

CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov



CITY OF
HAYWARD
HEART OF THE BAY

Agenda

Saturday, February 28, 2026

9:00 AM

Council Chamber/Room 2A

City Council

**SPECIAL CITY COUNCIL MEETING
BUDGET WORK SESSION**

NOTICE: The City Council will hold a hybrid meeting in the Council Chambers and virtually via Zoom

PUBLIC PARTICIPATION

How to observe the Meeting:

1. Comcast TV Channel 15
2. Live stream <https://hayward.legistar.com/Calendar.aspx>
3. YouTube Live stream: <https://www.youtube.com/user/cityofhayward>

How to submit written Public Comment:

1. Use eComment on the City's Meeting & Agenda Center webpage at: <https://hayward.legistar.com/Calendar.aspx>. eComments are directly sent to the iLegislate application used by City Council and City staff. Comments received before 3:00 p.m. the day of the meeting will be exported into a report, distributed to the City Council and staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda.

2. Send an email to List-Mayor-Council@hayward-ca.gov by 3:00 p.m. the day of the meeting. Please identify the Agenda Item Number in the subject line of your email. Emails will be compiled into one file, distributed to the City Council and staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda. Documents received after 3:00 p.m. through the adjournment of the meeting will be included as part of the meeting record and published the following day.

How to provide live Public Comment during the City Council Meeting:

Participate in the Council Chambers or click link below to join the meeting:
<https://hayward.zoom.us/j/88193253529?pwd=oMBmYB5VpA0PsY7XU1TDIFZ9fbFZoR.1>

Meeting ID: 881 9325 3529
Password: Cc2/28@9am

or

Dial: +1 669 900 6833 or +1 646 931 3860

Meeting ID: 881 9325 3529
Password: 1510518311

**SPECIAL CITY COUNCIL MEETING
BUDGET WORK SESSION
777 B Street, Hayward, CA 94541
City Hall, Council Chambers/Conference Room 2A**

CALL TO ORDER: Mayor Salinas

Pledge of Allegiance: Council Member Zermeño

SB 707 TELECONFERENCE NOTIFICATIONS AND CONSIDERATION

ROLL CALL

PUBLIC COMMENTS

Limited to Items on the Agenda

WORK SESSION

Work Session items are non-action items. Although the Council may discuss or direct staff to follow up on these items, no formal action will be taken. Any formal action will be placed on the agenda at a subsequent meeting in the action sections of the agenda.

1. [WS 26-005](#) Budget Work Session: Review Five-Year Forecast and Status of Hayward's Financial Situation, and Provide Direction Regarding Recommended Approach for Fiscal Year 2026-27 Budget and Beyond (Report from City Manager Ott)

Attachments: [Attachment I Detailed Agenda](#)
[Attachment II Staff Report](#)
[Attachment III Summary of Lessons Learned](#)
[Attachment IV Draft City of Hayward Financial Policies](#)
[Attachment V Revenue Measures](#)
[Attachment VI Cost Saving and Efficiency Measures](#)

ADJOURNMENT

**NEXT MEETING, March 17, 2026, 7:00 PM
March 3, 2026 City Council Meeting - CANCELED -**

PUBLIC COMMENT RULES

Any member of the public desiring to address the Council shall limit their comments to three (3) minutes unless less or further time has been granted by the Presiding Officer or in accordance with the section under Public Hearings. The Presiding Officer has the discretion to shorten or lengthen the maximum time members may speak. Speakers will be asked for their name before speaking and are expected to honor the allotted time.

PLEASE TAKE NOTICE

That if you file a lawsuit challenging any final decision on any public hearing or legislative business item listed in this agenda, the issues in the lawsuit may be limited to the issues that were raised at the City's public hearing or presented in writing to the City Clerk at or before the public hearing.

PLEASE TAKE FURTHER NOTICE

That the City Council adopted Resolution No. 87-181 C.S., which imposes the 90-day deadline set forth in Code of Civil Procedure section 1094.6 for filing of any lawsuit challenging final action on an agenda item which is subject to Code of Civil Procedure section 1094.5.

****Materials related to an item on the agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4th Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website. Written comments submitted to the Council in connection with agenda items will be posted on the City's website. All Council Meetings are broadcast simultaneously on the City website, Cable Channel 15 - KHRT, and YouTube. ****

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400 or cityclerk@hayward-ca.gov.

Assistance will be provided to those requiring language assistance. To ensure that interpreters are available at the meeting, interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400.



CITY OF HAYWARD

Hayward City Hall
777 B Street
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File #: WS 26-005

DATE: February 28, 2026

TO: Mayor and City Council

FROM: City Manager

SUBJECT

Budget Work Session: Review Five-Year Forecast and Status of Hayward's Financial Situation, and Provide Direction Regarding Recommended Approach for Fiscal Year 2026-27 Budget and Beyond

RECOMMENDATION

That the Council receive information and provide direction regarding the City of Hayward's financial situation and a recommended approach for Fiscal Year (FY) 2026-27 and beyond.

SUMMARY

Historically, the City Council has participated in day-long work sessions annually on strategic planning and budget. Considering the City's current financial situation, this year the City is holding a budget work session that will be focused on balancing the upcoming FY 2026-27, as well as the longer term fiscal sustainability of the City. At this work session, staff will present lessons learned from previous years, a five-year financial forecast, the potential for a business license tax modernization measure, a recommended approach for the FY 2026-27 budget and beyond, and updated financial policies. A detailed agenda is attached.

At this budget work session, staff is seeking Council's initial feedback on a recommended approach for the FY 2026-27 budget to close an approximately \$32 million deficit and to take the initial steps to place a business license tax modernization measure on the ballot in November 2026. Based on Council's feedback, staff will return with subsequent Council agenda items, including a budget work session on departmental budgets this spring and further discussion of service impacts. Staff is also seeking Council feedback on updated financial policies that will be included in the FY 2026-26 budget document.

ATTACHMENTS

- | | |
|----------------|----------------------------|
| Attachment I | Detailed Agenda |
| Attachment II | Staff Report |
| Attachment III | Summary of Lessons Learned |

File #: WS 26-005

Attachment IV	Draft Financial Policies
Attachment V	Revenue Measures
Attachment VI	Cost Savings and Efficiency Measures



Hayward City Council | Budget Work Session

Saturday, February 28, 9:00 am to 2:30 pm

AGENDA

1. Welcome (10 mins)

- Public comment
- Agenda & meeting purpose

2. Setting the Stage (25 mins)

- Strategic priorities/Resident satisfaction survey
- Key budget lessons learned
- Questions and Comments

3. Five-Year Baseline Model (25 mins)

- Review of the baseline model and assumptions
- Approach to building back the reserve
- Questions and Comments

5. Business License Tax Analysis (30 mins)

- Questions and Comments

4. Break (10 minutes)

6. Other Revenue Options (30 mins)

- Questions and Comments

6. Cost Saving and Efficiency Measures (40 mins)

- Questions and Comments

7. Recommended Approach to FY 2026-27 Budget and Beyond (30 minutes)

- Recommended revenue and cost saving measures
- Considerations for future budgets

8. Lunch (30 mins)

9. Council Discussion and Feedback on Recommended Approach (1 hour, 10 mins)

- Questions and Comments

10. Accountability and Next Steps (30 mins)

- Review financial policies
- Summary of next steps and timeline
- Questions and Comments



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At this budget work session, staff is seeking Council's initial feedback on a recommended approach for the FY 2026-27 budget to close an approximately \$32 million deficit and to take the initial steps to place a business license tax modernization measure on the ballot in November 2026. Based on Council's feedback, staff will return with subsequent Council agenda items, including a budget work session on departmental budgets this spring and further discussion of service impacts. Staff is also seeking Council feedback on updated financial policies that will be included in the FY 2026-26 budget document.

BACKGROUND

In November, Council adopted a revised budget for the current fiscal year to address a significant deficit and the depletion of the General Fund reserve. The November budget revision closed a gap of \$26.4 million through several one-time and ongoing actions, including layoffs. Despite these efforts, the City continues to face a significant structural deficit for next fiscal year and beyond and the reserves remains depleted. Considering the City's current

financial situation, this year the City is holding a budget work session that will be focused on balancing the upcoming FY 2026-27 and the longer term fiscal sustainability of the City.

DISCUSSION

Over the past two months, staff have focused on preparing a five-year financial forecast and recommended approach to the FY 2026-27 budget for this work session, including the potential for a business license tax modernization measure. During this work session, staff will cover the following:

1. Lessons Learned and Draft Financial Policies: Based on the experience from the last several years, staff has prepared a summary of “Lessons Learned” and draft financial policies for Council feedback (Attachments III and IV). These policies were reviewed by the Council Budget and Finance Committee on [February 18, 2026](#).
2. Five-Year Baseline Financial Forecast: Staff has prepared a baseline five-year financial forecast for FY 2025-26 through FY 2029-30. This baseline shows the structural deficit of \$32.6 million for FY 2026-27, assuming existing (no new) revenue sources and no one-time measures to balance the budget or items that have not been contractually resolved. Subsequent deficits range from \$41.6 million to \$46.6 million.
3. Business License Tax and Potential Ballot Measure. Blue Sky, the consultant conducting the business license tax analysis, will present the findings and staff will propose a framework for a possible ballot measure in November 2026, including draft ballot language for a planned poll of registered voters in March. Hayward’s current Business License Tax is one of the lowest in the region and many Bay Area cities have recently updated their business license tax.
4. Other Revenue Opportunities and Cost Saving and Efficiency Measures: Staff has reviewed suggestions from Council, community members, and staff, including a staff survey. A full list of revenue opportunities and cost saving and efficiency measures are attached (Attachments V and VI). Each item has been categorized as “Likely,” “In-Progress/More Research Needed,” or “Not Recommended.” Staff will present key items at the work session for feedback and discussion.
5. Recommended Approach for FY 2026-27 and Beyond: Staff will present a recommended approach for the coming fiscal year using the most likely revenue and cost saving items. This approach reduces the gap to \$5.8 million, which staff proposes closing through additional reductions in departmental costs or concession bargaining. Staff will also present an initial approach to subsequent fiscal years.

In addition to the items for discussion during the work session, staff has the following financial updates:

- The City’s audit firm will initiate work to finalize the Annual Comprehensive Financial Report (ACFR) with a goal to complete in April. As part of budget actions, staff has

already initiated activities to address issues that resulted in delays during the FY 2024-25 audit so that the FY 2025-26 can be completed in a timely manner.

- Staff in all departments are performing ongoing monitoring on actuals versus budget. This includes regular review of budget to actuals between each department head and the City Manager as well as a monthly update to the Council Budget and Finance Committee.

NEXT STEPS

Based on Council's feedback from this work session, staff will prepare the FY 2026-27 budget and implement all other action items, including next steps related to a business license tax modernization measure. The next budget work session is tentatively scheduled for May 5 or 12 with adoption tentatively scheduled for June 2.

