



**CITY OF SALINAS
STAFF REPORT**

DATE: MARCH 24, 2026

DEPARTMENT: FINANCE

FROM: RENE MENDEZ, CITY MANAGER
SELINA ANDREWS, FINANCE DIRECTOR

TITLE: FISCAL YEAR 2025-26 MID-YEAR BUDGET REVIEW &
SUPPLEMENTAL APPROPRIATION REQUESTS

RECOMMENDED MOTION:

Staff recommends that the City Council take the following actions regarding the Fiscal Year 2025-26 Mid-Year budget performance review.

1. Receive FY 2025-26 Mid-Year budget performance review; and
2. Authorize budget adjustments as recommended in the budget performance review.

EXECUTIVE SUMMARY:

The Fiscal Year (FY) 2025-2026 Adopted Operating and Capital Budgets for the City of Salinas totaled \$285.0 million. With this funding, the City continues delivering a wide range of services to Salinas' residents and businesses. The Adopted Budgets focused spending on critical community services and maintained existing services levels, enhanced service delivery in limited areas, and invested in the City's infrastructure.

Staff is closely monitoring the City's budget across over 150 funds to ensure that current year revenues and expenditures are on pace to meet expectations, which is necessary to maintain budget stability and avoid service disruptions in any given year. Through the first six months of FY 2025-26, economic conditions and many revenue categories are performing generally at or slightly above expectations, and overall expenditures are tracking at or below authorized levels.

BACKGROUND:

The City's Fiscal Year 2025-26 operating and capital budgets were adopted on June 17, 2025. After budget adoption each year, the City reviews and analyzes its revenues and expenditures compared to the adopted budget and reports its findings to City Council. The FY 2025-26 budget was adopted by balancing revenues with expenditures, however over the course of the fiscal year, through Council actions, additional expenditures have been appropriated.

The annual Adopted Budget is a financial plan predicated on the best information available at the

time it is prepared. As with any budget, however, changing conditions create the need to modify the original plan and staff have designated mid-year as the appropriate time to perform a comprehensive review of the current year's budget, and the Mid-Year Budget Review as the appropriate vehicle for consideration of any revisions to the budget. This Mid-Year Budget Review Report contains a comprehensive review of the status of the City's FY 2025-26 Operating Budget as modified through December 2025.

The Mid-Year Budget Review includes the following sections:

Section I. Economic Update – The economic update on federal, state, and local trends provides context for the Fiscal Year 2025-26 Mid-year Budget Status Report.

Section II. General Fund Status Review – A review of the General Fund revenues and expenditures through Mid-Year.

Section III. Selected Capital Projects Status Report – A review of selected capital projects that are being recommended for reallocation and de-appropriation.

Section IV. Fund Balance Review – The table details the General Fund balance, necessary technical adjustments, items approved within the fiscal year and recommended Mid-Year Actions.

Section V. Recommended Budget Adjustments and Clean-up/Reallocate Actions – The recommended budget adjustments and clean-up actions detail the proposed budget increase/reductions in the General Funds, Other Funds, and Capital Projects.

Section VI. Financial Forecast – This is a financial budgeting tool that analyzes and anticipates trends, opportunities, and potential challenges.

Section VII. FY 2026/27 – FY 2027/28 Operating and Capital Improvement Program (CIP) Budgets – Introduction to the City's new biennial (2-year) budget process for both operating and CIP.

On March 17, 2025, staff presented this report to the Finance Committee. Committee members supported staff's recommended budget adjustments and clean-up/re-allocation actions as detailed in the report and moved the item forward to City Council.

DISCUSSION:

ECONOMIC UPDATE

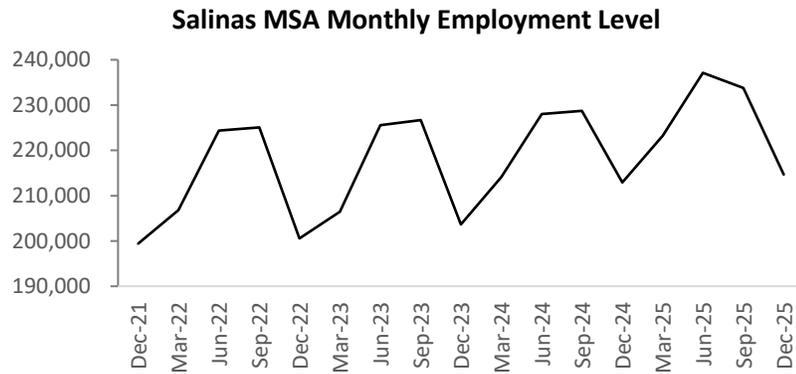
Calendar year 2026 has remained resilient despite ongoing economic uncertainty and market volatility. Recent data from the U.S. Department of Commerce shows that consumer spending remains the primary driver of economic growth. Consumer spending, which represents roughly 70% of the nation's Gross Domestic Product (GDP), grew at a healthy pace of 3.5% during the July through September 2025 period, contributing to an annualized GDP growth rate of 4.4%. This represents the strongest growth rate seen since mid-2023. Despite this positive momentum, several

risks and uncertainties remain. Inflation continues to concern the Federal Reserve, as consumer prices remain elevated compared with pre-pandemic levels.

Recent publications from the Federal Reserve Bank of St. Louis noted the multifaceted economic uncertainty in the U.S – citing its influence by various factors such as geopolitical risks, inflationary concerns, and trade policy. The conflict in the Middle East involving the U.S., Israel, and Iran has rapidly shifted the narrative for financial markets and the path forward for the U.S. economy. From a market standpoint, the most notable impact has been on energy markets, where crude oil prices moved sharply higher on concerns over potential supply disruptions and elevated geopolitical risk premiums. Oil prices have surged to approximately \$87-\$90 per barrel, the highest level since mid-2024. The Supreme Court’s ruling on tariffs has created uncertainty for businesses and U.S. trading partners – leading to uncertainty for companies. In terms of economic growth, the U.S. economy faces challenges due to a volatile tariff agenda and unresolved trade agreements with partners.

These factors contribute to a complex and uncertain economic landscape, affecting not only the U.S. economy but also global markets and international trade relations. Investors and businesses must navigate these uncertainties carefully to make informed decisions.

The December 2025 employment level of 151,700 in the Salinas Metropolitan Statistical Area (Salinas MSA) grew slightly by 100 jobs. This net increase includes professional and business services eliminating 100 jobs and construction eliminating 5,300 jobs and information eliminating 1,100 jobs. Conversely, education and health services added 4,900 jobs and leisure and hospitality added 1,500 jobs.

