



Agenda Item

Orange City Council

Item #: 6.1.

4/14/2026

File #: 26-0198

TO: Honorable Mayor and Members of the City Council

THRU: Jarad Hildenbrand, City Manager

FROM: Trang Nguyen, Finance Director

1. SUBJECT

Second Budget Study Session for the Proposed Fiscal Year 2026-27 Budget

2. SUMMARY

This is the second budget study session in support of the preparation of the Fiscal Year 2026-27 Budget. The purpose of this study session is to present the draft Five-Year Capital Improvement Plan for the period of Fiscal Year 2026-27 through Fiscal Year 2030-31.

3. RECOMMENDED ACTION

1. Review and discuss the proposed Fiscal Year 2026-27 Capital Improvement Project Budget.
2. Provide direction to staff regarding preparation of the Five-Year Capital Improvement Plan for the period of Fiscal Year 2026-27 through Fiscal Year 2030-31.

4. FISCAL IMPACT

The proposed FY27 Capital Improvement Project Budget totals approximately \$35.7 million across various funds. Final appropriations and funding allocations will be determined as part of the City Council's adoption of the Fiscal Year 2026-27 Budget.

5. STRATEGIC PLAN GOALS

Goal 2: Enhance Economic Development and Achieve Fiscal Sustainability

6. DISCUSSION AND BACKGROUND

This is the second budget study session in support of the preparation of the City's Fiscal Year 2026-27 (FY27) Budget, with a focus on the Five-Year Capital Improvement Plan (CIP) for the period of Fiscal Year 2026-27 through Fiscal Year 2030-31.

The FY27 Five-Year CIP serves as both a comprehensive budget document and a strategic planning tool used to identify the City's capital infrastructure needs, prioritize projects, and determine available funding sources. Funding for the CIP is derived from a variety of sources, including transportation funds, grants, reimbursement agreements, utility funds, and long-term financing.

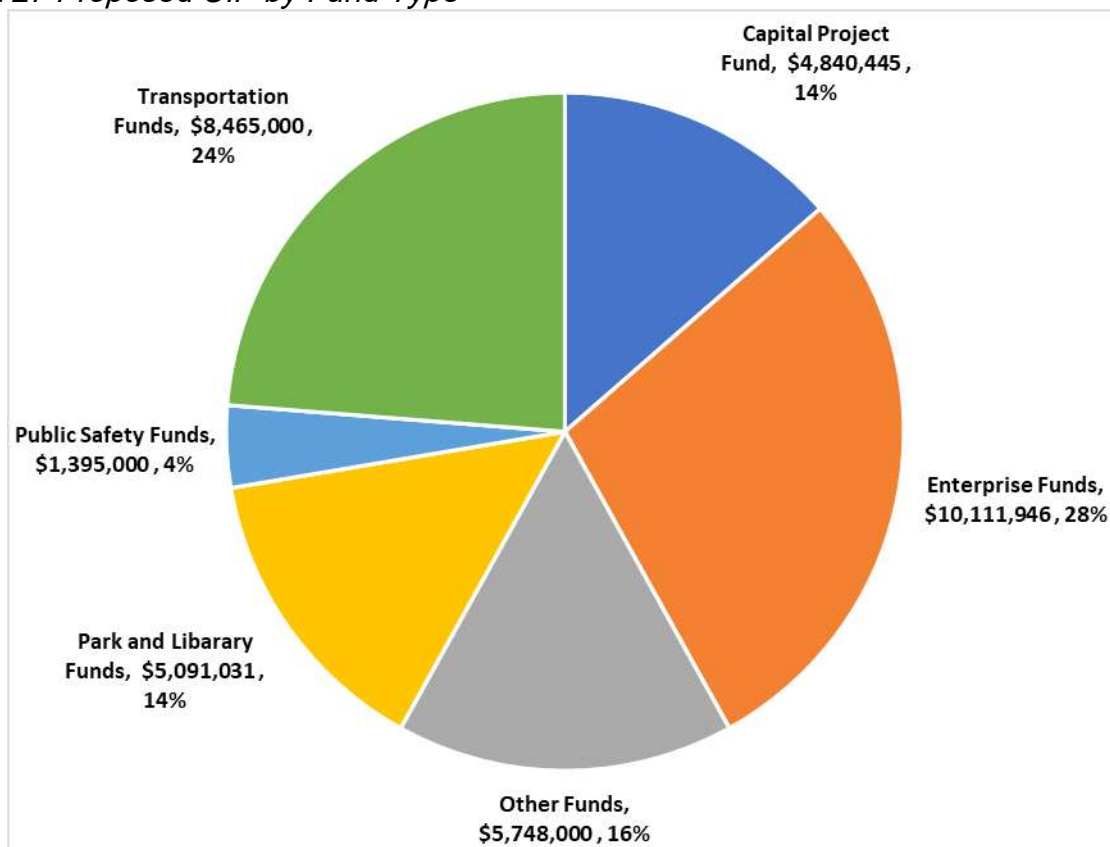
Despite ongoing budgetary challenges, the City continues to advance critical capital infrastructure improvements for residents and businesses. The proposed FY27 CIP reflects a focused prioritization strategy that emphasizes safety, regulatory compliance, asset preservation, and projects that

