

Agenda Report

May 4, 2026

TO: Honorable Mayor and City Council
FROM: Department of Finance
**SUBJECT: OPENING OF THE PUBLIC HEARING FOR THE FISCAL YEAR 2027
CITY MANAGER'S RECOMMENDED OPERATING BUDGET**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action proposed herein is not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 21065 and within the meaning of Sections 15060(c) and 15378(b);
2. Open the public hearing for the Fiscal Year (FY) 2027 Recommended Operating Budget; and
3. Continue this public hearing to each subsequent regular meeting of the City Council at 6:00 p.m. until June 15, 2026, or such other date as the City Council may determine, at which time the City Council will be asked to close the public hearing and adopt the FY 2027 Recommended Operating Budget.

BACKGROUND:

The City of Pasadena Charter, Section 902, requires that on or before the third Monday in May, the City Manager shall submit to the City Council an annual operating budget for the succeeding fiscal year. As part of the process, the City Council shall open the public hearing on the proposed operating budget and continue the public hearing until a formal recommendation to adopt the FY 2027 Recommended Operating Budget is presented to the City Council.

The Recommended Budget represents the City's financial plan for FY 2027 and furthers the City's mission to deliver exemplary municipal services responsive to our entire community and consistent with the City's history, culture, and unique character. In addition to the City's anticipated operating revenues and expenses, the Recommended Budget includes the appropriations for the FY 2027–2031 Capital Improvement Program

(CIP) and the City’s affiliated agencies (Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation).

Table 1 below presents the FY 2027 Recommended Operating Budget alongside two preceding fiscal years.

Total Budgeted Appropriations
 (including Affiliated Agencies and CIP)

in millions

	FY 2025 Actuals	FY 2026 Adopted	FY 2027 Recommended
General Fund	\$381.2	\$364.9	\$383.4
All Funds	\$1,223.7	\$1,512.4	\$1,409.8

Full-Time Equivalent Positions
 (including Affiliated Agencies)

	FY 2025 Adopted	FY 2026 Revised	FY 2027 Recommended *
General Fund	1,084.03	1,089.04	1,089.59
All Funds	2,406.88	2,434.38	2,424.84

*As of FY 2027, the City’s FTEs total includes 99.32 “non-budgeted” positions, (72.00 FTEs MASH trainees, 8.00 FTEs Firefighter trainees, 19.32 FTEs Retirees). There are no appropriations budgeted for these positions, only the FTEs authorization to meet Enterprise Resource Planning system requirements.

Analysis:

The General Fund FY 2027 Recommended Operating Budget was balanced through use of anticipated one-time sales tax revenues of approximately \$1.6 million and reserve balances of \$3.8 million. Tax revenues and total revenues are growing at a moderate 3-4 percent year over year, while the costs to provide services increases at a more significant pace of 4-6 percent.

The budget reflects a status quo spending plan, including the three Battalion Chiefs added mid-year in FY 2026, with a few minor enhancements proposed for FY 2027. Staff recommends: (1) \$45,000 in ongoing funds to meet accessibility mandates for the City’s website, agenda posting, and video streaming; (2) \$60,000 in one-time funding to continue Economic Development marketing and advertising identified in the Council’s Economic Development Strategic Plan; and (3) \$137,000 to expand the Fire Paramedic Training Program from three to four firefighters annually. These additions result in a net increase of \$242,000.

In FY 2024, the City set aside \$5 million in one-time sales tax revenue in anticipation of a potential refund, which is no longer expected to be required. Staff recommends using \$3.8 million of these funds to close the FY 2027 General Fund deficit, leaving

approximately \$1.2 million available for City Council consideration. Although the FY 2027 budget is balanced, it relies on one-time reserves and does not address several ongoing maintenance and service needs that remain unfunded. Deferred items include police equipment, anticipated outside legal services, and programs previously supported by grants, such as the MASH program in Housing and Economic Development events in the City Manager's Office. Additionally, capital improvement funding remains insufficient, resulting in continued underinvestment in streets, sidewalks, facility maintenance, and delays in vehicle and equipment replacements. Staff requests City Council direction on how to allocate the remaining \$1.2 million in one-time resources, including whether to address deferred maintenance, support departmental needs, or advance other City Council priorities. Below are a few items highlighted for the City Council. The full list can be found on Attachment D.

➤ *Health Services*

The FY 2027 proposed Health Department budget decreases by approximately \$2.5 million due to the expiration of various grants that currently fund 21 full-time equivalents. Grants ending in FY 2026 include support for the Pasadena Outreach Response Team (PORT) homeless outreach program, a Community Services Representative III for infectious disease outreach, and a full-time nurse. The cost to maintain these services and bring the Health Officer position to full-time is approximately \$511,000. Staff are still exploring opportunities to utilize other grant funding to support PORT staffing and will recommend that the remaining General Fund one-time funds be used as the backstop for PORT funding.

➤ *Police Equipment*

The Police Department is proposing the purchase of \$910,000 in technology upgrades and equipment to enhance the safety of the City and prepare for the LA28 Games coming to Pasadena in 2028. These enhancements include an initial purchase and implementation combined with some on-going services contracts in future years. Currently, Police has plans to continue discussing these programs with the Public Safety Committee.

➤ *Parking Enforcement*

The Department of Transportation recommends expanding the Parking Enforcement program by transitioning from contracted citywide enforcement services to a fully in-house model. The proposal also includes extending coverage during currently understaffed shifts. While the program is expected to be at least cost-neutral once fully implemented, ramp-up costs are estimated at \$600,000 across FY 2027 and FY 2028. In addition, the Department requests funding for body-worn cameras for parking enforcement staff, with an estimated ongoing cost of \$90,000.

