



**DATE:** June 23, 2020

**TO:** Mayor and City Council  
Redevelopment Successor Agency Board of Directors  
Housing Authority Board of Directors

**FROM:** Director of Finance

**SUBJECT:** FY 2021 Budget: Public Hearing for the Proposed FY 2021 Operating Budgets for the City of Hayward, Hayward Redevelopment Successor Agency, and Hayward Housing Authority; FY 2021 Capital Improvement Program Budget; Approval of the FY 2021 Operating Budgets and Appropriations for FY 2021; Approval of the FY 2021 Capital Improvement Program Budget and Appropriations for FY 2021; Approval of the Hayward Redevelopment Successor Agency Budget, and Approval of the Hayward Housing Authority Budget

## **RECOMMENDATION**

That Council considers the Proposed FY 2021 Operating Budgets for the City of Hayward, Redevelopment Successor Agency, Housing Authority and Capital Improvement Program (CIP) Budget; conducts a Public Hearing on each; and adopts resolutions approving each of the above-mentioned documents should there be no further action needed prior to adoption.

## **SUMMARY**

The Council will conduct a public hearing for the adoption of the Proposed FY 2021 Operating Budgets; and FY 2021 Capital Improvement Program Budget. Should there be no additional significant modifications following the presentation on June 23<sup>rd</sup> prior to Council considering the documents for adoption, Council will consider adoption of the FY 2021 Operating Budgets, and FY 2021 Capital Improvement Program Budget.

## **BACKGROUND**

The Proposed FY 2021 Operating Budget was delivered to Council on Saturday, June 6, 2020 in advance of the June 9, 2020 budget work session. The operating budget is comprised of different funding sources, with the General Fund representing the largest single fund over which the City Council has the most discretion. The total City expenditure budget for the Proposed FY 2021 Annual Budget is \$326.7 million, with a General Fund budget of \$169.6 million.

As a result of the COVID-19 pandemic, the budget process shifted significantly from prior year processes. The impacts of the COVID-19 pandemic are expected to result in significant reductions in several revenue streams. The Council held two budget work sessions (June 9<sup>th</sup> and June 16<sup>th</sup>) to further discuss the proposed budget.

These work sessions included presentations, Council discussions, and a time for public input on the following:

- The City's FY 2021 overall operating budget
- Department/Program budgets and program reductions
- Review of cost reduction measures implemented to assist with closing the projected structural budget gap

Following these work sessions, changes to the FY 2021 Proposed Operating and CIP Budgets are recommended as detailed in this report. This meeting has been noticed as a public hearing on the FY 2021 Proposed Operating and CIP budgets and is another opportunity to receive public input. Upon closure of the public hearing, Council will provide any additional comments and direction to staff and, should there be no public testimony or Council directed changes to the FY 2021 Proposed Operating and CIP budgets, both documents will be considered for adoption upon the closing of the Public Hearing. Should there be public testimony and/or direction from the Council that requires changes to either the FY 2021 Operating or CIP budgets, the public hearing will be closed, and the FY 2021 Proposed Operating and CIP budgets will be presented for adoption on June 30, 2020 with these additional changes included.

## **DISCUSSION**

The Proposed FY 2021 Operating Budget and CIP documents provide the foundation for the budget discussions. Through discussions at the various budget work sessions/meetings, recommended adjustments to the proposed budget are incorporated in this report, which contains a summary of the changes to date, and the impacts to the General Fund and all other operating funds.

The Proposed FY 2021 Operating Budget provided to Council on June 6, 2020 projected a use of \$1.2 million in General Fund reserves. Since the presentation of the Proposed FY 2021 Operating Budget, several changes have been made, resulting in a projected use of \$3.3 million in General Fund reserves. The Proposed FY 2021 Operating Budget presented for adoption is a "balanced budget" with the use of General Reserves. On June 9, 2020, Council discussed the Proposed FY 2021 Operating Budget during a budget work session. Council received an update to the General Fund budget in brief based on changes resulting from additional employee concessions and proposed position changes.

On May 14, 2020, the Planning Commission held a public hearing on the FY 2021-2030 Capital Improvement Plan and found the document in conformance with the General Plan. On June

16, 2020, Council reviewed and discussed the proposed FY 2021-2030 CIP budget during a work session.

The tables below illustrate a comparison between the Proposed FY 2021 Operating Budget presented on June 9, 2020 and the Proposed FY 2021 Operating Budget after changes in expenditure and revenue projections were incorporated.

