Agenda Report

Fullerton City Council

MEETING DATE: **JULY 21, 2026**

TO: **CITY COUNCIL**

SUBMITTED BY: **EDDIE MANFRO, CITY MANAGER**

PREPARED BY: **DAISY PEREZ, DEPUTY CITY MANAGER**

SUBJECT: **PROPOSED STREETS AND PUBLIC INFRASTRUCTURE BALLOT MEASURE**

SUMMARY

Staff presents two versions of a proposed streets and public infrastructure ballot measure, along with required resolutions and ordinance to submit the measure to Fullerton voters at the November 3, 2026 General Municipal Election, consistent with City Council direction provided at the July 14, 2026 Special Meeting.

PROPOSED MOTION

1. *Option A Streets and Infrastructure Ballot Measure with a Sunset Provision*

   Introduce Ordinance No. XXXX with a sunset provision for first reading and waive further reading of the ordinance.

   ORDINANCE NO XXXX - AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, ADDING FULLERTON MUNICIPAL CODE TITLE 21 (TAXATION), CHAPTER 21.34 (ROADS / INFRASTRUCTURE TRANSACTIONS AND USE TAX) TO IMPOSE A TRANSACTIONS AND USE TAX ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

   Adopt the following resolutions with a sunset provision:

   RESOLUTION NO. 2026-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON CALIFORNIA, CALLING A GENERAL MUNICIPAL ELECTION ON TUESDAY NOVEMBER 3, 2026 TO SUBMIT A TRANSACTIONS AND USE TAX MEASURE TO THE VOTERS

   RESOLUTION NO. 2026-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, SETTING PRIORITIES FOR FILING WRITTEN ARGUMENTS REGARDING A CITY MEASURE AND DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS

OR

Option B Streets and Infrastructure Ballot Measure Without a Sunset Provision

Introduce Ordinance No. XXXX with no sunset provision for first reading and waive further reading of the ordinance.

ORDINANCE NO. XXX - AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, ADDING FULLERTON MUNICIPAL CODE TITLE 21 (TAXATION), CHAPTER 21.34 (ROADS / INFRASTRUCTURE TRANSACTIONS AND USE TAX) TO IMPOSE A TRANSACTIONS AND USE TAX ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Adopt the following resolutions with no sunset provision:

RESOLUTION NO. 2026-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON CALIFORNIA, CALLING A GENERAL MUNICIPAL ELECTION ON TUESDAY NOVEMBER 3, 2026 TO SUBMIT A TRANSACTIONS AND USE TAX MEASURE TO THE VOTERS

RESOLUTION NO. 2026-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, SETTING PRIORITIES FOR FILING WRITTEN ARGUMENTS REGARDING A CITY MEASURE AND DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS

2. Adopt the following resolutions:

   RESOLUTION NO. 2026-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, REQUESTING THE ORANGE COUNTY BOARD OF SUPERVISORS CONSOLIDATE A GENERAL MUNICIPAL ELECTION ON NOVEMBER 3, 2026 WITH THE STATEWIDE GENERAL ELECTION HELD ON THE DATE PURSUANT TO CALIFORNIA ELECTIONS CODE SECTION 10403

   RESOLUTION NO. 2026-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, PROVIDING FOR FILING REBUTTAL ARGUMENTS FOR CITY MEASURES SUBMITTED AT MUNICIPAL ELECTIONS.

ALTERNATIVE OPTIONS

- Approve Option A
- Approve Option B
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends City Council establish a new, locally controlled funding source dedicated to maintaining, rehabilitating and replacing aging public infrastructure in the City, reflecting the long-term investment needs associated with maintaining one of the oldest and most established municipal infrastructure systems in Orange County.

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

This item generates no additional fiscal impact. The Fiscal Year 2026-27 City Clerk's Office budget includes funding for the 2026 General Municipal Election for the estimated $209,972 - $260,402 cost for two City Council District races and one ballot measure.

Measure passage requires approval by two-thirds of Fullerton residents voting on the measure. If approved, staff estimates the proposed one-half cent Streets and Public Infrastructure Transactions and Use Tax would generate approximately $15 million annually in locally controlled revenue dedicated exclusively to eligible public infrastructure purposes identified in the proposed Ordinance.

Option A - 15-Year Sunset: Staff estimates this option would generate approximately $225 million over the life of the measure, subject to actual taxable sales activity.

Option B - No Sunset Provision: This option would generate $15 million annually to support the City's long-term public infrastructure investment strategy and provide continued funding for eligible public infrastructure improvements.

DISCUSSION

Public infrastructure, including streets, sidewalks, alleys, bridges, traffic signals, streetlights, parks, public facilities, storm drain facilities and other public improvements, supports public safety, mobility, economic activity and quality of life. These assets require ongoing maintenance, rehabilitation and periodic replacement to maximize their useful life and minimize future repair costs.

