PASADENA

Attachment B

Office of the City Manager

City Council Budget Workshop

Priorities, Investments, and Funding Direction

December 1, 2026

Workshop Purpose

Today's purpose is to provide direction – not approve a budget.

Council direction requested:

- Reaffirm or revise the five priorities
- Identify initiatives for detailed analysis
- Establish the acceptable scope of potential funding redirection

Agenda

1. Understand the fiscal outlook
2. Confirm Council's budget priorities
3. Identify initiatives for further analysis
4. Consider funding scenarios
5. Confirm Council direction and next steps

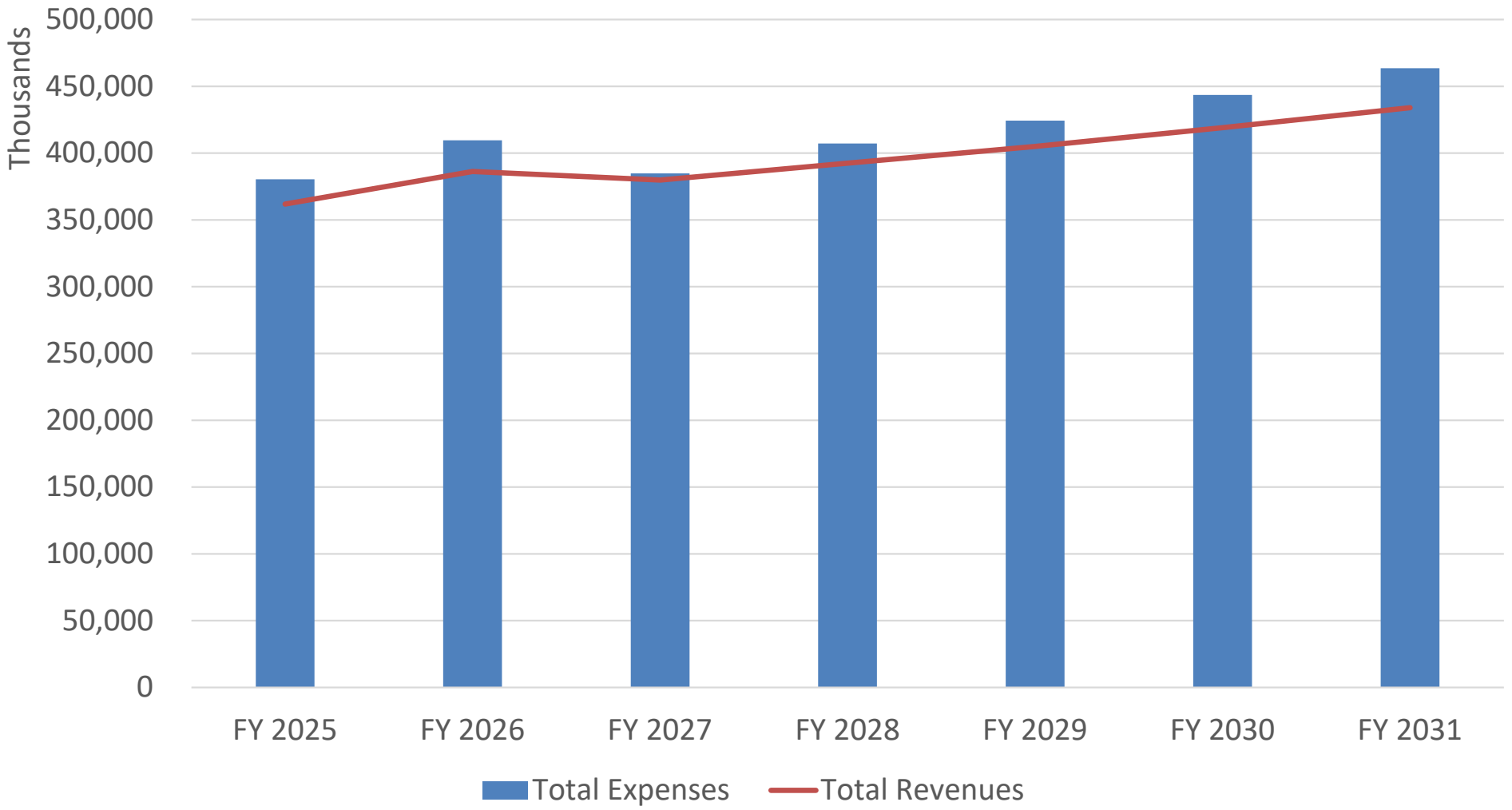
Current Fiscal Position

- FY 27 Budget is balanced but not healthy
  - > General Fund budget balanced with one-time revenues and reserves
    - General Fund has used reserves to balance budget last three years as expenses continue to outpace revenue growth
