



# **Agenda Report**

## **Fullerton City Council**

**MEETING DATE:** APRIL 21, 2026

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** STEPHEN BISE, P.E., PUBLIC WORKS DIRECTOR

**PREPARED BY:** DAVID GRANTHAM, P.E., CITY ENGINEER

**SUBJECT:** FISCAL YEAR 2026-27 CIP BUDGET - STREET REHABILITATION PROJECT APPROACH

---

### **SUMMARY**

Review proposed street rehabilitation projects to include in the Proposed Capital Improvement Program (CIP) Budget for Fiscal Year (FY) 2026-27.

### **PROPOSED MOTION**

Provide direction on proposed FY 2026-27 Street Rehabilitation projects.

### **ALTERNATIVE OPTIONS**

- Approve the Proposed Motion
- Other options brought by City Council.

### **STAFF RECOMMENDATION**

Staff recommends the proposed motion.

### **CITY MANAGER REMARKS**

None.

### **PRIORITY POLICY STATEMENT**

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

**FISCAL IMPACT**

The Proposed FY 2026-27 CIP Budget includes street rehabilitation project funding. The Available Funding Table in the Background and Discussion section of this report shows funding sources totaling \$12.164 million identified for street rehabilitation in FY 2026-27. Funding sources include \$4.0 million RMRA / SB1 funds, \$3.2 million Measure M2 Local Fair Share, \$0.35 million CDBG funds, \$0.614 federal grants and \$4.0 million general and infrastructure funds.

**BACKGROUND AND DISCUSSION**

The City programs arterial and local (residential and industrial) street rehabilitation funding every fiscal year with rehabilitation methods varying from slurry sealing to complete reconstruction, depending on street pavement condition and available funding. Recent rehabilitation projects involved grind and overlay, limited reconstruction and minimal slurry seal activities focusing on utility project areas which typically have poor-condition streets and extending the available funding with grind and overlay practices rather than reconstruction.

Staff takes several items into consideration when programming street rehabilitation:

- available funding
- funding restrictions and requirements
- Street Selection Guidelines (approved by Infrastructure and Natural Resources Advisory Committee (INRAC)).

*Available Funding*

Staff proposes the following Street Rehabilitation Budget for FY 2026-27, subject to City Council approval during the budget adoption process:

<i>Funding</i>	<i>Amount</i>	<i>Comments</i>
RMRA / SB1	\$4,000,000	100% revenue allocated to streets.
Gas Tax	\$0	Funding allocated to PW-Maintenance needs.
Measure M2 Local Fair Share	\$3,200,000	Revenue split between infrastructure needs. \$3,200,000 streets. \$50,000 PMP; \$350,000 sidewalk repair
Community Development Block Grant (CDBG)	\$350,000	Requested – subject to approval and/or adjustment.
Federal Grants	\$614,000	Awarded for design phase only. No construction funding approved/allocated.
Infrastructure Fund	\$3,500,000	\$3,900,000 revenue split between infrastructure needs.

<i>General Fund</i>	\$500,000	<i>Final allocation based on overall City needs and available revenue determined during City budget process.</i>
<i>TOTAL</i>	\$12,164,000	Includes approximately \$1,000,000 one-time grant funds.

*Funding Restrictions and Requirements*

Most street funding shown has restrictions limiting the City to only using funds for facility maintenance, operation and rehabilitation within the street right of way. The City must also meet eligibility requirements to receive these funds.

Eligibility to receive RMRA / SB1, Gas Tax and Measure M2 funding includes a Maintenance of Effort (MOE) requirement obligating the City to expend a specific amount of unrestricted funds, typically General Funds, towards City streets maintenance and rehabilitation *each fiscal year*. The City cannot use other funding sources such as Sewer Enterprise, Park Dwelling, etc. for street purposes.

The Orange County Transportation Authority (OCTA) revises and updates the MOE for Measure M2 every three years based on City General Fund revenues. The latest MOE requirement update takes effect FY 2026-27, totaling \$5,898,993. This updated total represents a 19.9% increase (approximately \$1 million increase) from the previous requirement, requiring the City allocate additional funding to street maintenance activities and operations. Staff proposes meeting this requirement combining General Funds (allocated to both Public Works - Maintenance and CIP) and Infrastructure Funds.

Staff recommends the City allocate more funding than the minimum MOE requirements to provide a General Fund and/or Infrastructure Fund cushion and/or surplus to maintain eligibility.

*Other Funding*

Staff investigates opportunities for additional funding including Community Development Block Grants (federal), Active Transportation Program grants (federal or state), Orange County Transportation Authority grants (federal or state) and federal earmarks via Congressional representatives each year.

