

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, April 28, 2018

9:00 AM

Conference Room 2A

City Council

Mayor Barbara Halliday
Mayor Pro Tempore Elisa Márquez
Council Member Francisco Zermeño
Council Member Marvin Peixoto
Council Member Al Mendall
Council Member Sara Lamnin
Council Member Mark Salinas

SPECIAL CITY COUNCIL MEETING**CALL TO ORDER Pledge of Allegiance: Council Member Lamnin****ROLL CALL****PUBLIC COMMENTS**

The Public Comment section provides an opportunity to address the City Council on items not listed on the agenda or Information Items. The Council welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Council is prohibited by State law from discussing items not listed on the agenda, your item will be taken under consideration and may be referred to staff.

SPECIAL 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 18-017](#) Proposed FY 2019 Operating Budget - Departmental Budget Presentations (Report from Finance Director Claussen)

Attachments: [Attachment I Working Agenda and Schedule](#)
[Attachment II FY 2019 Budget Parameters](#)
[Attachment III Budget Strategies Recommendations](#)

CITY MANAGER'S COMMENTS

Oral reports from the City Manager on upcoming activities, events, or other items of general interest to Council and the Public.

COUNCIL REPORTS, REFERRALS, AND FUTURE AGENDA ITEMS

Oral reports from Council Members on their activities, referrals to staff, and suggestions for future agenda items.

ADJOURNMENT

NEXT MEETING – Tuesday, May 1, 2018, 7:00 PM

PUBLIC COMMENT RULES

Any member of the public desiring to address the Council shall limit her/his address 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. Speaker Cards are available from the City Clerk at the meeting.

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 website and on Cable Channel 15, KHRT. ****

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 TDD (510) 247-3340.

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
Hayward, CA 94541
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File #: WS 18-017

DATE: April 28, 2018

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT

Proposed FY 2019 Operating Budget - Departmental Budget Presentations

RECOMMENDATION

That the Council receives the attached “working agenda and schedule” and uses it to structure the departmental budget presentations during the special work session.

SUMMARY

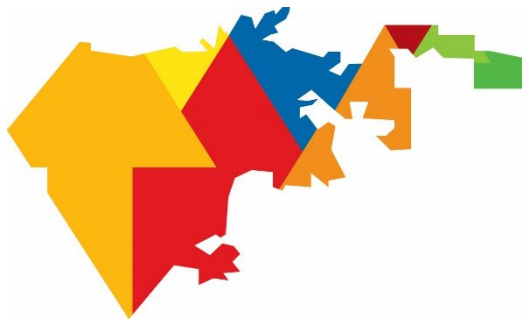
The Proposed FY 2019 Operating Budget was presented to Council on Tuesday, April 17, 2018 in advance of this April 28, 2018 Saturday work session. During the Saturday work session, Council will receive department budget presentations. Council will have an opportunity to have an open discussion and provide feedback to each department.

The Saturday work session will also include a status update to the City’s Five-Year Plan, including a walkthrough of items and strategies that impact the five-year projections. This will enable Council to continue the conversation of developing strategies to address the City’s ongoing structural deficit. Attachment III provides for the Council’s reference, and to inform Saturday’s discussion, the list of strategies developed by staff and Management Partners last fall.

The Proposed FY 2019 Operating Budget is available online at <https://www.hayward-ca.gov/sites/default/files/Proposed%20FY%202019%20-%20Final%20-%20Copy.pdf>.

ATTACHMENTS

- | | |
|----------------|-----------------------------------|
| Attachment I | Working Agenda and Schedule |
| Attachment II | Budget Parameters |
| Attachment III | Budget Strategies Recommendations |



APRIL 28, 2018
9:00 A.M. – 4:00 P.M.

AGENDA

<u>TIME</u>	<u>TOPIC</u>	<u>LEAD</u>
9:00 – 9:20 A.M.	WELCOME & BUDGET OVERVIEW (20)	KELLY McADOO
9:20 – 10:00 A.M.	STATUS UPDATE TO 5 YR PLAN/ SCENARIO WALKTHROUGH (40)	KELLY McADOO
10:00 – 10:30 A.M.	CITY MANAGER'S OFFICE (10/20) INCLUDES STRATEGIC INITIATIVES	KELLY McADOO
10:30 – 10:50 A.M.	ENGINEERING & TRANSPORTATION SERVICES (5/15)	ALEX AMERI
10:50 – 11:10 A.M.	UTILITIES & ENVIRONMENTAL SERVICES (5/15)	ALEX AMERI
11:10 – 11:20 A.M.	BREAK	
11:20 – 11:40 A.M.	MAINTENANCE SERVICES (5/15)	TODD RULLMAN
11:40 – 12:00 P.M.	LIBRARY (5/15)	SEAN REINHART
12:00 – 12:20 P.M.	POLICE DEPARTMENT (5/15)	CHIEF KOLLER
12:20 – 1:10 P.M.	LUNCH BREAK	
1:10 – 1:25 P.M.	INFORMATION TECHNOLOGY (5/10)	ADAM KOSTRZAK
1:25 – 1:45 P.M.	DEVELOPMENT SERVICES (5/15)	STACEY BRISTOW
1:45 – 2:05 P.M.	FIRE (5/15)	CHIEF CONTRERAS
2:05 – 2:20 P.M.	HUMAN RESOURCES (5/10)	NINA COLLINS
2:20 – 2:35 P.M.	FINANCE (5/10)	DUSTIN CLAUSSEN
2:35 – 2:50 P.M.	CITY CLERK'S OFFICE (5/10)	MIRIAM LENS
2:50 – 3:05 P.M.	CITY ATTORNEY'S OFFICE (5/10)	MICHAEL LAWSON
3:05 – 3:15 P.M.	BREAK	
3:15 – 3:30 P.M.	MAYOR AND CITY COUNCIL (5/10)	KELLY McADOO



