



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: MAY 27, 2025

DEPARTMENT: FINANCE

FROM: RENE MENDEZ, CITY MANAGER

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DEPARTMENT DIRECTORS

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

RECOMMENDED MOTION:

Staff recommends the City Council conduct a public hearing on the City of Salinas FY 2025-26 Proposed Operating and Capital Budget & Capital Improvement Program for FY 2026-27 – FY 2030-31 and further recommends the City Council:

1. Provide Direction on the Proposed Operating Budget; and
2. Provide Direction on the Proposed Capital Budget for FY 2025-26 and FY 2026-27 – FY 2030-31 Capital Improvement Program.

EXECUTIVE SUMMARY:

The FY 2025-26 Proposed Operating and Capital Improvement Program Budgets and FY 2026-27 – FY 2030-31 Capital Improvement Program plan were made available to City Council on May 22, 2025.

BACKGROUND

Each year, between December and June, the City undertakes an extensive process to prepare the fiscal year budget which is effective July 1. 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.

In May 2025, City Council finalized and approved a Strategic Plan, which includes a set of 6 priorities and are listed as follows: 1) Economic Development, 2) Housing, 3) Infrastructure, 4) City Services, 5) Public Safety, and 6) investing in programs for our Youth and Seniors.

In February 2025, 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 development.

On May 22, 2025, the Proposed FY 2025-26 Operating and Capital Budgets were posted to the City's website, and the links (listed below) were provided to the City Council.

Proposed Operating Budget:

[FY 2025-2026 Budget - City of Salinas](#)

Proposed Capital Budget:

[fy-25-26-proposed-cip-budget.pdf](#)

Today's meeting is intended for City Council to provide direction to staff on the proposed operating budget and the proposed capital budget.

Fiscal Year 2024-25 Projected Available General Fund Balance

Although it is expected that the City will end the current fiscal year with an operating fund balance greater than budgeted, **it is important to note the carryover balance is the primary funding source for key organizational needs, such as limited-term expenditures, maintaining (or enhancing) reserve levels, funding one-time capital projects, and contributions towards unfunded liabilities.**

The estimated available carryover balance is recommended to be used in FY25-26 as follows:

Total Estimated Fund Balance Available as of June 30, 2025*	\$ 3,180,517
Revenues and Transfers In	184,218,800
Completed Projects & OPEB Reserve	2,616,146
Recommended Allocations:	
Economic Contingency Reserve	(1,332,690)
Emergency Operations (911)	(3,985,000)
Animal Shelter JPA	(2,892,000)
General Liability Insurances	(7,992,000)
Debt Service	(10,416,800)
Other Operating Transfers	(3,750,000)
Capital Projects	(1,000,000)
Infrastructure Maintenance Reserve	(340,000)
Facilities Maintenance Reserve	(434,000)
Salaries & Benefits	(125,913,593)
Supplies & Services	(28,627,632)
Total Recommended Allocations	(186,683,715)
Estimated Remaining Fund Balance Available as of June 30, 2026	\$ 3,331,749

*Final amount determined will be in the Adopted Budget.

Typically, revenues minus expenditures and any respective transfers in and out of the General Fund result in a net increase to the bottom line of the fund. This is referred to as the fund balance. For demonstration purposes, the fund balance acts like a savings account where the money carries over from one year to the next. The money that goes into this savings account is revenue beyond what was projected and unexpended budget for any given year. Alternatively, expended budget beyond what was adopted comes out of the savings account, therefore reducing the fund balance.

The FY2025-26 General Fund Budget programs total revenues including transfers in of \$184,218,800 and expenditures including transfers out of \$184,577,025. The difference between the total revenues and expenditures is the allocation to maintain the 12% Economic Contingency Reserve, approved by City Council, in addition to other reserve allocations. The Budget does not include new programs; however, it does maintain existing service with modest staffing adjustments. This budget also provides for limited, continued strategic investments toward important maintenance of the City's streets and sidewalks, and unhoused management as Federal grant funding allows, and other necessary infrastructure improvements to protect our community's health and safety.

As shown below, the proposed FY 2025-26 City-wide Budget is \$275,277,037 of which the General Fund, Measure E, and Measure G total \$183,577,025 and the Other Funds amount to \$70,648,715, 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 \$21,051,297. 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.

FY 2025-26 Proposed Budget – All Funds	
Operating Budget	FY 2025-26 Proposed
General Funds	\$ 183,577,025
Other Funds	70,648,715
Total Operating Budget	254,225,740
Capital Budget	21,051,297
Total City Budget	\$ 275,277,037

Proposed Budget Highlights

The FY 2025-26 Proposed Budget of \$275.3 million reflects an increase of 6.0% (\$15.5 million) compared to the FY 2024-25 Adopted Budget of \$259.8 million, driven by a 7.3% increase in General Fund operating expense, a 4.4% increase in Other Funds operating expenses, a 15.5% increase in the City's Capital Improvement Program while offset by a 5.4% increase in projected revenues. This increase in capital spending is due to the continued investment in the City's infrastructure specifically in Safe Routes to Schools Improvements, Street Preventative Maintenance, and Sidewalk Improvements. Funding for the Capital Budget of \$21.1 million supplements \$117.1 million in carryover from FY 2024-25 to FY 2025-26 to continue work on ongoing projects. This budget recommends staffing levels increases by 3.0 FTE for a total authorized staffing of 655.50 FTE in FY 2025-26. Additional staffing recommended will support City Council priorities to increase the quality of services across the City, expand programs such as Permit Services to increase its effectiveness and restructure the Airport and Economic Development Divisions to advance programming needs while preparing for future growth.

Additional Budget Considerations

While not programmed in this budget, staff would like to discuss and receive feedback on additional recommendations for inclusion in the FY 2025-26 Adopted Budget.

