



**CITY OF SALINAS
MEASURE E COMMITTEE**

DATE: MAY 18, 2026

DEPARTMENT: FINANCE DEPARTMENT

FROM: RENE MENDEZ, CITY MANAGER

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

**TITLE: PROPOSED BIENNIAL BUDGET (FY 2026/27-2027/28) GENERAL
FUND AND CAPITAL IMPROVEMENT PLAN**

RECOMMENDED MOTION:

No action required. Receive the staff presentation on the proposed Biennial (FY 2026/27-2027/28) General Fund Operating Budget and Capital Budget.

EXECUTIVE SUMMARY:

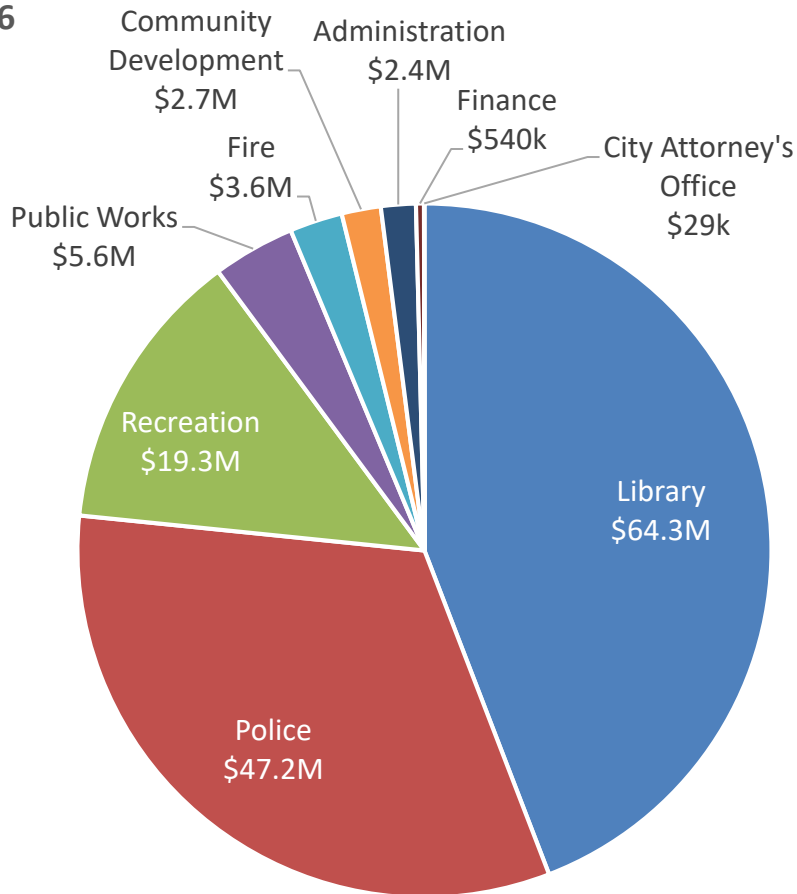
This proposed Biennial Operating and Capital Budgets for FY 2026/27-2027/28 are being provided to the Measure E Committee for review. The Proposed Budgets will be discussed by City Council at a public hearing held on May 26, 2026, with adoption scheduled on June 16, 2026. Included within this report is Measure E expenditures since 2015 and an overview of the City's reserve levels.

BACKGROUND

Since 2015, the Salinas community has benefited from enhanced services and additional capital projects as a result of Measure E revenues. Some program areas include police, fire safety, paramedics, libraries, graffiti removal, anti-gang programs, street and park maintenance, and other City services.

The chart below summarizes Measure E operating expenditures by department from 2015 to 2026. As evidenced by the amounts, the majority has been allocated to Library and Recreation Services and the Police Department. In the current fiscal year (2025/26), this measure is projected to produce approximately \$18.5 million in revenue and continues to support services provided to the Salinas community.

