



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: JUNE 16, 2026

DEPARTMENT: FINANCE DEPARTMENT

FROM: RENE MENDEZ, CITY MANAGER

BY: SELINA ANDREWS, FINANCE DIRECTOR
ABE PEDROZA, ASSISTANT FINANCE DIRECTOR

TITLE: PROPOSED BIENNIAL (FY 2026/27-2027/28) OPERATING BUDGET

RECOMMENDED MOTION:

Staff recommends that City Council take the following actions:

1. Approve a Resolution adopting the City of Salinas and Successor Agency to the former Salinas Redevelopment Agency Proposed Biennial (FY 2026/27-2027/28) Operating Budget; and
2. Approve a Resolution establishing the appropriations limit for Fiscal Year 2026/27 at \$362,368,159.

EXECUTIVE SUMMARY:

The Proposed Biennial (FY2026/27 (Year 1) – 2027/28 (Year 2)) Operating Budget was developed to continue efforts to address the highest community and organizational priorities. Guided by City Council’s strategic priorities, this Proposed Budget prioritizes and reallocates the City’s General Funds and other fund resources for some of the City’s most challenging issues – including community safety, planning and permitting services, code enforcement, infrastructure, and economic and housing development.

BACKGROUND

The budget development process began in December 2025 with the issuance of a community budget survey and Community Budget meeting to discuss the community’s ranking of the Council’s strategic priorities, what is most desirable about Salinas, and opportunities for improvement.

At the April 21, 2026 City Council meeting, staff presented the biennial budget and received positive feedback from Councilmembers regarding the transition from an annual budget to a biennial (2-year) budget.

At the May 12, 2026 Finance Committee meeting, staff presented preliminary budget recommendations for the General Fund. Committee Members requested additional information on staff's recommendation to reallocate certain CIP projects, communicated their support to increase the Police Department workforce specifically in evidence and community services. Committee members provided additional comments and inquiries and a comprehensive review of staff responses are included in Attachment D of this staff report.

At the May 18, 2026, Measures E & G Oversight Committee Meetings, staff presented preliminary budget recommendations for the General Fund.

On May 26, 2026, staff held a Budget Study Session which included department presentations. City Council provided direction on the Proposed Biennial Budgets. The requests and/or inquiries made during the meeting included providing additional funding for Ciclovía, a contribution to Monterey Waterkeeper, supplementing resources to address homelessness, and increasing the Police Department workforce. Comments were also made regarding the need for additional staffing to maintain the parks and grant writing efforts. Council may take action on any or all of these items on June 16, 2026 – when the City Manager Proposed Biennial Budgets (Operating and Capital) are presented.

The budget identifies total appropriations, including all funds, for Year 1 in the amount of \$323.9 million and the General Fund portion totaling \$196.2 million. In Year 2, total appropriations for all funds total \$320.3 and \$203.1 for the General Fund. The Council may adopt the budget at tonight's meeting.

The Proposed Biennial Operating Budget reflects the City's continued commitment to maintaining long-term fiscal sustainability, preserving service levels, funding critical infrastructure and capital improvements, and maintaining adequate reserves.

Biennial Budget Overview

Comprehensive information regarding the Proposed Biennial Budget, including proposed budget changes, is contained in the Proposed Budget Document and [City Manager Transmittal Letter](#).

The Proposed Biennial Budget reflects continued modest economic growth, driven by uncertainty in key economic indicators and limited growth in major revenue sources, including property tax, sales tax, and other local taxes. The Proposed Biennial Budget also reflects continued expenditure pressures related to personnel costs, contractual services, infrastructure needs, and inflationary impacts.

The budget was balanced through the use of fund balance, reallocation of CIP funding, Police Development Impact Fees (to pay for the police services building debt), and increasing the vacancy factor. The table below (**Table 1**) illustrates the budget balancing strategies. The resources include all projected General Fund revenues followed by appropriations, which include expenditures and reserve allocations, and lastly, the budget balancing strategies.

