



# CITY OF SALINAS COUNCIL STAFF REPORT

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**DATE:** MAY 26, 2026

**DEPARTMENT:** FINANCE DEPARTMENT

**FROM:** RENE MENDEZ, CITY MANAGER

**BY:** SELINA ANDREWS, FINANCE DIRECTOR  
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**TITLE:** PROPOSED BIENNIAL (FY 2026/27-2027/28) OPERATING AND CAPITAL BUDGETS AND 5-YEAR CAPITAL IMPROVEMENT PROGRAM

## RECOMMENDED MOTION:

Staff recommends that City Council:

1. Provide direction on the Proposed Biennial (FY 2026/27 – 2027/28) Operating and Capital Budgets; and
2. Provide direction on the Proposed Five-Year Capital Improvement Program.

## EXECUTIVE SUMMARY:

The Proposed Biennial (FY 2026/27-2027/28) Operating and Capital Budgets are presented to Council to provide feedback on the allocation of resources. The Proposed Budgets are anticipated to be adopted on June 16, 2026. Included within this report are recommendations for the Biennial Budgets with a focus on the General Fund. This report also includes an overview of the City's projected revenues, reserve levels, and Capital Improvement Program.

## BACKGROUND

The City is introducing its first 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.

In March 2026, the Finance Committee and City Council reviewed the City's Financial Forecast and discussed projected financial conditions and emerging fiscal challenges. These efforts are

designed to enhance the City’s strategic approach to understanding current financial conditions, addressing ongoing structural budget deficits, and projecting the revenue and expenditure needs for future budget development.

***Biennial Budget Process***

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

This comprehensive budget development effort includes evaluating and determining the key components identified below.

- Budget Guidelines and Timeline: Establish initial guidance and expectations for departments along with a structured calendar of budget development and approval activities.
- Revenue Projections: Forecast anticipated revenues utilizing historical data trends, economic indicators, and analysis from external revenue consultants.
- Personnel Costs: Project salary, wage adjustments, benefits, and pension obligations for current and proposed staffing levels.
- Setting Strategic Priorities: Identify and reaffirm strategic priorities, providing foundational guidance to shape budget formulation and resource allocation.
- Operating and Capital Expenditures: Assess and prioritize operational necessities and capital improvement projects, balancing immediate needs and long-term investments.
- Budget Balancing Strategies: Develop strategies to align expenditures with available resources, actively addressing any structural budget deficits through targeted reductions or revenue enhancements.
- Public Input: Engage the community through transparent outreach efforts to gather and incorporate feedback into the budget development process.
- Budget Approval: Finalize and present the recommended budget for City Council consideration and adoption.

### ***Council's Priorities***

At Council's annual priority setting workshop held in May 2025, Council approved the 2025-2028 Strategic Plan, which determined its main 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 priorities and objectives. Concurrently, staff is proactively developing contingency plans in the event that efforts to renew Measure G are unsuccessful and/or anticipated revenue does not materialize as projected.

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

Although the General Fund is balanced, projected revenues will be closely monitored as there remains significant economic uncertainty. 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 Years 2026/27 (Year 1) – FY 2027/28 (Year 2)***

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 \$200 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 1**) illustrates how the General Fund Biennial Budget was balanced. The resources include all projected General Fund revenues followed by appropriations which include expenditures and budget balancing strategies.

**Table 1**

	FY 2026/27 <sup>1</sup>	FY 2027/28 <sup>1</sup>
<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	206,635,292	214,375,725
Total Appropriations	206,635,292	214,375,725
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
Balanced General Fund Budget	\$0	\$0

The Proposed Biennial General Fund Budget for Year 1 programs total revenues including transfers in of \$193,071,280 and expenditures including transfers out of \$196,234,589. The Proposed Biennial General Fund Budget for Year 2 programs total revenues including transfers in of \$199,949,180 and expenditures including transfers out of \$203,075,871. The difference between the total revenues and expenditure is the allocation to maintain the 12% Economic Contingency Reserve and use of fund balance. The Biennial Budget does not include new programs; however, it does maintain existing service with staffing adjustments. This budget also provides continued strategic investments toward important maintenance of the City's streets and sidewalks, and unhoused management, and other necessary infrastructure improvements to protect our community's health and safety.

<sup>1</sup> Preliminary projections subject to change.

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

The below summarizes preliminary budget additions recommended for inclusion in the Biennial Budget.

**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.*

**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.*

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

**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.*

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

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

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

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

**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.*

**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 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.*

*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.*

*Citywide Budget*

The table below (**Table 2**) below summarizes the Citywide Proposed Biennial Budget by General Fund, Measure E, Measure G, other funds, and the Capital Budget.