**Measure E
Operating
Expenditures
2015 - 2026
\$145.5M**

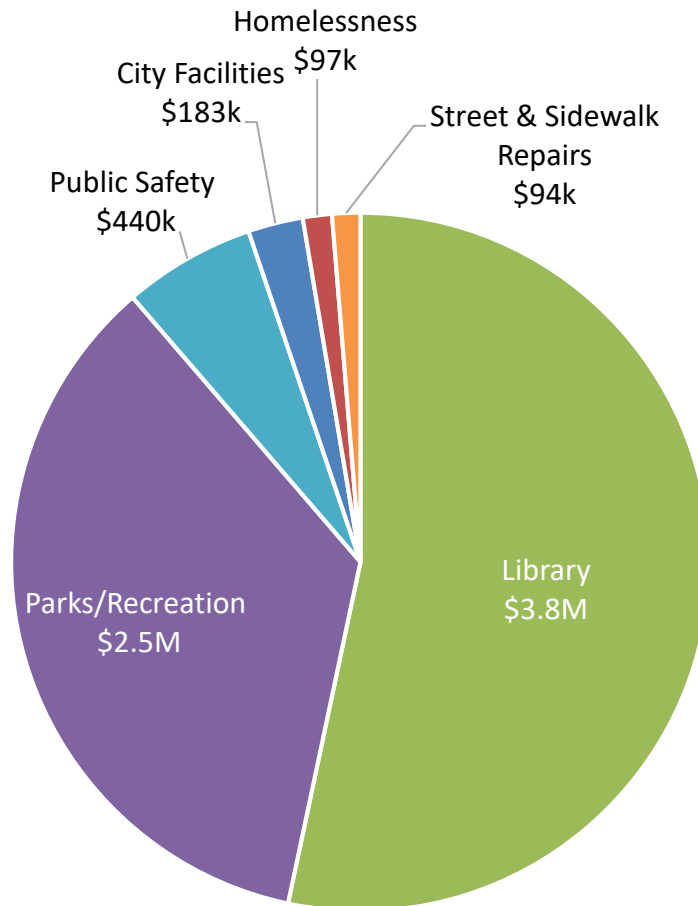


The chart below summarizes capital improvement projects funded by Measure E by category.

Some examples include the following:

- Tennis Court Improvements
- District 5 Recreation Center
- El Gabilan Library
- Striping & Signing Improvements
- Closter Park Improvements
- EV Charging Infrastructure
- Monterey Garage Improvements
- Fire Station Repairs
- Restroom Replacement at City Parks
- Steinbeck Library Upgrades
- Park Dry Basin Repair
- City Facility Improvements

**Measure E CIP
Expenditures
2015 - 2026
\$7.2M**



Biennial Budget Process

The City is introducing its first Proposed Operating and Capital Biennial Budgets for FY 2026/27-2027/28. Biennial budgeting refers to the practice of developing a budget every two years. Under biennial budgeting, the City of Salinas will continue to operate on a July – June annual fiscal year. The public and City Council will continue to receive annual mid-year updates in February/March as well as a mid-cycle or FY 2027/28 review approximately 12 months after the initial adoption of the biennial budget.

Biennial budgeting allows the City to plan for longer term more efficiently and reallocate resources to the capital budgeting process during the off-cycle year. Below is a summary of the budget actions that will come before Council over the next two years under the biennial budgeting process.

Budget Actions:

June 2026	Adoption of Biennial Operating and Capital Budgets for FY 2026/27 and 2027/28
February/March 2027	Mid-Year Operating and Capital Budget Review for FY 2026/27
June 2027	Mid-Cycle Review of the Operating Budget for FY 2027/28 and approval of any modifications
February/March 2028	Mid-Year Operating and Capital Budget Review for FY 2027/28
June 2028	Adoption of Biennial Operating Budget for FYs 2028/29 and 2029-30

Council’s Priorities

At Council’s Strategic Plan workshop held in May 2025, Council determined its 2025-2028 Strategic Plan priorities as follows (not listed in order of importance):

- 1) Economic Development
- 2) Housing
- 3) Infrastructure
- 4) City Services
- 5) Public Safety
- 6) Youth and Seniors

This budget makes progress towards addressing Council's 2025-2028 Strategic Plan Goals. Concurrently, staff is proactively developing contingency plans in the event that efforts to renew Measure G are unsuccessful and/or Amazon revenue does not materialize as projected.