leverage outside funding, while deferring lower-priority General Fund-supported work.

Overall, the FY27 Five-Year CIP proposes 69 projects over the five-year planning period. Of those, 54 projects are proposed for funding in FY27, while 13 are anticipated to begin in future years. In addition, 24 previously approved projects will continue into FY27 with no new funding requested. Under this proposed plan, the City Council would invest approximately \$35.7 million in the upcoming fiscal year and approximately \$140.4 million across various funds over the five-year planning period, in addition to project appropriations that will be carried over from the current fiscal year. To help address the City's structural operating deficit, approximately \$7.2 million in capital projects is recommended for deferral in FY27.

As in previous years, the CIP will be funded through several sources in FY27. Chart 1 below summarizes the proposed FY27 CIP budget by fund.

Chart 1: FY27 Proposed CIP by Fund Type



Five-Year Capital Improvement Plan

The following are highlights of selected projects included in the FY27 Five-Year CIP.

Playground Equipment Replacement (267037)

This recurring program addresses the replacement of aging playground structures at City parks that are reaching or have exceeded their typical 8-12 year service life. Although the equipment continues to be maintained for safety compliance, many structures exhibit signs of wear and are due for full replacement.

Based on a systemwide assessment of playground conditions, staff has developed an inventory to guide annual replacement priorities. The list of park playgrounds will be reviewed and prioritized by the Park Planning and Community Events Commission, taking into consideration community needs and available funding. Improvements will include new accessible play equipment and shade sails at select parks where they are currently absent.

The proposed FY27 budget for this project is \$800,000. Staff will also continue to pursue supplemental funding opportunities, including federal grant funding, to support project implementation.

Rampart Street Park (367005)

The City has secured an operating agreement with Orange County Public Works for two parcels managed by the Orange County Flood Control District (OCFCD) along the Santa Ana River. This project addresses the smaller of the two parcels, approximately one acre in size, located north of W. Chapman Avenue between the Santa Ana River Trail and Rampart Street, adjacent to the 57 Freeway.

A conceptual design for the park has been completed and includes a proposed walking path, seating areas, landscaping, a dog amenity area, and a water bottle filling station, while preserving the existing mature shade trees. Staff anticipates releasing a request for proposals in late spring or early summer 2026 to retain a qualified design firm to conduct public outreach, complete final design, and prepare engineering documents.

Additional funding is proposed in FY27 to support completion of the project. The total proposed project budget, inclusive of design and construction, is \$1,510,000.

Pavement Management Program

The Pavement Management Program coordinates the comprehensive maintenance needs of the City's roadway system. Maintenance strategies include asphalt resurfacing, slurry seal, and reconstruction, as needed. Approximately \$8.7 million is proposed in FY27 for this program.

Based on the City's Pavement Management Plan, an annual investment of approximately \$10 million is needed to prevent further long-term deterioration of the roadway network. The program is funded through Measure M2, Gas Tax, Capital Projects, and Road Maintenance Rehabilitation Account funds.

Water Projects

A total of \$6.5 million is proposed in FY27 for water infrastructure improvements to maintain and enhance the City's water production and distribution systems. This includes approximately \$2.0 million for pipeline replacement, which will fund the design and construction of water mainline replacements throughout the City's water system.

