



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 (Attachment I).

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