



Infrastructure Conditions & Funding Report

Infrastructure and Natural Resources Advisory Committee

March 3, 2020



Infrastructure and Natural Resources Advisory Committee (INRAC)

- 9-Member Council appointed committee of volunteer Fullerton residents
- Created in 2018 by merging three existing committees with merger effective on January 1, 2019.
- Advises the City Council on infrastructure, provides input on policies, plans and programs related to energy, natural resources, environmental laws, and protection of the environment.
- Meetings are held every 2nd and 4th Wednesdays



Infrastructure and Natural Resources Advisory Committee (INRAC)

- Current volunteer Fullerton residents:

Thad Sandford – Chair

Sonia Carvalho

Damion Lloyd

Greg Sebourn

Patricia Tutor

Ryan Alcantara – Vice Chair

Arnel Dino

Patrick McNelly

Mark Shapiro



Infrastructure Needs Review

- On April 23, 2019, City Council tasked INRAC with an Infrastructure Needs Review. The review would include:
 - Defining:
 - Public Works Infrastructure
 - Infrastructure Deficiencies
 - Funding priority of each deficiency
 - Funding needs to address deficiencies
 - Recommending potential funding sources to address deficiencies.



Public Works Infrastructure

- For the purposes of this review, Public Works Infrastructure was defined as:

ADA Requirements

Alleys

Buildings

Monument Signs

Parking Structures

Sewer System

Streets

Vehicles & Equipment

Airport

Bridges

Landscape – Trees & Plantings

Parking Lots

Parks & Trails

Storm Drain System

Traffic Systems

Water System



Study Approach

- Review started in May 2019
- Examined each element of City Infrastructure for overall condition, existing funding, and needs
- Summarized and prioritized the funding needs
- Examined funding options and constraints
- Developed Recommendations
- Two public outreach meetings were held.
 - August 8, 2019 & January 23, 2020
- Information can be found at:

https://www.cityoffullerton.com/gov/departments/public_works/infrastructure_asset_review.asp



Final Report & Recommendations

- Situation
- Findings
- Funding Options
- Recommendations



Overall Situation

- City has not been able to keep up with and fund infrastructure maintenance
 - This has been a long term problem growing over the years
- The City has been trying to live within the budget and existing revenue
 - For which there are many City service needs
- The result is obvious in the condition of our streets
- It is also true in other infrastructure areas
- The issue is critical and must be addressed immediately



Findings

- The condition and funding of our streets is the single most critical problem
- Most other elements of our infrastructure are also in very bad condition
- We conclude Fullerton Infrastructure needs are as follows:
 - Level 1 (High) funding need of \$19,078,000/yr vs. available \$5,300,000/yr
 - Level 2 (Med) funding need of \$18,245,625/yr vs. available \$9,118,000/yr
 - Level 3 (Low) funding need of \$51,959,500/yr vs. available \$50,255,000/yr
- *We need a net increase of approximately \$24,610,125/yr*
(as outlined on the following pages)



Level 1 Funding Needs (Net \$14M per year shortfall)

Asset	Existing Annual Funding (FY19-20 Budget)	Recommended Annual Funding
ADA Requirements	(1) \$0	\$250,000
Bridges – Preventative	(1) \$0	(2) \$18,000
Bridges – Rehab	(1) \$0	(2) \$90,000
Buildings – Major Repairs/Rehab	\$500,000	\$3,220,000
Streets - Arterial	\$2,400,000	\$5,500,000
Streets Local	\$2,400,000	\$10,000,000
TOTAL	\$5,300,000	\$19,078,000

(1) = No existing funding specifically allocated to asset

(2) = Assume 88% of project costs covered by grant funding

The table is intended to provide funding priority levels for the public works list of assets. The priority level is not in any way related to the importance of each asset to the general public. Assets are listed in alpha order.



Level 2 Funding Needs (Net \$9M per year shortfall)

<i>Asset</i>	Existing Annual Funding (FY19-20 Budget)	Recommended Annual Funding
Alleys	(1) \$0	\$920,000
Landscape Maintenance – Trees	\$1,500,000	\$3,500,000
Parking Lots	\$75,000	\$282,125
Parking Structure Maintenance	\$225,000	\$595,500
Parks & Trails – Facilities	\$743,000	\$1,173,000
Parks & Trails - Landscape	\$2,900,000	\$3,250,000
Parks & Trails - Improvements	\$1,175,000	\$4,525,000
Storm Drain System	\$2,500,000	\$4,000,000
TOTAL	\$9,118,000	\$18,245,625

(1) = No existing funding specifically allocated to asset

The table is intended to provide funding priority levels for the public works list of assets. The priority level is not in any way related to the importance of each asset to the general public. Assets are listed in alpha order.



Level 3 Funding Needs (Near adequate dedicated funding)

<i>Asset</i>	Existing Annual Funding (FY19-20 Budget)	Recommended Annual Funding
Airport	\$2,100,000	\$2,100,000
Landscape – Street R/W	\$1,455,000	\$1,455,000
Monument Signs	\$0	\$0
Sewer System	\$6,200,000	\$6,200,000
Streets – Parkway Repair (C&G, SW)	\$400,000	\$500,000
Traffic Systems	\$700,000	\$1,604,500
Vehicles & Equipment	\$5,400,000	\$6,100,000
Water System	\$34,000,000	\$34,000,000
TOTAL	\$50,255,000	\$51,959,500

The table is intended to provide funding priority levels for the public works list of assets. The priority level is not in any way related to the importance of each asset to the general public. Assets are listed in alpha order.



