



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** MAY 6, 2025

**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 2025-26 CIP BUDGET - STREET REHABILITATION PROJECT APPROACH

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### **SUMMARY**

Review Proposed Street Rehabilitation Projects to include in the Proposed Capital Improvement Program (CIP) Budget for Fiscal Year (FY) 2025-26.

### **PROPOSED MOTION**

Provide direction on proposed FY 2025-26 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**

The City Manager concurs with the recommendation to include the proposed Capital Improvement Program (CIP) Budget.

### **PRIORITY POLICY STATEMENT**

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

## FISCAL IMPACT

The Proposed FY 2025-26 CIP Budget presented at the May 13, 2025 Budget Study Session for City Council consideration will include funding for street rehabilitation projects. The following Available Funding Table presents the funding sources totaling \$8.15 million identified for street rehabilitation in FY 2025-26. Funding sources include \$1.6 million Measure M2 Local Fair Share, \$3.7 million of Gas Tax including RMRA / SB1 funds, \$0.35 million of CDBG funds and \$2.5 million of General Funds including the Infrastructure Funds.

## BACKGROUND AND DISCUSSION

The City programs arterial and local (residential and industrial) streets rehabilitation funding every Fiscal Year. Rehabilitation methods can vary from slurry sealing to complete reconstruction, depending on the condition of the street pavement and available funding. Most recent rehabilitation involved grind and overlay, limited reconstruction and minimal slurry seal activities as a result of focusing on poor-condition streets and extending the available funding by implementing 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 expects the following street rehabilitation budget for FY 2025-26:

<i>Funding</i>	<i>Amount</i>	<i>Comments</i>
RMRA / SB1	\$3,700,000	100% of revenue allocated to streets.
Gas Tax	\$0	Funding allocated to PW-Maintenance needs.
Measure M2 Local Fair Share	\$1,600,000	\$3,240,000 expected revenue. \$1,100,000 allocated to Traffic Division operations and projects. \$50,000 to PMP & \$250,000 to sidewalk repair. \$215,000 allocated to PW-Eng staffing.
Community Development Block Grant (CDBG)	\$350,000	Requested – subject to approval and/or adjustment.
Infrastructure Fund	\$2,000,000	Revenue of \$2,500,000 split between infrastructure needs.

General Fund	\$500,000	Allocation based on overall City needs and available revenue determined during City budget process.
<i>TOTAL</i>	<i>\$8,150,000</i>	

INRAC supported, and City Council approved at the April 1, 2025 meeting, allocating 100% of RMRA / SB1 funding (\$3,700,000) to two local street rehabilitation projects. These projects will rehabilitate neighborhood residential streets that have recently completed a separate water main replacement project. This leaves approximately \$4,450,000 for other street rehabilitation projects.

The City now needs to 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 up to \$1,000,000 of remaining budget to a slurry seal or pavement treatment project.

Staff expects the remaining \$3,450,000 will not sufficiently fund four 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.

#### *Funding Restrictions and Requirements*

Most street funding shown is restricted and the City can only use the 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 where City expends 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 MOE requirement for FY 2025-26 totals \$4,921,569. Staff intends to meet this requirement combining General Funds (allocated to both Public Works - Maintenance and CIP) and Infrastructure Funds.

The City may need to increase the General Funds and/or Infrastructure Funds allocation in future fiscal years to maintain eligibility.

#### *Other Funding*

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

These opportunities are highly competitive, have a very restrictive scope of work (i.e., not only pavement rehabilitation), can require substantial local matching funds and have no guaranteed. However, the City will submit to:

- Two Surface Transportation Block / Congestion Mitigation and Air Quality Improvement Program Grant through Orange County Transportation Authority (OCTA) applications.
  - Euclid Street Rehabilitation from State Route - 91 to Valencia Drive.
  - Yorba Linda Boulevard Rehabilitation from State College Boulevard to Bradford Avenue.
  - City Council approved both project applications on April 15, 2025.

Staff will request federal earmarks for one arterial and two local street rehabilitation projects.

The proposed CIP Budget does not list construction funds for these projects as they are not 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  
*Condition of pavement compared to adjacent streets*
  6. Traffic Volume and Number of Side Streets
  7. Planned Development / Improvements

#### *Recommended Projects*

Street rehabilitation has generally followed the same streets as water and/or sewer main replacement projects over the past several years, in accordance with the previous guidelines above. Staff intends to continue using these guidelines for the foreseeable future unless City Council provides different direction.

Staff expects to program the following projects for FY 2025-26 (see Attachment 2):

- Arterial Streets
  - Raymond Avenue – State Route 91 to Orangethorpe Avenue
  - State College Boulevard – Yorba Linda Boulevard to northerly City Limits

- Additional project funding
- Slurry Seal or Pavement Treatment Project
  - Various streets throughout the City but focusing in the southerly area
- Local Streets
  - Sunny Hills – Twilight Area
    - Previously approved by City Council for SB1 funding
  - Candlewood Area
    - Previously approved by City Council for SB1 funding
  - Pacific-Wanda-Louise-Walnut Area
    - Proposed CBDG funded project
  - Cannon-Sheppard Area
    - Water main replacement area
    - Expected to include rehabilitation and slurry seal

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

- Available remaining funding
- Status of MOE requirements
- Rehabilitation method
  - Grind and overlay will take precedence over reconstruction
  - Pavement treatment will take precedence over grind and overlay
- Water project schedule
- Location within the City.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – FY 2025-26 Street Project Locations

cc: City Manager Eric J. Levitt