Prepared by: Mary Thomas, Assistant City Manager
DeAnna Hilbrants, Director of Finance
Michael Barnes, Acting Deputy Director of Finance
Nicholas Mullins, Senior Management Analyst
Franchesca Hatfield, Management Analyst

Approved by:



Jennifer Ott, City Manager

Summary of Lessons Learned for City of Hayward Financial Situation (February 2026)

- **Adhere to Financial Best Practices**
 - Accurate baseline financial projections grounded in market and financial realities that are updated and shared regularly
 - Appropriate use of one-time and ongoing funds
 - Appropriate budgeting of over-time, salary savings, and realistic revenue estimates
 - Appropriate accounting of restricted funds
 - Appropriate accounting of reserves, including separate reserves for liquid and non-liquid assets (i.e., cinema place)
 - Strengthen internal monitoring and controls, including regular departmental budget meetings and post-budget reviews
- **Improve Transparency and Accountability**
 - Regularly share and analyze updated projections and actuals internally and externally, including key revenue updates
 - Establish and adhere to financial policies grounded in financial best practices
 - Hold each other and our colleagues accountable at all levels of the organization
 - Create a culture of collaboration, transparency and “see something, say something”
- **Practice Strong Leadership at All Levels**
 - Raise and vocalize issues and concerns with Council, staff, labor partners and community
 - Attract, retain and train qualified staff
 - Be prepared to make difficult or unpopular recommendations grounded in financial realities
- **Financially Constrain Labor Negotiations and Contracts**
 - Educate Council, negotiators and labor partners on current and future market and financial realities based on updated financial projections and trends
 - Institute an iterative process with Council and Finance Department regarding cost of contract proposals and approvals from the beginning to end of negotiations
 - Establish consistent salary survey and equity adjustment methodologies grounded in market realities and Hayward’s financial situation that are equitable across bargaining groups
 - Consider risk sharing measures, such as floors and caps on market driven salary and equity adjustment increases, potential increases tied to City financial performance, and use one-time lump sum or other economic benefits instead of ongoing increases, as appropriate

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CITY OF HAYWARD

**GENERAL FINANCIAL
POLICIES**

Fiscal Year 2026-27

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SECTION 1. PURPOSE AND BACKGROUND

- 1.1. The stewardship of public funds is one of the most significant responsibilities given to the officials and managers of the City of Hayward (City). The development and maintenance of prudent financial policies enable City officials to protect public interests, ensure transparency, and build trust. Financial policies define a shared understanding of how the City develops its financial practices and manages its resources to provide the best value to the community.
- 1.2. This document centralizes the City’s financial policies to establish a framework for overall fiscal planning, management, and guidance. These policies should be reviewed, updated, and brought before the City Council (Council) as needed but at least annually for adoption. This continued review and adoption promotes sound financial management and helps maintain the City's stability, efficiency, and effectiveness by ensuring the City's financial guidance is provided before all City actions. The policies also offer guidelines for evaluating both current activities and proposals for future programs and direct the City's financial resources toward meeting its objectives and strategic initiatives
- 1.3. The policies provide general guidance in the management of the City's fiscal affairs and are to be used by all City departments to meet their obligation to operate in a financially prudent manner. The Recommended Budget adheres to these policies.
- 1.4. These General Financial Policies will be shared with the City Council annually in advance of the annual budget process and will include any recommended changes. The City Manager will report on general compliance or non-compliance with each of the policies, recognizing that some policies may take time to fully implement.
- 1.5. The City Manager will develop and implement policy implementation and administration procedures and practices which shall be consistent with the adopted City Council policies.
- 1.6. These policies supplement the following charter and municipal code provisions which include budget or finance provisions:
 - 1.6.1. Charter Section 901 – APPROPRIATIONS
 - 1.6.2. Charter Section 701 – POWERS AND DUTIES
 - 1.6.3. Charter Section 1201 – ANNUAL BUDGET
 - 1.6.4. Charter Section 1202 – PUBLIC HEARING ON THE BUDGET
 - 1.6.5. Charter Section 1203 – ADOPTION OF THE BUDGET
 - 1.6.6. Municipal Code
 - 1.6.6.1. Officers and Departments: Section 2-2.01
 - 1.6.6.2. Downtown Hayward Business Improvement Area: Sections 8-12.11, 8-12.16
 - 1.6.6.3. Social Host Accountability Ordinance: Section 4-11.40
 - 1.6.6.4. Business Improvement Area: Section 8-5.80
 - 1.6.6.5. Residential Rental Inspection: Section 9-5.506

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- 1.6.6.6. Maintenance Districts: Sections 10-10.15, 10-10.20, 10-10.25, 10-10.35, 10-10.60
- 1.6.6.7. Affordable Housing Trust Fund: Section 10-17.1010
- 1.6.6.8. Sanitary Sewer System: Section 11-3.452

SECTION 2. GENERAL FINANCIAL PHILOSOPHY

- 2.1. The financial policies provide a sufficient financial base and the resources necessary to support and sustain an adequate and responsible community service level to ensure public safety, enhance the physical infrastructure and environment, and improve and maintain the quality of life within our community.
- 2.2. The cornerstone and highest priority of the City's financial policies is fiscal integrity. It shall be the goal of the City to achieve a strong financial condition with the ability to
 - 2.2.1. Sustain adequate financial liquidity to meet normal operating and contingent obligations;
 - 2.2.2. Provide an acceptable level of services to assure public health and safety;
 - 2.2.3. Ensure a sufficient financial base is maintained to withstand local and regional economic impacts;
 - 2.2.4. Prudently plan, coordinate, review, and implement responsible community development and growth;
 - 2.2.5. Foster the ability to adjust efficiently to the community's changing service requirements;
 - 2.2.6. Maintain and improve infrastructure and capital assets;
 - 2.2.7. Regularly review programs and operational methods to improve processes that result in higher productivity and eliminate repetitive and duplicative functions;
 - 2.2.8. Encourage collaboration with other government entities, the private sector, and public-private partnerships where cost and risk are minimized in the delivery of services within the community;
 - 2.2.9. Promote equitable sharing of costs by service users;
 - 2.2.10. Ensure the legal use of financial resources through effective systems of internal controls;
 - 2.2.11. Support sound financial management by providing accurate and timely information on the City's financial condition; and
 - 2.2.12. Provide a framework for the wise and prudent use of debt financing and maintain a good credit rating in the financial community.
- 2.3. The budget process will incorporate the City's Strategic Priorities, a Racial Equity Lens, and an Education City Lens.
- 2.4. The budget process will incorporate public participation, community engagement, and

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transparency.

- 2.4.1. Meetings to discuss budget will be conducted in a clear and set schedule so the public can attend.
 - 2.4.2. The community will be engaged at key points in the process so that the community can support the City in setting its priorities and aligning programs, policies, and services with community need.
 - 2.4.3. The fiscal planning needed for the Budget is likewise essential to the City's Strategic Roadmap.
 - 2.4.4. The City may use community outreach tools such as surveys and budget forums to maximize resident access and input opportunities to increase budget transparency.
- 2.5. Each Council report with a financial impact shall include information about the actual or projected fiscal and resource (including staff resources --hours, opportunity costs, and diversion of resources impact), as appropriate impact on the proposed action. An examination of any overall economic impacts to the City, if relevant, will also be included. Where analysis has determined that the impact is not significant, a detailed explanation is not required. Any proposed City Council action should include a statement indicating the proposed action was reviewed by the Finance Director. If the urgency of the item does not allow for any Finance Director review or allows for only a partial review, the fiscal impact statement should explicitly indicate that. For any proposed City Council action resulting in a disbursement of funds, the funding source must be identified, as well as whether sufficient funds are budgeted and available in the budget.

SECTION 3. DEFINITIONS

- 3.1. **Appropriation:** An authorization made by the City Council, which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period, though multi-year appropriations can be established for capital projects and other special purpose funds. All appropriations shall lapse at the end of the fiscal year to the extent that they shall not have been expended or lawfully encumbered.
- 3.2. **Budget:** The official financial spending and resource plan submitted by the City Manager and adopted by the City Council.
- 3.3. **Capital Improvements:** Improvements to buildings, structures, or attachments to land, such as sidewalks, trees, drives, tunnels, drains, and sewers.
- 3.4. **Capital Improvement Program (CIP):** A plan for capital expenditures to be incurred setting forth each capital project, identifying the expected beginning and ending date for each project, the amount to be expended in each year, and the method of financing those expenditures.
- 3.5. **Capital Projects Fund:** Capital Projects Funds are used to account for financial resources used in the acquisition or construction of major capital facilities other than those financed by Enterprise or Trust Funds.
- 3.6. **Enterprise Fund:** A fund type used to account for operations that are financed or operated in a

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manner similar to private business enterprise, where the intent of the governing body is that costs of providing goods and services be recovered primarily through user charges.

- 3.7. **Fund:** A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources and related liabilities, in addition to residual equities or balances and changes therein, are recorded and segregated to carry on specific activities, or attain certain objectives, in accordance with special regulations, restrictions, or limitations.
- 3.8. **General Fund:** A specific fund which accounts for tax-supported activities of the City and other types of activities not accounted for elsewhere. The General Fund is a governmental fund.
- 3.9. **Internal Service Fund:** A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

SECTION 4. THE ANNUAL BUDGET

- 4.1. The City Manager, with support from the Director of Finance, will recommend a balanced budget aligning annual expenditures with conservative revenue estimates to minimize the use of fund balance or other one-time financing sources for ongoing operating expenditures;
- 4.2. The City Manager will consult with Department Heads and seek their input in developing the Recommended Budget through cooperative discussions and budget workshops;
- 4.3. The City Manager will keep the Council apprised on the condition of the City's finances and emerging fiscal issues; and
- 4.4. The City will work with the League of California Cities, state representatives, and legislative advocates in the State Capitol, and other local government organizations to assure any state programs administered by the City are adequately funded and any realignment of state, County, and City responsibilities are fiscally neutral.

SECTION 5. ROLES AND FUNCTIONS

- 5.1. **Role of City Manager:** The City Manager, serves as the chief policy advisor to the Council. The City Manager promotes responsible resource allocation, strives to protect the City's financial position and integrity, and provides independent analysis on policy issues. The City Manager, supported by the Director of Finance is the fund manager for the General Fund and all other funds, and on behalf of the Council, the City Manager makes independent recommendations regarding all additional funds under their jurisdiction
- 5.2. **Functions of the City Manager associated with finance:**
 - 5.2.1. Promoting continuous improvement of the structures, systems, processes, and effectiveness of programs;
 - 5.2.2. Preparing the annual financial plan (Recommended Budget) annually, submit it to City Council and be responsible for its administration after its adoption;
 - 5.2.3. Working with departments to evaluate potential federal, state, and local budget impacts;
 - 5.2.4. Developing financial forecasts;

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- 5.2.5. Monitoring revenues and expenditures for conformance with the annual budget;
 - 5.2.6. Recommending effective fiscal policies to carry out programs;
 - 5.2.7. Verifying Council policies are consistently applied; and
 - 5.2.8. Ensuring items brought before the Council are accurate, complete, fully justified, and reviewed by appropriate stakeholders.
 - 5.2.9. Prepare and submit to the Council as of the end of the fiscal year, a complete report on the finances and administrative activities of the City for the preceding year.
 - 5.2.10. Keep the Council advised of the financial condition and future needs of the City and make such recommendations on any matter as may to the City Manager seem desirable.
 - 5.2.11. Establish a centralized purchasing system for all City office, departments and agencies. Prepare rules and regulations governing the contracting for, purchasing, inspection, storing, inventory, distribution or disposal of all supplies, materials and equipment required by any office, department or agency of the City government and recommend them to the Council for adoption by it.
 - 5.2.12. To make and execute contracts on behalf of the City for commodities or services included in the annual budget, or otherwise authorized by Council action.
 - 5.2.13. The City Manager will report to City Council when any proposed City Council action does not with City Council financial policies, generally through the Fiscal Impact portion of the report.
- 5.3. Principal Functions of City Departments: Departments are considered the content experts for the functions they perform. They are responsible for
- 5.3.1. Carrying out operations efficiently and cost-effectively while adhering to all City, state, and federal laws, regulations, and policies;
 - 5.3.2. Preparing budgets and financial estimates with attention to accuracy based on their operational expertise, City, state, and federal funding changes, and economic indicators affecting revenues, expenditures, and service levels;
 - 5.3.3. Reviewing, evaluating, and assessing potential federal and state budget issues that may impact local budgets;
 - 5.3.4. Developing and performing financial forecasts;
 - 5.3.5. Monitoring monthly revenue and expenditure performance and conformance with the annual budget;
 - 5.3.6. Meeting the Council's strategic initiatives and its policies; and
 - 5.3.7. Ensuring items brought before the Council are transparent, accurate, complete, fully justified, and reviewed by all appropriate stakeholders.
- 5.4. Principal Functions of the City Council Budget and Finance Committee (CBFC): The CBFC's principal functions include receiving staff updates on financial issues affecting the City and

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providing oversight and direction to staff in developing and modifying the budget.

- 5.5. Principal Functions of the Capital Improvement Steering Committee: The Capital Improvement Steering Committee's principal functions are to review the status of projects and establish a priority between competing needs.