Observation

- Condition of the specific infrastructure is inversely proportional to the dedicated funding source
 - Sewer system has regular maintenance and improvements due to a dedicated funding source, but...
 - The streets are in poor condition and have no dedicated source of funds in the general budget.



Funding Options

- Grants
- Bonds (typically paid for by property taxes)
- Reprioritizing Current City Budget
- Economic Development
- Energy Savings
- Taxes (Parcel Tax / Sales Tax)



Funding Options Grants

- We reviewed the available grants over last several years
- We can expect no grants to assist with our streets
- Possible opportunities to assist with:
 - Street lighting
 - Traffic signals
 - Bridges
- Requires some level of matching City funds
 - Typically 20% to 50% of project costs



Funding Options Bonds

- Bonds are often used for one-time expenses
 - Enable the start of a large body of work
 - Good for high priority, expensive emergencies
 - But carry high principle and interest charges
- Fullerton's needs are long term
 - For both current and future on-going expenses
- Bonds will increase total expense
 - Our need is not a one-time need but is an annual need
- We do not recommend use of bonds
- We recommend a plan to pay as we go



Funding Options City Budget Review

- We did a top-level review of the current budget and found
 - Budget balanced in part due to staff vacancies
 - No dedicated General Fund monies for street improvements
- We recommend a study by an outside team to see if any additional funds can be made available through:
 - Contracting additional services
 - Reorganizing or delegating to county or adjacent cities
 - Each option carries risk and time delays
- Therefore we recommend that the City proceed
 - To find funds independent of these options and
 - Implement study results in future budgets



Funding Options Economic Development

- Fullerton is a strong, attractive community
 - We should be attracting new businesses
 - To add jobs and revenue for city improvement
 - However, our growth seems stagnant and the tax base is stagnant
 - Change is inevitable, it should be on growth
 - We recommend a strong city-wide campaign for growth
 - Involving city staff , city leaders, businesses, chamber of commerce, service organizations
- Example: The addition of new hotels, new car lots, etc. would bring in external business and city revenue



Funding Options Energy Savings

- Energy Efficiency Opportunities
 - Perform Audit of City facilities and infrastructure
 - Investigate upgrades in electrical and power systems specifically to reduce cost
 - Upgrades paid for in near term savings to yield longer term savings
 - City is currently soliciting proposals for the campaign
- Community Choice Aggregation
 - Review opportunity for City to purchase and/or generate power for residents and businesses
 - Potential for proceeds to be used for future energy efficiency projects



Funding Options

Parcel Tax

- Parcel tax is a special tax on all property owners in the City with charges based on a per parcel formula
- Pros:
 - It can be specific to address the infrastructure
 - Property owners could potentially enjoy benefits of good condition streets on terms of increased property values or more attractive rental to others
- Cons:
 - Parcel tax is completely on city property owners
 - Visitors do not share the cost, even when using city infrastructure such as the streets
 - It requires a 2/3 voter approval to pass



Funding Options Sales and Use Taxes

- Definition:
 - Sales tax on goods purchased within or shipped to the city
 - And use tax on vehicles, boats, and airplanes registered in city
- Current Sales Tax in Fullerton is 7.75%
 - State Minimum tax is 7.25%, plus county 0.5% (Measure M2)
 - Of which the city only gets 1 cent of every dollar
- An additional 0.5% tax would yield ~ up to \$11.5m/yr.
- An additional 1% tax would yield ~ up to \$23 m/yr.
- An additional 1.5% tax would yield ~ up to \$34.5m/yr.



Funding Options Sales and Use Tax - Pros

- Would be paid by both residents and non-residents that shop within the City
- It is paid by individual households, commercial businesses, and institutions
- Would not require burdensome changes to:
 - City admin procedures
 - Businesses procedures
- Current rate of inflation is low and expected to be 2% per year.
 - Both cost increases and revenue growth should roughly balance



Funding Options Sales and Use Tax - Cons

- Requires voter approval at the same election that City Councilmember(s) are elected
- General Tax requires 50%+1 voter approval
- Special Tax requires 2/3 voter approval
- Increasing the Sales & Use Tax subject to consumer purchase activity and state of the economy
 - And thus projected revenue may decrease
- Sales and Use Taxes are subject to actions of the State Legislature.



Funding Options

Special Use vs General Tax

- General tax can easily disappear in the normal press of the day
 - Often the infrastructure is neglected - As it has in Fullerton's past
- Special Tax must be allocated to the specific need
 - Condition of asset is inversely proportional to the dedicated funding source
 - More funds = better asset
 - Will yield needed funds for now and foreseeable future
 - Assess progress each year



Funding Options Taxes in Other Cities

- Voters in Orange County cities approved 1% increases in sales and use taxes:
 - 2008 La Habra (General Tax)
 - 2014 Stanton (General Tax)
 - 2016 Fountain Valley, La Palma, Westminster (General Tax)
 - 2018 Garden Grove, Placentia, Santa Ana (1.5%) (General Tax)
- 2019 – Statewide 8 of 9 sales tax measures were approved by cities and 10 of 14 parcel taxes were approved



INRAC Recommendations

Funding Recommendation

- Raise the Sales and Use tax by 1% specifically for City's infrastructure needs
 - Review progress and status after a period of 15 years
- Pros:
 - Provides dedicated funds for the infrastructure
- Cons:
 - Requires 2/3 approval from the citizens
 - Does not address any other (non-infrastructure) City needs
 - Will require later assessment for out year maintenance



INRAC Recommendations

- In addition, we recommend
 - Scrub current city budget to dedicate funds to street improvements
 - Increase focus on Economic Development for city
 - Pursue long-term improvements in energy use and sourcing
 - Task a citizens review to ensure progress on infrastructure



QUESTIONS?