



STAFF REPORT TO THE FINANCE COMMISSION

DATE: Regular Meeting of March 18, 2026

TO: Members of the Finance Commission

VIA: Dante Hall, City Manager

SUBMITTED BY: Glenn Dombeck, Public Works Director
Edwin Gato, Director of Finance

SUBJECT: Budget Workshop: Fiscal Year 2026-27 Capital Projects Proposed
Budget and Ten-Year Capital Improvement Projects Plan

RECOMMENDED ACTION:

This document is intended for informational purposes only. The City Council will be conducting a series of budget workshops to discuss and establish directions for the upcoming budget. The initial hearing to present the Fiscal Year 2026-27 Annual Budget to the City Council is scheduled for the first meeting in June. The subsequent public hearing on the budget adoption will take place during the second meeting in June.

EXECUTIVE SUMMARY:

The Capital Improvement Plan (CIP) serves as a comprehensive strategic outline for a multi-year effort dedicated to enhancing and maintaining critical infrastructure. This plan effectively transforms complex, multi-million-dollar infrastructure requirements into a prioritized and actionable agenda for the forthcoming fiscal years. It carefully navigates the constraints associated with limited funding sources, ensuring that essential improvements are both feasible and sustainable, ultimately contributing to the long-term vitality and resilience of our community infrastructure.

BACKGROUND:

The CIP articulates a vision for both short- and long-term project delivery and funding, aiming to maintain, enhance, and construct new and existing infrastructure assets that serve the needs of residents, businesses, property owners, and visitors. The CIP serves as a critical link among the General Plan, Parks Master Plan, and various other master planning documents, while also incorporating available resources to provide a structured

framework for the planning, scheduling, and execution of capital projects over the next ten years.

This plan is intended to integrate the City's investments in infrastructure development and maintenance—commonly referred to as capital improvements—with other substantial capital expenditures that contribute to or strategically advance the City's asset inventory. Projects identified within the CIP are categorized as any long-term investment that builds, replaces, or improves an asset (e.g., facilities, roads, parks, sewers, and drainage systems), possesses a useful life of no less than five years, and incurs a minimum cost of \$50,000.

A fundamental distinction between capital and operating budgets lies in the approval process; capital projects receive approval in one fiscal year, yet their completion may extend over multiple years. Conversely, operating budgets typically concentrate on ongoing maintenance and adhere to a "use-it-or-lose-it" principle at the conclusion of the fiscal year, resulting in any unspent funds being returned to the fund.

ANALYSIS:

The proposed FY 2026–27 CIP and the associated Ten-Year CIP represent a comprehensive, long-range strategy to maintain, rehabilitate, and invest in the City's critical infrastructure. The program continues the City's commitment to a "fix-it-first" philosophy, concentrating limited resources on essential improvements to streets, parks, facilities, sewer infrastructure, and the Hercules Hub.

This year's CIP builds upon prior Council direction, master-planning documents, and condition-based assessments to prioritize projects that address safety, regulatory compliance, asset preservation, and community needs. The projects identified within the Ten-Year CIP have been identified in accordance with the strategic objectives established in the 2024 Parks and Recreation Facilities Master Plan, 2020 Collection System Master Plan Update, 2022 Pavement Management Program, and 2024 Building Assessment Report and other key documents. These documents collectively inform the prioritization of capital investments and ensure that projects are aligned with long-term infrastructure strategies. This careful prioritization ensures alignment with limited resources and effectively addresses community needs.

Consistent with prior years, capital funding remains heavily constrained and is largely dependent on restricted revenues in specialized funds such as Gas Tax, SB1, Measure J, and the Sewer Enterprise Fund. The General Fund plays a limited but flexible role and continues to serve as the primary funding source for several high-priority projects and match requirements for grant-funded initiatives.

Overall, the FY 2026–27 CIP presents a balanced and realistic capital work plan for the upcoming year within the constraints of available resources. Staff will continue to pursue

grant opportunities, partnerships, and long-term financing strategies to reduce the City's unfunded capital backlog and ensure that infrastructure investments remain aligned with Council priorities and community needs.

Streets and Transportation. The streets program continues to face the most significant long-term funding pressure, with pavement conditions projected to decline under current expenditure levels. The FY 2026–27 CIP focuses on advancing the Foxboro Neighborhood Street Rehabilitation project, completing Phase 1 construction in the upcoming fiscal year, and preparing future phases that will address remaining deteriorated segments. Additional streets investments include the Annual Street Repair Program, John Muir Parkway improvements, and planning/design for the Sycamore Avenue Bike/Pedestrian Connector. While the Ten-Year Streets CIP outlines a \$16.8 million program, funding gaps remain for several high-priority projects, including the Gateway Monument Sign and portions of the Sycamore Avenue Connector, which will require targeted grant pursuit and future appropriations.

Parks and Recreation. Park system reinvestment remains a major community priority and a significant financial challenge. The FY 2026–27 CIP includes full funding for two active park projects: the Refugio Lake Restoration Project and final carryover work at Beechnut Park. These projects advance key recommendations from the Parks Master Plan and address safety, ecological health, and recreational needs. While the Ten-Year Parks CIP totals approximately \$35.5 million, roughly 96 percent of this plan remains unfunded. Large-scale improvements at Ohlone Park, Hanna Ranch Park, Refugio Valley Park, and other neighborhood parks will require future funding strategies, including grants, partnerships, and exploration of financing tools.

