City of Needles, California
Request for City Council Action

☒ CITY COUNCIL ☐ NPUA ☐ HACN ☒ Regular ☐ Special

Meeting Date: July 14, 2026

Title: Adopt Resolution Calling for the Submission of a Transient Occupancy Tax Measure and Ordering the Submission of the Measure to the Qualified Voters at the November 3, 2026 General Municipal Election

Background: The City of Needles currently imposes a ten percent (10%) Transient Occupancy Tax ("TOT") on hotel, motel, recreational vehicle park, short-term rental, and other transient lodging stays of thirty (30) consecutive days or less pursuant to Chapter 20, Article III of the Needles Municipal Code. The tax is paid primarily by visitors staying in local lodging establishments and is deposited into the City's General Fund to support general municipal services.

Over the past five fiscal years, the City has averaged approximately $10 million annually in hotel receipts, generating approximately $1 million each year in Transient Occupancy Tax revenue. Independent fiscal analysis prepared for the City concluded that the local lodging market has remained stable during this period and is expected to continue generating consistent revenues into the foreseeable future.

To provide additional General Fund revenue for essential City services while minimizing the financial impact on City residents, the City Council is considering submitting to the voters a measure to increase the City's Transient Occupancy Tax from ten percent (10%) to fourteen percent (14%) through the following phased implementation schedule:

- **Effective January 1, 2027:** 12%
- **Effective January 1, 2029:** 13%
- **Effective January 1, 2030:** 14%

If approved by a majority of City voters at the November 3, 2026 General Municipal Election, the ordinance would amend the Needles Municipal Code to implement the phased tax increases. The current TOT of 10% would remain in effect through December 31, 2026 and the implementation schedule would commence on January 1, 2027. The proposed measure is a general tax under Article XIIIC of the California Constitution. Revenues generated by the measure would remain local and may be used for any lawful municipal purpose, including maintaining and improving streets, parks, public infrastructure, public safety, economic development, and other general City services. The measure also provides for annual public disclosure of revenues and expenditures to promote transparency and accountability.

Analysis: The proposed ordinance would submit to the voters a general tax measure increasing the City's existing Transient Occupancy Tax from ten percent (10%) to fourteen percent (14%) through a phased implementation schedule extending from 2027 through 2030.

Based on current lodging activity, the measure is projected to generate approximately **$200,000 annually beginning in 2027**, **$300,000 annually beginning in 2029**, and approximately **$400,000 annually upon full implementation beginning in 2030**.

Unlike property taxes or sales taxes, the Transient Occupancy Tax is paid primarily by visitors staying in hotels, motels, recreational vehicle parks, and short-term rental accommodations rather than by City residents. According to the independent fiscal analysis prepared for the City, the local lodging market has demonstrated consistent stability over the past five years and is expected to continue generating consistent revenues. The analysis further concluded that the proposed increase is not expected to materially affect hotel occupancy or overall lodging demand because visitors to Needles primarily consist of Interstate 40 travelers, project-related workers, and Route 66 tourists whose travel decisions are not expected to be significantly influenced by the proposed tax increase.

If approved by the voters, the additional General Fund revenues would provide the City Council with greater financial flexibility to maintain and improve essential municipal services while preserving local control over those revenues. Because the measure is a general tax, the revenues are not legally restricted to a specific purpose and may be used for any lawful governmental purpose as determined by the City Council through the annual budget process.

Fiscal Impact: If approved by the voters, the measure is projected to generate approximately $200,000 annually beginning January 1, 2027, approximately $300,000 annually beginning January 1, 2029, and approximately $400,000 annually upon full implementation beginning January 1, 2030. All revenues generated by the measure will be deposited into the City's General Fund and may be used for any lawful governmental purpose.

Environmental Impact: The proposed action is not a project under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(5), as it involves organizational and administrative activities of government that will not result in a direct or reasonably foreseeable indirect physical change in the environment.

Recommendation: Adopt Resolution 2026-27 Calling for the Placement of a Transient Occupancy Tax Measure on the Ballot at the General Municipal Election to Be Held on Tuesday, November 3, 2026 and for the Submission to the Qualified Voters of an Ordinance to Enact a Four Percentage Point Increase in Transient Occupancy Tax.

Submitted By: Patrick Martinez, City Manager

City Manager Approval: Patrick J Martinez Date: 7/8/2026

Other Department Approval (when required): Mark C. DeMay, CGFM Date: 07/08/26