  - > Revenues are growing approximately 2-3%, while expenses are growing approximately 4-5%
    - Revenues are flat or declining when adjusted for inflation.
    - Personnel costs consume largest portion of General Fund budget.

General Fund Five Year Forecast

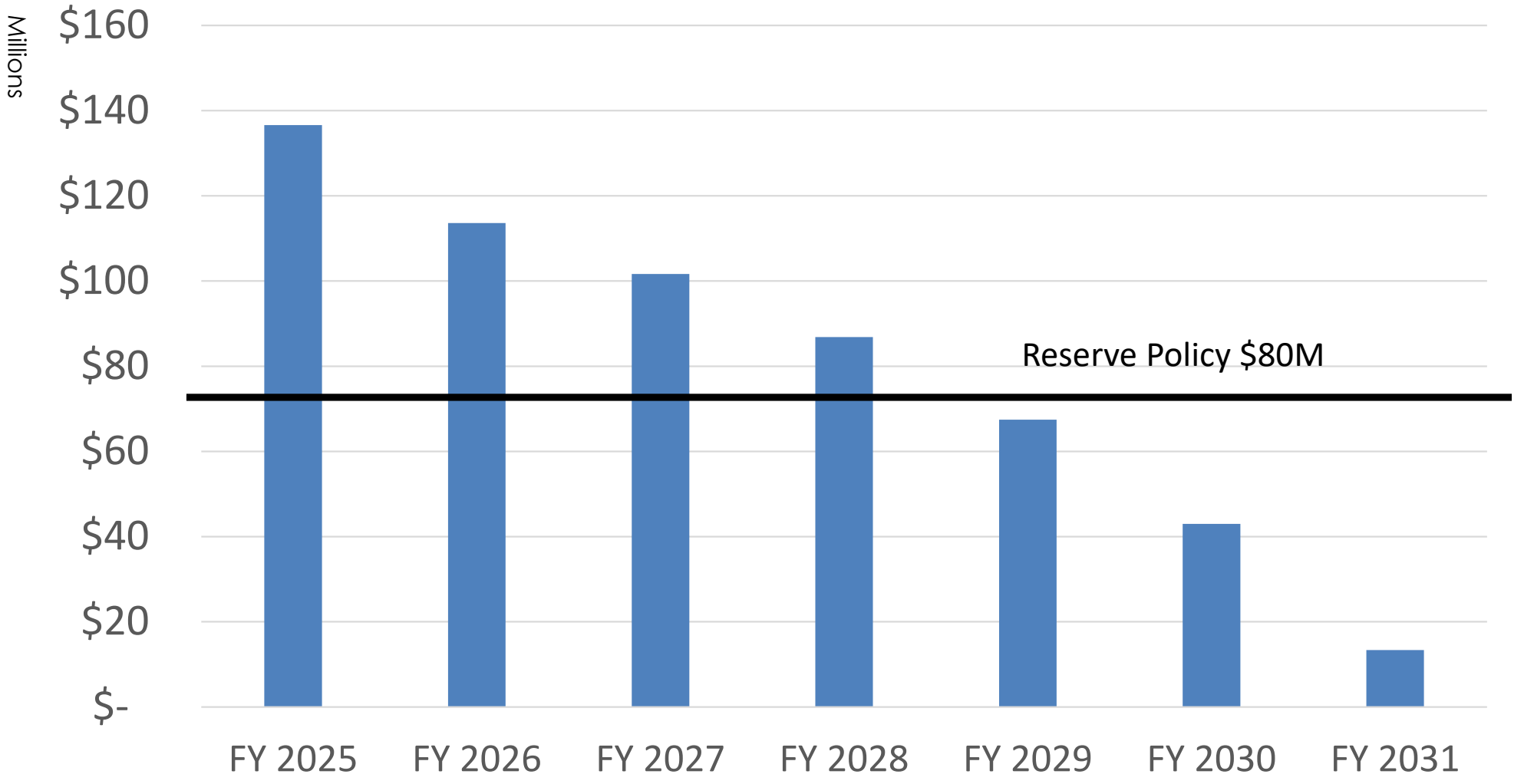
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
	Audited	Unaudited	Adopted	Forecast	Forecast	Forecast	Forecast
Revenues							
Tax Revenues	270,710,302	276,471,786	287,507,575	297,522,996	306,392,843	316,685,291	327,616,935
Other Revenues	60,845,583	74,408,823	61,631,378	62,174,972	63,603,452	65,072,938	66,578,558
Contributions/Svs. From Other Funds	30,272,305	35,341,715	30,715,438	32,722,557	34,948,682	37,280,782	39,773,967
Total Revenues	**361,828,190**	**386,222,324**	**379,854,391**	**392,420,525**	**404,944,977**	**419,039,011**	**433,969,461**
Expenses							
Personnel	232,834,943	244,989,154	247,344,806	260,948,770	271,386,721	283,599,124	296,361,084
Debt Service	12,366,103	12,354,451	10,154,724	11,934,724	11,934,724	11,934,724	11,934,724
Contributions To Other Funds	24,674,299	32,263,439	15,563,878	16,891,253	18,278,359	19,727,885	21,242,640
Other Expenses	110,477,410	119,936,119	111,742,630	117,447,502	122,732,640	128,255,608	134,027,111
Total Expenses	**380,352,754**	**409,543,163**	**384,806,038**	**407,222,249**	**424,332,444**	**443,517,341**	**463,565,559**
Operating Income/(Loss)	**(18,524,564)**	**(23,320,839)**	**(4,951,647)**	**(14,801,724)**	**(19,387,467)**	**(24,478,330)**	**(29,596,098)**
One-time reserve			5,000,000				
Total Income/(Loss)	**(18,524,564)**	**(23,320,839)**	48,353	**(14,801,724)**	**(19,387,467)**	**(24,478,330)**	**(29,596,098)**