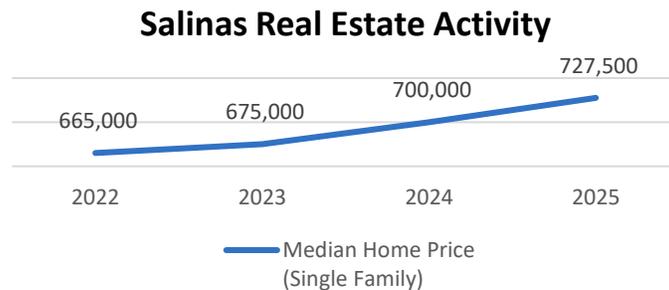


Due to the United States federal government shutdown that occurred from October 1, 2025 to November 12, 2025, the October 2025 employment data is unavailable.

Unemployment Rate (Unadjusted)			
	Dec. 2024	Nov. 2025	Dec. 2025**
Salinas Metropolitan Statistical Area*	8.5%	6.7%	9.1%
State of California	5.2%	5.4%	5.1%
United States	3.8%	4.3%	4.1%
* Bureau of Labor Statistics Data **December 2025 estimates are preliminary and may be updated			

The local unemployment rate for December 2025 was 9.1%, which is higher than the November 2024 rate of 6.7% and the prior year unemployment rate of 8.5%. The December 2025 Salinas Metropolitan Statistical Area unemployment rate continues to be significantly higher than the unadjusted unemployment rate for the State (5.1%) the national rate (4.1%). Given that Salinas is an agricultural community, the unemployment rates at the close of the calendar years are typically at higher levels. Unemployment rates ranging from 4.9% to 7.8% are experienced during the height of the season, which is generally between April and September.

Per the City’s property tax consultant HdL Coren & Coren, the median sale price of Salinas detached single-family homes from January through September 2025 was \$727,500 which was 3.9% more than 2024 price of \$700,000. In 2022, the growth in price was 6.4%. In 2023, the price of homes increased an additional 1.5%, followed by 3.7% in 2024 and 3.9% in 2025 (through September).



Economic conditions will continue to be closely monitored and are factored into the 2027- 2031 General Fund Five-Year Forecast, and the upcoming releases of both the Proposed Operating and Capital Budgets, scheduled to be released on May 19, 2026 and June 16, 2026, respectively.

GENERAL FUND STATUS REVIEW

Revenue Analysis

Overall, General Fund revenues through December 31, 2025, totaled \$93.5 million or 50.7% of the budgeted projections. A revenue summary of the General Funds is provided below, including a detailed look at the four major revenue types. It is important to note that the Other Revenues and Charges for Services categories are trending lower than the expected budgeted amounts. There are a lot of factors affecting the receipts for these revenue categories and they will be monitored through the end of the fiscal year.

Table 1

Revenue Type	Budget	Actual	% of Budget
Sales and Use Tax	91,015,000	49,470,031	54.4%
Property Tax & VLF	41,531,000	21,706,168	52.3%
Utility Users Tax	14,003,000	7,884,714	56.3%
Other Revenues	15,882,000	5,301,608	33.4%
Franchise Fees	10,181,000	4,665,496	45.8%
Transient Occupancy Tax	3,119,000	1,810,723	58.1%
Charges for Services	6,342,260	1,403,934	22.1%
Total General Revenue	182,073,260	92,242,675	50.7%
Transfers In	2,478,700	1,239,350	50.0%
Grand Total	184,551,960	93,482,025	50.7%

Sales and Transactions & Use Tax (General, Measures E and G)

Sales and use tax is the largest revenue source for the City’s General Funds, accounting for 49% of the budgeted General Funds projected revenues for FY 2025-26. The City currently receives 2.5% of every 9.25% of sales tax paid per dollar on retail sales and taxable services transacted within Salinas, which includes Measures E and G. Measure E accounts for a half percent (0.5%) and was extended with no ending date on November 6, 2012 while Measure G accounts for one percent (1.0%) and was approved on November 4, 2014 for 15 years.

Sales tax estimates are based on actual sales tax data and annual sales tax estimates for five years are provided by the City’s consultant, Hinderliter, de Llamas & Associates (HdL). In addition to the brick-and-mortar sales tax generation, HdL estimates include several online sales tax projections. Regular sales tax collected through online transactions are distributed through the Monterey County pool for which the City receives a pro-rate share of the sales tax generated in the County for that particular quarter. Total annual sales tax estimates include \$39.3 million in proceeds from regular sales tax and \$34.5 million in proceeds from Measure G (one cent) and \$17.2 million from Measure E (one-half cent). Actual receipts net of administrative fees collected by the State will be confirmed at the close of the fiscal year.

On December 31, 2025, sales and transactions and use tax revenues total \$49.5 million and are tracking at 54.4% of the budgeted amounts. This revenue category is tracking higher than projected, however, an adjustment to the current year revenue estimates is not recommended at this time. Staff will continue to monitor sales and transactions and use tax receipts and if the trend continues, recommend adjustments towards the end of the fiscal year.

Property Tax and Motor Vehicle in Lieu Fee (VLF)

Property tax and VLF are the second largest revenue source for the City and comprise approximately 23% of total City General Funds estimated revenues for FY 2025-26. Property and VLF tax estimates are based on property tax data provided by HdL. Property tax is levied by the

Monterey County Assessor's Office at 1% of a property's assessed value, of which the City receives approximately \$0.1466 cents per dollar paid on property located within the municipal limits of Salinas. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor thereafter. However, when property changes hands or new construction occurs, property is then reassessed at its current market value.

Monterey County provides property tax collection updates and projections throughout the year. The current amount received for the first six months of the year is slightly ahead of pace compared to the adopted budget. This includes Redevelopment Agency (RDA) Residual Apportionment, VLF allocation, secured property tax estimates, property transfer tax, and the Educational Revenue Augmentation Fund (ERAF) estimates.

On December 31, 2025, property tax revenues total \$21.7 million and are tracking at 52.3% of the budgeted amounts. Property tax distributions are largely received in the second and fourth quarters. Historically, second quarter receipts trend slightly higher than those received during the fourth quarter of a given fiscal year. Based on current County projections, staff do not expect a change in the budgeted General Property Tax and Vehicle in Lieu Fee.

Utility User Tax (UUT)

UUT are utility taxes which cities may impose on users' consumption of certain utility services and consist of 8% of the City's General Funds revenue. Salinas voters passed Measure H in the November 4, 2014 election to reduce the tax on telecommunications and video users from 6% to 5% and modernized the ordinance to include wireless and other technologies. Salinas' population has a direct correlation with UUT as it's tied to utility usage.

On December 31, 2025, utility user tax revenues total \$7.9 million and are tracking at 56.3% of the budgeted amounts. Based on current projections of this revenue category, staff recommend increasing UUT revenue budget by \$1,755,000. Staff will continue to monitor utility users' tax receipts through the end of the fiscal year.

Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Salinas, and as a fee in lieu of a business license tax. Franchise fees are currently received for gas, electric services, recycling, solid waste collection, and video services. Franchise fees represent 5% of projected General Funds revenues in FY 2025-26.

On December 31, 2025, franchise fee revenues total \$4.7 million and are tracking at 45.8% of the budgeted amounts. Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, second quarter receipts are not necessarily predictive of future receipts. Total franchise fee revenues are trending slightly higher than the prior year. Due to the remittance timing, staff does not recommend a change to this revenue source at this time.

Expenditure Analysis

For FY 2025-26, General Funds Operating expenditures (not including transfers out) are programmed at \$166.2 million. The delivery of City services is highly dependent on personnel, which comprises 68.1% of budgeted General Funds expenditures for FY 2025-26. During the fiscal year, City Council approved several budget adjustments, which are tracked against the Adopted Budget. The net effect is an Amended Budget. Most General Funds expenditure totals are trending in accordance with or below the Amended Budget, with total operational expenditures at the end of the second quarter at approximately 46.6% of the Amended Budget.

With six months of data now available, staff expect that the next six months of expenditures will need to be amended as identified in this Mid-Year review. If additional unexpected costs occur, they will require future Council action.

As with most municipalities, services are provided directly by employees to the City’s residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the budget. Mid-year actual salaries and benefits are trending at 47.0% of the budget amount for personnel costs, only slightly behind the benchmark at this point in the fiscal year (12.5 out of 26 pay periods, or 48%). Supplies and services are only at 37.7% of the budgeted amount at the midway point of the fiscal year. These figures, however, do not include encumbrances or funds designated for future purchases. Departments will continue to spend their remaining budgets over the next six months, with heavier spending historically occurring towards the end of the fiscal year. Non-Departmental expenditures, including debt service, are ahead of pace due to principal and interest payments paid in the first half of the year and only interest in the second half.

Two expenditure tables of the General Funds are provided below. One consists of Citywide salaries & benefits and supplies & services (**Table 2**); the second identifies how each department is trending compared to budgeted amounts (**Table 3**).

Table 2

Category	Budget	Actual	% of Budget
Salaries & Benefits	129,142,199	60,757,134	47.0%
Supplies & Services	37,103,097	13,990,612	37.7%
Total General Expenditures	166,245,296	74,747,745	45.0%
Operating Transfers Out	23,486,478	13,682,450	58.3%
Grand Total	189,731,774	88,430,195	46.6%

Table 3

Department	Budget	Actual	% of Budget
Police	65,712,929	29,303,173	44.6%
Fire	33,440,527	15,333,911	45.9%
Public Works	15,647,818	6,562,368	41.9%
Recreation	9,556,315	3,993,485	41.8%
Finance	8,697,622	3,577,478	41.1%
Community Development	8,075,179	2,980,914	36.9%
Library	6,524,335	2,854,829	43.8%
Administration	3,048,674	1,479,862	48.5%
Human Resources	2,326,387	1,092,867	47.0%
City Attorney's Office	1,064,254	467,401	43.9%
City Council	622,509	292,160	46.9%
Total General Expenditures	154,716,548	67,938,449	43.9%
Non-Departmental Expenditures			
Non Dept/Transfers	23,486,478	13,682,450	58.3%
Non Departmental	11,528,747	6,809,297	59.1%
Total Non-Departmental	35,015,225	20,491,747	58.5%
Grand Total	189,731,774	88,430,195	46.6%

SELECTED CAPITAL PROJECTS STATUS REPORT

A comprehensive review of all current Capital Projects funded by the General Funds and Road Improvement Funds within the Capital Improvement Program was conducted and a series of recommended de-appropriations and reallocations are summarized here and detailed in **Section V, Recommended Budget Adjustments and Clean-up Actions of this report.**

There is approximately \$7.0 million in unexpended and unencumbered CIP funded by the General Fund, \$8.5 million funded by Measure E, and \$ 8.2 million funded by Measure G, for a total of \$23.7 million as shown in **Table 4.** Staff recommend reallocating \$2,287,735 to other CIP projects that need additional funding to move forward and de-appropriating \$52,690, mostly due to projects being completed as included in **Table 9** of this report. Any de-appropriation will result in the budget going back to the originating fund. For example, if Measure E funded a CIP project and the budget is de-appropriated, the unspent budget will be returned to Measure E fund balance for future use.

Within the Roads Funds, there is approximately \$13.2 million in Transportation & Safety Tax (Measure X), \$5.5 million in Senate Bill 1 (SB1), and \$8.1 million in Gas Tax in unexpended and unencumbered CIP, for a total of \$26.8 million, also shown in **Table 4.** Staff recommend reallocating \$1,413,528 to other CIP projects that need additional funding to move forward and de-appropriating \$15,000, included in **Table 9.**

Table 4

Fund	Balance
General Fund	7,012,816
Measure E	8,532,020
Measure G	8,150,701
Measure X	13,191,733
SB1	5,499,513
Gas Tax	8,138,388
Total	50,525,170

Table 5 details the remaining unexpended and unencumbered budget in all Citywide CIPs at December 31, 2025 by category. A balance of \$74.3 million is available halfway through the fiscal year for all funding sources.

Below are examples of what projects are included in the various categories.

Streets & Sidewalks: includes CIPs such as Pavements Improvements, Boronda Road Congestion Relief, Annual Pavement and Sidewalk Maintenance, and Sidewalk Improvements.

Infrastructure: Industrial Waste Lift Station, Storm Sewer Improvements, Sanitary Sewer Equipment, and Bridge Maintenance.

Recreation and Parks: District 5 Recreation Center, Firehouse Recreation Center, Hebbron Family Center, and various parks Citywide.

Pedestrian and Traffic Safety: Traffic Signal Installation, Streetlight Installations, Traffic Calming Improvements, and School Safety Enhancements.

City Facilities: Fire Station Repairs, EV Charging Infrastructure, Monterey Garage Improvements, and various projects at the Airport.

Other: Street Trees, Contamination Mitigation, No Parking Signage, and Residential Permit Parking.

Housing and Homelessness: Chinatown Navigation Center Sprung Shelter, Chinatown Revitalization Plan, and the Permanent Homeless Shelter.

Technology: Permit Center Technology Upgrade, Geographics Information Systems, Fire Station Alerting System, and Video Data System Architecture.

Table 5

Category	Balance
Streets & Sidewalk Improvements	26,489,583
Infrastructure	16,131,029
Recreation & Parks	13,824,399
Pedestrian & Traffic Safety	8,797,368
City Facilities	2,514,316
Other	2,341,492
Housing & Homelessness	2,279,071
Technology	1,891,886
Total	74,269,144

FUND BALANCE REVIEW

Table 6 identifies the unassigned General Funds fund balance as confirmed by the 2025 Annual Comprehensive Financial Report (ACFR) at \$20.4 million. This is the amount not committed or assigned for other purposes, such as the Economic Contingency Reserve, Infrastructure Reserve, or capital project carryover.