Table 1

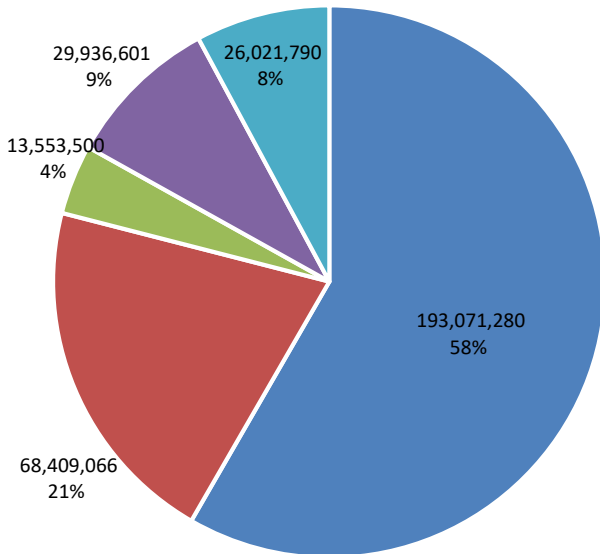
	FY 2026/27	FY 2027/28
<i>Resources:</i>		
General Fund	\$138,438,580	\$143,997,980
Measure E	18,326,800	18,764,300
Measure G	36,305,900	37,186,900
Total GF Resources	193,071,280	199,949,180
<i>Appropriations:</i>		
Operating Expenditures	205,201,689	213,554,771
Allocation to Maintain the 12% Reserve Level	1,433,603	820,954
Total Appropriations	206,635,292¹	214,375,725²
Imbalance	(13,564,012)	(14,426,545)
<i>Budget Balancing Strategies:</i>		
Fund Balance	4,016,222	3,947,645
Reallocate CIP	580,689	0
Police Develop Impact Fee	1,234,000	2,467,000
Vacancy Factor	7,733,100	8,011,900
Total Budget Balancing Strategies	13,564,012	14,426,545
	\$0	\$0

¹ Total appropriation and reserve allocation were reduced by the development impact fee and vacancy factor. [\$206,635,292-\$1,433,603-\$1,234,000-\$7,733,100 = **\$196,234,589**]

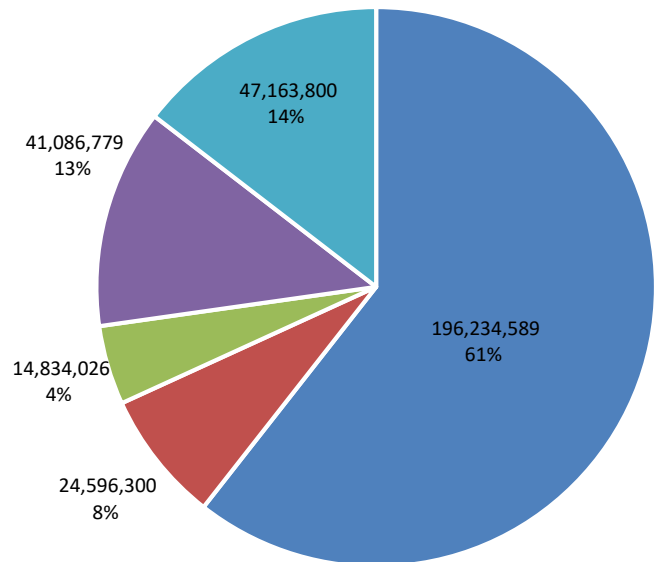
² Total appropriation and reserve allocation were reduced by the development impact fee and vacancy factor. [\$214,375,725-\$820,954-\$2,467,000-\$8,011,900 = **\$203,075,871**]

The total Proposed Biennial Budget in Year 1 includes \$331.0 million in revenues and \$323.9 million in expenditures (including a projected vacancy factor of \$7.7 million). Year 2 includes \$302.8 million in revenues and \$320.3 million in expenditures (including a projected vacancy factor of \$8.0 million). Certain expenditures, such as capital projects, are funded through existing available resources, including accumulated fund balances. Detailed information regarding revenues, expenditures, and fund balances is included in the Summaries and Schedules Section of the Proposed Biennial Operating Budget document. The Charts below illustrates the percentage breakout per fund for Years 1 and 2 of the Biennial Budget.

Proposed Biennial Budget (Year 1)
All Funds Revenue \$331.0M



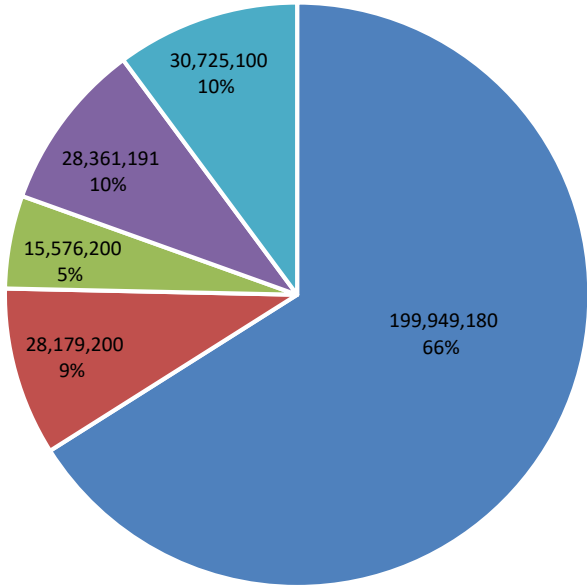
Proposed Biennial Budget (Year 1)
All Funds Expenditures \$323.9M



