



**MINUTES OF THE SPECIAL CITY COUNCIL WORK SESSION MEETING OF
THE CITY OF HAYWARD
Conference Room 2A
777 B Street, Hayward, CA 94541
Saturday, October 14, 2017, 9:00 a.m.**

The City Council meeting was called to order by Mayor Halliday at 9:00 a.m., followed by the Pledge of Allegiance led by Council Member Márquez.

ROLL CALL

Present: COUNCIL MEMBERS Mendall, Zermeño, Márquez, Peixoto, Lamnin, Salinas
MAYOR Halliday
Absent: None

PUBLIC COMMENTS

There were none.

WORK SESSION

1. Review the General Fund Long Range Financial Model & Options to Close the Projected Structural Deficit – Fiscal Sustainability Work Session (Report from Director of Finance Claussen) **WS 17-042**

Staff report submitted by Finance Director Claussen, dated October 14, 2017, was filed.

City Manager McAdoo provided an overview of the agenda and laid out the expectations for the day. Finance Director Claussen provided a synopsis of the staff report which included: Assumptions used in the 10-year forecast; budget strategies to help close the City's projected structural deficit; and process used to develop the strategies. Finance Director Claussen provided an overview of the four budget balancing options: 1) revenue heavy; 2) middle of the road; 3) middle of the road 2; and 4) non-revenue heavy Plan B.

Discussion ensued among Council Members and City Staff regarding various strategies: Business License Tax (BLT); Transient Occupancy Tax (TOT); shift sidewalk rehabilitation costs to adjacent property owners; use of Measure C revenue; use of Community Development Block Grants (CDBG) for eligible programs rather than community grants; assess surplus capacity for garage services to other agencies; Card Club Tax; and Real Property Transfer Tax (RPTT).

Finance Director Claussen provided an overview of budget balancing option 1: 5-year plan revenue heavy.

The City Council took a break at 10:28 a.m., and reconvened at 10:43 a.m.

Finance Director Claussen provided an overview of budget balancing option 2: five-year plan middle of the road; option 3: five-year plan middle of the road two; and option 4: five-year plan non-revenue heavy Plan B.

Discussion ensued among Council Members and City staff about the budget strategies recommended by Management Partners. Council Members offered input about the strategies presented in the four options to address the structural budget deficit: obtain input from the City's boards and commissions to evaluate the feasibility of the strategies such as use of CDBG for eligible programs and use of Measure C revenue; perform an inventory of surplus properties; the Business License Tax (BLT) could work if connected to land use policy; when considering revenue measures, consider a rate that is not too high or too low; instead of setting a Card Club Tax on a single business, consider communicating with the business owner to expand the business model; use of CDBG for eligible programs needs to be further vetted and examined by the Community Services Commission and local partners; modify the cost saving strategies related to wages, benefits and working conditions by changing the language "bargaining groups" to "all employees"; if parking revenue is considered via enforcement, provide ample notice to residents; prioritized use of Measure C revenue should have in mind the promise that was made to the voters; have the Council Infrastructure Committee review suggestions related to use of Measure C revenue; be cautious about a hiring freeze as this could create employee burnout; engage bargaining groups if reduction of work hours is considered; include the new hotels in the Transient Occupancy Tax (TOT) assumption; consider a "sin" tax on gas, alcohol, tobacco, gambling, greenhouse gas, soda; shifting sidewalk rehabilitation costs to adjacent property owners could create an issue with compliance; have proposed revenue measures reviewed by the Council Budget and Finance Committee; consider placing one ballot measure every two years; pursue legislation related to local sales tax; address disproportionate increases in healthcare costs; and evaluate prepayment options for unfunded liabilities.

City Council took a lunch break at 12:02 p.m., and reconvened at 12:36 p.m.

Council Members had an opportunity to use the Model and run scenarios with selected strategies.

Council Members were asked to place dots next to the strategies and the five additional strategies that the Council wanted staff to consider. The five additional strategies offered by Council Members were: 1) Litter impact fee as a part of BLT; 2) Other potential "sin" taxes: gas, alcohol, tobacco, gambling, greenhouse gas, soda; 3) Address disproportionate increases in healthcare costs; 4) Employee volunteer work week reduction to 37.5 hours per week; and 5) Evaluate prepayment options for unfunded liabilities to decrease overall amount due.

Eleven strategies received three or more dots: Strategy (1) Increase Real Property Transfer Tax (RPTT); Strategy (2) Increase Business License Tax (BLT); Strategy (4) Increase Transient Occupancy Tax (TOT); Strategy (5) Implement Marijuana Processing Tax; Strategy (8) Make Fleet Utilization Improvements; Strategy (10) Eliminate General Fund Subsidies for Capital Projects and Reduce Capital Fund Investments from General Fund to Maximum Extent



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Possible); Strategy (17) Continue Working with Employee Groups to Share Pension Contributions and Retiree Medical Costs; Strategy (20) Review Fleet Operations Policies; Strategy (21) Prioritized Use of Measure C Revenue; Strategy (27) Assess Opportunities for Service Sharing Arrangements/Regionalization of Services; and Strategy (XX) Identify potential cost saving strategies related to wages, benefits, and working conditions. Two of the additional strategies offered by Council Members also garnered three or more dots: 1) litter impact fee as a part of BLT; and 2) evaluate prepayment options for unfunded liabilities to decrease overall amount due.

The strategies that garnered three or more dots were plugged into the Model and the Council could see changes to the General Fund balance in real time.

City Manager McAdoo indicated that staff would conduct further research on the feasibility of the strategies and options that were identified by the Council; would meet with managers during the Management Update Meeting on November 9, 2017; would meet with bargaining groups; and would return to Council in January 2018 with an update to the Model and further next steps.

ADJOURNMENT

Mayor Halliday adjourned the meeting at 2:30 p.m.

APPROVED:

Barbara Halliday
Mayor, City of Hayward

ATTEST:

Miriam Lens
City Clerk, City of Hayward