# CITY OF SALINAS
# FINANCE COMMITTEE STAFF REPORT

**DATE:** AUGUST 11, 2026

**DEPARTMENT:** ADMINISTRATION AND FINANCE

**FROM:** RENE MENDEZ, CITY MANAGER
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**TITLE:** BIENNIAL (2026/27 – 2027/28) BUDGET UPDATE

## RECOMMENDED MOTION:

No action is required. This Report presents information to the Finance Committee regarding the FY 2026/27 Budget.

## EXECUTIVE SUMMARY:

City Council adopted the Biennial Budget and added a Community Outreach Assistant position in the Police Department as recommended by staff. City Council further discussed potential funding for additional initiatives that were not included in the Proposed Budget. This staff report outlines those additional items that were discussed during the public hearing for further consideration. Also included are staff recommendations for capital improvement projects that can be funded by the Infrastructure Reserve.

## BACKGROUND:

On June 16, 2026, staff held a public hearing (budget meeting) to adopt the Biennial (FY 2026/27 – 2027/28) operating and capital budgets and City Council approved the budget balancing strategies using multiple one-time resources. The table below (**Table 1**) illustrates the projected expenditures, revenues, and budget balancing strategies.

**Table 1**

| | FY 2026/27 | FY 2027/28 |
|---|---|---|
| *Resources:* | | |
| 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 |
| *Appropriations:* | | |
| Operating Expenditures | 205,201,689 | 213,554,771 |
| Allocation to Maintain the 12% Reserve Level | 1,433,603 | 820,954 |

| | FY 2026/27 | FY 2027/28 |
|---|---|---|
| **Total Appropriations** | 206,635,292[1] | 214,375,725[2] |
| Imbalance | (13,564,012) | (14,426,545) |
| *Budget Balancing Strategies:* | | |
| 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 |

At the budget meeting, City Council expressed interest in funding certain programs and initiatives, most of which were included as Attachment D to the budget staff report. Staff would like to further discuss these items with the Finance Committee and if recommended, they will be brought to City Council for consideration. Options to further invest in the City's infrastructure are also included in this staff report.

*Parks Staffing*

The City increased its parks and open space acreage by an additional 66 acres with the acquisition of Ensen Community Park Restoration Area. This creates a need to add capacity to ensure parks and open spaces are appropriately maintained 7 days per week. There are currently 16 full-time staff members ranging from Parks Operations Manager to Park Maintenance Worker servicing 253.8 acres of park space. This equates to 15.9 acres for every full-time position. With the addition of 66 acres for a total of 319.8 acres, each full-time position will be servicing 20.0 acres. At the budget meeting, City Council discussed the potential of adding a Sr. Park Maintenance Worker ($129,400 ongoing) and/or a Park Maintenance Worker ($113,900 ongoing).

As noted in **Table 1** above, the adopted biennial budget had an imbalance and the ongoing expenditures may not be sustainable in future years if the City's revenues are not increased. Should the Finance Committee recommend adding positions, they would need to be funded with General Fund – Fund Balance (fund balance) and/or reserves which are both one-time monies. However, if City Council wishes to maintain some fund balance or reserves at the current level, going forward staff will have to prioritize internally on filling certain positions over others.

The alternatives for adding a Sr. Park Maintenance Worker and a Park Maintenance Worker are as follows:

1. Adding both positions now. This option can be funded by fund balance and the new projected fund balance for the Biennial Budget would be reduced to approximately $606,000.

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[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**]

2. Adding one position now and the other at mid-year. This option can be funded by fund balance and the new projected fund balance for the Biennial Budget would be reduced to approximately $864,000.

3. Consider adding both positions at mid-year. During this time, there would be more clarity on the budget's capacity because the audit would be completed and the fund balance revised to account for actual revenues and expenditures. For example, if departments didn't spend all out their budget in the fiscal year that just ended and revenues came in stronger than projected, there may be additional capacity to use fund balance. However, it should be noted that the use of fund balance is not recommended for on-going positions as they require funding each subsequent year. This option can be funded by fund balance and the new projected fund balance for the Biennial Budget would be reduced by approximately $490,000, the combined projected amount to fund both positions. Given that there would be more clarity about the fund balance, the financial impact will be revised.

*Community Organization Contributions*
For those items that include a City contribution to an organization such as Ciclovia and Monterey Waterkeeper. Although there was a consensus to have the Monterey Waterkeeper go through the Community Sponsorship process.

The alternatives for funding Ciclovia at $45,000 are as follows:

1. Refer Ciclovia to apply through the Community Sponsorship Program and they would be eligible to receive a City contribution of $50,000. This would not impact the projected Biennial Budget General Fund – fund balance.