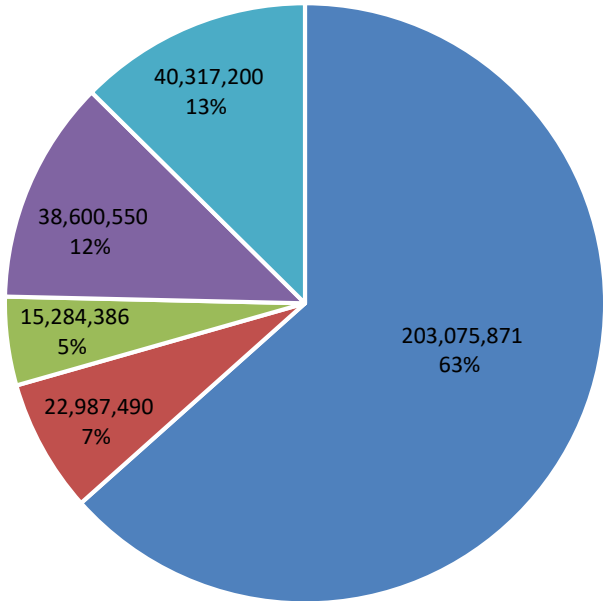
- General Funds
- Enterprise Funds
- Internal Service Funds
- Other Governmental Funds
- Capital Budget

*Revenues may be less than expenditures by fund type due to the use of fund balance.

Proposed Biennial Budget (Year 2)
All Funds Revenue \$302.8M



Proposed Biennial Budget (Year 2)
All Funds Expenditure \$320.3



- General Funds
 - Internal Service Funds
 - Capital Budget
- Enterprise Funds
 - Other Governmental Funds

*Revenues may be less than expenditures by fund type due to the use of fund balance.

Fiscal Year 2026/27 (Year 1) Recommendations

City Council Strategic Goal of Housing

SHARE Center (\$1,895,000): This funding continues the coordination of the SHARE Center operations. The SHARE Center is a low-barrier navigation shelter designed to help people experiencing homelessness achieve permanent housing and stability through a Housing First approach. This program has previously been funded through general fund contributions in addition to other funding sources such as ARPA, and housing grants.

Rental assistance program (\$500,000): This maintains the rental assistance program at the level that was previously recommended by Council.

City Council Strategic Goal of City Services

Administrative Analyst I (\$144,370): This position is anticipated to address increased operational demands stemming from the City's new communication and outreach strategy, including AI pilots support, increased fiscal compliance, and growing contract and records management workload.

Administrative Clerk I (\$130,390): This position is funded by the **Permit Enterprise Fund**. This position is expected to staff the front desk at the Permit Center and serve as the first point of contact for the public.

Association of Management Personnel (AMPS) Labor Group Projection (TBD): Staff is working on the appropriation to ensure funding is included in the budget.

Combo Building Inspector I (\$142,040): This position is funded by the **Permit Enterprise Fund**. The City is projecting an increase of approximately 8,000 permits issued for construction projects in the future growth areas. This position supports the additional capacity needed to meet demands.

Sanitary Sewer Payment Assistance (\$150,000): This maintains the sanitary sewer assistance subsidy program at the level that was previously recommended by Council.

Fiscal Year 2026/27 (Year 1) Recommendations (continued)

City Council Strategic Goal of Public Safety

Code Enforcement Officer I (\$142,040, Measure G): The Code Enforcement Division continues to experience a growing workload related to blight abatement, housing inspections, zoning compliance, and public health and safety complaints. This position is expected to provide additional capacity. While this position is identified as cost neutral in FY 2026/27, it will be an ongoing cost going forward.

Deputy Police Chief (\$375,100, Measure G): The Police Department has seen an increase in the annual calls for service as well as investigative activities. The position is expected to address additional supervisory needs to ensure effective oversight of divisions and personnel for operational continuity during absences, emergencies, or critical incidents.

International Association Firefighters (IAFF) Labor Group Projection (\$1,214,323): This labor agreement was successfully negotiated and approved by Council on May 12, 2026.

Mobile Crisis Unit (\$400,000): This funds the Mobile Crisis Team in Salinas in coordination with the Monterey County Behavioral Health ACCESS program. The team provides in-person crisis intervention for individuals experiencing mental health emergencies that do not require an urgent law enforcement or hospital response.

Police Officer – 4 positions (\$759,590, Measure G): The City recommends unfreezing four Police Officer positions to increase its workforce in order to manage the public safety needs of the community.

Staffing for Adequate Fire and Emergency Response - SAFER (\$426,000, Measure G): This funds Fire personnel after the SAFER grant expires in March 2026.

City Council Strategic Goal of Economic Development

Community Sponsorship (\$150,000): This maintains the same level of support for those programs that benefit the community through an application process.

