



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: JUNE 17, 2025

DEPARTMENT: FINANCE

FROM: RENE MENDEZ, CITY MANAGER

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

TITLE: FISCAL YEAR 2025-26 PROPOSED OPERATING AND CAPITAL
IMPROVEMENT PROGRAM BUDGETS

RECOMMENDED MOTION:

Staff recommends the City Council approve a resolution adopting:

1. The City of Salinas Fiscal Year 2025-26 Proposed Operating and Capital Budgets;
2. Five-year Capital Improvement Program for FY 2026-27 – FY 2030-31; and
3. Approving the appropriations limit.

EXECUTIVE SUMMARY:

The Proposed FY 2025-26 Operating Budget and Capital Improvement Program were 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 our most challenging issues – including community safety, planning and permitting services, code enforcement, infrastructure, and economic and housing development.

BACKGROUND

As part of the community budget engagement process, staff developed a Community Budget Survey which was released in December and resulted in 2,511 responses. On February 28, 2025, staff held a Community Budget meeting and had over 100 attendees. Combined, the City engaged 2,619 residents.

At the May 6, 2025 Finance Committee, staff presented the Preliminary FY 2025-26 budget recommendations. The Committee Members asked questions and provided input for inclusion in the Proposed budgets.

On May 22, 2025, the City Manager's Fiscal Year (FY) 2025-26 Proposed Operating Budget, Capital Budget, and six-year Capital Improvement Program (CIP) Plan was made publicly available on the City's website.

On May 27, 2025, staff held a Budget Study Session which included department presentations. City Council provided direction on the Proposed Budgets that were presented at the Finance Committee on June 10, 2025.

FY 2025-26 Budget Overview

Comprehensive information about the Fiscal Year 2025-26 Proposed Budget can be found in the Proposed Budget Document and [Transmittal Letter](#).

The Fiscal Year 2025-26 Proposed Budget is balanced and continues the recent trend of a slightly positive, yet slowing, economic outlook that stems from uncertainty in key economic indicators as well as slowing or minimal growth in property tax and sales tax revenues.

The total Proposed Budget for FY 2025-26 Budget is \$284,993,377 of which the General Fund (including Measures E and G) total \$184,287,905. Other Funds total \$71,354,175, excluding transfers out to Capital Improvement Program (CIP). The transfers out include special revenue funds, internal services, enterprise operations, assessment & maintenance districts, grants, agencies, and debt service.

The FY 2025-26 Proposed Capital Improvement Program budget is \$29,351,297. Note, however, that CIP work continues on projects at various stages of completion in both the American Rescue Plan Act (ARPA), as well as carryover projects from prior years. Since the funding for those projects has already been appropriated, it is not included in this year's budget requests.

Council Feedback from the Finance Committee Meetings and Budget Study Session includes the below:

Increase code enforcement capacity: *An additional \$85,000 for a total of \$335,000 to maintain prior year increased service levels and weekend and evening code enforcement.*

Increase Permit Services capacity: *An additional \$684,900 including 4.0 FTE (Associate Planner, Permit Services Technician, Plan Checker I, Permit Center Clerk) and other operating costs to increase capacity in permit services function.*

Deputy Fire Marshal Position (Fire): *An additional \$223,160 for a Deputy Fire Marshal position to increase capacity in fire prevention including code compliance, plan review, and facility inspections.*

Increase rental assistance program: *An additional \$300,000 for a total of \$500,000 to increase support for rental assistance program.*

Increase traffic calming: *An additional \$300,000 for a total of \$500,000 to increase capacity for traffic calming projects Citywide.*

Increase streets and sidewalk repair budget: *An additional \$2,000,000 for a total of \$2,750,000 to increase capacity for sidewalk and drainage improvements.*

Increase streets and sidewalk repair budget: *An additional \$2,000,000 for a total of \$2,900,000 to increase capacity for the Boronda Road Congestion Relief project.*

Increase streets and sidewalk repair budget: *An additional \$4,000,000 for a total of \$9,500,000 to increase capacity for the Street Preventative Maintenance Project (Abbott Street).*

