



**CITY OF SALINAS
FINANCE COMMITTEE**

DATE: MAY 12, 2026

DEPARTMENT: FINANCE DEPARTMENT

FROM: RENE MENDEZ, CITY MANAGER

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

RECOMMENDED MOTION:

It is recommended that the Finance Committee receive the staff presentation and provide input on the Preliminary Biennial (FY 2026/27-2027/28) General Fund Operating Budget and Capital Budget.

EXECUTIVE SUMMARY:

This preliminary review of the Biennial Operating and Capital Budgets for FY 2026/27-2027/28 is being provided to the Finance Committee members to provide feedback on the allocation of resources. The Proposed Budget will be discussed by the City Council at a public hearing on May 26, 2026, with adoption scheduled after the public hearing on June 16, 2026. Included within this report is a preview of preliminary budget recommendations for the Biennial Budgets with a focus on the General Fund. It also includes an overview of the City's reserve levels.

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.

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

Council's Priorities

At Council's annual priority setting workshop held in May 2025, Council 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 Priorities and objectives. 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 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

¹ Preliminary projections subject to change.

Fiscal Year 2026/27 Recommendations

Departments have reviewed their programs, work levels, proposed goals for the upcoming 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 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 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): *The agreement will be presented to Council for approval on May 12, 2026. 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 unfreezing 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

City Council addressed the sanitary sewer infrastructure deficiencies and funding shortfalls by approving the Sanitary Sewer Rate increase in fees. This increase will provide the resources necessary to pay for ongoing operations & maintenance, address critical infrastructure needs, while maintaining adequate coverage for its debt service.

Staff reviewed Public Works Capital Improvement Project appropriations and developed a strategy for expediting capital flow by reallocating funding more strategically. As part of the mid-year budget adjustment, staff reviewed funds and funding sources to reallocate budget and looked for opportunities to consolidate projects, closeout completed projects and conduct a general clean-up of the Capital Improvements Program.

As of March 30, 2026 a total of approximately \$49.0 million was unencumbered. Approximately \$12.0 million is held within dedicated funds including enterprise funds, maintenance district funds and grants. The remaining \$37.0 million are held in general funds (General Fund, Measure G and Measure E), roadway funds (gas tax, Measure X and SB1) and development impact fees. The bulk of the funds are held within projects such as Williams Road Safe Streets Project, John St/Williams Rd Safe Routes to School, Harden Parkway Safe Routes to School, Bridge Maintenance Program, ADA Transition Plan, Boronda Road Congestion Relief, Annual Pavement and Sidewalk Maintenance, Sidewalk and Drainage Repairs and Pavement Improvements, with the latter four project carrying \$20.0 million. Project funding and status are provided in the table below (**Table 2**).

Table 2. Status of Major Projects with Unencumbered Funds

Project	Unencumbered	Status
Williams Road Safe Streets Project ¹	\$2.1M	Environmental Review/Public Outreach
John St/Williams Rd Safe Routes to School ¹	\$0.5M	Environmental Review/Public Outreach
Harden Parkway Safe Routes to School ¹	\$0.4M	Environmental Review/Public Outreach
Bridge Maintenance Program ¹	\$0.4M	Awarding Design
ADA Transition Plan	\$1.1M	RFQ processing
Boronda Road Congestion Relief	\$5.9M	Phase 1 – Under Construction Phase 2 – Awarding Design
Annual Pavement and Sidewalk Maintenance (Yard)	\$1.8M	Researching pothole repair options – contracting and equipment
Sidewalk and Drainage Repairs	\$2.2M	2025 project – under construction 2026 project – designing
Pavement Improvements	\$10.3M	2025 project – closeout 2026 project - bidding

¹ Project mostly funded by state or federal grants.

A total of approximately \$3.4 million was identified as funds that could be reallocated without impacting existing projects and schedules. Staff is proposing to reallocate \$790,000 to Boronda Road to ensure progress of the upcoming phase and approximately \$2.6 million to Pavement Improvements to allow for full improvements of Abbott Street (Sanborn to City limits) as requested by City Council.

On November 1, 2022, City Council allocated \$1.0 million of available General Fund Balance at the time to the Industrial Wastewater Treatment Facility (“IWTF”). This facilitated the design of

the facility's improvements, currently under construction. New industrial wastewater rates were established in April 2023, therefore this fund no longer requires General Fund subsidies. Staff are recommending that the budget for this project is returned to fund balance as there is now funding in the Industrial Waste Enterprise Fund.

At the same November meeting, City Council allocated \$173,000 to traffic calming projects, at the time, securing a \$1.0 million balance for the traffic calming. Staff identified that projects were not ready and a need to reevaluate the program was identified. Since then, staff conducted outreach and held two working sessions with the Traffic and Transportation Commission regarding the traffic calming program and process. Staff calculated the cost to address all of the current qualifying traffic calming requests with speed cushions at approximately \$2.0 million. The traffic calming project has \$530,000 budget allocated and an additional \$200,000 is being recommended in the FY 2026/27 CIP budget.

Staff is requesting that the Finance Committee make recommendations to reallocate \$3.4 million to Boronda Road and Abbott Street Pavement Improvements. Another option is to allocate a portion of the funds to traffic calming.

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 \$20.5 million, or 31.1% 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.

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
Economic Contingency	\$22,114,548	\$2,549,552	\$24,664,100
Infrastructure Maintenance	\$3,600,000	(\$2,400,000)	\$1,200,000
Facilities Maintenance	\$1,500,000	(\$1,000,000)	\$500,000
Other Post Employment Benefits (OPEB)	\$10,000,000	\$0	\$10,000,000
Total	\$37,214,548	(\$850,448)	\$36,364,100

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 expenditure, they will be brought forward at mid-year or another appropriate time for City Council consideration.

ATTACHMENTS:

None.