SECTION 6. SERVICES AND FUND STRUCTURE

6.1. General Fund

The City provides a broad range of mandated and non-mandated government services. The cost of these services is accounted for in the General Fund. The General Fund is used to account for accounts for tax-supported activities of the City including revenues and expenditures unless another fund has been created to account for a specific item, activity, or program. The General Fund is a governmental fund.

- 6.2. Other Funds: Other governmental and proprietary funds that account for activities not provided by the General Fund are described below

6.2.1. Other Governmental Funds

- 6.2.1.1. Special revenue funds are used to account for proceeds and expenditures from specific revenue sources to finance designated activities required by statute, regulation, ordinance, resolution, or Council order.
- 6.2.1.2. Debt service funds are used to provide repayment of debt, such as Certificates of Participation (COPs), short-term borrowing, and other obligations.
- 6.2.1.3. Capital project funds are used for capital improvements and specified capital projects.

6.2.2. Proprietary Funds

- 6.2.2.1. Enterprise funds are financed and operated like private business enterprises whose services are primarily funded through user charges.
- 6.2.2.2. Internal service funds are used to account for any activity that provides goods or services to other funds, departments, or agencies of the City.

6.2.3. Major Funds

- 6.2.3.1. The City Manager or designee shall have the authority to determine funds that will be considered major funds for financial planning purposes. In addition to significant appropriations, factors that may be considered when designating major funds include political/social sensitivity of the activities financed from that fund, impact or potential impact of that fund on other programs or services, the significance of that fund on financing activities which are of high interest to the City and the public, and the existence of known uses or users of that information (e.g., bond rating companies, investors).
- 6.2.3.2. Major funds are as follows, but not limited to:
 - 6.2.3.2.1. General Fund,

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- 6.2.3.2.2. Federal Grants Fund and American Rescue Plan Act (ARPA) Fund [Closed in FY 2025] (Special Revenue Funds)
- 6.2.3.2.3. Housing Authority Fund and General Capital Projects Fund (Capital Projects Funds)
- 6.2.3.2.4. Certificates of Participation (Debt Service Fund)

SECTION 7. THE CITY BUDGET

- 7.1. The Recommended Budget is the central financial planning document that embodies all City departments' goals, objectives, priorities, levels of service, and the associated operating revenue and expenditures. Appropriation authority is granted on the relationship between expected expenditures and revenue; therefore, appropriation authority is granted contingent on this relationship meeting the Recommended Budget. If revenues fall below expected amounts, the department must take all actions available to reestablish a revenue and expenditure relationship that conforms to the Recommended Budget.
- 7.2. The Recommended Budget shall be presented to the Council for adoption in June of each year and presented clearly for a general audience of the public. The Recommended Budget may be modified as approved by the Council during the fiscal year.
- 7.3. **Balanced Budget**
 - 7.3.1. The City must adopt a statutorily balanced budget. A budget is statutorily balanced when the total estimated financing sources (beginning fund balance plus revenues) equal the total appropriations. At no time shall spending in a fiscal year exceed total current revenues plus any fund balance carryover from the prior year.
 - 7.3.2. In addition to adopting a statutorily balanced budget, the City ensures the ongoing sustainability of its services by producing a structurally balanced budget. A structurally balanced budget matches total ongoing expenditures to the annual estimated revenues. In a structurally balanced budget, beginning fund balance may not be used as a financing source for ongoing expenditures. Departments have a fiscal objective to avoid using fund balance for operating purposes by aligning annual operating expenditures with annual operating revenues.
 - 7.3.3. Costs incurred in the current year will be paid from current year's appropriations. For example, employee salary or benefit costs incurred in a fiscal year but not paid to employees until the following year will be budgeted in the year in which those costs occurred.
- 7.4. **Ongoing Maintenance and Operations Needs**

The City will adequately fund ongoing maintenance and operational needs with ongoing annual revenue. Without prior direction and approval by the Council and the CBFC, the use of one-time revenues or short-term borrowing is not allowed as a resource to finance ongoing maintenance and operational needs.
- 7.5. **Adequate Maintenance of Capital Facilities and Equipment**

The City shall establish as a primary fiscal responsibility the preservation, maintenance, future

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improvement and, when applicable, orderly replacement of the City's capital facilities and equipment.

7.6. CalPERS and Other Post-Employment Benefits (OPEB)

7.6.1. The City will include in its annual budget adequate funding for all retirement systems.

7.6.2. The City contracts with the California Public Employees' Retirement System (CalPERS) to provide retirement benefits under their defined benefit program.

7.6.3. As a participant, the City is required to annually fund at a minimum the cost for retiree health benefits, otherwise known as Other Post-Employment Benefits (OPEB).

7.6.4. To provide long-term funding for this benefit, the Council authorized joining CalPERS' California Employers' Retiree Benefit Trust (CERBT) and the pre-funding of the City's OPEB liabilities and pension liabilities.

7.6.5. Provided that reserves listed in Section 10 are fully funded to the levels specified, the City will transfer an amount equal to the Annually Required Contribution (ARC) to the pension and OPEB Trust fund to fund future liabilities.

7.7. Unfunded Liabilities, unfunded lifecycle maintenance costs, and deferred maintenance costs

Unfunded liabilities, unfunded lifecycle replacement costs, and deferred maintenance costs shall be explicitly identified in the budget and the budget shall include an examination of them, including general information on the funding of such costs.

7.8. Budget Deficits

In the event that a budget deficit is anticipated, the City Manager shall prepare and submit a report to the CBFC that outlines the cause of the problem, the alternatives available to mitigate the projected budget deficit, and the department's recommended action. All additions to appropriations, transfers between funds, major plans to reduce service levels, or plans to request funding from the contingencies' appropriation require approval by at least four Council members (4/7ths vote).

7.9. Appropriations and Transfers

7.9.1. The City Manager is the designated administrator over appropriation control, which includes transfers and revisions of appropriations that do not result in an overall increase in appropriations for an appropriation unit.

7.9.2. Accordingly, after budget adoption, a department does not need to request a transfer between major expense categories within the same appropriation unit. The City Manager has instituted budgetary controls through the financial system limiting total appropriations to the appropriation unit level. Approval of appropriation moves between major expense categories is not necessary. Examples of major expense categories include salary and employee benefits, services and supplies, and other financing uses.

7.9.3. Transfers of appropriations between funds must be approved by Council resolution. Per Section 29125 (a) of the California Government Code, operating transfers in and

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out between funds are not a transfer of appropriations, as, per Section 29089 of the City Budget Act, transfers out by fund are specified in the budget and are adopted by resolution.

7.10. Responsibility for Budget Management and Budgetary Control

7.10.1. The City will maintain a budgetary control system to help it adhere to the budget. The City Manager has budgetary control and authority over appropriations.

7.10.2. City Officers and Department Heads have primary responsibility for managing departmental budgets by:

7.10.2.1. Providing accurate and timely budget estimates;

7.10.2.2. Monitoring revenues to ensure timely receipt in the amounts anticipated;

7.10.2.3. Ensuring that expenditures comply with the law, adopted resolutions, policies, and align appropriations relative to revenues;

7.10.2.4. Providing prompt notification to the City Manager or Finance Department when either revenues or expenditures are not as anticipated; and

7.10.2.5. Preparing and justifying budget revisions when necessary.

7.11. Preparation of Financial Reports: The City Finance Department prepares the following report and submits to City Council through the City Manager – such reports shall include the general fund annually and, at a minimum, a high level report on other major funds.

7.11.1. A current year estimate and at least a five-year forecast to provide current year performance and forward-looking perspective to advise the Council on future challenges and provide a base for building the following year's Recommended Budget; and

7.11.2. A Budget End-of-Year Report (BEYR) to retrospectively report on actual financial performance at a detail and summary level;

7.11.3. An Annual Comprehensive Financial Report (ACFR) as required by the state, that reports on the City's financial position and activities beyond Generally Accepted Accounting Principles (GAAP) or state law requirements, to provide readers with a broader understanding of financial operations;

7.11.4. A Single Audit that reports federally funded City activities, in compliance with the U.S. Office of Management and Budget Circular A-133 Compliance Supplement, to assure the City's adherence to laws, regulations, contracts, and grants applicable to its major federal programs;

7.11.5. Additional reports such as mid-year or monthly updates, as appropriate, to keep the Council informed on current financial performance and developments.

7.12. Publication of Budget

The City Manager shall publish annually a Recommended Budget document that satisfies nationally recognized standards for effective budget presentation.

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7.13. City Budget Development

- 7.13.1. Budget development is an annual process incorporating the Council's priorities and weighing competing requests for City resources within expected fiscal constraints.
- 7.13.2. The process begins with departments preparing "baseline" budgets proposing levels of service and staffing that can be carried out within expected resources (e.g., program revenues and general fund contributions). To the extent there are increased costs or reduced revenue, baseline budgets may indicate potential reductions in staffing or services to maintain budgetary balance if additional resources are not provided.
- 7.13.3. Departments may submit "augmentation requests" for additional resources to mitigate potential impacts, increase staffing/services, or invest in infrastructure.
- 7.13.4. The City Manager's Office evaluates baseline budgets and augmentation requests within the constraints of a balanced budget and builds the annual Recommended Budget. Staff considers the following criteria in formulating recommendations for the annual budget and subsequent mid-year budget modifications:
 - 7.13.4.1. Mandated by current law or Council policy;
 - 7.13.4.2. Alignment with the City's strategic initiatives and priorities;
 - 7.13.4.3. Consistent with community priorities expressed in forums, surveys, and other community engagement initiatives;
 - 7.13.4.4. Necessary to maintain the current level of mission-critical services/operations;
 - 7.13.4.5. Substantiation of compelling public need (e.g., health, safety, economic vitality, quality of life) that cannot be met within existing resources;
 - 7.13.4.6. Likelihood of success based on prior performance, degree of planning/specificity, requested resources, and assumed timeline;
 - 7.13.4.7. Leverages sustainable financial support from non-City sources;
 - 7.13.4.8. Appropriate placement of responsibility (federal, state, or local);
 - 7.13.4.9. Degree of urgency; and
 - 7.13.4.10. Critical infrastructure investment to ensure productivity and continuity of operations.

Criteria in the listing are not exhaustive or in any particular order, nor are they mutually exclusive; funding recommendations may align with more than one criteria.

7.14. Establish Citywide Priorities

The Council has a continuous process of establishing Citywide priorities for ensuing years. The Council implements these priorities in the Recommended Budget within the framework of the law. Understanding that elected officials and Department Heads are charged with the actual provision of services to the community, the Council shall set broad priorities to ensure flexibility for departments to concentrate on these priorities.

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7.15. Budget Adoption Level

An appropriation unit represents one or more budget units and defines the budgetary limits of those budget units. A budget unit represents a program or group of programs providing a similar service.

7.16. Amendments to the Adopted Budget

7.16.1. Changes to the budget and to service levels during the fiscal year will be minimized. “Routine” changes during the fiscal year will generally be limited to technical adjustments, time sensitive opportunities or issues, or new grants or awards that are intended to be spent during the year.

7.16.2. The City Manager is authorized to make conforming changes, adjustments or technical corrections to the Adopted Budget such as roll forward / carry forward of prior year encumbrances or budget for capital projects. The City Manager is also authorized to make transfers between departments within the same fund. The City Manager may at any time transfer any unencumbered allotment balance or portion thereof covered by a single appropriation to any other agency covered by the same appropriation such as transfers between departments within the same fund.

7.16.3. At any meeting after the adoption of the budget, the Council may amend or supplement the budget so as to authorize the transfer of unused balances appropriated for one purpose to another purpose, or to appropriate available revenue not included in the budget.

7.16.4. The creation of non-routine mid-year new programs or projects, higher service levels, or other expenditures during mid-budget cycle is discouraged and, if proposed, before adoption is considered, should be evaluated for programmatic feasibility and impact and for fiscal impact by the responsible operational department and by the Finance Department. If an adopted mid-year program or project is in conflict in terms of resource use or other aspects, the mid-year program or project will have a lower priority (compared to preexisting budgeted programs and projects) unless otherwise specified by City Council.

