



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

Conference Room 2A

<https://hayward.zoom.us/j/85162634919?pwd=mkbv3RuZeU7u2bG6jzaoaQrrLfy0n9.1>

Tuesday, February 4, 2025, 5:30 p.m.

The Special City Council meeting was called to order by Mayor Salinas at 5:30 p.m. in Conference Room 2A.

Pledge of Allegiance: Council Member Zermeño

ROLL CALL

Present: COUNCIL MEMBERS Andrews, Bonilla Jr., Goldstein, Roche, Syrop, Zermeño
MAYOR Salinas

Absent: NONE

PUBLIC COMMENTS

TJ with Hayward Concerned Citizens expressed disappointment over the lack of transparency in budget decisions, particularly regarding the use of Measure K1 funds; questioned the City's allocation of general funds, including an \$8.6 million loan for the cinema property purchase; and emphasized that residents were promised K1 funds would support public safety, infrastructure, and essential services, and not budget balancing.

CITY MANAGER'S COMMENTS

City Manager Dr. Ana Alvarez announced the work session indicating City staff would be presenting an overview of the updated General Fund budget; noted the session aimed to gather City Council's input on budget-balancing measures, including revenue adjustments and expenditure controls, ahead of the mid-year budget adjustments on February 25, 2025; acknowledged the Executive Team's presence and the Finance Department team for their work in preparation for the work session; and noted that Assistant City Manager Youngblood was serving as Acting Finance Director.

WORK SESSION

1. City of Hayward Budget: General Fund Budget Work Session (Staff Report from City Manager Dr. Ana Alvarez)

Staff report submitted by City Manager Dr. Ana Alvarez, dated February 4, 2025, was filed.

Assistant City Manager Youngblood provided an overview of the work session including: overview of the five-year General Fund forecast; key factors of changes since FY 2025 adoption; overview of General Fund revenue by source; key revenue assumptions; General Fund expenditure by category; revenue budget balancing strategies (taxes, fees, one-time

revenue); and expenditure budget balancing strategies (operational efficiencies & program consolidation, reduce General Fund subsidy to capital, personnel cost strategies).

Discussion ensued among members of the City Council and City staff and the following clarifications were made: the 238 properties had been considered as a budget-balancing strategy, but further research was needed before allocating those funds; none of City-owned properties had been factored into the current financial strategy, as selling them would be a longer-term solution rather than an immediate fix; the General Fund contributes about \$7.1 million annually toward capital improvement projects and internal service fees; while the City does not currently regulate or tax short-term rentals, there is potential to collect Transient Occupancy Tax (TOT) from vacation rental platforms such as Airbnb and Vrbo; hiring freeze applies to both vacant and actively recruited positions, while vacancy evaluation considers whether to fill already open positions; program evaluation would be used to assess whether certain programs should be maintained, modified, or eliminated based on their alignment with core services; once the real estate property manager is hired, the City would be better equipped to market and sell difficult-to-develop properties by seeking suitable buyers; the City plans to use a tool to review programs for potential budget reductions and could consider expanding partnerships with outside agencies; consultant costs would likely be reviewed as part of the program evaluation process if it emerged as a Council priority; public safety departments have mandatory minimum staffing levels built into their labor agreements, and overtime reductions must be carefully managed to avoid service disruptions; the revised FY 2025 numbers reflected recent labor contracts, which accounted for the increase; and the City's salary-to-general fund ratio (approaching 80%) was typical and most cities fall within the 75-85% range.

Mayor Salinas opened the public comment section at 6:02 p.m.

Al Mendall, former Council Member, urged the City to remove illiquid assets, such as the movie theater and surplus properties, from General Fund reserve calculations and focus on maintaining cash reserves at 20%; recommended selling off surplus properties to replenish reserves, increasing the TOT and applying it to short-term rentals, and using Measure C funds only for one-time expenses rather than ongoing budget balancing; called for eliminating long-vacant positions to achieve recurring cost savings; and urged the City Council to freeze discretionary spending on pet projects until cash reserves reach 20%, emphasizing the need for fiscal discipline and leadership.

Suzanne Luther, with Hayward Concerned Citizens, urged the City Council not to divert Measure C/K1 funds from their intended purpose of funding the public safety police building, and emphasized that this promise has been made twice.

