



SPECIAL CITY COUNCIL MEETING
777 B Street, Hayward, CA 94541

Council Chambers

<https://hayward.zoom.us/j/87575917117?pwd=USSlzBbx2FxLOPlzfyVQrqbiFEUENn.1>

Tuesday, May 13, 2025, 5:30 p.m.

The City Council meeting was called to order by Mayor Salinas at 5:35 p.m. in the Council Chambers.

Pledge of Allegiance: Council Member Syrop

ROLL CALL

Present: COUNCIL MEMBERS Andrews, Bonilla Jr., Goldstein, Roche, Syrop, Zermeño
MAYOR Salinas
Absent: NONE

PUBLIC COMMENTS

There were none.

WORK SESSION

1. City Council Budget Work Session: Review Proposed Fiscal Year 2025-26 Operating Budget (Staff Report from Interim Finance Director Etman) **WS 25-022**

Staff report submitted by Interim Finance Director Etman, dated May 13, 2025, was filed.

City Manager Dr. Ana Alvarez provided an overview of the work session. Interim Finance Director Etman indicated the Fiscal Year 2025-2026 proposed Operating Budget reflects General Fund expenditures of \$232 million and \$31.6 million in available General Fund reserves which represent 14% and not the policy of 20% of approved operating expense budget, projected General Fund revenues of \$219.7 million; explained the strategies used in the past to balance the budget; summarized proposed department wide reductions of \$480,000; and noted staff was proposing to have a fall budget revise to reassess financial and operational priorities.

Assistant City Manager Youngblood provided an overview of the resident satisfaction survey which included highest ranked community concerns, community's municipal services priorities, and City service/policy areas with greatest room for improvement; and emphasized that while the survey does not prescribe exact policy steps, it provides valuable insight into community expectations and priorities that should guide resource allocation and service-level discussions.

Mayor Salinas opened the public comment section at 6:12 p.m.

Suzanne expressed support for the items being discussed and thanked the group for addressing the budget challenges.

Mayor Salinas closed the public comment section at 6:13 p.m.

Discussion ensued among members of the City Council and City staff about the following: increasing the Transient Occupancy Tax (TOT) rate to a maximum of 14% which could generate up to an additional \$1.5million in General Fund revenue; impacts of reducing General Fund reserves below the 20%; ongoing efforts with the county and other stakeholders to pursue Measure W funds towards homelessness response; additional state funding may become available but it could require policy shifts regarding encampments; the fall revise is intended to begin a multi-year structural reset, including a major review of police and library budgets; the proposed budget does not include any personnel increases; vacancy savings are assumed based on normal attrition and known staffing vacancies; although departments were tasked with 2% cuts, the net reduction was only around \$480,000 due to offsetting cost increases such as utilities and contracts; program evaluations would occur post-adoption due to their complexity; \$4.5 million in American Rescue Plan Act (ARPA) funds was placed into reserves, not operational use; potential future revenue from new data centers, with one projected to generate over \$2 million annually in utility users tax (UUT), could be considered as revenue opportunity; \$31.6 million is currently liquid and spendable, with \$10 million already committed; the City-owned cinema is fully occupied and generates revenue used to repay the loan associated with its purchase; there is potential reduction of at least \$1 million in City insurance premiums by fiscal year 2026, with a goal of implementing changes by July 1, 2025; the City's shift toward year-round budgeting and a commitment to long-term structural fixes, rather than quick unsustainable cuts, reaffirms a balanced approach that preserves core services and avoids layoffs; the City plans on resuming full OPEB (Other Post-Employment Benefits) payments to avoid long-term financial strain; and the current \$8.6 million loan receivable is classified as a non-spendable asset, but as repayments are received that amount will transition into spendable reserves, assuming no deficit.

Members of the City Council offered the following: expressed concern over the City's projected \$12.6 million deficit and its impact on reserve levels; emphasized the need for urgent and purposeful action before the fall budget revise; stressed the importance of conservative budget assumptions; reaffirmed their commitment to working collaboratively toward a sustainable, community-centered budget; emphasized the need for bold, creative solutions to avoid long-term fiscal harm; emphasized the need to partner with Alameda County Board of Supervisors, and the desire for a proportionate share of Measure W funding and a stronger regional partnership to address homelessness response; emphasized the need to revisit the Economic Development approach to increasing entertainment and tourism options; suggested exploring internal restructuring or re-prioritizing existing departments to bring more events and attractions to the city; encouraged further review of the City's permitting and fee collection processes to streamline operations and increase revenue efficiency; requested a reevaluation of the City's property portfolio to identify underutilized assets that could be leased for revenue generation; stressed the importance of continuing to invest in infrastructure maintenance, particularly water, sewer, and cybersecurity, to avoid