7.16.5. Amendments to the Adopted Budget require approval by at least four Council members (4/7ths vote). Amendments to the Adopted Budget will be made in compliance with Council policies.

7.17. Budgetary Basis

The City uses the modified accrual basis of accounting following Generally Accepted Accounting Principles (GAAP). The budgetary basis is substantially the same as the modified accrual method of accounting that is used for financial reporting for all governmental funds except enterprise funds. The City currently has three proprietary-enterprise funds (Sewer Fund, Water Fund, and Airport Fund) which are budgeted based on a full accrual basis of accounting.

7.18. Capital Asset Definition

The City defines capital assets as assets with initial, individual costs of \$5,000 or more and an estimated useful life greater than two years. Capital assets include both tangible and intangible

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assets categorized by asset type for reporting purposes.

SECTION 8. STRATEGIC PLANNING

- 8.1. Five-Year Forecast
 - 8.1.1. The City uses a Five-Year Forecast strategic model to develop, initiate, and modify policies and budgets. The Five-Year Forecast demonstrates the City's ability to accomplish long-term goals by determining the potential budgetary impacts of current budget decisions. This approach allows the Council to be aware of the probable long-term outcomes of alternative decisions and to select the one that effectively serves the interests of the community within the financial resources of the City.
 - 8.1.2. The annual Five-Year Forecast is prepared by the Finance Department ahead of the budget development, with the subject matter expert assistance of departments. The timeframe allows departments to obtain prior year audited results and six months of actual financial data in the current fiscal year.
 - 8.1.3. The Five-Year Forecast identifies fund balances, revenue patterns, expenditure trends, and cash requirements as well as identification and discussion of unfunded liabilities and other deferred costs such as maintenance. It is neither a future budget, nor does it recommend services or programs. The Five Year Forecast is a guide to assist in making recommendations and building future budgets.
- 8.2. The Five-Year Forecast is designed to facilitate decision-making based on two fundamental questions:
 - 8.2.1. "What is the City's financial future without change?" and
 - 8.2.2. "What path does the City wish to take for the future?"
- 8.3. The Five-Year Forecast is not intended as a general statement of overall City strategies and goals, but rather a focused approach to long-term finances and to enhancing the economic strength of the City to generate more revenues and resources for services.
- 8.4. The Forecast serves as a current year estimate and three-year financial outlook for building next year's Recommended Budget and should:
 - 8.4.1. Clearly identify all major assumptions used to develop the forecast.
 - 8.4.2. Demonstrate that the City can attain and maintain financial sustainability;
 - 8.4.3. Verify that the City has sufficient long-term information to guide financial decisions;
 - 8.4.4. Confirm that the City has sufficient resources to provide programs and services for the stakeholders;
 - 8.4.5. Identify potential risks to on-going operations in the long-term financial planning process and communicate these risks on an annual basis;
 - 8.4.6. Establish mechanisms to identify early warning indicators; and
 - 8.4.7. Identify changes in expenditure or revenue structures needed to deliver services or to meet City Council goals.

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- 8.5. The Five-Year Forecast may be integrated into an overall set of goals and strategies for the City including an outline of general approaches the City should follow over the long term to maintain and increase the ability of the City to provide services through maintaining and increasing revenues, growing the City's economy for the purpose of revenue generation, and controlling and managing the cost of services and the method of delivery of services.
- 8.6. City Council may make recommendations to modify the plan as it desires and adopt it as a general guideline for future financial and economic direction.

SECTION 9. REVENUE AND EXPENDITURE POLICIES

9.1. Revenue Diversification

To the extent possible, a diversified and stable revenue system will be maintained to shelter community services from short and long-term fluctuations.

9.2. Revenue Estimates

- 9.2.1. Annual revenues are conservatively estimated as a basis for preparing the Recommended Budget.
- 9.2.2. Estimates shall not be based on optimistically hoped-for events but analytical techniques that use historical data, economic trends and indicators, information available from the state and other governmental agencies, and other accepted standards.
- 9.2.3. In general, revenue estimates shall not assume any growth rate that is not well documented. Real growth that occurs beyond budgeted revenue will be recognized through budgetary adjustments. Significant revenues will be estimated by the department that manages the program and then reviewed first by the City Manager or designee and subsequently by the CBFC before the adoption of the Recommended Budget.
- 9.2.4. For revenue that has a highly variable component and is used to fund ongoing operations, City may budget only the stable portion for operations. To the extent that additional revenue is received in that category, that revenue can be used to budget one-time expenses such as a mid-year or capital projects in the following year.
- 9.2.5. Residential Rental Inspection – Municipal Code Section 9-5.506:
 - 9.2.5.1. The Enforcement Official shall prepare a report each year concerning the administration of this code. The annual report shall describe the number of units inspected, whether the inspection was mandatory or complaint generated, the nature of violations observed, enforcement measures taken, and the status of all billings for fees that have been made.
 - 9.2.5.2. The Enforcement Official shall submit the annual report to the City Manager each calendar year at such a time that it may be submitted to the City Council with the proposed City budget for the following fiscal year.
- 9.2.6. Social Host Accountability Ordinance, Municipal Code Section 4-11.40 – Civil Fine and Response Costs:

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- 9.2.6.1. The amount of a civil fine and/or response costs shall be deemed a debt owed to the City by the person(s) found in violation of Municipal Code Section 4-11.10 and therefore liable for a fine under Municipal Code Section 4-11.20 and fees under Municipal Code Section 4-11.25, and, if that person is a juvenile, then also his/her parents or guardians.
- 9.2.6.2. Any person owing such fine and/or fees shall be liable in an action brought in the name of the City for recovery of such fine and/or fees. These recovery costs may include reasonable attorneys' fees incurred in the action if the City prevails, as the City reserves the right to seek to recover reasonable attorneys' fees, on a case-by-case basis, pursuant to California Government Code Section 25845, subdivision (c). In those cases in which the City seeks to recover reasonable attorneys' fees, the other party may likewise do so.
- 9.2.6.3. Civil fines recovered by the City pursuant to this chapter shall be placed in the budget of the Hayward Police Department to be used for the purpose of reducing minor access to alcohol

9.3. Expenditure Appropriations

- 9.3.1. City will balance annual expenditures to ongoing annual revenues without the use of one-time financing.
- 9.3.2. Expense estimates particularly those for large expenses including labor contracts and overtime shall be budgeted and based on analytical techniques that use historical data and comprehensive review of all cost impacts incorporating long term costs such as pension.
- 9.3.3. Deficit financing and borrowing will not be used to support ongoing City services and operations without explicit Council direction and approval. The City Manager shall notify the Council when interfund loans are required, or the use of non-appropriated funds is requested.
- 9.3.4. Unexpected revenue shortfalls or other significant issues that may create a budget shortfall during the fiscal year are to be reported to the City Council with recommendations by the City Manager as to whether a budget adjustment should be made.

9.4. User Fees

- 9.4.1. The City charges user fees for various services when it is appropriate and permitted by law.
- 9.4.2. Unless set by policy, regulation, or statute, user fees are established and maintained at the Council's discretion.
- 9.4.3. Fees will generally be set at a level sufficient to cover both direct and indirect costs of the services provided. The service may be subsidized by the City as deemed necessary by the Council. Factors for subsidy consideration include whether a subsidy causes an inappropriate burden on taxpayers, the degree to which the service benefits

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a segment of the population, whether beneficiaries can pay the fee, and whether the service provides a broader benefit to the community.

9.4.4. All fees for services are reviewed as necessary and adjusted where appropriate.

9.4.5. The full cost of providing a service is calculated to provide a basis for setting the charge or fee and incorporates direct and indirect costs, including operations and maintenance, overhead, charges for the use of capital facilities, as well as depreciation. Other factors for fee or charge adjustments may include the impact of inflation, other cost increases, the adequacy of the coverage of costs, current competitive rates, and contractual or statutory restrictions. Part of the decision-making process in establishing new services or increasing service levels should include an analysis of fees and user charges and a desired cost-recovery threshold. Increases may be justified based on outside variables not considered during the baseline budget submissions (e.g., water levels, gas prices, economy).

9.5. One-Time Revenues

9.5.1. One-time resources are revenues that only occur once, for a very limited time, or are too unpredictable or unstable to fund operations. One-time revenues may include the variable portion of some revenue sources that have highly variable components. One-time revenues are not suited to fund ongoing operations because they may not be available in the future or cannot be relied on year-to-year to fund the ongoing costs of operations.

9.5.2. Except as explicitly authorized by City Council, one-time resources will not be used to fund ongoing operations. They will be used for one-time uses, including capital and other one-time expenditures, transitional funding of operations (for a limited time period with a planned ending date), increasing reserves, or paying down unfunded liabilities.

9.5.3. Unpredictable revenues are budgeted conservatively, and any amount collected over the budget is generally carried forward in the fund balance.

9.6. Revenues of a Limited or Indefinite Term

9.6.1. Revenues of a limited or indefinite term will generally be used for those limited or unlimited term functions associated with the revenue. If it cannot be done, the revenue is to be considered discretionary revenue. It may be used for one-time expenditures to ensure no ongoing service programs are lost when such revenues are reduced or discontinued.

9.7. Use of Discretionary General Fund Revenue

9.7.1. Departments shall maximize the use of non-General Fund discretionary revenue and minimize the need to use discretionary General Fund revenue to fund programs.

9.7.2. The Council will prioritize the use of discretionary General Fund revenue through the annual budget process.

9.8. Maintaining Revenue and Expenditure Categories

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The City will maintain revenue and expenditure categories per state statute and administrative regulation and operational needs.

9.9. Appropriations for Contingencies

The City annually adopts an appropriation for contingencies to provide sufficient working capital and a margin of safety for unplanned operational needs. The contingency appropriation may be used at the discretion of and by the action of the City Manager. The contingency appropriation is used only after all other budget resources have been examined. The appropriation for operational contingencies shall be equal to one percent (1%) of estimated General Fund revenues unless expressly modified by the Board Council as part of the annual budget adoption.

9.10. Performance Measures

Departments shall develop key performance measures that address best practices, desired outcomes, Council strategic initiatives, and annual goals to ensure resource optimization and maximize results. Departments will pursue the most cost-effective means to achieve their performance measures. The Council will use performance measures as criteria that the Council and management use to evaluate departmental requests for funding.

9.11. Procurement

Departments shall adhere to standard procurement guidelines that comply with state and federal policies and City procedures. Expenditures are a matter of public record; therefore purchases should be a prudent use of public funds.

9.12. Payment for Goods from Prior Year

- 9.12.1. Departments will pay for goods and services ordered but not received before the end of the prior fiscal year from the current year's budgeted appropriations.
- 9.12.2. The department's payment for goods and services to be received or used in the next year are not authorized for payment from current year funds unless the items are dues or maintenance agreements where recurring invoices for the next year are generally due before year-end.

SECTION 10. FUND BALANCE AND RESERVE POLICIES

10.1. Use of Year-End Fund Balance

- 10.1.1. The fund balance is a measurement of available financial resources. It is the difference between total assets and total liabilities in each fund.
- 10.1.2. The Council recognizes that the maintenance of fund balance is essential to preserving the City's financial integrity.
- 10.1.3. The City's goal is to use fund balance as a source to finance one-time investments, reserves, and/or commitments.
- 10.1.4. As a one-time financing source, any unbudgeted year-end fund balance will be used for non-recurring expenditures and only after the yearly audit and confirmation of the General Fund's fund balance.

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- 10.1.5. Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts are reported in the following categories:
- 10.1.5.1. **Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory or fixed assets) or are legally or contractually required to be maintained intact such as prepaid amounts.
 - 10.1.5.2. **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties, either constitutionally or through enabling legislation such as grants or donations.
 - 10.1.5.3. **Committed fund balance** – amounts that can only be used for the specific purposes determined by a formal action (resolution) of the Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally such as the Council's commitment in connection with future capital projects.
 - 10.1.5.4. **Assigned fund balance** – amounts intended to be used for specific purposes. Intent can be expressed by the Council, or the City Manager, or designee.
 - 10.1.5.5. **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the General Fund only. Unassigned amounts are available for any legal purpose.