General Fund, Measure E, and Measure G (General Fund)

Although the General Fund is balanced, projected revenues are conservative and will be closely monitored as there remains significant economic uncertainty. The City continues to exercise financial prudence to weather potential economic challenges. This includes working towards a structurally balanced budget for all of its funds, while providing core services to the community.

The General Fund is the single largest City fund and provides funding for core community services, such as public safety which includes Police and Fire, Parks, Recreation, Library, some Planning, Public Works, Sustainability, and all City Administration support functions, including City Attorney, City Clerk, City Manager, Human Resources, Finance, and Information Technology. The General Fund financial health is shaped in large part by both positive and negative economic forces, mostly beyond the City's control. Many General Fund revenues are driven by the economic climate of the Salinas Valley, the greater Bay Area, and the state. In strategically and proactively addressing ongoing structural deficits, the City has positioned itself for economic recovery in the prior years leading up to today.

Fiscal Year 2026/27 – FY 2027/28

Uncertainty associated with inflation, interest rates, national and state economic policies, and geopolitical conflicts all contribute to the anticipated slower-paced growth. Deficits are projected for Fiscal Years 2026/27 through 2029/30. Staff will continue to update and monitor the forecast, but near-term projected deficits are reasonable within the context of a \$207 million General Fund Operating budget. Any updates to future fiscal year projections will be included in the FY 2026/27 Mid-Year review.

The table below table (**Table 1**) illustrates how the Proposed General Fund Biennial Budget was balanced. Beginning with the resources followed by appropriations, and budget balancing strategies. The resources include projected revenues from all categories and appropriations are the City’s expenditures.

Table 1

	FY 2026/27 ¹	FY 2027/28 ¹
<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	207,095,556	217,383,917
Total Appropriations	207,095,556	217,383,917
Variance	(14,024,276)	(17,434,737)
<i>Budget Balancing Strategies:</i>		
Fund Balance	2,442,487	4,617,621
Reallocate CIP	580,689	0
Infrastructure Reserve	1,534,000	1,534,000
Facility Reserve	500,000	500,000
Police Development Impact Fees	1,234,000	2,467,000
Vacancy Factor	7,733,100	8,316,116
Total Budget Balancing Strategies	14,024,276	17,434,737
Balanced General Fund Budget	\$0	\$0

Fiscal Year 2026/27 Recommendations

Departments have reviewed their programs, work levels, proposed goals for the upcoming Proposed Biennial budget, and developed their budget requests accordingly. Please note that the budget is still under development, and additional items may be included in the Proposed Budget.

The below summarizes preliminary budget additions recommended for inclusion in the Proposed Biennial Budget. Of note, the recommended additions are also included in FY 2027/28, with the exception of elections.

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 Artificial Intelligence pilots support, increased fiscal compliance as identified by the*

¹ Preliminary projections subject to change.

City's external auditors, and growing contract and records management workload. While this position is identified as cost neutral in FY 2026/27, it will be an ongoing cost going forward.

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. This position will support essential daily operations, such as greeting visitors, scheduling appointments, and assisting customers with inquiries.*

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

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.*

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.*

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.*

Elections (\$500,000): *This funds the election process for Salinas ballot measures.*

International Association Firefighters (IAFF) Labor Group Projection (\$1,214,323): *Although the agreement has not been presented to Council for approval, this appropriation is a result of labor negotiations with IAFF.*

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 is recommending to unfreeze the four Police Officer positions to increase its workforce in order to manage the public safety needs of the community.*

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

Salinas Valley Promise (\$150,000): *The Salinas Valley Promise is a comprehensive college access and success program offered by Hartnell College in the Salinas Valley, designed to help*

local high school and adult school graduates start and complete college with minimal financial barriers. This continues to fund the program as previously approved by Council.