Fire Department – The addition of 1.0 FTE Deputy Fire Marshall is expected to be offset with additional revenue resulting from the Monterey County Hazardous Response Team reimbursement.

Police Department – The addition of 2.0 FTE (Community Outreach Specialist and Administrative Analyst) Limited- Term positions changes to reflect them in the Police Department as permanent positions.

Community Development – Staff anticipates additional capacity will be needed to support the increased workload to include additional plan reviews resulting from development in the future growth area and seeks input from City Council on this matter.

Rental Assistance – The Proposed Budget includes \$200,000 for a rental assistance program however, staff will be recommending the addition of another \$300,000 to provide more capacity based on Council direction and discussions around housing. The total amount of \$500,000 will be programmed in the Adopted Budget. Staff continues to work on the development and guidelines for a rental assistance program that will produce a responsible, effective, and equitable distribution of funds to those requiring financial assistance.

Additional Investment in Capital Improvement Projects – Transportation Funds

While not included in the Proposed Budget, staff is formulating a plan for the use of fund balance for the various transportation funds and is recommending the following:

\$1.0 million to sidewalks (CIP 9720) – Allows for expansion of the annual sidewalk repair program throughout the City and would continue to address uneven sidewalks.

\$1.0 million to Americans with Disabilities Act (ADA) curb ramps (CIP 9618) - Federal regulations require improvement of ADA ramps in order to perform pavement improvements. This additional funding would construct an additional 90-100 curb ramps throughout the City where none currently exist.

\$2.0 million 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). Environmental clearances are required to analyze any environmental impact a project may have at both the state (CEQA) and federal (NEPA) levels. Phase 1, McKinnon intersection, is currently under construction. Phase 2A, El Dorado Intersection, requires \$1.4 million for design. Phase 2B, Natividad, requires \$600,000 to complete environmental mitigation.

\$6.0 million to Abbott Street (CIP 9981) - Preliminary pavement testing has been completed. Funding would allow for in-house design and construction of the project. Abbott Street is included in years 2 and 5 of the 5-Year Pavement Preservation Street List. The current funding for CIP 9981 is insufficient to complete Year 2 projects (FY 2025-26). This funding would allow Abbott Street to be completed as part of the FY 2025-26 improvements.

The below table identifies the FY 2025-26 estimated fund balance for Gas Tax, Measure X, and State Bill 1 – Road Repair & Accountability Act (SB1).

	Gas Tax	Measure X	SB1	Total
Estimated Fund Balance at June 30, 2025*	\$ 2,587,624	\$ 9,298,683	\$ 3,125,759	\$ 15,012,066
Revenue	4,715,400	6,021,700	4,387,000	15,124,100
Transfer Out General Fund	(2,095,000)	-	-	(2,095,000)
Transfer Out Storm Sewer (NPDES)	(170,000)	-	-	(170,000)
Measure X Bonds Debt Service	-	(2,340,100)	-	(2,340,100)
<i>Projects:</i>				
ADA Traffic Signal Upgrades	(50,000)	-	-	(50,000)
Alisal Airport Multi-Use Trail	-	(50,000)	-	(50,000)
Annual Pavement & Sidewalk Maintenance	(175,000)	-	(1,500,000)	(1,675,000)
Asset Management CCTV	(58,000)	-	-	(58,000)
Bicycle Lane Installations	(25,000)	-	-	(25,000)
Boronda Rd Congestion Relief	(100,000)	(500,000)	-	(600,000)
Bridge Maintenance Program	-	(50,000)	-	(50,000)
Congestion Management Agency	(55,000)	-	-	(55,000)
Geographic Information Systems	-	(35,000)	-	(35,000)
John Street/William Rd Safe Routes to School	(250,000)	(250,000)	-	(500,000)
No Parking/Street Sweeping Signage Program	-	(400,000)	-	(400,000)
Pedestrian Safety Improvements	(20,000)	(250,000)	-	(270,000)
San Juan Grade Rd Sidewalk & Streetlights	-	(7,000)	-	(7,000)
Santa Rita Storm Channel	-	(50,000)	-	(50,000)
Sidewalk & Drainage Improvements	-	(750,000)	-	(750,000)
Storm Sewer Drainage Repairs	(58,000)	(58,000)	-	(116,000)
Street Median Landscaping	(50,000)	-	-	(50,000)
Street Preventative Maintenance Program	(500,000)	(2,500,000)	(2,500,000)	(5,500,000)
Streetlight Installation	-	(500,000)	-	(500,000)
Striping & Signing Improvements	-	-	(300,000)	(300,000)
Traffic Calming Improvements	-	(200,000)	-	(200,000)
Traffic Signal Installations & Upgrades	(570,000)	-	-	(570,000)
Williams Rd Streetscape & Safety Improvements	-	(250,000)	-	(250,000)
Williams Road UD	(150,000)	-	-	(150,000)
Total Recommended Allocations	(4,326,000)	(8,190,100)	(4,300,000)	(16,816,100)
Estimated Ending Fund Balance at June 30, 2026	\$ 2,977,024	\$ 7,130,283	\$ 3,212,759	\$13,320,066

*Final amount determined will be in the Adopted Budget.

Conclusion

With significant uncertainties ahead, the FY 2025-26 Proposed Budget provides the Council and the community a sense of fiscal discipline and precaution as we look towards 2026. This budget invests in community needs and prioritizes enhancing City services that the residents expect

through balanced conservative fiscal strategies. This budget makes progress towards addressing Council's 2025 Priorities and priority objectives. It focuses on maintaining services and financial stability. Concurrently, staff is proactively planning reserves, enhancing City services and developing contingency plans. Staff looks forward to the budget conversations with City Council.

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 Proposed Operating and Capital Budgets total \$275,277,037.

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