



Administrative Report

N.2., File # 25-1753

Meeting Date: 2/3/2026

To: MAYOR AND CITY COUNCIL
From: STEPHANIE MEYER, FINANCE DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION REGARDING THE CITY'S TRANSIENT OCCUPANCY TAX RATE AND PROPOSED DRAFT BALLOT MEASURE LANGUAGE

DISCUSSION AND POSSIBLE ACTION REGARDING A POSSIBLE UPDATE TO THE CITY'S UTILITY USERS TAX ORDINANCE

EXECUTIVE SUMMARY

On November 18, 2025, staff provided a presentation to the City Council on the City's current transient occupancy tax (TOT) rate and options to consider increasing the existing tax rate. At that time, Council directed staff to return with a proposed ballot measure to raise the City's TOT rate to up to 15% and provide additional information on TOT measure passage rates, feedback from Redondo Beach hoteliers, and the potential impacts of increases to wages for hotel employees in the City of Los Angeles. This report addresses questions raised by the Council and includes a draft ballot measure with accompanying ordinance revision. It also provides updated information regarding the timing and options to present a TOT measure to voters, including the recommendation to propose a TOT increase to voters at the City's March 2, 2027 regular general election.

Also worth discussing is the Utility Users Tax (UUT) court case filed by the City of Santa Barbara seeking to assess UUT on video streaming services that, if the current ruling holds, would increase all cities' ability to collect UUT. This report shares an update on the status of the Santa Barbara case and provides an opportunity for the City Council to provide direction on possible changes to the City's UUT Ordinance, referenced in Title 8, Chapter 9 of the Redondo Beach Municipal Code, and specifically described as the "Telephone, Gas, Electricity, Water, and Video Users' Tax Law," that if approved by voters, would allow the City to collect UUT on video streaming services and protect/increase General Fund revenue.

Staff recommends the City Council:

- 1) Receive and file the requested information
- 2) Review and provide direction on the proposed draft TOT ballot language
- 3) Review the Santa Barbara UUT case and provide direction regarding possible modifications to the City's UUT Ordinance found in Title 8, Chapter 9 of the RBMC
- 4) Provide direction on election timing and other next steps

BACKGROUND

During the FY 2025-26 budget adoption process, the City Council directed staff to prepare an item to discuss adjusting the City's TOT rate. On November 18, 2025, staff provided a report providing information on the City's TOT rate in the context of neighboring cities, potential exemptions or alternatives to a broadly applied tax rate, results of research on potential impacts to tourism related to TOT increases, and the process and next steps to increase the TOT rate. Council requested staff return with a proposed ballot measure and additional information that was requested in the course of the discussion.

Transient Occupancy Tax Passage Rates

Staff shared information with Council regarding the overall passage rate of TOT measures across California over the past three election cycles (2020, 2022, and 2024). Council also requested the margins that TOT measures passed by in 2024.

Of the 28 transient occupancy tax measures that went to California voters in the November 2024 election, 23 passed. Of those that passed, 10 passed with a 70% or greater approval; eight with between 60% and 70% of votes, and five with below 60% of the vote, the lowest passage rate was 52.1%. One additional hotel tax measure went to voters in March 2024 which was not included in staff's original count; this passed with 77.6% of the vote. Detailed tables from [The California Local Government Finance Almanac <https://www.californiacityfinance.com/index.php>](https://www.californiacityfinance.com/index.php) are included as an attachment to this report.

As general-purpose taxes, TOT measures require a simple majority (50%+1 vote) to pass.

Redondo Beach Hotel Feedback

Leading up to the November report, staff contacted the Redondo Beach Tourism Management District (RBTMD) and hotel operators for their input on the matter. Staff mentioned reaching out to the hotels with which the City has a site-specific tax agreement, and Council requested staff return with that group's feedback. Staff spoke with the representatives the investment firm (Mogul) that owns and manages these properties. Mogul indicated that they do not consider TOT increases, especially at rates consistent with or closely matching the nearby market, to impact hotel performance. They also indicated that the TOT rate is not something they would consider as an important factor in evaluating sites for new hotel development.

Citywide Hotel Worker Minimum Wage Increase

On May 27, 2025, the City of Los Angeles passed amendments to its Hotel Worker Minimum Wage Ordinance (HWMO), including increases to the minimum wage for hotel workers, an hourly benefit payment, and training for covered hotel workers. These changes apply to City of Los Angeles hotels with 60 or more rooms. The increases became effective starting July 1, 2025 (with the new minimum wage rate being set at \$22.50 per hour), with annual scheduled annual increases to \$30 per hour on July 1, 2028. The wage would then increase annually by CPI in July in following years. The wage increase was reinstated in September following a June referendum petition against the ordinance, which the Los Angeles City Clerk determined was insufficient.

Council requested that staff review potential impacts to the Redondo Beach hotels related to these increases, which would be effective coincident with a proposed TOT increase. While the HWMO does not apply directly to Redondo Beach hotels, as they are outside of the City of Los Angeles, there could be related increased wage pressure as hotels seek to retain staff.

Staff reviewed literature related to the effect of local wage increases on surrounding areas. There are numerous studies, often with conflicting results regarding local wage measures' impact on wages and employment, both for the implementing location and surrounding areas. While evidence is mixed, most results suggest that local wage increases do impact the surrounding areas, with wages in these areas increasing relative to where they were before the nearby increase, but by a smaller margin than in the target market.