Fullerton street conditions are one of the City's most visible infrastructure challenges. Like many communities throughout California, Fullerton faces a significant funding gap between the cost to maintain the roadway network and available funding. The City maintains nearly 300 centerline miles of streets, however, existing funding levels can rehabilitate only approximately two to four miles annually.

The City funds street rehabilitation through a combination of Orange County Measure M2 (Local Fair Share), the State Road Maintenance and Rehabilitation Account (RMRA / SB 1), local Infrastructure Fund revenues and other limited grant opportunities. The City coordinates street rehabilitation projects with planned water and sewer infrastructure improvements whenever practical to maximize available funding and reduce construction impacts. The estimated reconstruction cycle at current funding levels is approximately 100 years, substantially exceeding the typical 20 year pavement design life.

The City must prepare and maintain a Pavement Management Plan (PMP) as a condition to receive Orange County Measure M2 funding. The PMP is a comprehensive engineering evaluation that assesses the condition of every public street using a standardized Pavement Condition Index (PCI). The evaluation considers pavement distresses such as cracking, potholes, rutting, raveling and patching to determine the most cost-effective maintenance or rehabilitation treatment, such as slurry seal, asphalt overlay or full reconstruction.

The PCI is a nationally recognized engineering standard that assigns each street a score between 0 and 100 based on its overall condition. A higher PCI indicates better pavement condition and generally requires less costly preventative maintenance, while lower PCI values typically require more extensive rehabilitation or reconstruction. Maintaining an average network PCI of 80 or greater is the industry standard goal and reflects a roadway system in good condition where preventative maintenance strategies can be used to preserve pavement life and reduce long-term costs. The PCI requirement in the proposed measure is also consistent with pavement management principles established under the California Road Repair and Accountability Act of 2017 (SB 1), which emphasizes proactive pavement preservation and data-driven asset management to maximize the useful life of local streets and roads. The current Citywide PCI score is the lowest in the County at 67.8.

The City Pavement Management Plan (PMP) indicates the City does not have sufficient funding to even maintain existing pavement conditions at current levels. Without additional investment, the average City PCI would continue declining over time, resulting in higher future rehabilitation costs and a growing deferred maintenance backlog. As pavement conditions deteriorate, rehabilitation costs increase significantly. Timely preventative maintenance, such as slurry seals and overlays, is substantially more cost-effective than reconstructing streets that reached the end of their service life. Maintaining a higher network PCI allows the City to preserve existing pavement conditions and maximize the value of limited infrastructure funding.

The City Engineer estimates the City needs approximately $200 million to restore the street network to its desired condition based on the most recent PMP. This estimate only reflects identified roadway rehabilitation needs. It does not include funding necessary to maintain or replace the broader public infrastructure assets inventory.

Existing Infrastructure Funding Policy

Recognizing these challenges, City Council adopted Ordinance No. 3284 in July 2020 establishing the City Infrastructure Fund. The ordinance created a long-term funding policy by dedicating a portion of annual property tax and sales tax growth above established baseline amounts toward public infrastructure maintenance, rehabilitation, replacement and construction. The Infrastructure Fund has provided a dedicated funding source for eligible infrastructure improvements and reflects longstanding commitment to investing in public infrastructure.

The ordinance also established a governance framework to expend infrastructure funding. The Infrastructure and Natural Resources Advisory Committee (INRAC) reviews proposed infrastructure projects and funding priorities and recommends use of Infrastructure Fund revenues to City Council as part of the annual budget and Capital

Improvement Program development process. Final approval of all appropriations and capital projects remains with City Council through the annual budget and Capital Improvement Program adoption process.

The Infrastructure Fund provides an important source of dedicated funding, however, the fund does not generate sufficient revenue to address the long-term infrastructure needs. City Council continues to evaluate additional funding strategies to supplement existing infrastructure funding sources. City consultant, Grant Thornton, provided an independent Five-Year Financial Forecast Analysis to City Council on July 14, 2026. The analysis concluded the City General Fund has made meaningful progress toward long-term fiscal stability but also found current infrastructure funding levels do not meet identified needs and the City requires additional funding sources to maintain or improve infrastructure conditions. City Council directed staff to agendize an item to consider placing a Streets and Public Infrastructure Ballot Measure before Fullerton voters at the November 3, 2026 General Municipal Election.

Proposed Ballot Measure

The proposed Ordinance is intended to complement, rather than replace, the existing Infrastructure Fund established by Ordinance No. 3284. Both ordinances utilize substantially the same definition of public infrastructure, authorize funding for substantially the same eligible infrastructure improvements and maintain the same governance framework through the annual Capital Improvement Program, advisory review by the INRAC and final City Council approval through the annual budget process.

The primary distinction is the source of funding. The Infrastructure Fund is supported by a portion of annual property tax and sales tax growth above established baseline amounts. By contrast, the proposed measure would establish a separate, voter-approved special revenue fund, as required by California law, with revenues dedicated exclusively to the eligible public infrastructure purposes identified in the Ordinance. The proposed measure also enhances the existing accountability framework by incorporating additional safeguards, including a PCI performance requirement, dedicated funding priorities for roadway improvements until the City's average PCI reaches 80 or greater, automatic reinstatement of those funding priorities if the PCI subsequently falls below 80, annual independent financial audits, public reporting and continued advisory oversight by INRAC.