Facilities. City facilities continue to experience aging infrastructure and deferred maintenance needs. The FY 2026–27 Facilities CIP is entirely supported by prior-year General Fund/Capital Reserve balances, with no new appropriations proposed for this fiscal year. Active projects include critical life-safety, electrical, ADA, and operational improvements at City Hall, the Community Swim Center, the Senior Center, the Library, the Foxboro Community Center, and other facilities. The Ten-Year Facilities CIP identifies more than \$8.3 million in unfunded future needs across multiple buildings, reflecting the continued challenge of maintaining essential public facilities within available resources.

Sewer System. The Sewer CIP is financially stable due to its dedicated enterprise funding structure. The FY 2026–27 program advances high-priority collection system rehabilitation, including design of the Willow–Newbury Sewer Rehabilitation Project and continued funding of an annual sewer condition assessment program. The Sewer CIP remains fully funded over the ten-year horizon, though several large, long-range projects—such as the Promenade Lift Station Improvements and future trunk main upgrades—will require reevaluation as hydraulic modeling and operational analyses progress as well as pursuit of grant funding opportunities.

Hercules Hub. The Hercules Hub continues to be the City's most transformative and long-term transportation infrastructure initiative. The FY 2026–27 CIP includes funding for ongoing design, environmental, and planning activities supported by a combination of General Fund/Capital Reserves and competitive grant sources. The City continues to pursue significant state and federal funding—including recently submitted Federal Support Program applications—to advance the rail station design and multimodal access improvements. While major construction will depend on securing substantial outside funding, the City's continued progress on preliminary phases positions the Hub to remain competitive for future infrastructure programs.

Funding Sources:

The Capital Improvement Projects are funded almost exclusively by restricted fund revenues.

- The Sewer Fund plays a crucial role in enhancing the City's infrastructure by focusing on the maintenance and replacement of the sewer systems.
- The Transportation Fund encompasses various revenue sources, including the Gas Tax, Measure J, and the SB1 Road Maintenance and Repair Account, all of which stem from voter-approved initiatives to improve transportation infrastructure.
- While the General Fund historically accounts for a smaller share of the overall capital budget, it is worth noting that it is unrestricted. This flexibility allows it to support a diverse range of public infrastructure projects that meet the community's needs.
- To further enhance funding opportunities for approved Capital Improvement Projects, the City has engaged California Consulting, a grant writing consultancy. Their expertise will help identify and apply for relevant grants, thereby maximizing resources and supporting the City's strategic initiatives.

FISCAL IMPACT:

The FY 2026-27 CIP fully funds all near-term, deliverable capital projects while establishing a long-range outlook for the remaining years of the Ten-Year Plan. The proposed FY 2026-27 Capital Improvement Program (CIP) appropriates a total of \$3.77 million in capital project funding across facilities, parks, streets and sewer.

Funding consists primarily of restricted transportation and sewer funds, supplemented by General Fund/Capital Reserves and prior-year carryover appropriations. Restricted transportation and sewer revenues provide stable support for core assets, while General Fund/Capital Reserves continue to play a targeted but critical role for project match commitments and park improvements. An additional approximately \$2.268 million expenditure is projected on progressing the Hercules Hub. A summary of FY 2026-27 appropriations by CIP category is provided below.

CIP Category	FY 2026-27 Funding	Primary Funding Sources
Streets	\$1,436,000	General Fund/Capital Reserves, SB1 RMRA, Measure J, Gas Tax, MTC TDA3
Parks	\$1,895,995	General Fund/Capital Reserves, EBRPD WW Grant, Prop 68, Parks Impact Fees
Facilities	\$0	General Fund/Capital Reserves (funded from prior-year carryover estimated at \$715,679)
Sewer	\$444,700	Sewer Enterprise Fund (rate-supported)
Hercules Hub	\$2,268,500	General Fund/Capital Reserves, TIRCP, WCCTAC STMP, Federal earmark
TOTAL	\$6,035,195	—

Looking across the full ten-year period the CIP, excluding the Hercules Hub, identifies approximately \$76.6 million in total capital needs. Of this, \$41.9 million (54.7%) remains unfunded and will require future appropriations, grant awards, or other financing strategies. The largest long-term unfunded needs are concentrated in parks and facilities projects.

Projects with prior City Council appropriations that were not fully expended have remaining appropriation balances that are carried forward. These amounts are strictly estimates and will be true up at year-end close. Amounts reflected in the projected carryover column should not be construed as funds available for commitment. In many cases, the carryover estimate includes funds that have been encumbered or committed under an executed contract.

The ten-year Capital Improvement Program (CIP) is designed to align physical enhancements with comprehensive financial planning, thereby maximizing the benefits derived from available funding sources. This program primarily utilizes resources from various funding streams, largely distributed within the capital and special revenue funds, which have specific restrictions on their use. Additionally, the City has adopted a policy to allocate any General Fund surplus to the capital reserve, ensuring a dedicated resource to address capital requirements. Nonetheless, the long-term financial forecast anticipates little reserve accumulation due to limited or nonexistent surpluses. It is therefore imperative to explore alternative sources of income to support these critical infrastructure projects.

ATTACHMENTS:

1. Ten-Year CIP Summary
2. Ten-Year CIP – Facility Category
3. Ten-Year CIP – Parks Category
4. Ten-Year CIP – Sewer Category
5. Ten-Year CIP – Street Category
6. Ten-Year CIP – Hercules HUB Category
7. Presentation