One study reviewed attempts to look specifically at the wage impact on surrounding areas, and finds that the impact depends on both how integrated the labor markets are and the size of the increase. The study shows that more integrated labor markets and larger wage changes are associated with a stronger effect on surrounding areas. Based on this assumption, it is likely that the Los Angeles City hotel wage will have some impact to Redondo Beach hotel labor costs. However, as this is pressure that will affect neighboring cities to the same or a similar extent, it should not put Redondo Beach at a competitive disadvantage in the local market. Therefore, staff does not consider this to be a significant factor in evaluating a proposed TOT increase.

Ballot Measure

Staff has prepared a proposed ballot measure including revised ordinance language. Ballot measure text commonly includes detail to frame the measure and provide voters with information regarding use of resulting revenue, who pays the tax, and the estimated amount raised. Staff has prepared the draft language below, which is also included in the attached Draft Resolution. Staff has also included sample language from other recent municipal TOT measures.

Proposed TOT Ballot Measure Language:

"To maintain critical City services, such as street and pothole repair, police and fire 911 emergency response and preparedness, park and landscape maintenance, senior and youth recreation programs; and for general government use; shall the City of Redondo Beach Ordinance raising the transient occupancy tax, paid only by hotel and lodging guests, from 12% to up to 15%, providing an estimated \$750,000 of revenue annually per 1% increase, and all funds staying local, be adopted?"

As discussed at the November meeting, setting a not to exceed rate in the Ordinance provides Council the ability to set a rate at or below the maximum amount, if voters approve the measure.

As currently drafted, Council would also set the tax increase effective date following the measure's passage. Council could alternatively choose to identify an effective date in the measure. For the City's 2005 TOT Measure, the ballot measure language included an effective date of July 1, 2005 following a March 8, 2005 election.

Utility Users Tax

In 2022, the City of Santa Barbara billed streaming services providers Hulu, BAMtech, and Disney for unpaid taxes related to the City's video users' tax. The providers appealed the action, first through an independent hearing officer, and then to a trial court. In December 2025, the California Court of Appeal in the Second Appellate District, Division Six affirmed the initial judgment in favor of the City of Santa Barbara. The Case, broadly, defines the term "channel" as well as "video services" to provide clarity in what had been considered a grey area in the application of UUT. The decision provides a confirmed Ordinance application useful in forming and enforcing UUT with regard to

streaming services. Lastly, the Court of Appeal resolved constitutional concerns raised in parallel proceedings. The Court's opinion is included as an attachment. The Appellate Court granted a motion for rehearing on January 12, 2026, and on January 30, 2026 affirmed the decision. The appellants have until April 1, 2026 to appeal the decision to the California Supreme Court.

The City's UUT consultant, Avenu, has mentioned this case as potentially setting a precedent that would allow cities to collect UUT from streaming service providers, similar to the way the law currently applies to cable providers. While UUT remains a significant General Fund revenue source, revenue has flattened in the past five years, in part, due to an ongoing decrease in cable subscriptions. Levying UUT to streaming services would require review and potential revision of the City's UUT Ordinance titled "Telephone, Gas, Electricity, Water, and Video Users' Tax Law" in Chapter 9 of the Redondo Beach Municipal Code, with specific focus on section 8-9.09, Video Users' Tax. The current video users' tax rate is 4.75% of charges made for video services.

Pending the final outcome of the Santa Barbara case, and Council direction, staff would review the City's UUT Ordinance, with consultant support, to identify whether the City's ordinance would need to change to accommodate the collection of UUT from streaming services. While the proposed changes to the City's Ordinance would not necessarily change the tax rate, because they could be viewed to expand who pays the video tax, staff anticipates the ordinance revisions would be subject to Proposition 218 requirements (established in Article XIII C of the California Constitution) and therefore require voter approval. If Council directs staff to proceed with this review, the City could present updates to the UUT Ordinance to the voters along with a proposed TOT Measure in March of 2027.

In its November 18, 2025 administrative report, staff identified the June 2, 2026 statewide primary election as a possible date to place the proposed TOT tax measure before the voters. After further review, the only way the City can include a tax measure on a ballot that is not part of its regular general election cycle (March) is if the City Council were to also unanimously declare a fiscal emergency. Staff does not recommend that action at this time, and therefore proposes the TOT measure be scheduled for consideration by voters as part of the City's March 2, 2027 election.

If Council concurs with this schedule, staff will return with an item in the fall to formally place the TOT ballot measure on the City's March 2027 election.

COORDINATION

This report was coordinated with the City Manager's Office, the City Clerk's Office, the City Treasurer's Office, and the City Attorney's Office.

FISCAL IMPACT

Should Council direct staff to pursue an update to the current TOT rate, it is estimated that each 1% increase in the City's TOT rate would increase annual General Fund revenue by \$750,000. Revenue impacts associated with changes to the City's UUT Ordinance require further study.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- March 2024 California Election Results - [The California Local Government Finance Almanac <https://www.californiacityfinance.com/index.php>](https://www.californiacityfinance.com/index.php), April 5, 2024
- November 2024 California Election Results - [The California Local Government Finance Almanac <https://www.californiacityfinance.com/index.php>](https://www.californiacityfinance.com/index.php), December 6, 2024
- Reso - DRAFT TOT Ballot Measure
- Reso - DRAFT Exhibit A - Ordinance Amendment
- Reso - No. CC-0412-146 Submitting a TOT Ballot Measure to Redondo Beach Voters on March 5, 2005
- Tax Measure Ballot Measure Examples (Source: Balletopedia)
- Disney Platform Distribution, Inc. v. City of Santa Barbara Second Appellate District Ruling, December 17, 2025
- Redondo Beach Municipal Code - Title 8, Chapter 9