Salinas Valley Tourism and Visitors Bureau (\$200,000): *This funding promotes the region with a focus on the agricultural, recreational and cultural richness of the Salinas Valley and addresses Council's Economic Development priority.*

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

SHARE Center (\$1,895,000): *This funding continues the coordination with Bay Area Community Services (BACS) in support of the SHARE Center operations. The SHARE Center is a low-barrier navigation shelter operated by BACS designed to help people experiencing homelessness achieve permanent housing and stability through a Housing First approach.*

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

Utilities (\$799,350): *This funding is a result of a utility cost analysis performed at the mid-year review process. Prior year budgeted amounts did not account for rising utility costs.*

FY 2027/28 Recommendations

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. While this position is identified as cost neutral in FY 2026/27, it will be an ongoing cost going forward.*

Combo Building Inspector I (\$145,860): *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.*

Capital Improvement Program

FY 2026/27 – 2027/28 Capital Improvement Plan (CIP)

The FY 2026/27 Capital Improvement Plan (CIP) budget totals \$47,163,800 from a variety of funding sources including development impact fees, Gas Tax, Measure X, SB 1, construction grants, the Sanitary Sewer Enterprise Fund, and more. The majority of the CIP budget invests \$17.8 million in Street Maintenance, \$16.5 million in the Sanitary Sewer, and \$8.1 million in Engineering and Transportation related projects.

The FY 2027/28 Capital Improvement Plan (CIP) budget totals \$40,317,200. The same three categories from the prior year continue to invest \$15.3 million in the Sanitary Sewer, \$13.0 million in Engineering and Transportation projects, and \$9.5 million in Street Maintenance.

Significant CIP investment is now possible for the Sanitary Sewer infrastructure due to the increased sewer rates previously approved by City Council, totaling a combined \$31.8 million in FY 26/27 and FY 27/28. Other key projects over the two-year period include \$13.3 million for pavement improvements, \$5.0 million for Boronda Road, \$3.7 million for sidewalk and pavement maintenance, \$3.1 million for traffic signal upgrades, and \$3.0 million for Williams Road.

CIP Carryover

Additionally, an “up to” amount of \$66.0 million has been identified in CIP carryover budget from prior years. This includes 123 projects Citywide. Of the total carryover amount, approximately \$29.3 million, or 45% is allocated to Streets & Sidewalk projects. Recreation projects total \$12.5 million, mostly due to \$8.0 million appropriated for the District 5 Recreation Center.

Reserves

To maintain the Economic Contingency Reserve at its target level of 12%, this budget includes a recommended appropriation of \$2.5 million over 2 years. This budget also includes the use of certain reserves to balance the General Fund for a net reduction of \$1.5 million.

The table below (**Table 2**) details the estimated balance and recommended allocations for each reserve.

Table 2

	Est. Balance at 7/1/26	FY 2026/27-2027/28 Addition/(Reduction)	Est. Balance at 6/30/28
General Fund	\$25,811,843	(\$958,335)	\$24,853,508
Measure E	4,671,910	(576,364)	4,095,546
Measure G	7,730,795	16,251	7,747,046
Total	\$38,214,548	(\$1,518,448)	\$36,696,100

FY 2025/26 Budget Carryover

Unexpended appropriations to Capital Projects and grant funding will carry over to FY 2026/27.

Staff may be recommending limited unexpended carryover from the Operating Budget in Fiscal Year 2025/26 where the need to continue funding those programs or services was identified.

CONCLUSION

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.

While there are other areas where additional resources could be allocated, no further increases are recommended at this time. 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.

ATTACHMENTS:

PowerPoint.