Additional positions (Police): *3 FTE positions are recommended for addition in this budget, 1) Management Analyst, 2) Community Outreach Assistant, and 3) Administrative Analyst I.*

Personnel & Training Position (Police): *The budget further reflects the pathway to add a Personnel & Training position for addition to the Police Department workforce. A key component to the review process is balancing priorities with budget capacity. The position is a priority, and staff will work with the department to bring it back to the Council for approval in the coming months.*

Discussion and Analysis

FY 2025-26 Budget Resolution

In addition to documenting the City Council's approval and adoption of the budget, the Budget Resolution also authorizes the City Manager to appropriate and transfer funds under certain limited conditions specified in the resolution.

Workforce Allocation Plan

This FY 2025-26 Proposed Budget includes a Workforce Allocation Plan for City Council consideration and approval. In order to facilitate the City Manager's responsibility to address organizational changes, the budget resolution includes language authorizing the City Manager to revise the Workforce Allocation Plan provided that the total number of full-time, regular staff does not exceed the total number of City Council authorized positions consistent with the City of Salinas Municipal Code and the Personnel Rules. The Workforce Allocation Plan for FY 2025-26 is proposed at 660.5 full time equivalent positions for the City which represents an additional 10.5 FTE from the prior year.

FY 2025-26 Appropriations Limit

Article XIIB of the California State Constitution imposes a limit on annual appropriations funded from taxes and certain regulatory fees, user fees, and investment earnings. The appropriations limit is often referred to as the "Gann limit." The appropriations limit is adjusted from year to year using adjustment factors that must be adopted annually by the City Council.

Staff calculated the FY 2025-26 appropriations limit in accordance with Article XIII B of the California State Constitution. The appropriations limit is adjusted annually to reflect both the percentage change in population and the percentage change in cost of living.

The percentage change in population for each city is provided by the State Department of Finance, which also provides the percentage change in California per capita personal income. As an alternative to the percentage change in personal income as a cost-of-living factor, local agencies may choose to use the percentage change in the local assessment roll from the preceding year due to the addition of local nonresidential new construction.

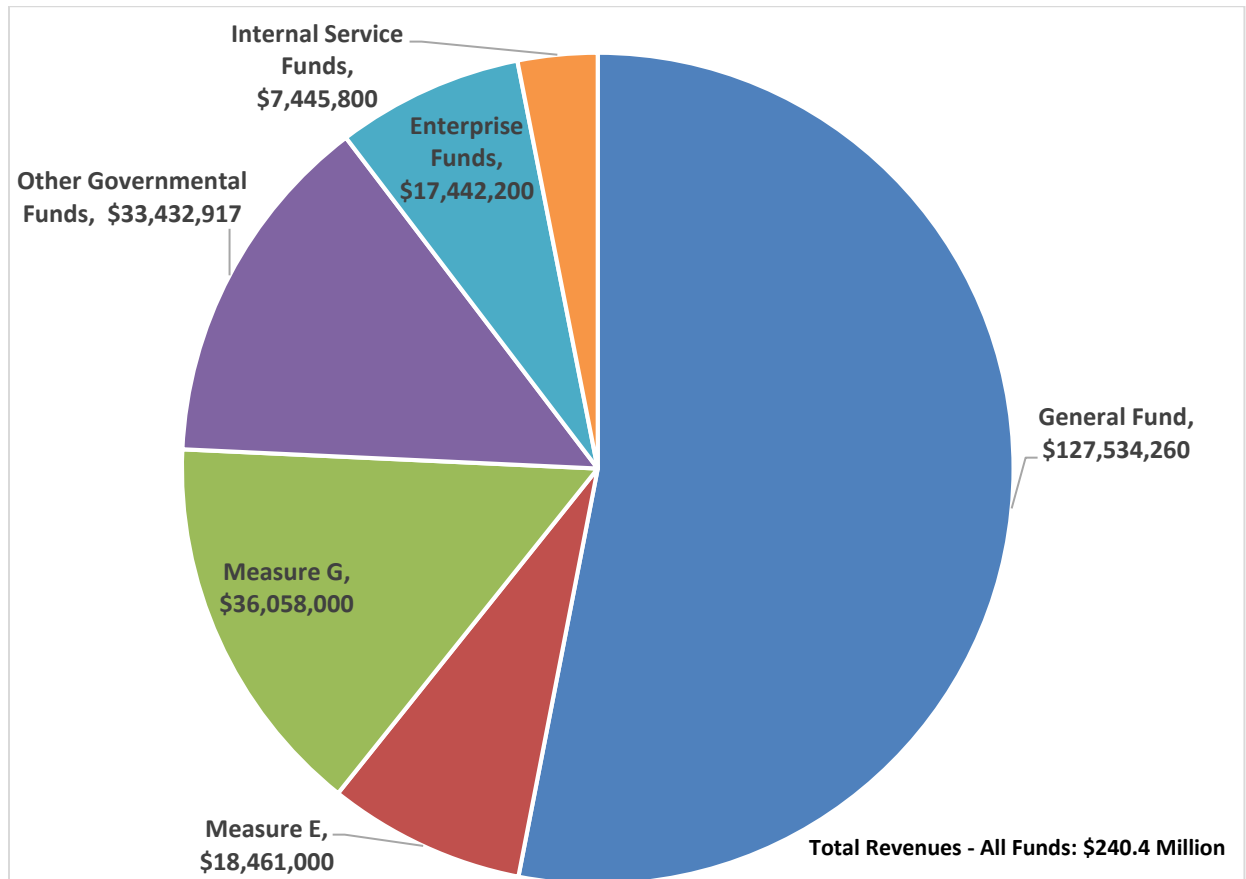
The California per capita change in personal income is 6.44%. The City population change from January 1 of the previous year was 161,039 compared to the population on January 1, 2025, of 160,645, or a -0.24% decrease. The change in per capita personal income is 1.0644%. The City's appropriation limit was calculated at \$345,864,920. Based on an operating budget of \$285.0 million, Salinas is currently not at risk of exceeding the appropriations limit.