Approximately \$380,000 was used to balance the FY 2025-26 budget. On June 30, 2025, several City funds were projected to be in deficit, due to fact that they not generate and/or receive sufficient revenue, and therefore in need of General Fund assistance. Had the 2025 ACFR unassigned fund balance been available at the time the FY 2025-26 budget was being developed, staff would have been able to fully support the funds. This support reduces the projected fund balance to \$13.9 million.

Further, through current year Council action, subsequent appropriations have been approved including the addition of two positions in the Police Department and the purchase of two fire apparatuses, netted against the proceeds from the sale of City property at 342 Front Street. Three public safety labor agreements and a re-organization in the Public Works Department have been approved and are pending appropriations, which are also included in this mid-year recommended action. Certain funding for urgent facility repairs and the Mobile Crisis Unit budget were approved to carry over to the current fiscal year. All these actions further reduce the projected fund balance to \$11.4 million.

Additional expenditure and revenue appropriations are being recommended and detailed in **Section V, Recommended Budget Adjustments and Clean-up/Reallocate Actions** of this report. These include various personnel, non-personnel, and CIP requests which are partially offset by Utility User Tax revenue adjustments, CIP de-appropriations, and a lease revenue transfer, leaving the fund balance at \$9.6 million.

The funds noted after the mid-year recommendations account for programs that have operating expenditures and no revenue source absent General Fund contributions. The amounts represent the projected contribution necessary to balance the first year of the Biennial Budget (FY 2026/27 – 2027/28). The FY 2027/28 amounts will be identified at the annual review, midway through the Biennial Budget therefore further reducing the projected unassigned fund balance. Given all

the necessary adjustments and recommended actions to ensure the City is appropriately accounting for all of its General Fund obligations, the projected beginning fund balance on July 1, 2026, is \$2.7 million. Staff will continue to monitor funds and update the projected unassigned fund balance throughout the remainder of the fiscal year.

Table 6

FY 24-25 Unassigned GF Fund Balance per ACFR	20,420,247
FY25-26 Use of Fund Balance to Balance FY2025-26 Budget	(379,086)
Projected - Deficit Funds:	
Emergency Medical Services	(95,990)
Traffic Safety	(9,580)
Storm Water (NPDES)	(1,689,200)
Downtown Parking	(2,928,140)
Property Insurance	(79,590)
Fleet Maintenance	(1,382,100)
Revised Projected Fund Bal	13,856,561
Approved by Council in current FY:	
LCS Carryover, Mobile Crisis, PD positions, Fire Apparatus	(1,356,360)
POA Labor Agreement 12/9/25	(662,546)
PMA Labor Agreement 12/9/25	(203,950)
FSA Labor Agreement 1/13/26	(55,842)
PW Re-Organization 1/13/26	(181,734)
Est Fund Bal at June 30, 2026	11,396,129
Mid-Year Recommendations:	
Department Personnel Requests	(202,500)
Department Non-Personnel Requests	(3,518,350)
Department CIP Requests	(277,200)
Utility User Tax (UUT)	1,755,000
CIP De-Appropriation	52,690
Lease Revenue Transfer	399,858
Est Fund Bal at June 30, 2026	9,605,627
Projected FY2026-27 Contribution - Deficit Funds:	
Storm Water (NPDES)	(3,525,449)
Downtown Parking	(317,689)
Fleet Maintenance	(3,018,818)
Fund Bal at July 1, 2026	2,743,671

RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP/REALLOCATION ACTIONS

Table 7

General Fund	Source	Use
Revenue Adjustments		
Utility Users Tax	1,755,000	
Lease Revenue Transfer	399,858	
Transfers to Deficit Funds		
Emergency Medical Services		95,990
Traffic Safety		9,580
Storm Water (NPDES)		1,689,200
Downtown Parking		2,928,140
Miscellaneous Insurances (Property)		79,590
Fleet Maintenance		1,382,100
Approved Labor Agreements/Workforce Adjustments		
POA Labor Agreement - approved by Council 12/9/25		662,546
PMA Labor Agreement - approved by Council 12/9/25		203,950
FSA Labor Agreement - approved by Council 1/13/26		55,842
PW Re-Organization - approved by Council 1/13/26		181,734
Personnel Adjustments		
Public Service Maintenance Worker II (2.0 FTE)		59,900
Public Service Maintenance Worker III (1.0 FTE)		32,200
Emergency Vehicle Upfitter (1.0 FTE)		36,900
Payroll Supervisor (1.0 FTE)		30,300
Economic Development Analyst - unfreeze (1.0 FTE)		43,200
Supplemental Appropriations		
City-wide Utilities		1,051,350
Measure G renewal consulting services		150,000
Love's Sales Tax Incentive		240,000
Replenish Budget Stabilization		1,000,000
Labor Contract Negotiations		30,000
Security - City Hall		40,000
Reclassification Study		20,000
Background Checks		25,000
Code Enforcement-Civica Law		75,000
Vehicle Maintenance - Parts		80,000
Vehicle Maintenance - Services		40,000
Fuel - Fire		20,000
Asset Management Software		48,000
Urban Forestry Contract		504,000
Homeless Encampment Cleanup		150,000
Work Truck for encampment cleanup position		45,000
CIP Appropriations/Deappropriations		
65 W Alisal Improvements		277,200
West Wing Fire Dept. Renovation (9300)	320	
Fire Hydrant Repairs (9411)	1,343	
Fire Safety Gear & Equipment (9527)	413	
Soccer Field Cesar Chavez Park (9005)	31	
Geographic Information Systems (9161)	2	
Improvements at City Facilities (9331)	112	
Reroof Public Buildings (9718)	469	
342 Front Street (9240)	50,000	
Total Recommended Adjustments	2,207,549	11,286,722

Table 8

Other Funds	Source	Use
Revenue Adjustments		
Cash Transfer to Emergency Medical Services	95,990	
Cash Transfer to Traffic Safety	9,580	
Cash Transfer to Storm Water (NPDES)	1,689,200	
Cash Transfer to Downtown Parking	2,928,140	
Cash Transfer to Miscellaneous Insurances (Property)	79,590	
Cash Transfer to Fleet Maintenance	1,382,100	
Board-up services - code enforcement	100,000	
Sanitary Sewer Revenue	6,280,000	
Supplemental Appropriations		
Utilities		22,800
Lease Revenue Transfer		399,858
Board-up services - code enforcement		100,000
Employee Physicals		20,000
Cybersecurity		100,000
RRR RSO Refunds		1,097,788
Administrative Overhead		505,000
MRWPCA Wash Water Diversion		300,000
Pump Rental for Industrial Waste		25,000
Consultant for design of sewer projects		600,000
CIP Appropriations/Deappropriations		
65 W Alisal Improvements		164,700
Sewer Equipment		78,600
Fleet Consolidation Replacement (9226)	15,000	
Total Recommended Adjustments	12,579,600	3,413,746