**Table 2**

Proposed Biennial Budget – All Funds		
Operating Budget	FY 2026/27 (Year 1)	FY 2027/28 (Year 2)
General Fund	\$ 136,036,153	\$ 142,317,208
Measure E	21,166,700	21,879,680
Measure G	39,031,736	38,878,983
Other Funds	80,517,105	76,872,426
Total Operating Budget	276,751,694	279,948,297
Capital Budget	47,163,800	40,317,200
Total City Budget	\$ 323,915,494	\$ 320,265,497

### *Proposed Budget Highlights*

The Proposed Biennial Operating and Capital Budgets of \$323.9 million in Year 1 reflects an increase of 13.7% (\$38.9 million) compared to the FY 2025/26 Adopted Budget. This is mostly attributed to an increase in capital spending as the City continues to invest in infrastructure specifically in sanitary sewer system, sidewalk improvements, safe routes to schools' improvements, and street preventative maintenance. As most CIP projects require more strategic planning and time to complete them, there is approximately \$66.0 in CIP Budget carryover. This is funding appropriated in prior years but has not been fully used. The Proposed Biennial Operating and Capital Budgets of \$320.3 million in Year 2 reflects a decrease of 1.1% (\$3.6 million) from the prior year. It should be noted that CIP projects typically require multiple years to complete and any unspent budget from Year 1 will carry over to Year 2.

Additionally, the Proposed Biennial Budget recommends staffing levels increase by 9 positions in Year 1 and increase by 2 positions in Year 2 for a total workforce of 679.5. Additional staffing recommended will support City Council priorities to increase the quality of services across the City, expand programs such as Public Safety and Community Development to increase effectiveness and advance programming needs while preparing for future growth.

### ***CAPITAL IMPROVEMENT PROGRAM***

#### *CIP Carryover*

Approximately \$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.

#### *FY 2026/27 – 2027/28 Capital Improvement Program (CIP)*

The CIP budget in Year 1 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 CIP budget in Year 2 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 System 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, \$4.5 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.

*Additional Investment in Capital Improvement Projects – Transportation Funds*

This Proposed Biennial Budget includes \$3.4 million recommendation for reallocation as identified below.

Reallocate from:

- \$1,000,000 from US 101 Abbott St. Ag. Industrial Center (CIP 9327)
- \$918,511 from US 101 Airport Blvd. Interchange (CIP 9326)
- \$578,000 from W Laurel Dr. Improvements (CIP 9145)
- \$350,000 from Williams Rd. (CIP 9128)
- \$224,165 from Striping & Signing Improvements (CIP 9081)
- \$113,295 from N Main / Boronda Rd. Improvements (CIP 9278)
- \$99,272 from Boronda & N Main Intersection (CIP 9170)
- \$80,000 from West Alvin Dr. Crossing (CIP 9149)
- \$25,000 from Bicycle Lane Installations (CIP 9607)

Reallocate to:

\$2,599,000 to Abbott Street (CIP 9981) – Pavement improvements of Abbott Street are currently bidding. The scope of work includes full depth reclamation, patch and repair and overlay. The pavement improvements are being paired with sanitary sewer improvements, and this has expanded the scope to pavement improvements of Harkins Road, north of Abbott Street, if allowed by pricing. The project is scheduled to begin following completion of the Salinas Ag Industrial Center offsite improvements. Additional funding is needed to complete the project.

\$500,000 to Traffic Calming (CIP 9163) – Staff currently has 27 qualifying requests in the traffic calming queue. Allocating additional funding would allow the top 15 requests to be addressed. In a typical year, only 2-3 requests can be addressed. Over the past year, staff have been working on updating the Traffic Calming Policy to allow expediting requests. This will bring the total available for traffic calming projects to \$1.2 million.

\$289,000 to Boronda Road Ph 2A and 2B (CIP 9510) – The project environmental phase (CEQA & NEPA) has been completed for Phases 1, 2A and 2B (McKinnon, El Dorado and Natividad, respectively). Phase 1 construction is anticipated to be completed in fall 2026. Solicitations for Phase 2A and 2B design will be awarded in June. Funding is required to complete the \$2.0 million still needed for environmental mitigation of Phases 2A and 2B.

**RESERVES**

To maintain the Economic Contingency Reserve at its target level of 12%, this budget includes a recommended appropriation of an additional \$2.3 million over 2 years.

The table below (**Table 3**) details the estimated balance and recommended allocations for each reserve.

**Table 3**

	Est. Balance at 7/1/26	FY 2026/27-2027/28 Addition/(Reduction)	Est. Balance at 6/30/28
General Fund	\$25,811,843	\$1,866,222	\$27,678,065
Measure E	4,671,910	(226,348)	4,445,562
Measure G	7,730,795	614,683	8,345,478
<b>Total</b>	<b>\$38,214,548</b>	<b>\$2,254,557</b>	<b>\$40,469,105</b>

**FY 2025/26 BUDGET CARRYOVER**

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

**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;
- Development of the Alisal Marketplace;
- Opportunities emerging at the Salinas Airport;
- Emerging recreational corridor comprised of the Salinas Soccer Complex, Carr Lake
- Salinas Sports Complex; and
- 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 2025-2028 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:

As presented, the City’s Proposed Biennial (FY2026/27-2027/28) Operating and Capital Budgets total \$323,915,494 in Year 1 and \$320,265,497 in Year 2.

Fund	General Ledger Number (Operating/CIP)	General Ledger Account Name	Remaining Budget Appropriation	Amount Requested
N/A	N/A	N/A	N/A	N/A

ATTACHMENTS:

FY 2026/27-27-2027/28 Proposed Biennial Operating Budget  
FY 2026/27-27-2027/28 Proposed Biennial Capital Budget and Five-Year Capital Improvement Program