10.2. Fund and Reserve Levels

- 10.2.1. Sufficient fund balance and reserve levels are a critical component of the City's overall financial management strategy. These are key factors in the ability to sustain service delivery and obtain external financing.
 - 10.2.1.1. Rating agencies analyze fund balance when considering the City's overall financial strength and creditworthiness.
 - 10.2.1.2. Adequate reserves enable flexible financial planning in developing future capital projects, dealing with unforeseen emergencies and changes in fiscal conditions.
- 10.2.2. Each fund shall maintain a level of reserves, providing a positive fund balance throughout the fiscal year. In the event a department anticipates a fund having a negative cash position, the department head or Director of Finance shall prepare a report to the next CBFC meeting outlining the reason(s) along with a financial plan to ensure the fund regains a positive cash balance.
- 10.2.3. The City uses a strategic reserve policy to provide adequate fund balance throughout the year.
- 10.2.4. The City has a reserve policy for all major City funds in conformance with their industry's best practices. In the event there are no industry best practice, the City Manager shall adopt the following percentages as reserves: (a) an appropriation for

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operational contingencies equal to one percent (1%) of estimated annual revenue and (b) a strategic reserve equal to twenty percent (20%) of estimated annual operating expenses.

10.3. Committed Fund Balances in General Fund:

10.3.1. Emergency Reserve –

10.3.1.1. This reserve is intended to be used only in extremely rare circumstances resulting from major emergencies that are not recurring by nature and, in general, are not predictable.

10.3.1.1.1. Such an event will have resulted in significant physical damage or disruption within the City.

10.3.1.1.2. Examples of a major emergency that would require extensive additional City operational or capital costs include an earthquake, severe storms, flooding; a terrorist event or a protracted major health or military crisis.

10.3.1.1.3. This reserve is not intended for use to smooth economic cycles or changes in revenue or expenditure patterns.

10.3.1.1.4. Any draws on this reserve should be the highest priority for reserve replenishment.

10.3.1.2. The City's goal is to maintain an emergency reserve of \$5 million and this number should be reevaluated annually.

10.3.2. Strategic Reserve Fund

10.3.2.1. The City will commit a portion of the fund balance in the General Fund as a strategic reserve to provide the City with sufficient working capital and be used to fund

10.3.2.1.1. Settlement of legal judgments against the City in excess of reserves normally designated for litigation,

10.3.2.1.2. Short-term revenue reductions due to economic downturns,

10.3.2.1.3. Costs associated with natural disasters as determined by the City Manager or Council, and

10.3.2.1.4. One-time-only budget reductions that could not be addressed through the annual appropriations for contingencies in the General Fund.

10.3.2.2. The City's goal is to maintain a strategic reserve equal to twenty percent (20%) of the General Fund estimated annual operating expenses including ongoing transfers out.

10.3.2.3. If the strategic reserve is used to provide temporary funding of unforeseen needs, the City shall take measures necessary to prevent its use in the

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following fiscal year by increasing General Fund revenues and/or decreasing expenditures to regain structural balance.

- 10.3.2.4. The City shall also restore the strategic reserve to the minimum level of twenty percent (20%) of General Fund estimated operating expenses including ongoing transfers out within five fiscal years following the fiscal year in which the event occurred. The plan to restore the strategic reserve shall be included and highlighted in the City's Five-Year Forecast.

10.3.3. Economic Stabilization Reserve

- 10.3.3.1. To the extent that the City identifies specific economic risks, the City may set aside an economic stabilization reserve.
- 10.3.3.2. The intent of an economic stabilization reserve is to minimize impact in the event of loss of a significant revenue source.
- 10.3.3.3. This amount of this reserve will be established at the time it is created. For example, if a specific business type makes up a portion of City revenue that creates a risk if the business leaves the City, the City Council may vote to place the value of two years of revenue from that business type into the Economic Stabilization Reserve

10.3.4. Compensated Absences Reserve

- 10.3.4.1. The City will set aside funds for a compensated absence reserve.
- 10.3.4.2. The intent of any compensated absences reserve is to make funding available in the event of significant separations that cannot be funded within department's existing appropriations.
- 10.3.4.3. This amount of this reserve will be established at two times the highest separation payouts during the most recent five years.
- 10.3.4.4. Before accessing this reserve, departments will identify other sources of funds to pay for separation payouts such as salary or other savings and resources. In the event a department is unable to identify alternative sources, the City Manager is authorized to transfer funds from this reserve and will report the transfer to City Council within sixty (60) days.

- 10.3.5. Funds in excess of each reserve may be retained in the strategic reserve or may be considered for other purposes, such as supplementing capital project funds or prepaying existing debt.

10.4. Reserves in other funds of the City

Every fund of the City represents a stand-alone financial operation and has its own operating characteristics, financial capabilities, and constraints. The level of reserves needed, if any, should be based on the financial and operating characteristics of each fund. If determined to be required, reserves for other funds of the City will be submitted to Council for adoption by Council resolution.

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10.5. Additional Reserves

Upon recommendation by staff and approval by City Council, the City may establish and maintain additional Reserves in the General Fund and other funds of the City.

10.6. Order of Expenditure of Fund Balance

When multiple categories of funds are available for expenditure (such as a project is being funded partly by a grant, funds set aside by the Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before moving down to the next fund balance category with available funds.

SECTION 11. INTERFUND LOANS

- 11.1. Interfund loans are the lending of cash from one City fund to another for a specific purpose and require repayment.
- 11.2. Interfund loans are typically short-term in nature and constitute the allocation of cash between individual funds for working capital purposes.
- 11.3. Interfund loans may be made for the following reasons:
 - 11.3.1. To offset timing differences in cash flow;
 - 11.3.2. To offset timing differences between expenditures and reimbursements, typically associated with grant funding;
 - 11.3.3. To provide funds for interim financing in conjunction with obtaining long-term financing; and/or
 - 11.3.4. For short-term borrowing in place of external financing.
- 11.4. Interfund loans are not to be used to solve ongoing structural budget issues or hindering the accomplishment of any function or project for which the lending fund was established.
- 11.5. Interfund loans are not to be used from fiscal year to fiscal year as a financing strategy.
- 11.6. If a fund has a negative cash balance, the department must present the City Manager with a plan for reaching a positive cash balance. A negative cash balance must be addressed in the fiscal year that the fund reaches negative cash.
- 11.7. Interfund loan monies may only be used for the purpose identified in the authorizing resolution. Staff will maintain appropriate accounting records to reflect the balances of loans in every fund affected by such transactions.
- 11.8. A summary of all outstanding interfund loans will be included in the Annual Comprehensive Financial Report (ACFR).
- 11.9. Interfund Loan Terms
 - 11.9.1. The Council must approve interfund loans by resolution.
 - 11.9.2. Such resolution will include a planned schedule of repayment of the loan principal and set a reasonable interest rate to be paid to the lending fund if required by the lending fund's restrictions or regulations during the time the loan is outstanding.

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- 11.9.3. Repayment of an interfund loan shall be within the same fiscal year unless otherwise stated in a Council resolution.
- 11.9.4. The City Manager shall have authority for issuing temporary interfund loans for end-of-year purposes and report out these temporary interfund loans to the Council via memorandum or as part of the Budget End of Year Report.
- 11.10. Interfund Loan Interest: The following guidelines should be used in establishing the rate of interest
 - 11.10.1. Interest shall not be lower than the "opportunity cost" if the funds were otherwise invested, such as the interest on City pooled funds, treasury yields or short-term bond yields for a similar term; and
 - 11.10.2. Interest shall not be higher than the external rate available to the City.
 - 11.10.3. Interest is not required in the following circumstances:
 - 11.10.3.1. The borrowing fund has no independent source of revenue other than the lending fund; or
 - 11.10.3.2. The borrowing fund is generally funded by the lending fund; or
 - 11.10.3.3. The lending fund is the General Fund, which, being unrestricted, can loan interest-free, except to a proprietary fund (such as one of enterprise funds below).

SECTION 12. ENTERPRISE FUNDS

- 12.1. The City will establish enterprise funds for City services when:
 - 12.1.1. The fund's operations are financed and operated like private business enterprises, where services provided are primarily funded through user charges; or
 - 12.1.2. The Council determines that it is appropriate to conduct a periodic review of net income for capital maintenance, accountability, or other public policy purposes.
 - 12.1.3. The City currently has three enterprise funds: (1) Water Fund, (2) Sewer Fund, and (3) Airport Fund
- 12.2. Expenses

Enterprise fund expenses and revenues will be established at sufficient levels to properly maintain the fund's infrastructure and provide significant capital development without requiring City General Funds.
- 12.3. Rate Structure and Net Position
 - 12.3.1. An adequate rate structure will be maintained in each enterprise fund to cover the cost of all operations, including cash flow, capital replacement and maintenance, debt service (if applicable) contingency funding, scheduled reserve contributions, and depreciation.
 - 12.3.2. Municipal Code Section 11-3.452 (Sanitary Sewer System – Review of Rates): The

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rates for the sewer service charges shall be reviewed each year in preparation for the annual budget by the City Council to assure the collection of sufficient revenue to defray all expenses incurred in the maintenance and operation of the sewage treatment and collection facilities of the City.)

- 12.3.3. Rates may be offset from the available net position only after these requirements are met.

12.4. Services

The department will establish and maintain reserves in enterprise funds for general contingency and capital purposes consistent with those maintained for general governmental services.

12.5. Net Operating Revenues

The City will ensure that net operating revenues of the enterprise are sufficient to pay operating expenses, capital costs, and any debt service requirements where applicable, in compliance with the City's fiscal and debt policies.

12.6. Interest from Funds

Unless otherwise directed by statute, regulation, or resolution, interest will be allocated as discretionary financing for an enterprise fund.

12.7. Financial Monitoring and Reporting

- 12.7.1. The City Manager, Director of Finance, and departments shall monitor revenues and expenses throughout the year to ensure conformity to adopted budgets with particular attention to large costs such as overtime.

- 12.7.2. The Department Head and Director of Finance shall provide status reports to the CBFC on at least an annual basis. Such financial reports shall contain a year-to-date summary of expenses, revenues, and cash positions, significant variances, comparisons to previous fiscal years' activity, trends for the current fiscal year, and financial impacts to the General Fund, if any.

SECTION 13. INTERNAL SERVICE FUNDS

- 13.1. Definition: An internal service fund (ISF) holds funds and assets for a centralized governmental service that provides services or products on a cost-reimbursement basis to other governmental units or external users.

- 13.2. To qualify as an ISF, the predominant users of the services or products must be the government itself.

- 13.3. The City uses the following Internal Service Funds

- 13.3.1. Worker's Compensation (Fund 705)

- 13.3.1.1. The Human Resources Department is responsible for managing the City's Worker's Compensation ISF.

- 13.3.1.2. Funds are transferred through each payroll cycle as a percentage of employee salary based on classification of employee.

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- 13.3.1.3. This fund is used for costs associated with worker's compensation claims against the City. Expenses in this fund include
 - 13.3.1.3.1. Payment for excess insurance coverage for claims exceeding the City's Self Insured Retention (SIR)
 - 13.3.1.3.2. Payment for judgments, settlements, and claims against the City related to worker's compensation.
 - 13.3.1.3.3. Other expenses associated with worker's compensation claims such as staff costs, training, services and supplies, and associated internal services costs.
 - 13.3.1.3.4. Adequate funds will be reserved in the ISF to cover both excess insured events and events not covered by excess insurance coverage and provide for "recoverable" and "non-recoverable" losses.
 - 13.3.1.3.5. The City will fund this ISF at a seventy percent (70%) confidence level
- 13.3.2. General Liability (Fund 710)
 - 13.3.2.1. The City Attorney's Office is responsible for managing the City's General Liability Fund
 - 13.3.2.2. Funds are transferred to this fund based on a prorated share of full time employees.
 - 13.3.2.3. This fund is used for costs associated with General Liability claims against the City. Expenses in this fund include:
 - 13.3.2.3.1. Payment for excess insurance coverage for claims exceeding the City's Self Insured Retention (SIR)
 - 13.3.2.3.2. Payment for judgments, settlements, and claims against the City related to general liability.
 - 13.3.2.3.3. Other expenses associated with general liability claims such as staff costs, training, services and supplies, and associated internal services costs.
 - 13.3.2.3.4. Adequate funds will be reserved in the ISF to cover both excess insured events and events not covered by excess insurance coverage and provide for "recoverable" and "non-recoverable" losses.
 - 13.3.2.3.5. The City will fund this ISF at a seventy percent (70%) confidence level
- 13.3.3. Retiree Medical Benefits Fund (Fund 720)
 - 13.3.3.1. The Finance Department is responsible for managing the Retiree Medical

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Benefits ISF.