These highly competitive opportunities have a very restrictive scope of work (i.e., not only pavement rehabilitation), can require substantial local matching funds and have no guaranteed grant award.

City recently received federal grant funds through the Surface Transportation Block / Congestion Mitigation and Air Quality Improvement Program Grant program for *design only* for two arterial street projects which staff will program for the upcoming fiscal year. City Council approved both project applications on April 15, 2025.

- Euclid Street Rehabilitation from State Route - 91 to Valencia Drive
- Yorba Linda Boulevard Rehabilitation from State College Boulevard to Bradford Avenue.

Staff also submitted a Community Development Block Grant (CDBG) application for supplemental funding. The street rehabilitation project must be within the latest CDBG census areas and considered a local street. The City typically receives funding from this grant program. Staff applied for a residential area in southeast area of the City for the upcoming fiscal year.

The proposed CIP budget includes funds for these grants.

Staff continues to request federal earmarks for arterial and local street rehabilitation projects. Staff does not know the status of these applications at this time and, therefore, the proposed CIP budget does not list funds for projects not yet awarded or allocated.

#### *Street Selection Guidelines*

INRAC reviewed and formalized guidelines related to street rehabilitation in July 2021. These guidelines include:

#### *Policy Guideline – Street Selection Criteria*

- All Streets
  1. Streets only – no alley rehabilitation
    - Equitable distribution of work throughout the City*
  2. Combine with Utility Work – Water and/or Sewer
    - Street work may be completed as a separate project directly after utility work*
  3. Maintenance History
  4. Bicycle Lanes
  5. Pavement Condition Index (PCI) Rating
    - Pavement condition compared to adjacent streets*
  6. Traffic Volume and Number of Side Streets
  7. Planned Development / Improvements.

#### *Recommended Projects*

INRAC supports (and per a separate April 21, 2026 City Council agenda item) the staff recommendation to allocate RMRA / SB1 funding (\$4,000,000) to two street rehabilitation projects. These projects would rehabilitate a streets in a neighborhood residential area that experienced two recent water main replacement projects and provide supplemental funding for the upcoming State College Boulevard from Yorba Linda Boulevard to the northerly City limits rehabilitation.

The City should also consider previously rehabilitated streets for slurry seal or pavement treatment as a preventive measure to maintain the good pavement condition and extend the pavement life. Staff recommends allocating \$500,000 minimum of remaining budget to a slurry seal or pavement treatment project.

Staff estimates the remaining budget would not sufficiently fund projects to keep pace with all planned water main replacement projects which results in streets continuing to not receive rehabilitation after new water main installation. However past street

rehabilitation has generally followed the same streets as water and/or sewer main replacement projects, per the previously mentioned policy guidelines, and staff intends to continue with these guidelines unless City Council provides different direction. Staff proposes to program the following projects for FY 2026-27 (see Attachment 2):

- Arterial Streets
  - State College Boulevard – Yorba Linda Boulevard to northerly City Limits
    - Additional supplemental project funding
    - Recommended for SB1 funding
  - Harbor Boulevard – State Route 91 to Orangefair Avenue
    - Partnership with City of Anaheim extending their project limits
  - Euclid Street – State Route 91 to Valencia Drive (Design Only)
    - Awarded federal grant and required matching funds allocation
  - Yorba Linda Boulevard – State College Boulevard to Bradford (Design Only)
    - Awarded federal grant and required matching funds allocation
  - Harbor Boulevard Complete Streets
    - Previously awarded federal grant and required matching funds allocation
  - Euclid-Malvern Area
    - Street pavement rehabilitation associated with major sewer project
  - Rosecrans Avenue – Sunny Ridge to Gilbert Street
    - If budget allows
- Slurry Seal or Pavement Treatment Project
  - Various streets focusing in the southerly area of City
- Local Streets
  - Rancho-Verona-Yucca Area
    - Previous water main replacement projects
    - Recommended for SB1 funding
  - Courtney-Ash Area
    - Previous water main replacement project
  - Yale-Santa Fe-Princeton Area
    - Proposed CBDG funded project
  - Cannon-Sheppard Area
    - Previous Water main replacement project
    - Expected to include combination of rehabilitation and slurry seal.

Staff would base final project selection on criteria involving, but not limited to:

- available remaining funding
- status of MOE requirements
- rehabilitation method
  - grind and overlay would take precedence over reconstruction
  - pavement treatment would take precedence over grind and overlay
- water project schedule
- location within the City.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – FY 2026-27 Street Project Locations

cc: City Manager Eddie Manfro