The proposed measure dedicates revenues to specific public infrastructure purposes and California law classifies it as a special transactions and use tax. Pursuant to California Revenue and Taxation Code Section 7285.91, the proposed ordinance must be approved by a two-thirds vote of all members of the City Council (four affirmative votes) before it may be submitted to the voters. The accompanying election resolutions, including the resolution calling the election, require approval by a majority vote of the City Council.

If the ordinance is adopted by the required two-thirds vote, the proposed measure would then be submitted to Fullerton voters at the November 3, 2026 General Municipal Election, where it must receive approval by two-thirds of the qualified voters voting on the measure before becoming effective. State law requires the proposed ordinance to be introduced at one regular City Council meeting and adopted at a subsequent regular meeting occurring at least five days later. Accordingly, this agenda item includes the first reading of the proposed ordinance, with second reading and consideration for adoption scheduled for a subsequent regular City Council meeting.

Public Oversight and Accountability

The Infrastructure Fund Ordinance also established a governance framework to guide infrastructure investments. As part of the City's annual budget and Capital Improvement Program (CIP) process, INRAC reviews proposed infrastructure projects and funding priorities and provides recommendations to the City Council regarding the use of Infrastructure Fund revenues. This advisory review provides an additional public forum for evaluating proposed infrastructure investments before City Council consideration. Final approval of all appropriations and capital projects remains with the City Council through the annual budget and Capital Improvement Program adoption process.

The proposed ballot measure builds upon this existing governance framework. In addition to requiring revenues to be deposited into a separate special revenue fund, the proposed measure includes annual independent financial audits, annual public reporting, continued INRAC review of proposed expenditures, and final City Council approval through the annual budget and Capital Improvement Program process.

To further prioritize investment in the City's roadway network, both versions of the proposed measure include a PCI requirement. Until the City's average PCI reaches 80 or greater, no less than 75 percent of annual revenues generated by the measure must be dedicated to street and roadway infrastructure improvements. The 80 PCI benchmark is consistent with the City's existing pavement management practices and the asset management principles established under California's SB 1 Local Streets and Roads Program, which encourages agencies to preserve roadway networks in good condition through ongoing preventative maintenance and strategic investment. Once the City's average PCI reaches 80, the City Council may consider allocating revenues among the broader categories of eligible public infrastructure identified in the Ordinance. If the City's average PCI subsequently falls below 80, the 75 percent requirement would automatically be reinstated.

The City's PCI will continue to be evaluated annually through the PMP prepared by a qualified pavement engineering consultant certified by the Orange County Transportation Authority (OCTA). The results will continue to be presented to INRAC and made publicly available, providing an objective engineering benchmark to measure the City's progress toward improving and maintaining its roadway network.

Policy Considerations

The two proposed ballot measure options are identical except for the inclusion of a sunset provision. Both versions contain the same ballot question, expenditure plan, accountability requirements, oversight provisions, and authorized uses of funding. The primary policy consideration before the City Council is whether the proposed Transactions and Use Tax should include a fifteen-year sunset provision.

Under Option A, the City Council may approve the version that includes a fifteen-year sunset. If approved by the voters, the Transactions and Use Tax would automatically expire at the conclusion of the fifteen-year term unless subsequently extended or reauthorized by the voters. The City Council may also modify the proposed sunset term during its deliberations. Under Option B, the City Council may approve the version without a sunset provision. If approved by the voters, the measure would remain in effect unless subsequently repealed by the voters. Staff recommends moving forward with a locally controlled funding source to support the City's ongoing public infrastructure investment strategy.

Regardless of whether the City Council selects Option A or Option B, both versions of the proposed measure include identical expenditure restrictions and accountability provisions. Both options also require annual independent financial audits, annual public reporting, and ongoing advisory review by the INRAC.

The attached Ordinance and accompanying resolutions have been prepared to provide the City Council with two policy alternatives for consideration. The attached Ordinance and accompanying resolutions provide the City Council with two policy alternatives for consideration. Should the City Council elect to proceed, the proposed measure would be submitted to Fullerton voters at the November 3, 2026 General Municipal Election for their consideration and final determination.

Attachments:

- Attachment 1 – Draft Ordinance XXXX with Sunset
- Attachment 2 – Resolution No. 2026-XXX Call Election with Sunset
- Attachment 3 – Resolution No. 2026-XXX Arguments and IA with Sunset
- Attachment 4 – Draft Ordinance XXXX No Sunset
- Attachment 5 – Resolution No. 2026-XXX Call Election No Sunset
- Attachment 6 – Resolution No. 2026-XXX Arguments and IA No Sunset
- Attachment 7 – Resolution No. 2026-XXX Consolidation
- Attachment 8 – Resolution No. 2026-XXX Rebuttals

cc: City Manager Eddie Manfro