Table 9

CIP Reallocation	Amount
ED Element Implementation (9136) to Economic Development	200,000
Restroom Replacement (9048) to Parks Maintenance	40,000
Athletic Field Repairs (9737) to Parks Maintenance	44,691
Police Vehicle Replacement (9579) to Vehicle Replacement Fund	32,616
Fire Command/Staff Vehicles (9210) to Vehicle Replacement Fund	22,937
Fire Vehicle Apparatus Replacement (9540) to Vehicle Replacement Fund	3,362
Street Maintenance Equipment Replacement (9030) to Vehicle Replacement Fund	9,642
Street Maintenance Vehicle Replacement (9110) to Vehicle Replacement Fund	35,000
IWTF Flood Damage Repairs (9368) to Vehicle Replacement Fund	58,810
Alisal Safe Routes to School (9360) to City Cleanup Program (9068)	998
Alisal Safe Routes to School (9360) to ADA Transition Plan (9618)	594
Alisal Safe Routes to School (9360) to City Hall Improvements (9612)	95,574
IWTF Flood Damage Repairs (9368) to Sidewalk & Drainage Repairs (9720)	218,675
IWTF Flood Damage Repairs (9368) to Pavement Improvements (9981)	218,675
IWTF Flood Damage Repairs (9368) to Salinas Storm Water Management (9321)	135,210
IWTF Flood Damage Repairs (9368) to City Hall Improvements (9612)	190,601
IWTF Flood Damage Repairs (9368) to IW Treatment Facility Repairs (9794)	197,185
Salinas Dry Weather Storm (9075) to City Hall Improvements (9612)	30,580
Streets Trees (9105) to Tree Planting - Forest Mgmt Plan (9043)	3,750
Corp Ud Storm Drain NPDES (9138) to City Hall Improvements (9612)	14,760
Boiler Replacement (9147) to City Hall Improvements (9612)	61,322
Active Transportation Plan (9349) to City Hall Improvements (9612)	97,686
Garner Street Improvements (9503) to Monterey Garage Improvements (9395)	49,891
Tennis Court Improvement (9022) to Playground Improvements at Parks (9060)	262,691
Rec Center Improvements (9191) to Playground Improvements at Parks (9060)	125,000
Cesar Chavez Trail (9361) to Playground Improvements at Parks (9060)	24,882
Northgate Dog Park (9366) to District 5 Recreation Center (9342)	75,000
Closter Park Improvements (9451) to Closter Park Revitalization (9350)	37,602
Alisal Airport Multi-Use Trail (9034) to Striping & Signing Improvements (9081)	120,000
Street Maint Vehicle Replacement (9110) to Striping & Signing Improvements (9081)	21,318
Sanborn Rd/US 101 Impvts- Ag Ind Center (9117) to Striping & Signing Impr (9081)	17,402
San Juan Grade Rd Impr (9080) to San Juan Grade Rd Sidewalk & Lights (9363)	219,036
Street Tree Trimming (9237) to Tree Planting - Forest Mgmt Plan (9043)	6,788
T/S Buckhorn and Sanborn (9280) to Striping & Signing Improvements (9081)	50,500
Asset Management CCTV (9288) to Storm Sewer Drainage Repairs (9139)	206,725
Tree Stock & Material (9016) to Tree Planting - Forest Mgmt Plan (9043)	270,500
Pedestrian Crossing Enhancement (9188) to Pedestrian Safety Impr (9391)	68,660
Bridge Maintenance Program (9266) to City Bridges Rehab (9255)	4,310
Active Transportation Plan (9349) to Striping & Signing Improvements (9081)	6,660
Traffic Signal Coordination (9431) to Traffic Signal Installation (9654)	21,629
Pedestrian Safety Improvements (9391) to Harden Parkway Path and SRTS (9367)	400,000
Total	3,701,263

Table 10

CIP Reallocation by Fund	Amount
General Fund	1,139,075
Measure E	202,582
Measure G	946,078
Measure X	524,115
Gas Tax	889,413
Total	<u>3,701,263</u>

Recommended revenue and expenditure budget adjustments for all funds are identified and detailed below, beginning with the General Funds.

General Funds - Revenue

Utility User Tax (\$1,755,000): Increase Utility User Tax estimate by \$1,755,000 to reflect updated revenue projections based on current receipts and additional analysis relating to increases in utilities.

Lease Revenue Adjustment (\$399,858): This is a technical adjustment for a cash transfer of \$399,858 from BSCC Grant to the General Fund to adjust the lease revenue category for City owned facilities.

General Fund - Expenditures

Emergency Medical Services (\$95,990): A cash transfer from the General Fund is required to bring this fund out of the deficit. Historically the fund was used to record County Service Area (CSA) 74 revenue from the County and pay for various EMS related expenditures such as a portion of salaries and equipment. This fund is currently being phased into the General Fund, therefore a transfer will not be required as the General Fund will absorb expenditures. This City receives approximately \$140,000 in EMS revenue annually.

Traffic Safety (\$9,580): A cash transfer from the General Fund is required to bring this fund out of the deficit. This fund is currently being used to track and monitor traffic citation revenues received and expenditures are budgeted within this fund to pay for supplies and services related to the program such as monitoring of the red-light cameras. This City receives approximately \$320,000 in Traffic revenue annually.

Storm Water NPDES (\$1,689,200): A cash transfer from the General Fund is required to bring this fund out of the deficit. Historically, expenditures such as personnel and consultant services have been budgeted in this fund without a revenue source, and the fund generally operates with a deficit. Without a General Fund contribution, the fund will continue to operate in the deficit. This City receives approximately \$100,000 in Storm Water revenue annually.

Downtown Parking (\$2,928,140): A cash transfer from the General Fund is required to bring this fund out of the deficit. Historically, this fund has been used to pay for a portion of salaries, supplies, and expenditures related to the LAZ Parking agreement for the Monterey Street garage.

Without a General Fund contribution, the fund will remain in a deficit. This City receives approximately \$525,000 in Downtown Parking revenue annually.

Property Insurance (\$79,590): A cash transfer from the General Fund is required to bring this fund out of the deficit. This fund is used to pay for property insurance premiums and without a General Fund contribution, the fund will continue to operate in the deficit. This City receives approximately \$100,000 in Property Insurance revenue annually.