General Fund Forecasted Revenue to Expenditure Chart



PASADENA

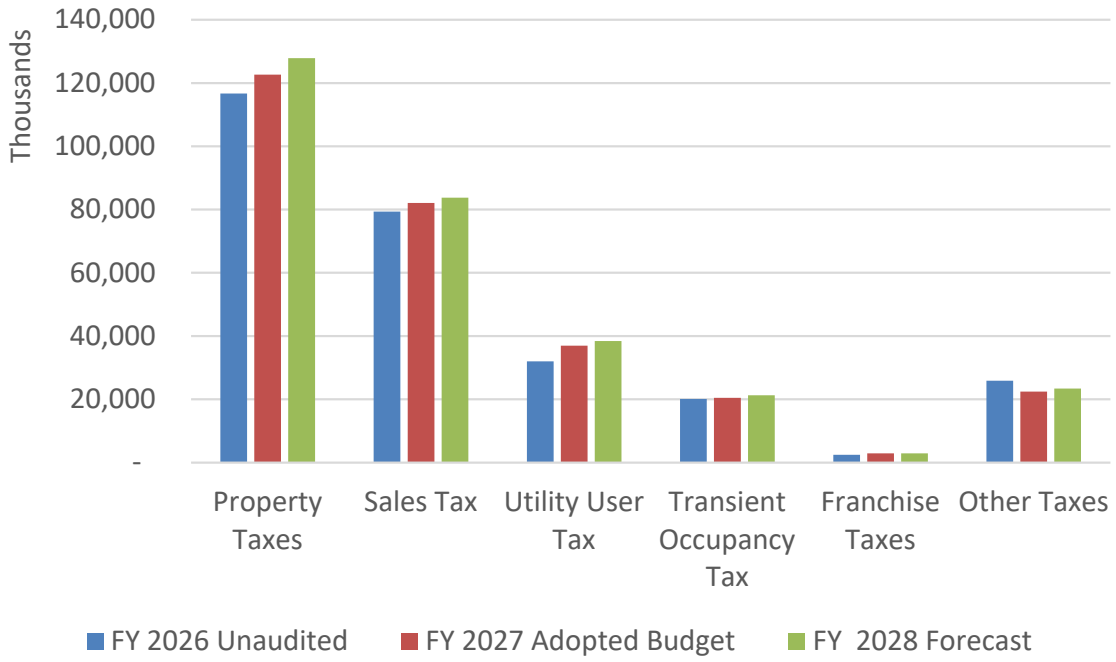
General Fund Balance Forecast



PASADENA

General Fund Tax Revenue Forecast and Assumptions

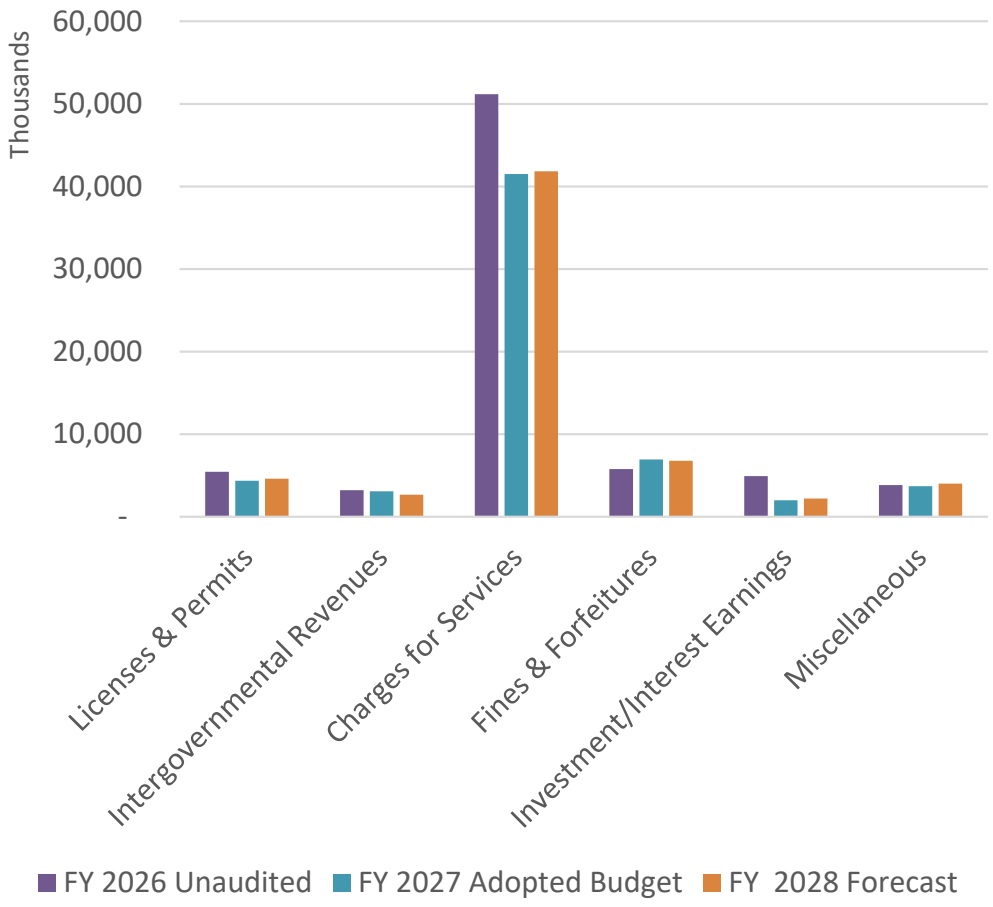
- Taxes make up 82% of General Fund Revenues, $287.5 million in FY 2027
- Forecasted growth in this area is approx. $10M in FY 2028
  - *Property Tax*: 4.5%
  - *Sales Tax*: 1.5%
  - *TOT*: 3.5%
  - *UUT, Franchise Fees*: declining, except electricity and water