**Table 1 – Citywide Expenditure Budget**

<i>in 1,000's</i>	<b>FY 2020 Adopted</b>	<b>FY 2021 Proposed 6/9/2020</b>	<b>FY 2021 Proposed 6/23/2020</b>	<b>Change from 6/9/2020</b>	<b>\$ Change from FY 2020</b>	<b>% Change from FY 2020</b>
General Fund	\$ 172,104	\$ 167,479	\$ 169,567	\$ 2,088	\$ (2,537)	-1.5%
All Other Funds	\$ 179,675	\$ 157,046	\$ 157,132	\$ 86	\$ (22,543)	-12.5%
<b>Total City Budget</b>	<b>\$ 351,779</b>	<b>\$ 324,525</b>	<b>\$ 326,699</b>	<b>\$ 2,174</b>	<b>\$ (25,080)</b>	<b>-7.1%</b>

The changes for General Fund and All Other Funds from the time the proposed budget was provided to Council on June 9<sup>th</sup> include the following:

**General Fund Expenses:**

1. Removal of Proposed Layoffs (10.5 FTE) – Increasing the General Fund personnel budget by \$1.25M
2. Removal of Proposed Hiring Freeze of Maintenance Worker (0.5 FTE) – Increasing the General Fund personnel budget by \$64,887
3. Projected Savings from additional Employee Furloughs – Savings to the General Fund personnel budget of \$224,589
4. Addition of \$1 M in funding for Community Services community agency funding

**All Other Funds Expenses:**

1. Removal of Proposed Layoff (1.0 FTE) – Increasing the Information Technology Fund personnel budget by \$19,967
2. Removal of Proposed Hiring Freeze of Maintenance Worker (0.5 FTE) – Increase Enterprise Funds personnel budget by \$64,887
3. Projected Savings from additional Employee Furloughs – Savings to the General Fund personnel budget of \$103,593
4. Budget correction – Increase of \$104,333 for the newly created Hayward Shoreline Joint Powers Agency fund

**Table 2 – Citywide Revenue Projections**

<i>in 1,000's</i>	<b>FY 2020 Adopted</b>	<b>FY 2021 Proposed 6/9/2020</b>	<b>FY 2021 Proposed 6/23/2020</b>	<b>Change from 6/9/2020</b>	<b>\$ Change from FY 2020</b>	<b>% Change from FY 2020</b>
General Fund	\$ 172,439	\$ 166,315	\$ 166,315	\$ -	\$ (6,124)	-3.6%
All Other Funds	\$ 155,861	\$ 164,459	\$ 164,459	\$ -	\$ 8,598	5.5%
<b>Total City Budget</b>	<b>\$ 328,300</b>	<b>\$ 330,774</b>	<b>\$ 330,774</b>	<b>\$ -</b>	<b>\$ 2,474</b>	<b>0.8%</b>

There were no changes made to revenue projections from the June 9, 2020 work session to the Proposed FY 2021 Operating Budget. The revenue projections proposed for FY 2021 reflect the significant impact of the COVID-19 pandemic on several revenue streams, resulting in an overall decrease of \$6.1M in the General Fund revenues over FY 2020 Adopted.

**Table 3 - Citywide Staffing**

<i>in 1,000's</i>	<b>FY 2020 Adopted</b>	<b>FY 2021 Proposed 6/9/2020</b>	<b>FY 2021 Proposed 6/23/2020</b>	<b>% Change from FY 2020</b>
General Fund	673.70	658.57	670.07	-0.5%
All Other Funds	235.60	234.23	236.23	0.3%
<b>Total City Budget</b>	<b>909.30</b>	<b>892.80</b>	<b>906.30</b>	<b>-0.3%</b>

The total number of staff is increased by 13.5 FTE over the number of staff presented to Council on June 9, 2020. After the budget work session on June 9, 2020, the City reached an agreement with another bargaining group. Prior to reaching an agreement, several positions were identified as potential layoffs (11.5 FTE) in the event that cost saving measures could not be achieved through employee concessions. The 11.5 FTE have been added back into the Proposed FY 2021 Operating Budget. The Economic Development Specialist (1.0 FTE) and Secretary (1.0 FTE) are vacant positions that were included as proposed eliminations. After additional consideration and based on feedback from Council on long-term programmatic impacts, these positions have been added back into the Proposed FY 2021 Operating Budget, but will remain frozen for a 12-month period.

Any positions that are frozen are not reflected as a decrease in the staffing levels identified in Table 3. The positions remain in the budget and savings from the positions being frozen are reflected in the expenditure budget.