2. Fund Ciclovia through the Community Sponsorship program. Currently, the Sponsorship program budget is $150,000 and City Council can increase it to $200,000 to add additional capacity. The current Biannual Budget includes a contribution to the Ciclovia organization of $15,000 for permits. Therefore, Ciclovia would be eligible for $35,000 through the program. This would decrease the Biennial Budget projected fund balance to approximately $1,042,522.

3. Give Ciclovia $45,000 directly. This would decrease the Biennial Budget projected fund balance to approximately $1,047,522.

*Neighborhood Grants*
In the current fiscal year, City council approved an allocation of funds for beautification projects in the amount of $42,000, to be equally distributed at $6,000 to each Council District and the Mayor's office. In the prior year, there was a remaining balance of $800. At the budget meeting, there was a request by Council to double this funding. Should this be recommended to move forward, it would be funded with projected fund balance therefore reducing the Biennial Budget fund balance to approximately $1,050,522.

*Small Business Grants*
In 2023, City Council approved a small business grant budget of $75,000 for the Alisal area and $30,000 Citywide. These grants go towards miscellaneous business financial expenses, social media, or financial/computer literacy. Combined, there have been about $37,084 expended and currently there is $67,916 budgeted and available ($51,238 for Alisal and $16,678 Citywide) for future small business grant opportunities. At the budget meeting, City Council expressed an interest in doubling the allocation, which would be $105,000, and making them available Citywide. Should this be recommended, it would be funded with projected fund balance and/or reserves. This would decrease the Biennial Budget projected fund balance to approximately $987,522

*Rental Assistance*
In December 2025, City Council authorized the launch of the Pilot Rental Assistance Program (RAP) to prevent homelessness through short-term rental assistance, housing stabilization services, and eviction prevention interventions. This program is designed to address both immediate housing crises and long-term housing stability, reducing inflow into the homeless services system.

Services were funded through a combination of a general fund contribution of $500,000 and the Family Homeless Challenge grant of $750,000. The current budget includes an appropriation of $500,000 from the general fund. At the budget meeting, City Council expressed an interest in increasing the general fund contribution by $100,000 for a total of $600,000. Should this be recommended, it would be funded with projected fund balance and/or reserves. Should this be recommended, it would be funded with projected fund balance and/or reserves. This would decrease the Biennial Budget projected fund balance to approximately $992,522.

**Infrastructure Improvement Initiatives**
In addition to the previously discussed items, staff is actively exploring further opportunities to deliver greater and more immediate improvements to the City's infrastructure. This research has been guided by ongoing community input and feedback, highlighting areas of concern and prioritizing needs.

As a result, staff recommends focusing efforts on three key infrastructure areas: striping, lighting, and pothole repairs. These are essential for enhancing public safety and improving overall quality of life within the City. By utilizing infrastructure reserves, there is potential to expand the scope of work in these areas, providing a meaningful impact in a timely manner.

While specific recommendations for certain locations are included within this report, staff continue to evaluate other areas throughout the City to identify opportunities for high-impact improvements. The ongoing review ensures that resources are allocated efficiently and that safety remains a top priority in all infrastructure initiatives.

*Striping*
Additional potential investment in striping and street lighting is noted below.

There are several advantages with striping. The City has a contract and purchase order in place. The previously scheduled work is expected to begin in September. Staff will need to work with the contractor to coordinate availability should this option move forward to City Council for consideration.

The segments on East Market Street, East Alisal Street, Williams Road, and East Boronda Road are recommended for striping and have an estimated cost of approximately $200,000. Other segments are being identified and if recommended will be brought forward to City Council for consideration. Selected streets have the highest ADT (average daily trips) from the 2025/2026 prioritization project list that are not being addressed. The work is expandable due to the prioritization list having been previously approved by City Council and ADTs identified. Striping work can be performed relatively quickly with minimal traffic impacts and would ultimately increase safety in those identified areas.

The current proposed striping would address four (4) additional street segments from the 45 previously identified. Currently, the contractor is scheduled to restripe eleven (11) street segments. Staff will work with the contractor for additional segments identified.