DATE: January 24, 2018
TO: Department Heads
FROM: Dustin Claussen, Director of Finance
SUBJECT: Budget Parameters for the FY 2019 Budget Development Process

In preparation for the FY 2019 Budget development process, please find below budget parameters to guide your respective departments budgets.

1. **STATUS QUO BUDGET:** FY 2019 will be budgeted at expenditure levels congruent with FY 2018. With the completion of the General Fund Long Range Financial Model, the City continues to project a structural budget deficit in future years. However, on October 14, 2017, the City Council held a fiscal sustainability work session, where they reviewed the General Fund Long Range Financial Model, and potential strategies to help close the General Fund budget gap. As we work towards implementation of Council's preferred strategies, departments will be asked to present a "no-growth" budget for FY 2019. Exceptions may be considered should the budget request be related to compliance with state/local regulations, and/or potential health and safety risk. Exceptions will be reviewed by the City Manager on a case-by-case basis.
2. **NO ADDITIONAL FTE'S:** No additional FTE's will be considered. Exemptions include staffing requirements due to legal mandates, contract compliance, or health and safety risk.

Future requests for position adds should follow the steps (in order) outlined below:

- a) Department identifies a need.
 - b) Department presents need to Human Resources to assist in identifying the appropriate position and approach.
 - c) Position information provided to Finance to determine budget availability.
 - d) Information from steps A-C presented to CMO for decision.
3. **REQUEST FOR POSITION RECLASSIFICATIONS:** Reclassifications occur when: there is a vacant position that a Department Head wants to change to a position that better meets the needs of the department and an employee in a current position has mastered all job elements of the current position and has continuously performed the duties of another (usually higher) level position. A reclassification is based on the complexity of work and qualifications for the higher position and not workload, department, or assignment.

Please note, a request for reclassification could result in the following:

- a) no change because the need or duties are consistent with the current classification,
- b) the duties outside the current position be reassigned to the appropriate employee,



To begin a reclassification request, departments must submit a Position Inventory Questionnaire to Human Resources.

Consider the following when requesting a reclassification:

- a) A comprehensive job audit is required and may take up to 120 days to complete;
 - b) If reclassification to a new position is recommended, a salary survey may be required if the recommendation is for a position that doesn't currently exist in the City's Classification Plan, which potentially adds up to 30 days and will be done concurrent with other steps;
 - c) There may be a meet and confer requirement, when there is a change of bargaining unit and depending on the level of cooperation from the Union, this could add up to 90 days to the process;
 - d) Should not be used simply as a way to increase compensation.
4. **1 YEAR LIMIT ON CONTRACT CARRY FORWARDS:** Unused contracts will be eligible for carryforward one year after the year originally approved or budgeted. Note this does not apply to contracts known to be multi-year projects at the time of approval or that are budgeted across multiple fiscal years. If departments are unable to spend the contract amounts in this timeline, a new budget request should be submitted.
 5. **UNFUNDED CIP NEEDS:** In an effort to continue developing a list of unfunded capital needs, please identify and submit any unfunded CIP needs.
 6. **IDENTIFY EFFICIENCY MEASURES:** Review your department budget, and consider the following efficiency measures.
 - a) Evaluate any one-time or ongoing efficiency saving opportunities within your department (i.e. technological/software solutions, partnership opportunities, deferment of non-essential purchases or operational expenditures that have none to minimal service impacts, etc.).
 - b) Evaluate opportunities to reprioritize existing resources. Be creative and innovative (i.e. cost sharing opportunities across departments).
 - c) Look for opportunities to control expenses. Review and prioritize expenses based on priority levels of high/critical vs. low/desirable, and analyze the fiscal and potential service impacts of deferral or reduction.
 - d) Collaborate. Create scales of economy by partnering with other departments.