Fleet Maintenance (\$1,382,100): A cash transfer from the General Fund is required to bring this fund out of the deficit. This fund is used to pay for personnel and supplies and without a General Fund contribution, the fund will continue to operate in the deficit. Over the next two years, staff will begin work on a cost allocation plan to identify these types of funds and charge departments appropriately.

POA Labor Agreement (\$662,456): On December 9, 2025, City Council approved the POA labor agreement through the labor negotiation process. The new labor contract is for two years beginning January 1, 2026, through December 31, 2027. This increase covers the remainder of the fiscal year.

PMA Labor Agreement (\$203,950): On December 9, 2025, City Council approved the PMA labor agreement through the labor negotiation process. The new labor contract is for three years beginning January 1, 2026, through December 31, 2028. This increase covers the remainder of the fiscal year.

FSA Labor Agreement (\$55,842): On December 9, 2025, City Council approved the FSA labor agreement through the labor negotiation process. The new labor contract is for one year beginning January 1, 2026, through December 31, 2026. This increase covers the remainder of the fiscal year.

Public Works Department Personnel Reorganization (\$181,734): On January 13, 2026, City Council approved the Public Works workforce modification which included the addition of a Public Works Division Manager, various reclassifications, and salary adjustments for the Junior Engineer, Assistant Engineer, Associate Engineer, Sr. Civil Engineer, and Deputy City Engineer positions. This increase covers the remainder of the fiscal year.

Public Service Maintenance Worker II – 2.0 FTE (\$59,900): An additional \$59,900 for two (2) Public Service Maintenance Workers II positions to help meet the City’s growing operational demands related to the cleanup and mitigation of homeless encampments. Currently the City has one (1) full-time Public Service Maintenance Worker dedicated to homeless cleanups. The City also receives support through its contract with Smith and Enright, in addition to the Work Alternative Program.

Public Service Maintenance Worker III – 1.0 FTE (\$32,200): An additional \$32,200 for one (1) Public Service Maintenance Worker III to address the cleanup and mitigation of impacts associated with homeless encampments; and enable the deployment of simultaneous cleanup teams improving response efficiency and conditions in impacted areas throughout the City. Currently the City has one (1) full-time Public Service Maintenance Worker dedicated to homeless cleanups. The City also receives support through its contract with Smith and Enright, in addition to the Work Alternative Program.

Emergency Vehicle Upfitter – 1.0 FTE (\$36,900): An additional \$36,900 for one (1) Emergency Vehicle Upfitter to support and sustain the City’s internal police vehicle upfitting program and to help eliminate the backlog of unbuilt units while reducing loss of warranty coverage.

Payroll Supervisor – 1.0 FTE (\$30,300): An additional \$30,300 for one (1) Payroll Supervisor to cross-train and ensure business continuity in Citywide Payroll. This ensures the City is prepared to monitor and manage updated state labor compliance laws, tax laws, pension plans, deferred compensation, numerous labor related vendors, and routine day to activities. Any of these activities can cause disruptions in the day-to-day process and adding capacity would ensure the City is preparing for unexpected disruptions rather than reacting which in most cases exacerbate disruptions.

Economic Development Analyst – 1.0 FTE, unfreeze (\$43,200): An additional \$43,200 to unfreeze one (1) Economic Development Analyst to support the economic development division and align with current council priorities. This position will support the department through research, analysis, and coordination of programs aimed at enhancing the local economy. The Analyst is expected to oversee the budget, property management, City assets, lease agreements and related consultant contracts. Increasing capacity will also allow the City to provide direct assistance to businesses, coordinate events, workshops and conduct outreach efforts.

City-wide Utilities (\$1,051,350): An additional \$1,051,350 to cover revised utility expenditures City-wide, including gas, electric, sewage, water, and garbage. The current budgeted amounts are insufficient to cover rising utility costs. In 2023, the California Public Utilities Commission (CPUC) published a letter reviewing utility rates, noting that electric utilities’ operating costs, which they recover through rates, have been increasing with California having the highest utility rates in the country. Although the electric utilities did not consistently track their wildfire mitigation costs as a separate category, these and other emergency-related costs, such as insurance, have also been key factors contributing to the increases in the electric utilities’ operating and overall expenses. The CPUC also noted that the increases in natural gas were due to unusual cold temperatures in early 2021 and early 2022 that created increased national demand; Russia’s invasion of Ukraine, which disrupted the natural gas supply beginning in early 2022. In addition, according to the City’s energy solutions consultant, anticipated utility savings of approximately \$7,000 annually will be realized as a result of the Solar Installation project at the El Gabilan Library and Public Safety Services Building. Once the debt payments have been completed, the City may realize savings up to \$740,000 annually.

Measure G renewal consulting services (\$150,000): An additional \$150,000 for consulting services to assist with scientific polling and community education for the potential renewal of Measure G.

Love’s Sales Tax Incentive (\$240,000): An additional \$240,000 to comply with financial requirements of sales tax incentive agreement. The agreement began for sales tax revenues received quarter ending June 30, 2024 and is for seven (7) years or a maximum remittance of \$1,650,00, whichever comes first.

Replenish Budget Stabilization (\$1,000,000): An additional \$1,000,000 to replenish the budget stabilization account for unanticipated expenditures through the end of the fiscal year. \$1 million was appropriated as part of the FY 25-26 adopted budget, however the amount was exhausted during the first quarter due to allocations to the Chinatown Navigation Center, One Water Roadmap, emergency repairs of the Alisal and Griffen Box Culvert, Aquatic Center repairs, and more. The best practice for a Budget Stabilization account should target a range to cover unanticipated Citywide needs as well as projected revenue shortfalls. Staff will continue to analyze the need for increasing the Budget Stabilization account in the upcoming budget cycle to support unanticipated needs throughout the fiscal year.

Labor Contract Negotiations (\$30,000): An additional \$30,000 to cover outside attorney fees for labor contract negotiations of various labor groups. The City recently completed negotiations with three public safety units and continues with a fourth. City is also currently in negotiations with another labor group.

Security (\$40,000): An additional \$40,000 increase in security services at City Hall. Funding allows for an additional security guard as well as providing morning and afternoon coverage. This contributes to safe work environment for all City employees as well as visitors from the community.

Reclassification Study (\$20,000): An additional \$20,000 for outside consultant costs to assist with an employee reclassification study. The City received over 15 requests for reclassifications and the expense was not funded during budget adoption.

Background Checks (\$25,000): An additional \$25,000 to cover the cost of 15 firefighter backgrounds and 51- partial backgrounds, which cost \$1,400 and \$400 per person, respectively. It can be challenging to anticipate the number of applicants for positions at any given time, therefore additional funding is being requested at this time.

Code Enforcement – Civica Law (\$75,000): An additional \$75,000 to fund outside legal consulting services for high profile cases related to Code Enforcement, including receiverships.

