



City of Orange: The 10-Point Plan *Addressing Structural Operating Issues*

Independent of the November Sales Tax Measure Outcome

Situational Analysis: In July 2025, Grant Thornton's assessment found Orange faces bankruptcy in the 2029-2030 window absent rapid action, with combined General Fund/Catastrophic Fund deficits growing from \$8.6M (2027) to \$46.5M (2031). The FY26-27 adopted budget still relies on roughly \$15-17M in one-time transfers to reach a bare \$1M surplus, and city officials have acknowledged this approach is nearly exhausted. A "yes" vote in November buys a scant 13 years of runway on the revenue side, but every operational weakness identified below - deferred liabilities, an outdated permitting culture, underpriced services, uncontrolled overtime, and a pattern of backsliding on cuts - persists whether or not the measure passes. This plan is designed to function as the City's operational response regardless of the ballot result, with Points 9 and 10 specifically addressing what happens if the measures fail.

1. Stand Up an Empowered Implementation PMO — With Teeth

Grant Thornton recommended a small (5–6 person), chartered Project Management Office reporting to the Mayor and City Manager to convert findings into scheduled, tracked action rather than another advisory exercise. Adopt this immediately but go further than "advise": give the PMO authority to enforce a **12% minimum cost-out target**, publish monthly progress against it, and report variances directly to Council. The recurring failure mode in Orange's recent history - cutting special events for savings, then reopening the Hart Park pool for \$250,000 without previous Council direction, erasing the gain - shows that intentions without enforcement don't hold.

2. Amortize the Deferred Internal Liabilities Instead of Rolling Them Forward

The City is carrying an estimated \$17.3 million in negative balances across the Workers' Compensation, General Liability, and Employee Accrued Liability funds, which staff have acknowledged will "continue to be deferred" absent new revenue. This is a hidden structural deficit sitting outside the headline General Fund numbers. Commission an actuarial study and adopt a fixed multi-year amortization schedule for these funds - the same way CalPERS unfunded liability is now being addressed via \$9.6M in transfers - rather than letting negative balances compound.



3. Adopt a Binding Structural Balance Policy to End One-Time Patching

For at least the last three budget cycles, Orange has closed operating gaps with one-time transfers from capital improvement and other restricted-adjacent funds (\$15M–\$17M most recently). Councilmember Jon Dumitru has publicly called this “kicking the can.” Therefore, we need to adopt a Council policy requiring the adopted budget to show structural balance (ongoing revenue covering ongoing expenditure) within a defined number of years, with one-time transfers capped and disclosed against that standard - closing the gap Finance Director Trang Nguyen flagged when she noted “we’ve got to disclose” the practice of moving money between funds.

4. Retire the “Orange Way” Permitting Culture and Rebuild It Around Predictability

Grant Thornton’s assessment found Orange is not viewed as business-friendly, citing excessive red tape, lack of transparency, and “onerous” requirements – such as non-historic projects previously going before Development Review Committee - that contribute to a “closed for business” perception among developers and entrepreneurs. This directly constrains the tax-base growth the City needs. Publish clear and transparent entitlement timelines to which the City can be held accountable. Establish a single point-of-contact case management model for projects above a size threshold, and a sunset/expedite track for projects in the priority zones identified below — with the explicit goal of making Orange, in the report’s language, no longer “difficult to work with.” This will have the added impact of establishing metrics that can be reviewed on a regular basis to further entrench a culture of accountability.

5. Create a Dedicated Economic Development Fund and Target the Underleveraged Assets

Orange currently has no dedicated economic development fund, versus a best-practice benchmark of investing roughly 2% of General Fund dollars in development activity. Establish that fund and expand the economic development team’s capacity (currently constrained by “limited internal expertise,” per the assessment) to pursue the specific opportunities the report and public commentary have already identified: a citywide development zone strategy, an updated Chapman University master plan, expanded options tied to OC Vibe/Disneyland-adjacent visitor traffic, reimagining The Outlets/mall footprint, pursuing a Costco/Sam’s Club relationship, and a small-business revolving loan fund/incubator leveraging Chapman/SCC as anchor institutions.