Mayor Salinas closed the public comment section at 6:05 p.m.

Assistant City Manager Youngblood introduced a budget forecasting model which allows the City to simulate various budget-balancing strategies. Management Analyst Mullins then provided an overview of the model, explaining that it includes reserve projections, budget summaries, and potential budget reductions based on different financial strategies. Assistant



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City Manager Youngblood then introduced an interactive budget poll for members of the City Council to rank ten budget-balancing strategies in order of priority. The highest-ranked priorities were increasing the transient occupancy tax, taxing short-term rentals, and prioritizing core services, while the lowest-ranked option was using Measure C funds to balance the budget.

Council Member Roche raised concerns about including the movie theater property in reserve calculations, arguing that it is an illiquid asset and should not be considered part of the city's emergency cash reserves.

Council Members Andrews requested a breakdown of liquid versus non-liquid reserve in future budget updates related to the movie theater property; and also requested a full inventory of City-owned properties to better assess potential asset sales.

Council Member Bonilla Jr. requested a breakdown of liquid versus non-liquid General Fund reserve.

The City Council broke out into three groups to discuss budget strategies in more detail; and they were asked to rank budget strategies from 1 (most preferred) to 10 (least preferred).

After the three groups met, they reported out on their group's vision as represented by their priorities.

Council Members Andrews, Bonilla Jr., and Zermeño stated their ranked priorities as follows: 1) Prioritize core services; 2) Increase the Transient Occupancy Tax (TOT) to 12%; 3) Tax short-term rentals; 4) Hiring freeze (3 months) and vacancy review (need a report on vacancies); 5) Reduce capital project subsidies (\$1M); 6) Increase Cannabis Tax (compare to other cities before assessing a rate); 7) Reduce discretionary spending (prioritizing Council's spending); 8) Increase Business License Tax; 9) Reduce overtime costs (need staff's recommendation); and 10) Allocate Measure C/K1 to General Fund.

Council Members Goldstein and Syrop stated their ranked priorities as follows: 1) Reduce discretionary spending (travel/training); 2) Increase the Transient Occupancy Tax (TOT) (10-12%); 3-4) Hiring freeze/overtime cost reduction (minimize service impact); 5) Reduce capital project subsidies (\$2M with impact assessment); 6) Tax short-term rentals (facilitated through mail); 7) Increase Business License Tax; 8) Increase the Cannabis Tax (information is needed); 9) Prioritize core services; and 10) Allocate Measure C/K1 to General Fund was completely removed from their ranking.

Mayor Salinas and Council Member Roche stated their ranked priorities as follows: 1) Increase Cannabis Tax (10%); 2) Tax short-term rentals (outsourced); 3) Increase the Transient Occupancy Tax (TOT) (12%); 4) Prioritize core services; 5) Reduce overtime costs

(analysis is needed); 6) Hiring freeze (3 months) and vacancy analysis; 7) Reduce discretionary spending; 8) Reduce capital project subsidies; 9) Increase Business License Tax; and 10) Allocate Measure C/K1 to General Fund (except for one-time mission aligned projects; keeping the City's promise).

City Manager Dr. Ana Alvarez acknowledged the collaborative effort required to maintain core services while making necessary budget adjustments; and reassured the City Council that staff would refine the data, develop recommendations aligned with Council's priorities, and present a balanced budget that preserves essential City services.

Mayor Salinas thanked City staff for the work session.

ADJOURNMENT

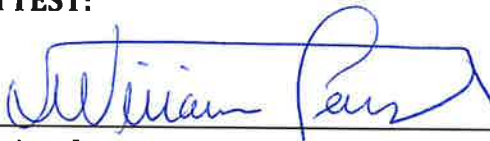
Mayor Salinas adjourned the City Council Work Session at 7:48 p.m.

APPROVED

Handwritten signature of Mark Salinas in black ink, consisting of stylized initials 'MS' followed by a flourish.

Mark Salinas
Mayor, City of Hayward

ATTEST:

Handwritten signature of Miriam Lens in blue ink, written in a cursive style.

Miriam Lens
City Clerk, City of Hayward