FY 2025-26 Budget Overview

The proposed FY 2025-26 City-wide Budget is \$285.0 million of which the General Fund, Measure E, and Measure G total \$184.3 million and the Other Funds amount to \$71.4 million, which include special revenue funds, internal services, enterprise operations, assessment & maintenance districts, grants, agencies, and debt service. This excludes transfers out to the Capital Improvement Program (CIP). Lastly, the FY 2025-26 Capital Improvement Program budget is programmed at \$29,351,297 and is evidenced in the Proposed Expenditures chart.

The following chart reflects the projected FY 2025-26 revenues by fund type totaling \$240.4 million, exclusive of transfers in.

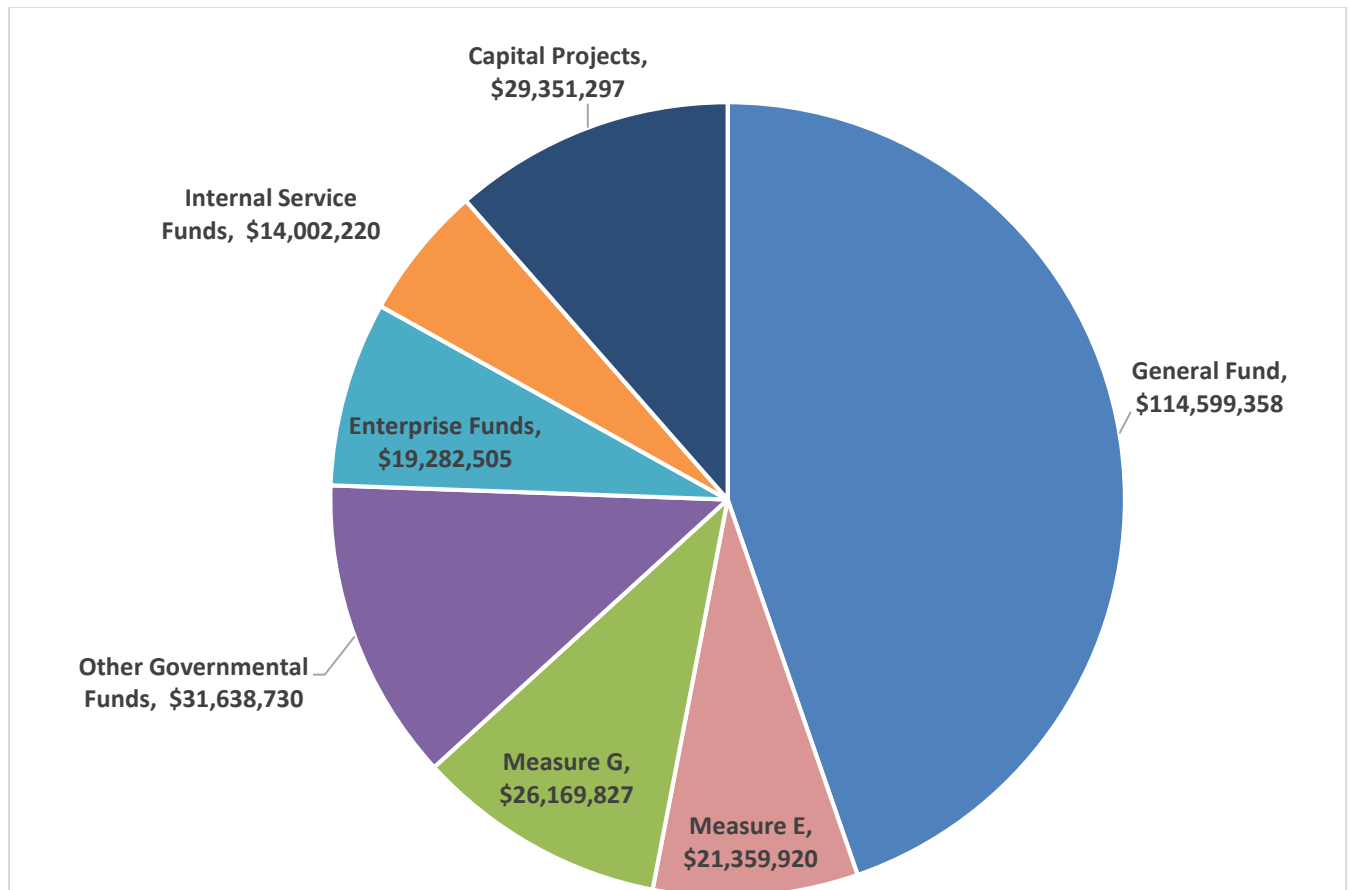
Total Fiscal Year 2025-26 Proposed Revenues – All Funds



* Revenues do not include the use of fund balance from various funds and Transfers In.

The following chart reflects the projected FY 2025-26 expenditures by fund type totaling \$256.4 million, exclusive of transfers out.

Total Fiscal Year 2025-26 Proposed Expenditures — All Funds



* Expenditures do not include reserve allocations to various funds and Transfers Out.

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). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No.

STRATEGIC PLAN INITIATIVE:

Development and adoption of the annual Operating and Capital Improvement Budgets achieves the Council 2025 Strategic Goal of City Services.

DEPARTMENTAL COORDINATION:

This staff report was coordinated with the City Manager, City Attorney, and Finance.

FISCAL AND SUSTAINABILITY IMPACT:

As presented, the City's FY 2025-26 Proposed Operating and Capital Budgets total \$284,993,377.

Supplemented by the fund balance and limited reserves, the total General Fund budgeted revenues and transfers in for the coming fiscal year of \$184.5 million is adequate to support total budgeted expenditures and transfers out of \$185.3 million.

Fund	Appropriation	Appropriation Name	Total Appropriation	Amount for recommendation	FY 24-25 Operating Budget Page	Last Budget Action (Date, Resolution)
n/a	n/a	n/a	n/a	n/a	n/a	n/a

ATTACHMENTS:

Proposed Fiscal Year 2025-26 Operating Budget
Proposed Fiscal Year 2025/26 – 2030/31 Capital Improvement Program Budget
Budget in Brief
Resolution
Appropriations Limit