*Street Lighting*
In 2026, staff completed streetlight repairs on eleven (11) street sections as follows:

- Freedom Blvd (Constitution to Nogel)
- Wood St (San Benito St to Santa Maria St)
- Roy Diaz St (Airport Blvd to Freeway)
- E Alisal (Work St to N Madeira Ave)
- Sanborn Rd (Elvee Dr to Abbott St)
- Work St (Sanborn Rd to John St)
- Independence Blvd (Constitution Blvd to Lexington St)
- Laurel Extension (Sanborn Rd to Natividad Rd)
- E Market St & Front St
- E Market (Pajaro St to Market Way)
- Front St (E Alisal to E Market St)

Street lighting in several locations is recommended for funding due to low visibility within those areas. The eleven (11) identified locations are projected to cost approximately $400,000. Other locations are being identified and if recommended will be included in the report to City Council for consideration. As with striping, this would significantly improve safety and can be performed relatively quickly with minimal traffic impacts.

*Potholes*
Staff has addressed pothole issues throughout the City, completing repairs on 11,594 potholes across 2,072 different locations. Some of the streets included in these efforts are Abbott Street, East Boronda Road, Monterey Street, Old Stage Road, North Sanborn Road, Adams Street, Rainier Drive, Sequoia Street, West Laurel Drive, among others. To continue improving road conditions, staff is currently identifying the most critical potholes that require attention. It is recommended that $400,000 be allocated to support this ongoing repair initiative.

*Adopt a Tree Project*

Staff is actively exploring ways to address 190 locations as part of the "Adopt a Tree" project. At this time, there are 70 outstanding requests waiting to be fulfilled. The estimated cost for implementing this initiative is approximately $100,000. If recommended by the Finance Committee, staff will prepare and provide additional details to City Council for their consideration.

The table **(Table 2)** below outlines specific streets or locations and approximate cost for striping, lighting, and potholes.

**Table 2**

| Location | Amount |
|---|---|
| Striping locations include (not a comprehensive list):<br>1. E. Market St.<br>2. E. Alisal St.<br>3. Williams Rd.<br>4. Boronda Rd. | $500,000 |
| Street Lighting locations include (not a comprehensive list):<br>1. Sanborn Rd.<br>2. E. Market St.<br>3. Rossi St.<br>4. Bernal Dr.<br>5. Hebbron St.<br>6. Nantucket Blvd.<br>7. Constitution Blvd.<br>8. Williams Rd.<br>9. Quilla St.<br>10. Abbott St. | 374,000 |
| Solar lights:<br>1. Elvee Dr. | 126,000 |
| Potholes (to be determined): | 400,000 |
| Adopt a Tree Project: | 100,000 |
| **Total** | **$1,500,000** |

Should the additional infrastructure investments discussed in this staff report be recommended, it can be funded by the Infrastructure Reserve. It is important to note that the use of specific reserves, including the Infrastructure Reserve, must be approved by a two-thirds vote (5 of 7 Councilmembers). Additionally, any such uses of the reserves are to be repaid over a period to be determined by Council at the time of approval, with a target repayment period of no more than three years. The three-year repayment may be suspended, in whole or part, if financial or economic circumstances are determined by the City Manager to prevent meeting this timeline.

Staff has carefully reviewed those additional needs identified by City Council and would like to continue the discussion to evaluate the feasibility of funding them. As noted in the budget transmittal letter, there are continued fiscal challenges, and more work remains ahead to ensure service delivery aligns with the needs of the community.

**FISCAL AND SUSTAINABILITY IMPACT:**

Funding of the all items presented in this report will reduce the estimated fund balance as follows:

| **Projected Biennial Budget Fund Balance** | **$1,092,522** |
|---|---|
| Sr. Park Maintenance Worker (Year 1 & Year 2) | (258,800) |
| Park Maintenance Worker (Year 1 & Year 2) | (227,800) |
| Ciclovia | (45,000) |
| Neighborhood Grants | (42,000) |
| Small Business Grants | (105,000) |
| Rental Assistance | (100,000) |
| **Projected Remaining Fund Balance** | **$313,922** |

Funding for the additional infrastructure investment will reduce the reserves as follows:

| **Reserves** | **Current** | **Recommended** | **Remaining** |
|---|---|---|---|
| General Fund | 24,385,309 | | 24,385,309 |
| OPEB | 10,000,000 | | 10,000,000 |
| Infrastructure | 4,600,000 | (1,500,000) | 3,100,000 |
| Facilities Maintenance | 1,500,000 | | 1,500,000 |
| **Total** | **40,485,309** | **(1,500,000)** | **38,985,309** |
| Reserve % of GF Expenditures | 21% | | 20% |

| Fund | General Ledger Number (Operating/CIP) | General Ledger Account Name | Remaining Budget Appropriation | Amount Requested |
|---|---|---|---|---|
| 1000-1200 | 35.0000 | Projected Fund Balance | $1,092,522 | TBD |
| 1000-1200 | 38.0195 | Infrastructure Reserve | $4,600,000 | TBD |

**ATTACHMENTS:**

None