As shown in the General Fund Five-Year Forecast (Table 2), the City faces growing deficits for the foreseeable future. Balancing the budget has become increasingly challenging amid economic uncertainty, persistent inflation, and concerns about a potential slowdown. Reliance on one-time revenues and General Fund reserves to

support ongoing services does not address the City's structural deficit. The widening gap, driven by expenditures that continue to grow faster than revenues, highlights the need for proactive fiscal management. Without adjustments to service levels, staffing, or long-term financial strategies, the imbalance between revenues and expenditures will continue to expand.

Table 2: General Fund 5-Year – Proposed FY 2027

<i>General Fund (in thousands)</i>	<i>2026 Revised Budget</i>	<i>2026 Projected</i>	<i>2027 Proposed</i>	<i>2028 Forecast</i>	<i>2029 Forecast</i>	<i>2030 Forecast</i>	<i>2031 Forecast</i>
<i>Tax Revenues</i>	\$274,625	\$275,433	\$287,508	\$297,523	\$306,393	\$316,685	\$327,617
<i>Other Revenues</i>	64,122	65,367	61,519	62,191	63,604	65,073	66,578
<i>Contrib. fr Other Funds</i>	30,640	30,640	30,640	32,722	34,949	37,281	39,774
TOTAL REVENUES	\$369,387	\$371,440	\$379,667	\$392,436	\$404,946	\$419,039	\$433,969
<i>Personnel</i>	\$233,859	\$234,129	\$246,513	\$260,072	\$270,475	\$282,646	\$295,365
<i>Debt Service</i>	12,323	12,323	11,935	11,935	11,935	11,935	11,935
<i>Contrib. to Other Funds</i>	24,354	24,354	15,564	16,891	18,278	19,728	21,243
<i>Other Expenses</i>	114,169	114,169	109,214	115,068	120,246	125,658	131,312
TOTAL EXPENDITURES	\$384,705	\$384,975	\$383,226	\$403,966	\$420,934	\$439,967	\$459,855
<i>Proposed Changes</i>			242				
Excess Revenues over (Expenses)	(\$15,318)	(\$13,535)	(\$3,801)	(\$11,530)	(\$15,988)	(\$20,928)	(\$25,886)
<i>Use of Assigned Fund Balance</i>	15,317	13,533	3,801	-	-	-	-
Net Income/(Loss)	\$0	\$0	\$0	(\$11,530)	(\$15,989)	(\$20,927)	(\$25,885)

Although the City's near-term fiscal outlook remains stable, sustaining that stability will require thoughtful planning and policy decisions as Pasadena manages reduced purchasing power, elevated operating costs, and the ongoing structural mismatch between mandated service demands and available resources. These mandates necessitate the identification of corresponding revenue to ensure ongoing fiscal stability. Similarly, achieving full cost recovery for fee-supported services is critical to prevent the unintended diversion of scarce General Fund dollars to programs that are designed to be self-sustaining, such as the Fire Department's Emergency Medical Services program revenues that could be used to support the Fire Paramedic Training program. Without full cost recovery, available resources for core and already strained City priorities, such as public safety, libraries, and parks, would be further constrained, limiting the City's ability to maintain service levels in these essential areas. Between pursuing additional revenues and shifting priorities for expenditures, staff will continue to bring forward decision points for upwards of \$15 – 20 million of annual changes.

Attachment A provides a citywide summary of recommended appropriations and Full-Time Equivalent (FTEs) positions for FY 2027 by department/affiliated agency.

Throughout May, departments and affiliated agencies will present their recommended operating budget to their respective City Council Committee. These budget workshops are scheduled to begin on May 5th and conclude on May 28th, meanwhile the citywide operating budget is currently scheduled for adoption on June 15, 2026. The complete budget presentation schedule is outlined in Attachment B.

Copies of the FY 2027 Recommended Operating Budget are available for public review at the City Clerk's Office and the San Rafael Branch and Hasting Branch libraries. The documents are also available on the City's website.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the adoption of the FY 2027 Recommended Operating Budget.

ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not "projects" as defined by CEQA Guidelines Section 21065 and within the meaning of Sections 15060(c) and 15378(b). Section 15378 excludes from the definition of "project" the creation of government funding mechanisms and fiscal activities which do not yet commit the lead agency to any specific project, and also excludes organizational or administrative governmental activities that do not result in physical changes to the environment. The action proposed herein, consideration of the FY 2027 Recommended Operating Budget, is budgetary and part of the City's normal administrative process as it takes early steps to prepare for the possibility of undertaking a project, and therefore is not yet a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:


The FY 2027 Recommended Budget proposes total operating appropriations of \$383,448,756 in the General Fund and \$1,409,752,056 in all Funds (includes affiliated agencies and CIP). The FTEs positions funded by the General Fund are 1,089.59 FTEs and those funded by all Funds are 2,424.84 FTEs (includes affiliated agencies).

Respectfully submitted,



KARIN SCHNAIDER
Director of Finance

Prepared by:

fin 

Timothy Park
Budget Administrator

Approved by:



MATTHEW E. HAWKESWORTH
Interim City Manager

Attachments (4):

- 1) Attachment A – Summary of Appropriations and FTEs by Department
- 2) Attachment B – City Council & Committee Meeting Schedule for Operating Budget
- 3) Attachment C – FY 2027 Proposed Enhancements
- 4) Attachment D – Unfunded FY 2027 Enhancements