Measure E

Over a period of three fiscal years beginning in April 2003, the Salinas City Council reduced City programs and services funded by the General Fund budget a total of $15.3 million dollars or 24%. The reductions were required to maintain the City's financial solvency. The financial crisis was the result of a combination of factors including a weak economy evidenced by sales tax decreasing for two years, State raids on local revenue, increasing charges assessed by the County of Monterey, increasing retirement costs and increasing employee health insurance costs.

The required reductions included the elimination of 123.50 authorized positions. The layoff of employees broadly impacted services throughout the City. Staff reported to City Council that absent a new, guaranteed source of General Fund revenue, the City would not be able to restore the services that had been cut for at least 8-10 years.

At the City Council's May 3, 2005 meeting, members of the public expressed their view that the City must be able to provide adequate police, fire and street and park maintenance services, and that the libraries and recreation centers should remain open. The public requested that Council consider placing a tax measure on the ballot so that revenue could be provided to restore vital services.

On May 17, 2005, the City Council received a report regarding its options for placing a tax measure before the City's voters to generate sufficient revenue to maintain minimal levels of service for the public welfare. Members of the public reiterated their support for such a measure, indicating that the community would suffer if services were further curtailed.

On June 7 and June 14, 2005, the Council reviewed and approved the FY 2005/06 budget and confirmed the on-going reductions in services previously approved. On July 12, 2005, the Council adopted a resolution calling for an election to take place on November 8, 2005 to ask City voters to approve a half-cent transactions and use tax. The proposed tax measure also included a ten (10) year sunset provision and mandated the appointment of an independent committee with authority to both recommend the use of the tax revenue and provide oversight as to the use of funds.

On November 8, 2005, the voters of Salinas approved (61.74%) the ordinance establishing a Temporary Transactions and Use Tax at the rate of one-half of one percent (0.50%) to be in effect for a period of ten (10) years. Initial collection of the tax began April 1, 2006 with the first receipt of revenues from the tax to occur in July 2006. The temporary tax was therefore scheduled to sunset April 1, 2016. During November 2012, Salinas' residents approved the renewal of the transaction and use tax with no expiration date by removing the language addressing a tax collection sunset in April 2016.

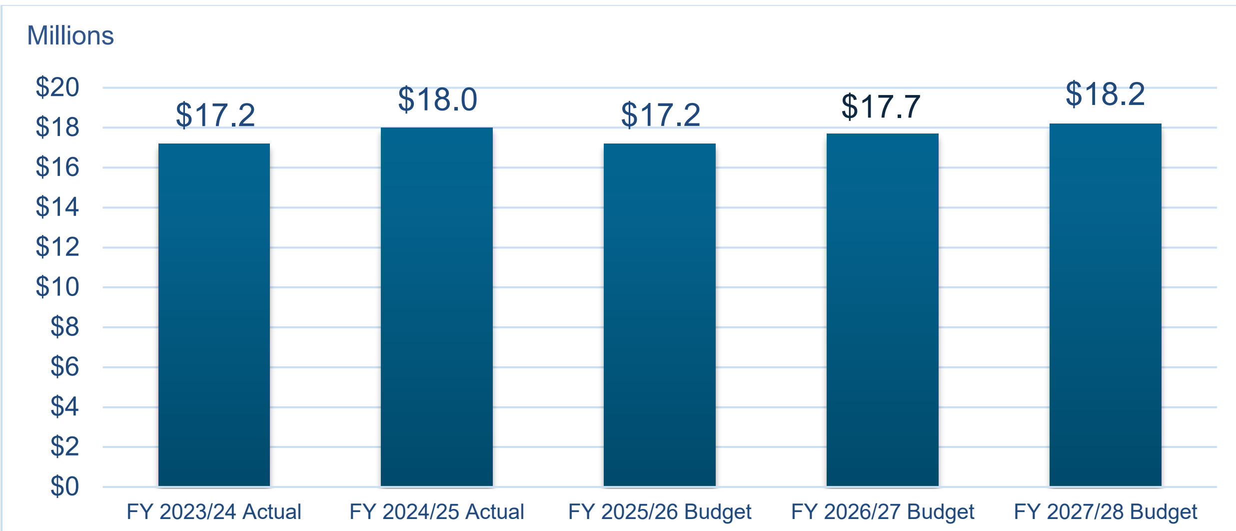
The tax approved by the voters is a general tax. As such, the City may use the revenue from the tax for any general governmental purpose, including without limitation police, fire safety, paramedics, libraries, crossing guards, graffiti removal, anti-gang programs, and street and park maintenance.

In order to assure full compliance with the intent of the ordinance, the tax proceeds from this ordinance are separately received and accounted for in the City's financial reporting system (Fund 1100). Staff reports at least quarterly to the Oversight Committee the use of tax proceeds. The Oversight Committee reports annually to the City Council regarding the use of tax proceeds.

The Oversight Committee is a fundamental provision in the voter-approved ordinance. The ordinance states the following:

The Mayor and City Council shall each annually appoint one member of the public to serve as an oversight committee for the revenue that the City receives from the tax. The committee shall prepare an annual report on the revenue received and recommend the use thereof. The City Manager shall provide staff for the committee, and the Finance Director shall provide all relevant data regarding revenue from the tax and expenditure thereof.

Transactions and Use Tax collections began a severe decline starting in Fiscal Year 2008/09 that continued over a two-year period. Signs of recovery started to show in FY 2010/11 and continued through FY 2018/19. As a result of the COVID-19 pandemic, a brief decline was experienced in FY 2019/20, with signs of significant improvement for FY 2020/21 through FY 2024/25. Projections indicate revenues could remain relatively flat in the coming years.



**Amounts listed above only include Transactions and Use Tax revenue (does not include investment earnings).*

Measure E tax collections are projected to increase $480,000 or 2.8% in FY 2026/27 and another $448,000 or 2.5% in FY 2027/28. Staff revenue projections are conservative and based on the current economic recovery signs. The City's outside consultant (Hinderliter, de Llamas & Associates) agrees with staff revenue estimates for the City's Transaction and Use Tax.

The Measure E proposed biennial budget by department/program is as follows:

	FY 2026/27		FY 2027/28	
	Amount	Percent	Amount	Percent
Library	8,184,160	38.7%	8,502,030	40.2%
Police	7,173,670	33.9%	8,005,930	37.8%
Recreation	2,748,550	13.0%	3,028,510	14.3%
Internal Services, Fleet & Energy Debt	1,156,100	5.5%	875,000	4.1%
Fire	866,520	4.1%	913,810	4.3%
Emergency Services	539,700	2.5%	554,400	2.6%
Information Technology	498,000	2.4%	-	0.0%
Total	**21,166,700**	**100.0%**	**21,879,680**	**100.0%**

The number of positions funded by Measure E for the biennial budget is summarized as follows:

	FY 2026/27	FY 2027/28
Police - Sworn	7.0	8.0
Police - Non-Sworn Support	25.0	25.0
Fire - Sworn	1.0	1.0
Fire - Non-Sworn Support	2.0	2.0
Parks & Recreation	17.0	17.0
Library	40.5	40.5
Total	**92.5**	**93.5**