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Office of the City Manager

REVIEW OF CITY REVENUE SOURCES AND OPTIONS FOR REVENUE ENHANCEMENTS FOR THE GENERAL FUND

Finance Committee and City Council Meeting

July 13, 2026

CITY OF PASADENA INCORPORATED JUNE 1886

Background

- On June 15, 2026, the City Council approved a balanced General Fund budget using one-time revenues and reserves.
- Balancing the budget has become increasingly difficult due to:
  - Economic uncertainty
  - Persistent inflation
  - Stagnate/slow revenue growth

Background

- Dependent on one-time revenues and reserves for three consecutive fiscal years.
  - > A widening structural deficit continues
  - > The City Council has identified five City funding priorities
    - Four rely primarily on the General Fund
    - Current funding is insufficient for ongoing services

Local Funding Options – Tax

Local Tax Opportunities	Estimated Additional Annual Revenue
Transaction and Use Tax (0.25%)	$11M
Tax on Parking Occupancy	$5M
Real Property Transfer Tax	$26M
Business Tax	$15M
Parcel Tax	$30M

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Transaction and Use Tax

- Current capacity of ¼ cent - $11M annually
  - Has voter familiarity and ease of administration
- General or Special Tax
  - As a general tax, similar to 2018-Mearsure I, majority voter approval needed
  - As Special Tax could fund a City priority, 2/3 voter approval needed
    - May gain supporters with dedicated spending plan

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Tax on Parking Occupancy

- Revenue estimate, $5M
  - > New taxing structure, varies across cities
  - > Administration
    - Structure likely mimic Transient Occupancy Tax,
    - New tax for parking facility operators
- General or Special Tax
  - > May have opposition from special interest group(s)
  - > As Special Tax could associate with a City priority, 2/3 voter approval needed
    - May gain supporters with dedicated spending plan

Real Property Transfer Tax

- Revenue estimate, $26M
  - > Tax structure could have single or tiered rates
  - > Administration
    - Administered through LA County
- General or Special Tax
  - > May have opposition from special interest group(s)
  - > As Special Tax could associate with a City priority, 2/3 voter approval needed
    - May gain supporters with dedicated spending plan

Business License Tax

- Revenue estimate, $15M
  - > Tax structure varies across cities
    - Could have single or tiered rates
    - Needs outreach with business community
  - > Administration
    - New administration procedures, likely streamlined
- General or Special Tax
  - > May have opposition from special interest group(s)
  - > As Special Tax could associate with a City priority, 2/3 voter approval needed
    - May gain supporters with dedicated spending plan

Parcel Tax

- Revenue estimate, $30M
  - > Tax structure varies
  - > Administration
    - New administration procedures, mimic Library Tax
- Special Tax
  - > May have opposition from special interest group(s)
  - > As Special Tax could associate with a City priority, 2/3 voter approval needed
    - May gain supporters with dedicated spending plan

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Dedicated Services

- Fire Plan
  - > Modernize fire department facilities & Enhanced Fire Prevention
    - Training center; Facility upgrades; Long term capital planning
    - Brush clearance, Paramedic services, Fire response
- Roadway
  - > Improve roadways & implement pedestrian/bike safety strategies
    - Pavement condition, Enforcement, Pedestrian/bike safety

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High-Potential Revenue Options

- High-Potential Revenue Options:
  - Real Property Transfer Tax
  - Transactions and Use Tax (TUT)
  - Parcel Tax
- Considerations for Real Property Transfer Tax:
  - Generates high revenue but volatile revenue source
  - Most cities with this tax originated as pre-Prop 13
  - May face strong outside opposition and can create unintended market impacts.
    - Likely to be gain support as a dedicated tax but would require 2/3 voter approval.

Recommended

- General Tax:
  - TUT provides stable revenue, is familiar to voters, and is unlikely to attract significant opposition.
- Dedicated Tax:
  - Parcel Tax offers reliable funding for specific services or infrastructure and often receives strong community support;
  - Requires two-thirds voter approval.

Considerations for Tax

- All options are still preliminary
  - > Staff needs Council direction on which measure(s) to advance.
  - > County deadline for ballot materials is August 7, 2026.
  - > Council must approve final documents on July 27 or August 3.
    - Currently these dates are not scheduled.
  - > Staff recommends forming an Ad Hoc Committee to finalize ballot language.

QUESTIONS?

Parcel Tax Modeling on Residential

Models	Rate per sq ft	Revenue Estimate	Tax Median Residential (1600 sq ft)	Tax Average Residential (1730 sq ft)
Alternative 1	$0.15	$17, 489,859	$240.60	$259.50
Alternative 2	$0.20	$23,251,813	$320.80	$346.00
Alternative 3	$0.30	$34,877,719	$481.20	$519.00

Parcel Tax Modeling on Residential and Non-Residential

Taxable Land Use	Rate Per Sq Feet	Square Feet	Revenue Generation	*% of Revenue*
Residential	0.24	77,359,933	$18,566,383.92	*67%*
Non-Residential	0.24	38,899,130	9,335,791.20	*33%*
		116,259,063	$27,902,175.12	

- At $0.24 per square foot a property owner would pay approximately $240 per 1000 square foot of developed property.
  - Recommend an inflation component to the tax to meet demands over time.

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Real Property Transfer Tax

- Transfer taxes may be adopted by charter cities, and the typical rate staff identified is between .22% to .33%.
- City of Los Angeles and Santa Monica's "mansion" tax were citizen initiatives, and the funds were directed primarily to fund affordable housing efforts.

Pasadena's 10.5% Sales & Use Tax:

Component	Rate
State Base Sales Tax	**6.00%**
County Tax (Los Angeles)	**0.25%**
City Tax (Bradley Burns)	**1.00%**
District Taxes (Total)	**3.25%**
* Measure R (Transpt.), sunset 2039	0.50%
* Measure M (Transpt., roads, transit)	0.50%
* Measure A (Homeless Services, replaced Measure H 0.25%)	0.50%
* Prop A (transit)	0.50%
* Prop C (transit)	0.50%
* Pasadena (Measure I)	0.75%

Common Exemptions for Parking Tax

- Deposits of coin(s) into city owned and operated parking meters
- Residential and hotel parking in excess of 30 consecutive days
- If cost of parking is included in hotel bill and not taxed separately (to avoid stacking TOT and TPO)