13.3.3.2. Funds in the Retiree Medical Benefits Fund include funds paid to retired employees for post retiree medical benefits.

13.3.3.3. Funds are transferred based on the department in which the retiree last served.

13.3.4. Facilities Management Fund (Fund 725 [Operating] and Fund 726 [Capital])

13.3.4.1. The Maintenance Services Department is responsible for managing the City's Facilities Management Funds.

13.3.4.2. Funds are transferred to this fund based on a prorated share of full time employees.

13.3.4.3. Expenses in this fund include costs of maintaining city facilities such as, but not limited to janitorial and building maintenance.

13.3.5. Information Technology Fund (Fund 730 [Operating] and Fund 731 [Capital])

13.3.5.1. The Information Technology Department is responsible for managing the City's Information Technology Funds.

13.3.5.2. Funds are transferred to this fund based on a prorated share of full time employees with some direct allocations for system benefitting specific departments.

13.3.5.3. Expenses in this fund include costs of maintaining computer hardware and software as well as associated staff costs.

13.3.6. Fleet Management Fund (Fund 735 [Operating], Fund 736 [Capital], Fund 737 (Fleet Management Enterprise))

13.3.6.1. The Maintenance Services Department is responsible for managing the City's Fleet Management Funds.

13.3.6.2. Funds are transferred to this fund based on a share of assigned vehicles.

13.3.6.3. Expenses in this fund include costs of vehicle maintenance including associated staff costs.

13.4. General Fund Transfers

13.4.1. In the event there is an expense such as a large settlement or maintenance cost that cannot be funded within the existing ISF reserve, the Department Head may submit a request to the City Manager and Director of Finance for a transfer from the General Fund or such other fund as may be available and appropriate.

13.4.2. The Department Head's request shall include the following: an analysis of the impact of the settlement on the reserve, alternatives for addressing the implications, and the advantages and disadvantages of each alternative.

13.5. Actuarial Studies

Where appropriate for the type of fund, the Department Head shall complete regular actuarial

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studies at intervals recommended by the Director of Finance or City Manager.

13.6. Internal Service Funds Reporting

Departments that manage ISFs shall provide to the Finance Director and City Manager an annual report outlining funding levels, operational costs, and outcomes of operations.

SECTION 14. CAPITAL FACILITIES AND IMPROVEMENT POLICIES

14.1. Capital Investments

14.1.1. The City is responsible for investing in the preservation, maintenance, and improvement of buildings, parks, roads, sewers, equipment, and other capital infrastructure investments.

14.1.2. Projects in excess of \$100,000 that have an estimated useful life of at least five years and are non-recurring should be included in the Capital Improvement Program (CIP) for consideration and Citywide prioritization.

14.1.3. The City will prepare strategic capital improvement plans, policies, and programs to assess future needs and prevent emergencies to avoid major costs.

14.1.3.1. This will include preparation and presentation of a CIP Five-Year Plan, which incorporates into the operating budget the fiscal impact of projects including design, construction, equipment, land purchases, administration, as well as ongoing operations and maintenance once completed.

14.1.3.2. The CIP shall be consistent with the City's overall goals and objectives and coordinated with economic development infrastructure investments.

14.1.3.3. The Public Works Director with support from the Finance Department and other departments requiring capital projects will prepare the CIP and update it annually.

14.1.4. Department Heads will regularly update all projects within the CIP and conduct an annual review of priorities, needs and staffing levels.

14.2. Financial Analysis of Funding Sources

14.2.1. Financial analysis of funding sources is conducted for all proposed major capital improvement projects. Before approving any new capital project expenditure, City Council shall consider both the capital (one-time) and operating (ongoing) components of costs, including

14.2.1.1. The full capital cost of the project, regardless of funding sources,

14.2.1.2. All City incurred site, design, overhead and start-up costs,

14.2.1.3. Projected operating costs through any stabilization period,

14.2.1.4. Operating and maintenance costs which should be identified separately, to ensure that adequate funds will be available for ongoing expenses necessary to maximize useful life,

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- 14.2.1.5. Replacement costs and potential methods of funding shall also be considered. If the project has a limited economic life, the fiscal impact information should include proposed end of life actions and costs.
- 14.2.1.6. The method for funding all projected costs.
- 14.2.1.7. Maintenance projects, site costs for land already owned by the City, and projects and costs that do not significantly impact the City are excluded from this requirement.
- 14.2.2. When fees are initially proposed for items charged to external parties but installed and/or maintained by the City, City Council shall have information to allow the Council to consider incorporation of capital costs, maintenance costs and replacement cycle costs in the fees or upfront costs. Costs that are not significant do not need to be analyzed.
- 14.2.3. The City Manager or designee will determine available funding sources and provide input toward scope changes to meet any fiscal constraints.
- 14.2.4. Project scope and budget must be defined and submitted to the Council for approval before project funds can be expended.
- 14.3. The City Manager is authorized to re-distribute budget appropriations between similar capital projects. The maximum transfer shall be \$100,000 per project. Funds may be transferred from projects in different capital budgets as long as they are between similar projects
- 14.4. Annual Capital Improvement Budget
 - 14.4.1. The Council will consider capital project funding during the annual budget process.
 - 14.4.2. In general, capital projects that have secured funding to complete the project will be included in the Recommended Budget.
 - 14.4.3. Staff will recommend annual funding for each of the major project categories in the CIP for Council consideration.
 - 14.4.4. When considering the priority and funding of each capital project, the City shall consider the operating impacts such as, but not limited to, increased staff, facilities maintenance, and outside rentals of the project.
- 14.5. Capital Project Reports: The Public Works Department shall provide the following reports:
 - 14.5.1. Monthly updates of the drawdown schedule for debt-financed projects to the Finance Department which shall be shared with the Council Budget and Finance Committee on at least a semi-annual basis
 - 14.5.2. Regular reports to the City Manager detailing quarterly forecasts of expenditures for the life of debt-financed projects;
 - 14.5.3. Quarterly updates to the Finance Director on implemented capital projects that include the initial approved and modified budgets, expenditures to date, remaining budget and expenditures, original completion date, and if applicable, revised completion date and the phase (in a percentage) the project is toward completion;

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- 14.5.4. Quarterly updates to the Finance Director on capital funds interest accumulation; and
- 14.5.5. Annual updates to the City Council committees on scheduled and unscheduled maintenance projects.

SECTION 15. DEBT MANAGEMENT

- 15.1. The City will maintain a separate Debt Management Policy which shall be presented to Council on an annual basis.
- 15.2. The Debt Management Policy will include:
 - 15.2.1. Recommendations from the Finance Department regarding limits on the amount of debt recommended by the Finance Department
 - 15.2.2. The term of debt will generally not exceed the life of the asset being acquired.
 - 15.2.3. Capital leases for vehicle replacement or other recurring costs should be part of a comprehensive strategy that provides for ongoing replacement of the equipment and should not be issued to provide a short-term budget solution to replace cash purchases with debt.
 - 15.2.4. Debt will not be used to fund operations except that incurring short-term debt (less than one year) to provide for cash flow in anticipation of revenues is not a violation of this policy.

SECTION 16. INVESTMENT MANAGEMENT

- 16.1. The City will maintain a separate Investment Management Policy which shall be presented to Council on an annual basis.
- 16.2. Investments shall be managed with the following priorities, in order: safety of principal, liquidity (availability of cash) and yield (investment income).

SECTION 17. GRANT MANAGEMENT

- 17.1. The City manages a variety of programs, which depend on outside grants for partial or full funding. Grants that require a General Fund match must be approved by the City Council before the department can apply, unless authorized by City Manager due to timing purposes and, in such cases, information about the grant will be presented to City Council within 60 days of application.
- 17.2. The City recognizes that grant funding provides significant resources to enhance the ability to provide services and activities not otherwise available.
- 17.3. The City will actively seek grants and consideration will be given to whether grant activities meet the below criteria. Grants that do not meet this criteria may be declined unless authorized by City Manager or City Council as appropriate:
 - 17.3.1. Further the City's mission,
 - 17.3.2. Are part of the core functions of the department,
 - 17.3.3. Benefit the community,

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- 17.3.4. Provide a significant net benefit to the City for existing purposes
- 17.3.5. Does not require locally generated revenues or other resources to support grant activities when grant funding is no longer available, and
- 17.3.6. Can be managed by existing resources, administrative costs can be recovered to the extent possible, and the amount of the grant outweighs the cost to secure and administer the grant and the risk associated with grant compliance
- 17.4. Except as otherwise provided in the Charter or the Municipal Code, if a grant meets the criteria in Section 15.3, the funds are within the City Manager’s spending authority, and expense amounts have already been appropriated within the City Council’s approved budget, the City Manager is authorized to accept grant awards, execute grant agreements, execute all related documents and expend such grant funds.
- 17.5. Grants that do not meet the criteria in Sections 15.3 and 15.4 shall be submitted to City Council for approval. When seeking City Council authorization for a grant, staff will provide information about financial impact information about a grant including:
 - 17.5.1. costs of administration,
 - 17.5.2. whether the grant creates new services or programs, and
 - 17.5.3. any one-time or ongoing funding requirements required by the City
- 17.6. Departments are responsible for the continuous monitoring of the financial status of grants and compliance with all applicable federal, state, and local regulations, including procurement policies and procedures including reporting when a Council approved grant-funded program is not performing as anticipated and / or is required to be discontinued or continued differently than previously reported.
- 17.7. Any position changes related to grant funding must be approved by City Council and adequately classified by Human Resources. Departments are to promptly notify payroll of coding changes needed for those positions being charged to grants since grant codes may change each year.
- 17.8. Departments are responsible for all aspects of the grant process, including planning for grant acquisition, preparing and submitting grant proposals, developing grant implementation plans, managing grant programs, preparing and providing reports to grantors, and adequately closing out grant projects. To the extent possible, direct and indirect costs of grant will be recovered from grant funds.
- 17.9. In the event of reductions in such external funding amounts, the program service levels will be reduced, and additional City support shall not be provided to compensate for the decrease in outside funding unless approved and directed by the City Council. Changes in grant programs including changes to required funding by City sources shall be reported to City Council as soon as practical.
- 17.10. Department staff, the Finance Department, and the City Manager’s Office will maintain a close working relationship concerning any grant activity to ensure a clear understanding of the project status.

SECTION 18. HAYWARD CENTRAL BUSINESS AREA OF THE CITY OF HAYWARD

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- 18.1. Municipal Code Section 8.5-70 (Proposed Uses): The uses to which the proceeds from the additional tax revenue realized from the additional levy of license tax imposed by this Article shall be put are:
 - 18.1.1. The acquisition, construction, and maintenance of parking facilities for the benefit of the "Area".
 - 18.1.2. Decoration of any public place in the "Area".
 - 18.1.3. Promotion of public events which are to take place on or in public places in the "Area".
 - 18.1.4. Furnishing of music in any public place in the "Area".
 - 18.1.5. The general promotion of retail trade activities in the "Area".
- 18.2. Municipal Code Section 8-5.80 (Advisory Board): For the purpose of advising the Council and making recommendations as to how the revenue derived from the additional levy of license tax imposed by this Section shall be used within the scope of the purposes set forth in Section 8-5.70, and to have and perform such other powers and duties as the Council may determine, there may be created an Advisory Board consisting of nine (9) members to be appointed by the City Council and to serve at its pleasure, said members to be persons who have businesses within the "Area", and pay an additional levy of license tax as provided for by this Article.
- 18.3. The Council may annually approve a budget to include an estimate of the expenditures to be made to carry out the purposes of the Business Improvement Area.