Vehicle Maintenance – Parts, Maintenance, and Fuel (\$140,000): An additional \$80,000 for parts and \$40,000 maintenance and \$20,000 for fuel for front-line fire apparatuses. Current funding levels are insufficient to cover remainder of fiscal year.

Asset Management Software (\$48,000): An additional \$48,000 for asset management software of the City's parks. At this time, all records relating to the maintenance of City parks and playground safety inspections are processed on paper. As outlined in the Parks, Recreation & Libraries Master Plan, asset management programs are a best practice for park operations to help manage current infrastructure and predict future capitol repair and replacement needs. In an effort to improve efficiencies and move to a data driven approach to maintenance planning and budgeting, the Library and Community Service department is seeking to implement CityWorks, a GIS based Asset Management System for parks. This system will allow for an electronic record of all assets (park benches, playground equipment, irrigation, etc.) in each park and maintain a record of all maintenance performed and assist staff in planning for replacement needs through an asset management plan.

Urban Forestry Contract (\$504,000): An additional \$504,000 to maintain service levels for urban forestry efforts City-wide. Specifically, the funding would allow for continued cyclical pruning under the existing City-Wide Tree Maintenance and On-Call Service Contract.

Homeless Encampment Cleanup (\$150,000): An additional \$150,000 to address the growing operational demands related to the cleanup and mitigation of homeless encampments. Additional funds are needed to increase impact on affected areas.

Work truck for encampment cleanup position (\$45,000): An additional \$45,000 to purchase a vehicle for the Public Service Maintenance Worker assigned to homeless encampment cleanups.

65 W. Alisal Building Improvements – CIP 9087 (\$277,200): An additional \$227,200 for building improvements of City Facility located at 65 W. Alisal, including remodeling of office space, restrooms, and plumbing infrastructure.

Other Funds - Revenue

Board-up services (\$100,000): Miscellaneous Insurances. Increase revenue to reflect collection of receipts for code enforcement infractions.

Sanitary Sewer Revenue (\$6,280,000): Sanitary Sewer. The City adopted a FY 25-26 budget of \$3.7 million for sanitary sewer revenue under the existing rates. New Sanitary Sewer rates were approved by Council on September 23, 2025. This increase in revenue reflects the updated revenue projections per the City’s new sewer rates as determined by its consultant.

Other Funds - Expenditures

Utilities (\$22,800): Mira Monte Assessment District and Airport Fund. An additional \$22,800 to cover revised utility expenditures of the Mira Monte Assessment District and Airport Funds, including gas, electricity, sewage, water, and garbage. The current budgeted amounts are insufficient to cover rising utility costs.

Board-up services (\$100,000): Miscellaneous Insurance Fund. An additional \$100,000 for board-up services related to Code Enforcement. This is offset by the revenue collected from code enforcement infractions.

Employee Physicals (\$20,000): Miscellaneous Insurances Fund. An additional \$20,000 to fund employee physicals for new Firefighter positions. The cost for pre-employment and psychological exams is estimated at approximately \$1,175 per applicant. Candidates could be referred for pre-employment and psychological exams due to non-medical clearance.

Cybersecurity (\$100,000): General Liability Fund. An additional \$100,000 related to cybersecurity efforts City-wide. Funding is necessary to address recent cybersecurity breaches.

RRR / RSO Refunds (\$1,097,788): Rental Registration / Rent Stabilization Fund. An additional \$1,097,788 to process refunds for the residential rental registration / rent stabilization program.

Excess revenue over expenditure funds need to be returned to property owners as approved by the Council on February 24, 2026.

Administrative Overhead (\$505,000): Airport, Industrial Waste, Parking Enforcement, and Permit Services Funds. An additional \$505,000 to revise administrative overhead costs of select Enterprise funds. Due to additional analysis and true-up done at year end for the prior year, the current budgeted amounts are insufficient to cover the projected annual costs in each fund.

MRWPCA Wash Water Diversion (\$300,000): Industrial Waste Fund. An additional \$300,000 to divert wastewater to Monterey 1 Water at the Industrial Wastewater Treatment Facility if needed.

Pump Rental for Industrial Waste (\$25,000): Industrial Waste Fund. An additional \$25,000 for equipment rental necessary for Industrial Waste. Staff determined necessary the rental of 4 six-inch portable pumps to aerate the water on pond 1 to mitigate an odor issue.

Consultant for design of sewer projects (\$600,000): Sanitary Sewer Fund. An additional \$600,000 for the Design Plans, Specifications, and Estimate (PS&E) services for identified projects in the City of Salinas Sewer Rate Study dated June 24, 2025.

65 W. Alisal Building Improvements – CIP 9087 (\$164,700): Permit Services Fund. An additional \$164,700 for building improvements of City Facility located at 65 W. Alisal, including remodeling of office space, restrooms, and plumbing infrastructure.

Repairs to Lift Stations – CIP 9743 (\$78,600): An additional \$78,600 for a back-up motor and pump at Lake Street Sewer Pump Station. Due to planned upgrades at the Lake Street Sewer Pump station, one of the 30HP motor and pumps needs to be replaced with a 35HP motor and pump. It is necessary to have a 35HP back-up motor and pump in case of motor and/or pump failure so the facility can operate at full capacity.

FINANCIAL FORECAST

The financial forecast model includes revenues and expenditure projections and are based on the most current information available, taking into account historical trends, current-year performance through mid-year, projected development activity, and scheduled changes in various fees and rates. It is important to note that Measure G is set to expire in 2030. The projected revenue for the measure is represented in both FY 2030-31 columns. One column represents general fund revenue with Measure G and the column farthest to the right represents general fund revenue without Measure G.

The FY 2025-26 and subsequent year expenditure projections include estimated Citywide savings and adjustments to reflect labor agreements, CalPERS pension contributions, retiree healthcare contributions, scheduled debt service payments, and contractual obligations. It is important to note that certain City labor agreements are scheduled to expire within 2026 and therefore salary adjustments are not included in the forecast. Compensation increases for Police Manager's Association, Police Officers Association, and Fire Supervisors Association have been assumed in

FY 2025-26 and subsequent year expenditure projections. It is also important to note that no compensation increases are projected for any labor agreements that have not been negotiated.

As this forecast is preliminary, the expenditures shown on the table represent a “base budget” that delivers the existing level of services with no assumed staffing increases. These expenditure and revenue levels may increase or decrease as the Biennial (FY 2026/27 – FY 2027/28) Proposed Operating Budget is developed with the benefit of additional information, including any recommendations for service level enhancements.