An additional \$2.8 million is proposed for the drilling of a new water production well. The new well is designed to produce approximately 3,000 gallons per minute and significantly enhance the City's groundwater production capacity.

Sewer Projects

Approximately \$3.5 million is proposed in FY27 for the Sewer Replacement Program to maintain and improve the City's sewer network through the design and construction of sewer mainline replacements.

Approximately one mile of pipeline is targeted for replacement annually due to increasing age, substandard sizing, corrosion, or high maintenance needs. In FY27, the program will focus on locations such as Grand Street, Glassell Street, Center Street, Culver Avenue, Olive Street, and Maple Avenue.

Capital Projects Fund (500)

Historically, the General Fund has been the primary funding source for the Capital Projects Fund (500), supporting reinvestment in the City's aging facilities and infrastructure. However, ongoing budgetary constraints and the City's structural operating deficit have significantly limited the City's ability to continue making General Fund contributions to this fund. As a result, several needed projects have been deferred, including some involving assets in poor condition.

The proposed FY27 CIP therefore prioritizes projects that can no longer be delayed due to safety concerns, operational necessity, or partial grant funding. For Council consideration, approximately \$4.8 million in projects is proposed in FY27, including the following:

1. Elevator Replacement - Police Headquarters and Corporation Yard Buildings 1 and 2 - \$520,000
2. Fleet Facilities - HVAC Installation and Interior Painting - \$575,000
3. Police Headquarters - Vehicle Gate System Replacement - \$90,000
4. Fleet Facilities - Corporation Yard Roll-Up Door Replacement - \$270,000
5. Corporation Yard Renovations (Property Wall Completion and Storage Bunkers) - \$670,000
6. Quiet Zone/Railroad Crossing Safety - \$50,000
7. Streetlight Pole Replacement - \$470,000
8. Pavement Management Program - \$2,000,000
9. Minor Traffic Control Devices - \$200,000

Deferred Projects

To align the FY27 CIP with available resources, several General Fund-supported facility and infrastructure projects continue to be deferred and are not included in the FY27 CIP.

These deferrals do not reflect a lack of need; rather, they represent a necessary prioritization of limited funding toward more urgent operational, safety-related, and externally leveraged capital needs. These projects are listed in Table 1 below.

Table 1: FY27 Deferred and/or Discontinued Projects

Project/Effort	Fund	Amount Deferred/ Reduced	Notes

Facilities Condition Assessment	Capital Projects Fund (500)	\$100,000	Deferred
City Hall Roof Replacement	Capital Projects Fund (500)	\$1,350,000	Deferred
Fire Station 7 - Roof Underlayment Replacement	Capital Projects Fund (500)	\$285,000	Deferred
Fire Station 8 - Exterior Paint and Roof Replacement	Capital Projects Fund (500)	\$285,000	Deferred
Main Library Gutter Replacement	Capital Projects Fund (500)	\$200,000	Deferred
Community Services Building Roof Replacement	Capital Projects Fund (500)	\$350,000	Deferred
City Hall Landscape Renovation	Capital Projects Fund (500)	\$310,000	Deferred
City Hall Elastomeric Roof Coating Renewal	Capital Projects Fund (500)	\$200,000	Deferred
Fire Station 5 Workout Room Addition	Capital Projects Fund (500)	\$517,000	Deferred
Fire Station 2 Remodel	Capital Projects Fund (500)	\$1,140,000	Deferred
Fire Station 3 Building Addition	Capital Projects Fund (500)	\$2,500,000	Partially Funded
Total Deferred		\$7,237,000	

Conclusion

The Proposed FY27 CIP Budget and Five-Year CIP reflect the City's continued effort to balance critical infrastructure investment with the realities of an ongoing structural operating deficit. The proposed program prioritizes projects that support public safety, regulatory compliance, operational continuity, and long-term asset preservation, while deferring lower-priority projects until fiscal conditions improve.

Over the next two months, staff will continue refining both the operating and capital budgets for

preliminary review in May 2026 and final adoption in June 2026.

7. ATTACHMENTS

- Attachment A - FY27 Five Year CIP by Department
- Attachment B - FY27 Five Year CIP by Fund
- Attachment C - FY27 Five Year CIP by Project
- Attachment D - Fund Description Listing