SECTION 19. DOWNTOWN HAYWARD BUSINESS IMPROVEMENT AREA

- 19.1. Municipal Code Section 8-12.11 EXPENDITURES: The City Council shall annually approve a budget to include an estimate of expenditures to be made from the Downtown Hayward Business Improvement Area Fund to carry out the purposes of Municipal Code Section 8-12.11
- 19.2. Power to Contract:
 - 19.2.1. The City may contract from time to time with a non-profit tax-exempt corporation, the purpose of which shall be to carry out the purposes for which these the charges or assessments for the Downtown Hayward Business Improvement Area (DHBIA) are levied.
 - 19.2.2. In event such agreement is made, it shall provide that said corporation shall present a budget of proposed expenditures and purposes to the City Manager, for investigation and report to the Council upon the advisability and feasibility of the proposed expenditures and improvements.
 - 19.2.3. Upon approval of said budget requests, the Council shall allocate and direct payment of such amounts as it shall determine to said contracting agency by the City's Director of Finance.

SECTION 20. MAINTENANCE DISTRICTS (MUNICIPAL CODE ARTICLE 10)

- 20.1. Section 10-10.15 (Assessment Formula): In either the resolution of intention to order work done or improvements made, or the separate resolution, there shall be a statement of the formula(ae)

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upon and by which annual assessment levies for the payment of costs and expenses will be apportioned according to benefits among the several lots or parcels of property within the maintenance district established therefor, and zones of benefit if required. The resolution shall instruct the Director of Public Works to prepare a budget annually.

20.2. Section 10-10.20 (Budget): The Director of Public Works shall annually prepare a budget for the costs and expenses of maintaining and operating any or all of the public improvements of a local nature for each maintenance district during the ensuing fiscal year, which shall include the following:

- 20.2.1. The gross amount required for the costs and expenses of maintaining and operating said public improvements;
- 20.2.2. The balance which will be available in the assessment fund at the end of the current fiscal year for such purpose;
- 20.2.3. The amount, if any, to be contributed by the City to pay any part of the costs and expenses;
- 20.2.4. Amounts to be repaid to City for funds advanced by the City to pay deficits which accrued in prior years; and
- 20.2.5. The net balance which is the amount necessary to pay the costs and expenses.

20.3. Section 10-10.25 (Report to Council): When the budget has been completed by the Director of Public Works, it shall be incorporated into a report which, in addition to the budget, sets forth the benefit formula(e), a description of each lot or parcel of property in the maintenance district by assessor's parcel number or address, and the amount of assessment to be levied against each property. The report shall be signed by the Director of Public Works and filed with the City Clerk. The City Clerk shall place the matter on the agenda for a hearing by the City Council.

20.4. Section 10-10.35 (Notice Form): The form of notice, depending on the particular situation, shall be substantially as follows:

(a) Published Notice.

_____ NOTICE OF HEARING ON MAINTENANCE DISTRICT

NOTICE IS HEREBY GIVEN that the Director of Public Works has caused to be prepared and filed with the City Clerk a report, in writing, which provides the basis for the benefit assessment for the following type(s) of maintenance and operation to be borne by all lots or parcels of property within existing district, or proposed maintenance District No. _____ more particularly described in Exhibit "A" attached and incorporated by reference. The report sets forth the amounts to be provided in the budget for maintenance and operation, a description of each lot or parcel of property in the maintenance district by assessor's parcel number or address, and the amount of assessment to be levied for the fiscal year 20__ through 20__ against each lot or parcel of property. The report is available for public inspection in the office of the City Clerk.

Any interested owner objecting to (only items with X are subject to objection at this hearing):

_____ establishment of the district;

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- _____ boundaries of the district;
- _____ fairness of the benefit formula(ae);
- _____ boundaries of the zones of benefit;
- _____ the amount of the assessment on any lot or parcel of property;
- _____ if applicable, reservation by City of right to elect whether to proceed each year by either negotiated or bid contract or contracts or combination of both instead of bid contract or contracts only;
- _____ additional improvements;

may file with the City Clerk at or before the hour fixed for hearing a written and signed protest, describing the lot or parcel of property by assessor's parcel number or address and stating the grounds of protest, and may appear and be heard at the hearing.

The report will be heard by the Council at its meeting on the day of 20____, at the hour of _____ o'clock ____m. in the Council Chambers, 22300 Foothill Boulevard, Hayward, California 94541, at which time Council will examine the report and hear protests.

Notice prior to the final determination of the district shall indicate that the formation of the district, the boundaries of the district, the benefit formula(ae) and the amount of assessment and reservation of the right to elect each year at the time the budget and assessment are adopted and confirmed by bid or negotiated contract(s) or combination thereof for operation and maintenance of the improvements, are subject to objection. In subsequent years, only the amount of assessment or changes in the formula(ae) are subject to objection and the notice shall so indicate.

- (b) Mailed Notice. The form of mailed notice shall be substantially the same as that of published notice, but shall also contain a description of the lot or parcel of property by assessor's parcel number or address and the amount of the proposed assessment against the property as set forth in the report. If applicable, the notice shall contain a statement that the City Council intends to reserve the right to elect to award contract(s) for maintaining and operating the public improvements, the costs of which are to be assessed in whole or in part upon the district by either negotiated or bid contract(s) or combination thereof, in each of the years during which the district continues in existence. The election to proceed by negotiated or bid contract(s) or combination thereof shall be made each year at the time the budget and assessment are adopted for the year in question and not at the time the right to elect is reserved. Affidavits or certifications of publication and mailing shall be filed with the City Clerk.
- 20.5. Section 10-10.60 (Final Determination): At the initial hearing or at the subsequent hearing or at any adjourned meeting, or at any meeting of the City Council, the City Council may finally adopt the district, formula(ae) by which to establish the annual assessments, and determine whether to reserve the right to elect to proceed each year by negotiated or bid contract(s) or combination thereof, rather than bid contract(s) only. If a reservation is made, the Council may exercise its election for negotiated or bid contract(s) or combination thereof for the first year, at the time the budget and assessment is approved for the first year. For each year thereafter such election shall be made at the time the budget and assessment is approved for the year in question.

SECTION 21. AFFORDABLE HOUSING ORDINANCE

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21.1. Section 10-17.1010 (Purpose, Limitations, and Administration)

- 21.1.1. Monies deposited in the Affordable Housing Fund must be used to increase the supply of housing affordable to Moderate-, Low-, Very Low-, or Extremely Low-Income households in the City, through new construction, acquisition of affordability covenants and substantial rehabilitation of existing housing, or provision of other residential facilities, including emergency shelters and transitional housing, if those facilities mitigate the impact of market-rate housing on the need for affordable housing. Up to fifteen percent (15%) of revenue may be used to cover reasonable administrative costs associated with the administration and implementation of this Article.
- 21.1.2. The Fund shall be administered by the City Manager or designee, who may develop procedures to implement the purposes of the Fund consistent with the requirements of this Municipal Code 10-17 and any adopted budget of the City.

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Revenue Measures

Key:

Likely	In-Progress/More Research Needed	Not Recommended
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Idea	Revenue	Notes
Update to UUT Ordinance to capture the use of streaming services	\$750,000 - \$1 million annually in FY27, if legal issues are resolved and \$1.5 - 2 million annually in subsequent years (ONGOING)	Updates to the UUT ordinance are pending second reading. In addition, the issue is still pending before the State Supreme Court. If this revenue is available, staff will initiate collections as soon as possible
Business License Tax Modernization Measure	Potentially \$7.5 million in additional tax revenue annually (ONGOING)	Staff is actively working on this and will present an analysis to Council on 2/28/26. This will require voter approval and cannot be relied upon for balancing this fiscal year budget.
Use of Measure C Funds	\$10 million (ONE-TIME)	\$10 million is roughly the net revenue the City will receive in Measure C in FY27. Staff is recommending temporary use of this source to transition the City to a structurally balanced financial position.
OPEB Trust Reimbursement	\$3 million (ONE-TIME)	Transfer from the OPEB Trust to reimburse the general fund for OPEB costs during FY27.
CDBG Transfer	\$500,000 (ONE-TIME)	Transfer from CDBG to temporarily transition the City to a structurally balanced financial position.
New Data Centers	\$904,000 in FY27; \$2M and increasing in subsequent years. (ONGOING)	Two new data centers are in the development pipeline that could benefit the City's General Fund in future years.
Updates to User-Fee Schedule and Master Fee Schedule	\$1 million (ONGOING)	Staff is actively working on updating cost recovery fees based on updated salaries and user fees based on market comparisons, with a deadline of early spring.

Updates to Cost Allocation and Internal Services	\$500,000 (ONGOING)	All cost allocations are being reviewed to ensure an accurate distribution across funds and inclusion of updated salary and benefits costs, with a deadline of early spring.
Additional Cannabis Revenue	\$400,000 annually (ONGOING)	Estimated additional cannabis revenue based on a new dispensary that is expected to open later in CY2026, although currently subject to litigation, which may delay opening and collection of revenue.
Parking Enforcement Program	To-Be-Determined (ONGOING)	Staff is actively exploring a program to enforce existing time-restricted parking restrictions in the downtown. This is likely to be a cost neutral item covered by citation revenue.
New Business License Compliance and Tax Audit Process	\$100,000 annually (ONE-TIME & ONGOING)	Staff is currently partnering with a new consultant to complete audits of both unlicensed and existing businesses.
Lease or sell underutilized city-owned properties	To-Be-Determined (ONE-TIME)	The City has hired a Real Property Manager and is actively pursuing the sale and/or use of city-owned property as a means for restoring reserves.
Hayward Traffic Code / Hayward Municipal Code Citation Revenue	To-Be-Determined (ONGOING)	Staff is reviewing citation amounts as part of the annual Master Fee Schedule adjustment.
Short-Term Rental Ban Enforcement and Transient Occupancy Tax Collection	\$452,000 annually less \$25,000 for the annual subscription (ONGOING)	Staff is researching the use of new software to enforce the City's ban on short-term rentals and obtain fine and TOT revenue, which is likely to decrease over time. This may adversely impact tenants since 42% of listings are for rooms. Depending on the level of enforcement effort, it could require increase in code enforcement staff time, which is already limited.

Digital Billboards on City Property	\$100,000+ per billboard annually. Hayward has potential for 2-3 billboards. (ONGOING)	This would require an update to City ordinance, work with a consultant, and a partnership with outside advertising agency. If pursued, staff estimates this would take a year or more before revenue is realized.
First Responder's Fee	\$50,000 - \$350,000 annually (after costs) (ONGOING)	Staff is actively researching and will present this idea on 2/28/26. Few non-transport agencies like Hayward charge a first responder fee and with varied results
Illegal Cannabis Grow Fines	To-Be-Determined but Extremely Uncertain (ONE-TIME)	HPD and the City Attorney's Office continue to try to collect illegal cannabis fines. This revenue is uncertain and the legal process can pose a significant staff burden.
Expedited Permit Fee	To-Be-Determined but Minimal (ONGOING)	This fee currently exists but will be further examined as an economic development tool as and as part of Master Fee update. Unlikely to impact revenues significantly.
Grants	To-Be-Determined and Uncertain (ONE-TIME)	Staff continues to pursue grants to offset General Fund costs, such as the FEMA SAFER grant, grants for the LINK program, and grants for the Navigation Center.
Partner With Alameda County for Measure W Funds	To-Be-Determined (ONE-TIME)	City Staff is exploring all opportunities to bring Measure W tax dollars back to Hayward residents.
Support Business Development; Shared Kitchen Space/Incubator; "Red Tape to Green Light" Program	To-Be-Determined (ONGOING)	The Economic Development Division continues to explore incentives and methods to increase business development within Hayward. There may be an initial outlay of funds for these programs.
Need a Plan Around Southland Mall to Engineer Tourism by Implementing Design Guidelines	To-Be-Determined (ONGOING)	Southland Mall was sold to a new operator. Economic Development continues to explore development opportunities.

