulated depreciation will increase with the acceptance of the transfer of these assets which are primarily capitalized infrastructure improvements and equipment implemented or purchased prior to the dissolution of the former redevelopment agency. While the initial cost of these capitalized items were incurred by the former redevelopment agency, the City is responsible for any ongoing maintenance or replacement of the infrastructure and equipment regardless of the transfer. As such, and since this action is largely an accounting requirement, there is no additional fiscal impact that is not already anticipated in current Fiscal Year 2019-20 budget.

DISCUSSION

On or about June 29, 2011, Governor Jerry Brown signed the FY 2011-12 State Budget including several budget "trailer" bills. Specifically, one trailer bill attached to the Budget, Assembly Bill X1 26 (AB 26), affected Redevelopment Agencies statewide. AB 26, known as the "Dissolution Act", immediately suspended all new redevelopment activities and incurrence of indebtedness and dissolved redevelopment agencies effective October 1, 2011. In response to the passage of AB 26, the California Redevelopment Association and League of California Cities filed a lawsuit challenging the validity and constitutionality of AB 26. On December 29, 2011, the California Supreme Court issued its ruling on *California Redevelopment Association v Matosantos*, Case No. S194861 (the "CRA Lawsuit"). The Court's ruling upheld AB 26, which dissolved the redevelopment agencies in California effective February 1, 2012.

As part of the dissolution process, the City Council, on January 10, 2012 by Resolution No. 2012-04, confirmed that the City of Fullerton would serve as the Successor Agency to the Fullerton Redevelopment Agency effective February 1, 2012 and the City Council as the decision-making body for the Fullerton Successor Agency. Therefore, all assets, properties, contracts, leases and records of the former Fullerton Redevelopment Agency were transferred by operation of law to the Fullerton Successor Agency, which is the City of Fullerton.

The Fullerton Successor Agency's Fixed Assets Depreciation Report 7/1/2018 to 6/30/2019 (see Attachment 1) has 53 assets totaling \$14,453,914.56, which includes \$4,715,903.71 in "Construction in Progress." The \$4.7M is for the State College Boulevard underpass project that is scheduled to be closed out this year. The amount is included because funding from the former redevelopment agency was included in the initial stages of the project which commenced prior to 2012. The majority of fixed assets on the report are for improvements paid for by the former redevelopment agency on property owned by the City or in the public right of way, including millions of dollars of improvements to local and arterial streets and alleys. Additional improvements are for parking lots, parks (Lemon Park, fire station improvements and closed circuit television cameras. Due to the Agency paying for the improvements, the assets were listed under the Agency and not the City. Since these are City of Fullerton assets, the City is responsible for any future costs relating to repair and maintenance or replacement of these assets. Transferring the assets to the City will simplify administration of tracking their depreciation and the action is considered ministerial, and is in fact overdue since

based on the dissolution the assets were transferred by operation of law to the City. However, they have remained on the Successor Agency's schedule for accounting purposes up to this point.

As mentioned above, the Agency began the dissolution process on February 1, 2012 and is expected to be fully dissolved in 2028 when the bond debt service payments are fully paid. Please note that all real property held by the former redevelopment agency has been transferred to the City per the approved Long Range Property Management Plan as required by dissolution law. Approving this transfer of fixed assets, while overdue and technically already a fact under the dissolution process, is another step towards winding down the Successor Agency.

Attachments:

- Attachment 1 – Fixed Assets Depreciation Report