**Capital Improvement Program (CIP) FY 2021 – FY 2030**

The FY 2021 CIP appropriations total approximately \$73 million, and a projected total programming of approximately \$471 million for the period of FY 2021 through FY 2030. Detail of the FY 2021 CIP is included as Attachment VI.

**Reductions to Hayward Police Department Budget FY 2021**

In recent weeks, the City has heard from members of the Hayward community and understands that there are changes desired by many in the way that the Police Department partners with and provides service to the community. The City and Council are committed to continuing to work with the community to partner in addressing concerns while ensuring that the needs of the community are still being met. The community engagement plan regarding further discussions on the Police Department budget will be presented to Council in the next month and will help inform future budget discussions.

To that end, the City has reduced the budget of the Police Department in FY 2021 by approximately of \$4,144,095 or roughly 4.9% below the baseline FY 2020 budget amount. In addition, based on Council direction at the June 9 work session, work on a new police facility will be discontinued for the coming year and that project will be removed from the CIP document until further community conversations are held over the coming months. A summary of these changes is shown in the Table 4 below.

**Table 4 – Police Department Budget Reductions**

Reduction in Personnel Expense	\$ 2,905,540
Reduction in Supplies & Services	\$ 258,555
Reduction in FY 2021 Capital Budget	\$ 980,000
<b>Total Proposed FY 2021 Budget Reductions</b>	<b>\$ 4,144,095</b>

The City is committed to continuing the conversation in public forums that include as many stakeholders as possible and with the understanding that additional changes and reforms may result in changes in structure, services offered, and corresponding reductions to the Police Department’s budget.

These changes to the Police Department budget are specifically called out in the budget resolution (Attachment II) along with a commitment from the City Council to continue the community dialogue around the Police Department budget and the consideration of additional funding changes that may come from these conversations and partnership with the community.

**FISCAL IMPACT**

Table 5 below summarizes the FY 2021 Citywide Operating & CIP expenditure budgets.

**Table 5 – Summary of Citywide Operating & CIP Budgets**

<b>City of Hayward Budget</b>	<b>FY 2021</b>
<b>City Funds</b>	
General Fund	169,566,810
Measure C Fund	9,955,499
Special Revenue Funds	11,318,786
Debt Service Funds	9,294,039
Enterprise Funds	88,861,787
Internal Service Funds	32,902,236
	<b>321,899,156</b>
<b>Agency Funds</b>	
Hayward Successor Redevelopment Agency Operating Fund	4,454,269
Housing Authority Fund	240,876
Hayward Shoreline JPA	104,333
	<b>4,799,479</b>
<b>Total City Operating Budget</b>	<b>326,698,635</b>
<b>Total CIP Budget</b>	<b>72,489,000</b>

## **PUBLIC CONTACT**

The Proposed FY 2021 Operating Budget was reviewed in public meetings by City Council on June 9, 2020 and June 16, 2020. The FY 2021 Operating Budget was discussed at the monthly Council Budget and Finance Committee starting in January 2020 through May 2020. A public notice was published in The Daily Review on June 12, 2020 and June 19, 2020 announcing the date, time, location, and subject matter of this public hearing. A notice advising residents about the Planning Commission's public hearing on the CIP was published in The Daily Review newspaper more than the requisite ten days in advance.

The Proposed FY 2021 Operating Budget is currently available to the public by contacting the City Clerk's Office at [cityclerk@hayward-ca.gov](mailto:cityclerk@hayward-ca.gov) or (510) 583-4400, and on the City's website at: <https://www.hayward-ca.gov/your-government/documents/budget-documents>.

The FY 2021 Capital Improvement Program Budget is currently available to the public by contacting the City Clerk's Office at [cityclerk@hayward-ca.gov](mailto:cityclerk@hayward-ca.gov) or (510) 583-4400, and on the City's website at: <https://www.hayward-ca.gov/your-government/documents/capital-improvement-program>.

The proposed budget and CIP documents do not reflect changes outlined in this report that have been proposed since the documents were distributed on June 6. Once the Council adopts the budget, these changes will be reflected in the final adopted documents to be produced in the next month.

## **NEXT STEPS**

If Council adopts the FY 2021 Operating Budget and Capital Improvement Program (CIP) Budget this evening, staff will take the appropriate steps to effectuate the adoption.

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*Recommended by:* Dustin Claussen, Director of Finance

Approved by:



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Kelly McAdoo, City Manager