Fiscal Year 2027/28 (Year 2) Recommendations

City Council Strategic Goal of Housing

SHARE Center (\$1,895,000): This funding continues the coordination of the SHARE Center operations. The SHARE Center is a low-barrier navigation shelter designed to help people experiencing homelessness achieve permanent housing and stability through a Housing First approach. This program has previously been funded through general fund contributions in addition to other funding sources such as ARPA, and housing grants.

Rental assistance program (\$500,000): This maintains the rental assistance program at the level that was previously recommended by Council.

City Council Strategic Goal of City Services

Combo Building Inspector I (\$142,040): This position is funded by the **Permit Enterprise Fund**. The City is projecting an increase of approximately 8,000 permits issued for construction projects in the future growth areas. This position supports the additional capacity needed to meet demands.

Sanitary Sewer Payment Assistance (\$150,000): This maintains the sanitary sewer assistance subsidy program at the level that was previously recommended by Council.

City Council Strategic Goal of Public Safety

Code Enforcement Officer II (\$155,170, Measure G): The Code Enforcement Division continues to experience a growing workload related to blight abatement, housing inspections, zoning compliance, and public health and safety complaints. This position is expected to provide additional capacity.

Mobile Crisis Unit (\$400,000): This funds the Mobile Crisis Team in Salinas in coordination with the Monterey County Behavioral Health ACCESS program. The team provides in-person crisis intervention for individuals experiencing mental health emergencies that do not require an urgent law enforcement or hospital response.

City Council Strategic Goal of Economic Development

Community Sponsorship (\$150,000): This maintains the same level of support for those programs that benefit the community through an application process.

In addition to the Proposed Biennial Budget, staff also recommends adding a Community Outreach Assistant within the Police Department in Year 1, funded by the General Fund – Fund Balance. The ongoing cost for this position is approximately \$156,180 annually.

Many other needs were identified by departments, and the City will take an incremental approach to fulfilling those needs. A key component to the review process is balancing priorities with budget capacity. In addition to the needs that departments communicated, Finance Committee members and Council also identified items that they would like to explore for this Biennial Budget cycle. Please refer to Attachment D of this staff report for a comprehensive review of comments and staff responses.

CONCLUSION

Looking forward, while there are certainly continued challenges that could impact the City’s fiscal health, the City also has many exciting and positive opportunities ahead. These opportunities point to an encouraging future and include:

- Redevelopment of Chinatown;
- Growing economic development effort to attract new business and industry;
- Exploring tools such as Enhanced Infrastructure Financing District (EIFD);
- Leveraging Private Public Partnerships (P3);
- Development of the Alisal Marketplace;
- Opportunities emerging at the Salinas Airport;
- Emerging recreational corridor comprised of the Salinas Soccer Complex;
- Addition of Carr Lake to the City’s park facilities;
- Salinas Sports Complex; and
- Focusing on new growth areas.

While it is important to be prepared to adapt to changing environments and remain fiscally prudent, it is equally important to intentionally embrace and pursue the many opportunities that lie ahead.

The Proposed Biennial Budget balances continued unknowns that could impact the City’s fiscal health such as economic uncertainty, tariffs, geopolitical conflicts, inflation, and federal spending reductions, requiring that the City prepare to adapt to changing environments. Impending deficits in coming years will require fiscal prudence. This may include evaluating how resources are deployed across functions, determining what sustainable service levels are, engaging in more robust public input, evaluating how major cost drivers can be brought into alignment with available revenue, and identifying other strategies for bringing the City back into balance.

Staff will continue to evaluate enhancements to current programs through redirection or reallocation of existing resources and exploring one-time funding. Should staff identify revenue producing programs to offset ongoing expenditures, they will be brought forward at mid-year or another appropriate time for City Council consideration.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No.

STRATEGIC PLAN INITIATIVE:

Producing a biennial budget achieves the City Council 2025 Strategic Goal of City Services ensuring fiscal responsibility and financial management.

DEPARTMENTAL COORDINATION:

This staff report was coordinated with the City Manager, City Attorney, and Finance. The budget development process was a collaboration amongst all City departments.

FISCAL AND SUSTAINABILITY IMPACT:

Proposed Biennial Operating and Capital Budgets Year 1 **\$323,915,494**
General Fund – Estimated Fund Balance at 6/30/27 is **\$5,321,802**

Proposed Biennial Operating and Capital Budgets Year 2 **\$320,265,497**
General Fund – Estimated Fund Balance at 6/30/28 is **\$1,374,157**

ATTACHMENTS:

- Attachment A – Budget Resolution
- Attachment B – Appropriations Limit Resolution
- Attachment C – Proposed Biennial (FY 2026/27-2027/28) Operating Budget
- Attachment D – Council Comments and staff responses during public meetings
- Attachment E – Salinas Strategic Plan Updated