PASADENA

General Fund Other Revenue Forecast

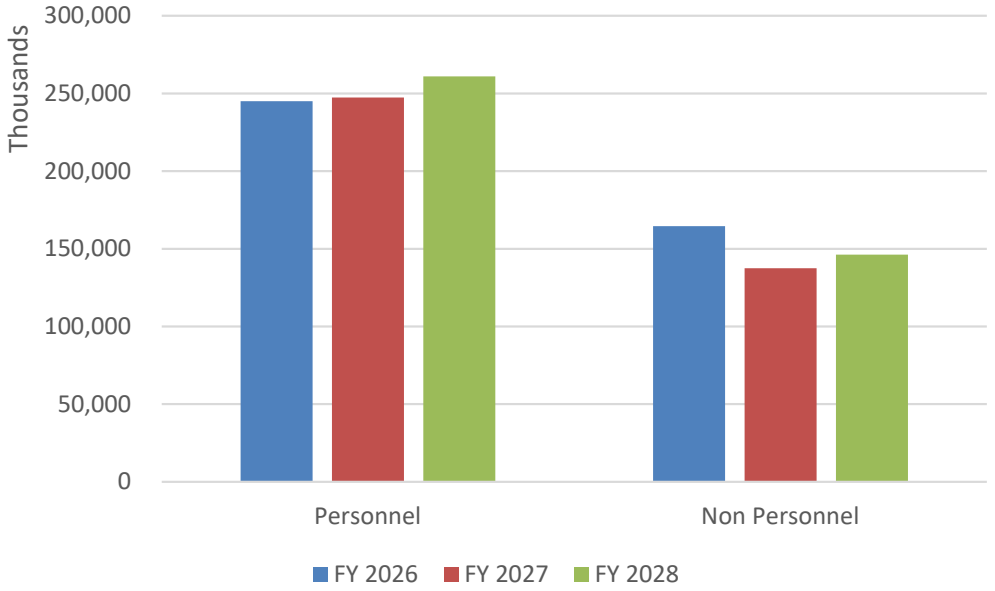
- Other Revenue make up 18% of General Fund Revenues, $61.5 million in FY 2027
- Forecasted growth in this area is approx. $2M in FY 2028



PASADENA

General Fund Tax Expenditure Forecast and Assumptions

- Personnel costs make up 64% of General Fund Expenditures, $247.4 million in FY 2027
- Forecasted growth in expenditures are approx. $22.5M in FY 2028
  - *Personnel: 5.5% ($13.7M)*
    - *Primary drivers are MOU contracts, insurance premiums, pension costs*
  - *Non-Personnel: 4.5% ($8.8M)*
    - *Primary driver is inflation*



PASADENA

Budget Calendar Fiscal Year 2028

DECEMBER
- Budget Kick Off

JANUARY - FEBRUARY
- Departments Prepare Budgets

MARCH
- City Manager Reviews Department Budgets

APRIL
- City Manager Recommended Capital & Operating Budget Released

MAY
- Presentations to City Council Committees
- Public Hearings
- Capital Budget Adoption

JUNE
- Public Hearings Continued
- Operating Budget Adoption
- Adoption of Fee Schedules

PASADENA

City's Top 5 Budget Priorities

- Modernize fire department facilities & Enhance Fire Prevention
  - > Facilities upgrades; Training Center; Brush clearance
- Improve roadways & implement pedestrian/bike safety strategies
  - > Pavement condition, Enforcement, Pedestrian/bike safety
- Invest in year-round shelter & transitional housing
  - > Year-round facility, Transitional housing, Pathway to stability
- Move Pasadena decisively toward a carbon-free future
  - > Resolution 9977, Clean energy procurement, Infrastructure modernization
- Implement Economic Development Strategic Plan with placemaking focus
  - > Economic Development Strategic Plan, Streetscapes, Neighborhood plans

Modernize Fire Department Facilities & Enhance Fire Prevention

MAJOR INVESTMENTS

Fire-station modernization and wildfire preparedness

ONGOING COMMITMENT

Facility upgrades, inspections and risk reduction

PROGRESS TO DATE

Minor improvements completed at Fire Stations 32 and 34

REMAINING NEED

$200M

estimated capital need

FUNDING STRATEGY

Pursue new revenue sources

Improve Roadways & Implement Pedestrian/Bike Safety Strategies

MAJOR INVESTMENTS

Road rehabilitation, sidewalks and safety improvements

ONGOING COMMITMENT

Improve pavement conditions and multimodal safety

PROGRESS TO DATE

$11M in resurfacing; grant-funded priority safety projects and traffic enforcement underway

