



# In Progress Infrastructure and Natural Resources Advisory Committee Report

Public Outreach Meeting #2

23 Jan 2020

# Infrastructure and Natural Resources Advisory Committee (INRAC)

- 9-Member Council appointed committee of volunteer Fullerton residents
- 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 2<sup>nd</sup> and 4<sup>th</sup> Wednesdays
- Additional information can be found at:

[https://www.cityoffullerton.com/gov/departments/public\\_works/infrastructure\\_asset\\_review.asp](https://www.cityoffullerton.com/gov/departments/public_works/infrastructure_asset_review.asp)



# INRAC Volunteers

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Supported by City Department of Public Works staff

# INRAC

## Infrastructure Needs Review

City Council has tasked INRAC with an Infrastructure Needs Review. The review includes:

- Defining:
  - Public Works Infrastructure
  - Infrastructure Deficiencies
  - Funding priority of each deficiency
  - Funding needs to address deficiencies
- Recommending potential funding sources to address deficiencies.

Goal is to provide recommendations to the City Council in early 2020.



# Purpose of this meeting

- Provide you, our fellow citizens, a progress report on what we have studied and discovered
- Solicit your questions and comments to assist in the formulation of recommendations to the City Council

# Report Outline

- 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

# Infrastructure Review Included

*ADA Requirements*

*Airport*

*Alleys (32.5 mi)*

*Bridges (45)*

*Buildings (31)*

*Landscape – Trees & Plantings*

*Monument Signs*

*Parking Lots (61)*

*Parking Structures (6)*

*Parks & Trails (46 parks)*

*Sewer System*

*Storm Drain System*

*Streets (294 mi)*

*Traffic Systems*

*Vehicles & Equipment*

*Water System*



# Study Approach

- Review started in June 2019
- Examined each element of City Infrastructure for overall condition, funding plan, needs
- Summarized and prioritized the needs
- Examined funding options and constraints
- Developed Recommendations
- This is the second public outreach progress meeting held in the evening.
  - First meeting was held on August 8, 2019. A replay of this meeting can found on the INRAC webpage.
- Meeting is to inform and encourage citizen involvement
  - Meeting will be posted on website and informational articles placed in the Fullerton Observer.

# Findings

- The condition and funding of streets is the single most critical problem
- Most other elements of Infrastructure are also in very bad condition
- We conclude Fullerton Infrastructure needs are as follows:
  - Level 1 (High) funding need of \$19,123,000/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 \$51,259,500/yr  
vs. available \$49,555,000/yr

**We need a net increase of approximately \$24,655,125/yr**

(See subsequent pages for details)

# 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) \$135,000
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
<b>TOTAL</b>	<b>\$5,300,000</b>	<b>\$19,123,000</b>

(1) = No existing funding specifically allocated to asset

(2) = Assume 90% 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
<b>TOTAL</b>	<b>\$9,118,000</b>	<b>\$18,245,625</b>

(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	\$4,700,000	\$5,400,000
Water System	\$34,000,000	\$34,000,000
<b>TOTAL</b>	<b>\$49,555,000</b>	<b>\$51,259,500</b>

*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 State Minimum tax is 7.25%, plus county 0.5%
  - For current tax of 7.75%
  - Of which the city only gets 1%
- 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
  - Based on their respective economic activity
  - In proportion to the taxable value of their purchases of taxable goods
- 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
- Two-thirds voter approval is required
  - If authorized as a special tax for infrastructure use
- Increasing the Sales & Use Tax may lead to a potential decrease in consumer purchases
  - 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

- Special use tax requires 2/3 vote in support
- General tax requires 50% plus 1
- General tax can easily disappear in the normal press of the day
  - And often the infrastructure is neglected
  - As it has in Fullerton's recent past
  - As it was last year in Santa Ana
- INRAC recommends a special use tax dedicated to infrastructure needs
  - Will yield needed funds for now and foreseeable future
  - Re-evaluate every 10 years
  - 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
  - 2014 Stanton
  - 2016 Fountain Valley, La Palma, Westminster
  - 2018 Garden Grove, Placentia, Santa Ana (1.5%)
- Santa Ana approved the 1.5 % tax to improve the infrastructure, but within months it was all spent, with no money allocated for infrastructure as it went toward paying for a major deficit
- Nov 2019, Claremont sales tax failed 49.11% to 50.89%
- 2019 – Statewide 8 of 9 sales tax measures were approved by cities and 10 of 14 parcel taxes were approved

# Draft INRAC Recommendations

## Primary Recommendation

- Raise the Sales and Use tax by 1% specifically for City's infrastructure needs
  - In place for 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

# Draft INRAC Recommendations

## Alternate Recommendation

- Raise the Sales and Use tax by 1% as a general tax

In conjunction with,

- Voter approved ordinance to allocate a minimum 15% of City General Fund revenue to the Infrastructure
  - City General Fund revenue defined as property taxes, sales tax, any new taxes and franchise taxes
- Pros:
  - Simple voter majority to pass
  - Funds Infrastructure for long term
- Cons:
  - Underfunds the recommended Infrastructure needs

# Draft 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

# Citizens Review for Transparency, Communication & Oversight

- Clear Goals/Outcomes
- Annual Report and Public Hearing Meetings
  - Project plans, status updates, and expenditures
- Educational Outreach to the Public
- Citizen Oversight of Progress and Priorities
  - Ensure that all tax measure revenue is spent for infrastructure purposes as specified in the measure passed by voters.



# Questions?