6. Formalize a PILOT (Payments in Lieu of Taxes) Framework With Tax-Exempt Institutions

Councilmember Barrios spent over two years pursuing a PILOT agreement with Chapman University - whose endowment recently crossed \$1 billion while it uses city police, fire, paramedic, and infrastructure resources without contributing property tax revenue - and reported the institution declined to continue negotiations. Rather than relying on goodwill negotiations that can be unilaterally ended, the City should adopt a formal PILOT policy (as is now standard practice at other municipal agencies across the East Coast) that applies systematically to large tax-exempt landholders, paired with a documented cost-of-service study quantifying what these institutions currently draw from the General Fund.

7. Fully Implement the Service Fee Study & Adopt A Schedule

In 2025, staff indicated that Orange's service fees were roughly 52% lower than comparable cities, a gap estimated at more than \$7 million annually. The fee schedule has been reviewed and updated, implementing one of the more straightforward levers available regardless of the sales tax outcome. But the work remains unfinished. The City still needs to do the following: phase in cost-recovery-aligned fees for development review, permitting, and City services, index future fees, and adopt a schedule of future increases tied to COLA for the next 20 years to avoid the same erosion recurring.

8. Control Overtime and Resolve the Backlog of Open Requisitions

The City is carrying \$8.1 million in annual overtime and \$11.9 million in unaffordable open requisitions as of 2025 (many already frozen), even as the FY26–27 budget eliminated 56 vacant full-time positions and Mayor Dan Slater has publicly warned the City is "bleeding quality, good employees" due to below-median compensation driving turnover that itself fuels overtime. Address this as one interlinked problem rather than two: complete a compensation-competitiveness study to reduce turnover-driven overtime, formally close out or reclassify the open-requisition backlog rather than leaving it in limbo and set overtime as a standing PMO-tracked metric. In addition, the City should undertake a comprehensive, bottom-up analysis of each department that assesses staffing levels, operational effectiveness, and departmental processes which may lead to additional efficiencies that impact the bottom line allowing the City to increase compensation without increasing head count – a true win-win scenario.



9. Codify - Not Just Propose - an Automatic Budget Reopening Trigger

Councilmember Barrios's proposed trigger, adopted alongside the current budget, requires a public session by January to address the operating budget if the sales tax measure fails. This should not be a one-time attachment; it should become standing Council policy for future cycles, with pre-identified reduction scenarios (not just a promise to convene) so the City isn't drafting its response to failure from scratch under time pressure, following City Manager Jarad Hildenbrand's own warning that "any other cut from here on out will be catastrophic" - meaning the specific tradeoffs (service level reductions, further staffing cuts, asset sales) need to be scoped and ranked now, not after a November loss.

10. Build a Diversified Revenue Contingency Package Now, Not After a "No" Vote

City staff analysis already shows that no single alternative fully replaces the sales tax measure on its own: a hotel tax increase (10%→14%) would net roughly \$2.5M but leave a deficit through 2032; a 4% utility tax would generate \$10.7M but still leave a deficit for six more years; parking-structure and cannabis taxation offer smaller, partial contributions. Rather than treating these as fallback options to be assembled after a failed vote, package them now as a phased, multi-source contingency plan the Council can activate immediately if the measure fails in November - reducing reliance on any single revenue source and shortening the "next crisis" reaction time that has characterized the last two budget cycles.

Regardless of a sales tax passage or failure, the City should authorize a comprehensive organizational assessment noted in Item 8. This will create a roadmap for implementing the much-needed structural changes the City needs to adopt if it is to end its fiscal instability permanently. Such an assessment will further reduce the harm from any potential fiscal emergency should the ballot measures fail and show voters that the City is serious when it says it is managing its finances and operations responsibly if they do pass.



Why This Plan Stands Independent of the Ballot Outcome

Passage of the sales tax measure addresses the revenue side of the ledger for up to 13 years. It does not, on its own, fix deferred liabilities, an entitlement process new businesses avoid, underpriced services, uncontrolled overtime, or a governance pattern of walking back its own cuts. Every point above is drawn from findings and figures already on the record - the Grant Thornton assessment, the City's own FY26–27 budget staff reports, and public statements from sitting Councilmembers - meaning the political will to act on them does not depend on waiting for a November result.

Again, regardless of the passage of any new revenue measures, the City must fundamentally change the way in which it operates. If it does not, one of two things will happen: Orange will buy itself time but quickly erase those gains when the measures expire; or it will face municipal bankruptcy within the 3- to 5-year window – if not sooner - flagged in the 2025 GT review.

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