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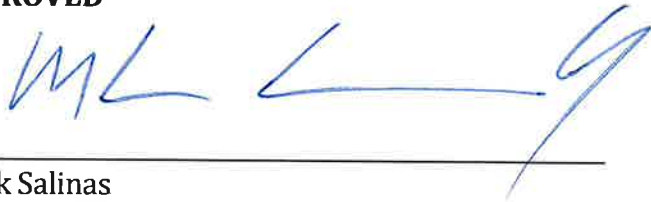
higher long-term costs; advocated for creative cost-saving measures, such as graffiti-resistant utility box murals, to reduce recurring maintenance needs; supported future evaluations but noted the urgency of addressing the deficit sooner; questioned whether more program-specific decisions could still be made before final adoption or fall revision; raised concerns about the optics of reserve levels; clarified that in past years the City included non-spendable reserves in its calculations; reiterated the urgency of acting before June 3, 2025, especially on items such as overtime and confirmed revenue, to minimize reliance on reserves; noted that expired revenue sources such as ARPA should not be included in budget discussions; asked to consider adjusting the City's insurance coverage with a goal of implementing changes by July 1, 2025; requested that staff provide an update on Community Development Block Grant (CDBG) funding allocations; urged that the fall revise include a clear strategic framework and suggested revisiting outdated ordinances and fees, such as the business license tax from 1975 and restrictive alcohol-related policies, as potential revenue opportunities; suggested evaluating departmental performance metrics more interactively, during future budget work sessions, to ensure alignment with strategic goals; advocated for protecting community service funding; emphasized the importance of focusing on business development and events as key drivers of sales and property tax revenue; requested that the City's Chief Economic Development Officer share a report with the City Council containing actionable ideas to boost economic activity; stressed the need to invest in technology, particularly cybersecurity, to enhance service delivery and protect against increasing threats; underscored the importance of continued infrastructure improvements to support economic vibrancy and create a welcoming environment for residents and shoppers; advocated for better coordination among service providers and suggested funding be directed to programs that demonstrate measurable impact; supported restoring funding to the Hayward Evaluation and Response Teams (HEART) program when feasible; emphasized the need for ongoing review of overtime spending; requested staff to consider data centers and their potential Utility Users Tax (UUT) contributions, but exercise caution in projecting immediate revenue; emphasized the importance of adhering to best practices when evaluating reserves, cautioning against considering non-spendable reserves as usable funds in emergencies; advocated for engaging staff across the City in the budget solution process, suggesting creative and inclusive approaches such as ideation sessions to harness their insights on program effectiveness, efficiency opportunities, and potential innovations; emphasized the importance of staying focused on clearly defined community priorities, as reflected in the resident satisfaction survey and Measure C and K1 commitments/promises to the community; noted that while revenue from the City's investment in the movie theater was expected to ramp up gradually, there is encouragement by growing occupancy; and noted there are four key themes that should guide the City's fiscal approach: protecting Measure C and K1 funds, staying committed to core services, aligning actions with the resident satisfaction survey and strategic priorities, and implementing ongoing budget monitoring beyond mid-year updates.

Members of the City Council expressed appreciation to City staff for the preparation of the proposed Fiscal Year 2025-26 Operating Budget and the commitment to addressing community priorities; and emphasized the collaborative spirit shown throughout the process. Interim Finance Director Etman acknowledged Deputy Finance Director Crosby, Management Analyst II Mullins, and Management Analyst Hatfield for their efforts.

ADJOURNMENT

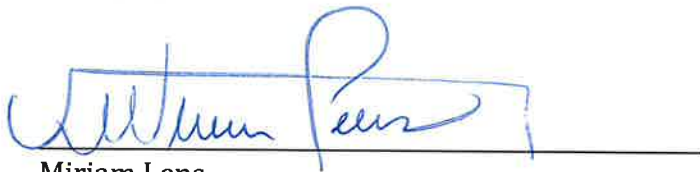
Mayor Salinas adjourned the City Council meeting at 7:55 p.m., in memory of Mike Rabeck, Public Works Department Utilities Maintenance Mechanic, who was struck by a vehicle while riding a motorized bicycle in a fatal accident on Depot Road on Friday morning. Mike Rabeck joined the City of Hayward as Utilities Maintenance Mechanic on March 16, 2009, and was a member of All Pro Wrestling (APW), an American professional wrestling promotion and training school based in Hayward. Mayor Salinas requested that City staff coordinate the planting of a tree in memory of Mike Rabeck.

APPROVED



Mark Salinas
Mayor, City of Hayward

ATTEST:



Miriam Lens
City Clerk, City of Hayward