REMAINING NEED

$125M+

estimated capital need

FUNDING STRATEGY

Pursue new revenue sources

Invest in Year-round Shelter & Transitional Housing

MAJOR INVESTMENTS

Year-round shelter, outreach and coordinated services

ONGOING COMMITMENT

Advance shelter development and PORT services

PROGRESS TO DATE

Shelter requirements and feasibility analysis underway

REMAINING NEED

$10M+
capital

$2–$4M
annually

FUNDING STRATEGY

Leverage grants, County partnerships and City-owned property

Move Pasadena Decisively Toward a Carbon-Free Future

MAJOR INVESTMENTS

Clean-energy procurement and infrastructure modernization

PROGRESS TO DATE

Resolution 9977 established the policy direction

REMAINING MILESTONE

2030

carbon-free energy target

FUNDING ANALYSIS

To be provided by Pasadena Water & Power

Implement Economic Development Strategic Plan with Placemaking Focus

MAJOR INVESTMENTS

Commercial districts, small businesses and placemaking

ONGOING COMMITMENT

Implement the strategy and expand local opportunity

PROGRESS TO DATE

Grants, façade projects and EFID implementation underway

REMAINING NEED

$25M+

estimated capital need

FUNDING STRATEGY

Pursue grants and EFID funding and align with ongoing development

Council Direction on Priorities

Council Discussion

- Does the City Council wish to reaffirm the five priorities for FY 2028?
- Would the City Council like to revise the purpose, scope, or wording of any priority?

Potential FY 2028 Initiatives: $36M+

Illustrative initiatives - not exhaustive	Estimated amount
Annual street repaving program (ongoing)	$12M+
Fire Stations 33 and 37 replacement planning and design	$6M–$7M
Year-round weed and brush clearance (ongoing)	$1M
LA 28 supplemental infrastructure reserve	$3M–$5M
Accelerated road safety improvements - up to six intersections outside grant cycles	$1.5M
Additional traffic enforcement	$1M–$4M
Ongoing homeless services	$2M–$5M
Fair Oaks Orange Grove Specific Plan implementation (ongoing)	$1M+
Estimated total using upper ranges	**$36M+**

FY 2028 Initiatives For Consideration

Council Discussion

- Which initiatives should receive detailed analysis?
- Are there other initiatives that should be considered?
- This is not an approval or appropriation decision.

Funding Considerations for Discussion

- What the forecast indicates:
  - The General Fund forecast indicates limited capacity for additional funding of these priorities.
  - The estimated $5–8M structural gap is one factor to consider when evaluating options.
  - Different revenue and expenditure growth rates may affect future funding flexibility.
- Topics Council may want to explore
  - Cost-recovery studies may identify options, although the ability to support major new programs may be limited.
  - Review new funding streams and revenue sharing arrangements, such as:
    - Measure ER for Public Health programs (Approx $2.4M annually)
    - Measures I/J with PUSD
    - PCOC Transient Occupancy Tax (TOT)

Funding Scenarios for Council Discussion

SCENARIO 1
Maintain services

$0
funding redirection

REDUCTION LEVEL
Minimum 2%

EVALUATION FOCUS
Close the approximately $5–$8M structural deficit

KEY CONDITION
Fund initiatives only from identified one-time sources

SCENARIO 2
Targeted reduction

$1–$7M
funding redirection

REDUCTION LEVEL
Up to 5%

EVALUATION FOCUS
Evaluate targeted service-level changes

KEY CONDITION
Prioritize options with limited community impact

SCENARIO 3
Broader review

$15M+
funding redirection

REDUCTION LEVEL
Minimum 10%

EVALUATION FOCUS
Review programs, staffing, service levels and delivery models

KEY CONDITION
Assess operational and community consequences

Next Steps

- Capture direction on priorities, initiatives, redirection range and guardrails.
- Return to Council with options in early 2027
- Release FY 2028 Recommended Capital & Operating budgets in April/May
- Council Committee Presentations & Public Hearings May-June 2027
- Capital Budget Adoption May 2027
- Operating Budget Adoption June 2027