Table 11

City of Salinas 5-Year Financial Forecast	Amended Budget	Projected				with Measure G	without Measure G
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2030-31
Revenues:							
Sales Tax	\$91,015,000	\$93,845,567	\$96,764,164	\$99,773,529	\$102,876,486	\$106,075,945	\$65,887,946
Property Taxes	41,531,000	42,880,758	44,231,501	45,624,794	47,066,537	48,553,840	48,553,840
Utility Users Tax	14,003,000	14,493,105	15,000,364	15,525,376	16,068,765	16,631,171	16,631,171
Franchise Fees	10,181,000	10,384,620	10,592,312	10,804,159	11,020,242	11,240,647	11,240,647
Licenses & Permits	7,552,500	7,665,788	7,780,774	7,897,486	8,015,948	8,136,187	8,136,187
Charges for Services	6,342,260	6,532,528	6,728,504	6,930,359	7,138,270	7,352,418	7,352,418
Transient Occupancy Tax	3,119,000	3,181,380	3,245,008	3,309,908	3,376,106	3,443,628	3,443,628
Other Revenue	10,808,200	10,826,790	10,845,752	10,865,093	10,884,821	10,904,943	10,904,943
Total Revenues:	\$184,551,960	\$189,810,534	\$195,188,378	\$200,730,703	\$206,447,174	\$212,338,778	\$172,150,780
Potential Revenues:							
Amazon Revenue	\$0	\$4,000,000	\$6,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$4,976,000
Total Potential Revenues:	\$0	\$4,000,000	\$6,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$4,976,000
Total Revenues:	\$184,551,960	\$193,810,534	\$201,188,378	\$208,730,703	\$214,447,174	\$220,338,778	\$177,126,780
Expenditures:							
Salaries	\$65,955,085	\$70,084,398	\$73,411,731	\$76,602,124	\$79,647,026	\$82,810,795	\$82,810,795
Benefits	60,400,488	63,921,727	66,326,160	69,869,959	71,736,754	73,688,741	73,688,741
Services and Supplies	30,743,334	31,022,449	31,949,192	32,903,564	33,886,386	34,898,502	34,898,502
Other Operating	4,281,603	5,281,603	5,281,603	5,281,603	5,281,603	5,281,603	5,281,603
Internal Service Funds	2,668,559	2,701,931	2,735,969	2,770,689	2,806,102	2,842,224	2,842,224
Debt Service	10,562,900	8,735,828	8,104,826	7,757,036	7,835,972	7,885,105	7,885,105
Transfers Out	11,855,500	14,445,775	15,168,064	15,926,467	16,722,790	17,558,930	17,558,930
Total Expenditures:	\$186,467,470	\$196,193,711	\$202,977,546	\$211,111,443	\$217,916,634	\$224,965,902	\$224,965,902
[Rev - Exp] Over / (Under):	(\$1,915,510)	(\$2,383,176)	(\$1,789,168)	(\$2,380,740)	(\$3,469,461)	(\$4,627,123)	(\$47,839,122)

FY 2026/27 – FY 2027/28 OPERATING AND CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGETS

Staff has started budget development work for the next fiscal year, including updating the Five-Year Financial Forecast, identifying critical City needs, contractual obligations, unfunded mandates, potential adjustments to the Fee Schedule, and other analyses. While a thorough review is generally conducted halfway through the fiscal year, staff continue to monitor the current budget revenues and expenditures with the primary focus of ensuring that available City resources are appropriately allocated to meet the priority service needs of the community. City Council is tentatively scheduled to hold a public hearing on the Proposed Biennial Budget (FY 2026/27 – FY 2027/28) on June 16, 2026.

In FY 2025-26, the budget was balanced with a 5% vacancy factor, use of a reserve, and fund balance. Due to proactive recruitment, reorganizations, and retention efforts, the City is experiencing lower vacancies. This supports the need to revisit the vacancy factor in the upcoming budget cycle. The City also recently completed labor negotiations with three public safety groups and will begin negotiations with all other labor groups in 2026 – all of which have not been included in the current budget or the financial forecast.

Providing services to the community in future fiscal years will require strong revenue performance of the City's economically sensitive revenues to offset continued projected cost increases. The upcoming Biennial Budget (FY 2026/27 – 2027/28) development process will endeavor to maintain essential public services while controlling operational costs and considering the Five-Year Forecast, which predicts operating revenue shortfalls in subsequent fiscal years with certain assumptions.

The adjustments brought forward in this report reflect the City's best estimate of the financial performance of the City's funds based on activity throughout the first half of the fiscal year. While economic conditions appear to be stable, the City will need to remain prepared to adjust revenue and expenditure projections further if necessary.

Several other requests were identified by staff and are currently under review. These reviews consist of discussions to identify and fully understand organization needs, expected responsibilities and qualifications, highlighting current challenges within those identified divisions/departments/program areas, workload review, and industry benchmarks. All of these requests will be considered as part of the FY 2026/27 & 2027/28 two-year budget or sooner should the reviews be completed before the new 2-year budget process. These requests are from across several departments, including Police, Fire, Library and Community Services, the City Clerk, and the City Manager's Office.

Some of the position requests identified include a Deputy Chief of Police to ensure programs have the appropriate level of oversight, an Evidence Technician to address backlogs, a Community Outreach Assistant to address community facing programs, a Senior Park Maintenance Worker and Parks Maintenance Worker to stand up a second team to assist with parks maintenance and oversight since currently there is only one team. Three (3) Fire Engineers and three (3) Fire Captains were requested to address increased call volume and service delivery demands. A Public Records Coordinator was requested to centralize public records requests, manage the City's repository for records, and assist departments with records requests and records retention needs. A Communications Coordinator was requested to increase capacity in the Communications Division, and an Executive Assistant was requested to assist with the day-to-day administrative functions and workload requirements.

The City will continue to closely monitor performance and provide status reports to Council at the budget study session in May and budget adoption in June. These reports will highlight any significant developments and identify potential budget actions necessary to ensure the City's funds remain in balance. Once we transition to the 2-year budget, staff will conduct an annual Mid-Year review and an annual review halfway through the 2-year budget. Any unfunded needs during the budget process may also be revisited at any time throughout the year. Additional updates may be

provided as necessary. Diligent monitoring, continued budgetary discipline, and timely actions are critical components to maintaining the City's fiscal health.

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:

Monitoring the growth of revenues and expenditures, including determining when supplemental appropriations are necessary, supports the City Council 2025 Strategic Goal of City Services ensuring fiscal responsibility and finance management.

DEPARTMENTAL COORDINATION:

This staff report was coordinated by Finance and the City Manager's Office.

FISCAL AND SUSTAINABILITY IMPACT:

The revenue and expenditure adjustments recommended in this mid-year review would have a significant fiscal impact as detailed in the tables and narrative of **Section V, Recommended Budget Adjustments and Clean-up Actions** of this report.

ATTACHMENTS:

Resolution