Require All Development Review Staff Who Review Projects to Charge Time Against the Developer	To-Be-Determined (ONGOING)	Staff is working to develop a policy to ensure time from all staff that review development applications is passed on to the applicant to the extent legally feasible.
Mello-Roos Community Facilities District (CFD)	To-Be-Determined (ONE-TIME & ONGOING)	While not immediately applicable, this could be viable for large-scale public land projects. This is a land-secured financing mechanism to fund infrastructure and/or municipal services that requires a 2/3 vote of property owners.
Establish an Enhanced Infrastructure Financing District (EIFD)	To-Be-Determined (ONE-TIME with Bond Sales & ONGOING with Increased Property Tax Revenue)	This would ultimately reduce General Fund Revenue requiring funds to be directed toward debt service for infrastructure.
Commercial Vacancy Tax	To-Be-Determined. Rate would be set before being presented to voters. (ONGOING)	Based on Oakland's experience, this would require an update to City ordinance and voter approval with significant administrative burden.
Parking Lot Tax	To-Be-Determined, but Minimal (ONGOING)	This would require voter approval and the revenue generated would be minimal. Similar to San Leandro, this could be added as part of the business license tax.
Charge for Downtown Parking	To-Be-Determined, but Minimal (ONGOING)	Staff is exploring enforcing time-limited parking in the downtown. Based on experiences from other cities, charging for parking generates minimal revenue, increases in staff time, and disincentivizes customers from visiting downtown shops.
Fossil Fuel Tax/Carbon Tax	To-Be-Determined. . (ONGOING)	This requires voter approval and comes with the risk of loss of revenue as customers and businesses shop outside of Hayward city limits.
Land Value Tax	No New Revenue Potential (ONGOING)	This is illegal in California.

Allow More Casinos in Hayward	No New Revenue Potential (ONGOING)	In 2023, Governor Newsom signed AB341, which instated a moratorium on new card rooms in California until January 1, 2043.
Increase False Alarm Fees	To-Be-Determined, but minimal (ONGOING)	Hayward Police is recovering full-cost and Hayward Fire is currently revising their false alarm policy. Based on recent call data, any additional revenue will be minimal.
Tree Planting Sponsorships	To-Be-Determined, but minimal (ONGOING)	The City has an active “Free Tree” program. A sponsorship program would at best be a a net-zero proposition with the cost of the tree, water, and maintenance are included.
Rental Strategies for Heritage Plaza	To-Be-Determined, but minimal (ONGOING)	Rental of the rotunda was stopped due to maintenance and cleanup costs, which would also be a concern for Heritage Plaza. The impact on Library Staff due to use of library restrooms is considerable regardless of whether portable toilets are provided. There is an opportunity to partner with DHIA to reduce burden on the Maintenance Services Department.
Review Investment Management to Increase Interest Income with Other Funds, such as California Asset Management Program (CAMP)	To-Be-Determined (ONGOING)	The City reviews potential increases in investment income quarterly and does currently hold funds at CAMP. Investment income has declined in the General Fund due to the lack of cash reserves. Other funds with cash available do earn interest.
Charge for Conceptual Development Review Applications (Formerly Pre-Applications)	To-Be-Determined, but minimal (ONGOING)	Currently this is a free service for applicants to get early feedback on their development projects. Being free contributed to the City’s “Pro Housing” designation, so a new fee would only be charged on non-residential applications. The additional revenue would be minimal.

Attachment VI: Cost Saving and Efficiency Measures

Key:

Likely	In-Progress/More Research Needed	Not Recommended
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Expense Reduction	Decrease in Cost	Notes
Navigation Center	\$1.6 Million Annual (ONGOING)	Reductions in program costs due to economies of scale with Regis Village project and ongoing grant funding, with no impacts to anticipated outcomes.
Remove FY 26/27 OPEB Trust Transfer	\$1.5 Million Annual (ONE-TIME)	Remove the annual contribution to the City's OPEB trust accounts from the budget.
Rephase non-critical capital projects. Delay or scale back lower-priority CIP projects to free cash flow for operations.	To-Be-Determined (ONE-TIME)	All General Fund CIP projects are being evaluated with the directive of delaying non-essential projects. For context, the General Fund only supports about 2%-3% of annual CIP budget.
Executive Concessions	\$250,000 Annual (ONGOING)	Executives and unrepresented employees do not receive COLAS.
Vacancy Management/Maintain FY26 VSIP/Layoffs	\$8,231,453 Annual (ONGOING)	These positions will continue to be held vacant.
Overtime Management	(ONGOING)	The City is on track to stay within the OT budget for FY26, which is a 25% reduction from the FY25.
Reduce Janitorial Services at City Hall	\$160,000 Annually (ONGOING)	A new janitorial contract was issued December 2025. The scope and service was refined, resulting in an annual savings of \$160,000.
Fire Department Non-Sworn 100% Cost Recovery	To-Be-Determined (ONGOING)	Costs and fees are being reviewed and analyzed for complete cost recovery.
Restructure Hayward Jail Operations/Other Police Departmental Savings	\$1.7 Million Annually (ONGOING)	Reductions associated with pausing hiring and downsizing jail operations.

Continue Hayward Police Department Overtime Savings – Shift Change	\$2 Million Annual (ONE-TIME/ONGOING)	This will require negotiations and agreements from labor partners
Continue Hayward Fire Department Overtime Savings – Minimum Staffing	\$4 Million Annual (ONE-TIME)	This will require negotiations and agreements from labor partners
Furlough Hours (Non-Sworn)	40 hours - \$960,293 80 hours - \$1.92 Million (ONE-TIME)	This will require negotiations and agreements from labor partners.
Forgo FY2026-27 COLAs	\$3.48 Million if All Labor Groups Forgo (ONE-TIME)	This will require negotiations and agreements from labor partners.
Ensure Employee Time/Wages are Properly Charged to Enterprise Funds When Applicable	To-Be-Determined (ONGOING)	Staff is actively reviewing with a target completion of March.
Analyze/Increase Technology Fee in the Master Fee Schedule	To-Be-Determined (ONGOING)	Staff is actively reviewing for the FY 2027 fee schedule.
Analyze Current Information Technology Internal Service Fund Methodology to Ensure Proper Allocation to Departments	\$100,000 per 1% shift to non-general funds. (ONGOING)	Staff is actively reviewing for the FY 2027 budget.
Pause Measure C Projects	To-Be-Determined (ONE-TIME)	Two of the three Measure C projects were delayed indefinitely (Jackson and Harder Median projects) and the Measure C contribution to the La Vista project was reduced by 80%.
City Council and Mayor Reduce Salaries by an additional 5%	To-Be-Determined, but Minimal (ONGOING)	Would require Council action.

Technology Enhancements & Investments	Efficiency Measure	Information Technology will continue to explore methods to use technology to improve efficiency. Active research areas include: pre plan review, staff report generation, automated note taking and meeting minute creation, first responder drone technology, and Permit Center virtual queue and dashboard.
Two Council Meetings per Month	Efficiency measure	Given reductions in workforce, consider actions that reduce ongoing staff time. Would require Council approval.
Consolidate Committee Meetings	Efficiency measure	Given reductions in workforce, consider actions that reduce ongoing staff time. Would require Council approval.
Adopt a Citywide Compensation Philosophy to Create Equity and Better Define what “Market” Means in Hayward	Process Improvement	This is an active project in the Human Resources Department.
Examine Airport Administration for Efficiency Increases and Operational Reductions	No Savings to the General Fund	Hayward Executive Airport is an enterprise fund, and any savings are not shared with the General Fund.
Payroll Process Review and Analysis	Process Improvement	This is an active project in the Finance Department, with a priority of first fully staffing in the Payroll Division.
Modifications to Military Leave to Prevent Overpayment Above State and Federal Requirements	To-Be-Determined (ONGOING)	Human Resources is currently investigating rewriting existing City resolutions regarding military leave to offer better clarity.
Reduce Consultants and Outside Contractors – Freeze Non-Essential Consulting Contracts and Transition Work In-House Where Possible	To-Be-Determined (ONGOING)	Staff will continue prioritize completing work in-house without the use of outside consultants whenever possible.

Cut Temporary Staff	To-Be-Determined (ONGOING)	Where possible, temporary staff have been released.
Pause Community Events, Sponsorships, and Grants to Community Organizations	To-Be-Determined (ONE-TIME/ONGOING)	This work has been fully paused and will continue to be paused in FY 2027.
Pause Spending Related to Travel, Training, and Memberships Unless Required for Job, and Make Training Online if Possible	To-Be-Determined (ONE-TIME/ONGOING)	This pause has been in place since August 2025.
Reduce Contribution to Worker’s Compensation Fund to FY 2026 Level	\$3.7 Million Annually (ONE-TIME)	Underfunding this fund could increase the risk of unbudgeted costs from claims.
Additional 1-2% Reduction in General Fund Departmental Costs	\$2.5 - \$5 Million Annual (ONGOING)	Another across the board departmental cut would include layoffs and significant service impacts to City services.
Using the Purchase of Service Credit or “Golden Handshakes” to Reduce Staff Levels	To-Be-Determined (ONGOING)	Staff is working with CalPERS to attain an actuarial report. This is likely to have a greater cost than savings and could further impact service levels.
Stop Allowing Take Home Cars for so Many People	No Savings	For non-sworn departments, take home vehicles are limits to on-call employees. Sworn departments are actively reviewing take home cars and have already made initial changes to reduce impact.
Pursue Liability Damages in CIP Contracts	(ONE-TIME)	Work is ongoing regarding this suggestion, but it is an extremely complicated and nuanced issue.
Pause Contribution to Fleet and Technology Services Fund	(ONE-TIME)	These are core operational costs that are needed to run the infrastructure of the City (public safety, finance, revenue, etc.). Staff will work closely to ensure the budget is aligned to the

		need and those departments are evaluating costs closely.
Software Changes – Switch to Adobe from DocuSign	No Savings	Annual cost of DocuSign is much less than Adobe.
Eliminate Hayward Navigation Center	\$2.185 Million Annually (ONGOING)	Complete elimination of the Center would result in 25-30 additional unhoused on City streets every day. It would also prevent the City from receiving already approved grants.
Eliminate LINK program (part of HEART)	\$700,000 Annually (ONGOING)	The LINK program is the primary referral tool that HPD and other departments use for individuals with mental health challenges, and gives Hayward an entry into County services.
Eliminate the Hayward Jail Program	\$3 Million Annually (ONGOING)	This would increase other Police Department costs and would have major impacts on service delivery.
Expand Adopt-a-Block / Address Nuisance Properties by Utilizing the Clean and Green Commission	To-Be-Determined, but Minimal (ONGOING)	Members of the C&G Commission do not regularly attend subcommittee meetings and volunteer outreach opportunities, adding additional responsibilities to this group may not be productive.
Transition non-sworn employees to a 4-Day/32 Hour Work Week	\$7.35 Million (ONGOING)	This would require labor agreement and would impact service delivery to the community by reducing staff hours by 10%. The corresponding reduction in pay could result in employees leaving the organization.
Transition to 4/10 Work Week and close City Hall on Fridays	Minimal Savings on Facilities Costs (ONGOING)	This would require labor agreement and would impact service delivery to the community with minimal savings

Require Staff to Take Time Off During Business Closures	To-Be-Determined (ONGOING)	This would require labor agreement since it is not in line with the current practice and understanding of business closures.
Explore Merging the Library with Alameda County	To-Be-Determined	More research is needed to determine feasibility and possible cost savings.
Bilingual Pay Inequities – Some Staff are Burdened with Requests While Others Are Not, Yet All Receive the Benefit	To-Be-Determined, but Minimal (ONGOING)	Due to lack of staff capacity, staff does not recommend pursuing at this time. Any changes to the bilingual pay program would require labor agreement and the cost savings would be minor.
Eliminate SWAT Program	To-Be-Determined (ONGOING)	For public safety reasons, this is not recommended due to significant emergency and crisis training benefits beyond just use by the SWAT program and minimal to no savings, depending on use of the County program.
Business License Software – Put Revenue Division on Energov	No Savings	While there may be process benefits from this change, Revenue’s current business license software is much cheaper than Energov and no savings would be realized.