To: Ms. Kelly McAdoo, City Manager
Ms. Maria Hurtado, Assistant City Manager
Mr. Dustin Claussen, Finance Director

From: Andrew Belknap, Regional Vice President
Robert Leland, Senior Advisor
Heain Lee, Senior Management Advisor

Subject: Budget Strategies Recommendations

Date: October 10, 2017

Executive Summary

Management Partners has been working with City staff over the past several months to prepare a 10-year fiscal forecast. The forecast was presented to the City Council on October 3, 2017. The fiscal model and forecast projects a budget deficit beginning in FY 2021. Given the magnitude and timing of the budget deficit forecast, Management Partners worked with City staff to develop options, or strategies, for addressing the challenge. These strategies are provided in Attachment A. They were developed along a continuum that included:

- Revenue development,
- Expenditure control/cost shifts,
- Service delivery changes designed to reduce expenditures, and
- Service reductions.

Arranging ideas along such a continuum reflects the priority any organization would have for preserving service delivery to the maximum extent possible consistent with maintaining solvency.

The strategies were developed based on a combination of factors, including Management Partners' experience across the state with approaches other cities and counties are taking as they consider options to address structural deficits as well as ideas developed based on Hayward's unique opportunities and organizational climate. Several dozen potential strategies were developed in the categories described above. These strategies were then vetted with the City's Executive Budget Task Force to determine which might fit best for Hayward.

An important element in developing an appropriate package of strategies for Hayward is the size and timing of the forecast deficit. It is important to appreciate that the size and timing of it is such that the City needs to implement significant revenue and expenditure adjustments

relatively quickly. Absent such actions, the City would need to leave positions vacant, or even consider layoffs, to preserve solvency. If this approach must be used, it would result in staffing decreases relative to population served and, as such, would almost certainly result in some service reductions, which is the least desirable outcome. In addition, such actions are always disruptive to an organization and often take a long time to recover from.

Hayward has some time, but not a lot, to bring planned and considered deficit reduction strategies on line. Because revenue strategies often require voter approval, timing is a critical issue.

Determining Feasibility

While all strategies are feasible in a technical sense and have been implemented in other California settings, they are distinguished by differing levels of complexity, the timing for implementation, and disruption to the organization relative to the financial return. Strategies deemed most feasible are solutions the City can implement more readily and would be least disruptive to the organization.

Changes that would be disruptive to the organization will take time because the impacts may be required to be negotiated with employees. Big changes in service delivery or employee benefit programs should also be weighed against the reality that moving in that direction can result in employee relations issues, which can impair more incremental change. Again, because the City has time, but not a lot of it, choices need to be made accordingly. To the maximum extent possible strategies have been quantified. In many cases, they have been programmed into the fiscal model so City leaders can explore the cumulative impact of implementing any package of actions.

Based on these considerations, budget strategies were evaluated on a scale ranging from most feasible to least feasible. They were then grouped into three tiers, with Tier 1 strategies judged to be most feasible and Tier 3 strategies least feasible. The summary of strategies by type and tier is shown in Tables 1, 2 and 3. More detail on the strategies can be found in Attachment A of this memorandum.

Tier 1 strategies shown in Table 1 are the most feasible actions the City can take with significant impact in the near term with low disruption. Strategies to generate additional revenue dominate Tier 1 because Hayward has lower revenues in some areas relative to the region and/or the immediate area. It is important to note that additional revenues can be implemented relatively quickly even if an election is required. Additional revenues are also not as disruptive to the City organization relative to other approaches that directly impact employees. A Tier 1 strategy that is not revenue-related, but will have a significant impact on the City is the assumption of no new budgeted positions going forward. This is a baseline assumption in the fiscal model.



Table 1. Tier 1 Strategies

Tier 1	Strategies
Revenue Enhancement	<ol style="list-style-type: none"> 1. Increase Real Property Transfer Tax (RPTT) 2. Increase Business License Tax (BLT) 3. Implement a Card Club Tax 4. Increase Transient Occupancy Tax (TOT) 5. Implement a Marijuana Processing Tax 6. Assess options for increasing parking revenue via enforcement
Expenditure Controls and Cost Shifts	<ol style="list-style-type: none"> 7. Use Community Development Block Grants (CDBG) for eligible city programs rather than community grants
Service Delivery Changes	<ol style="list-style-type: none"> 8. Make fleet utilization improvements
Service Reductions and Eliminations	<ol style="list-style-type: none"> 9. Initiate hiring freeze at current levels (reallocate staff based on priorities to meet new workload demands) 10. Eliminate General Fund subsidies for capital projects and reduce capital fund investments from General Fund to maximum extent possible

More detail on the Tier 1 strategies, including a detailed discussion of the various measures deemed most feasible, can be found in Attachment A. It is likely that the City will need to seriously consider implementing some or all of the Tier 1 strategies during the 2018 to 2022 period and election cycles. In addition, the uncertainty associated with having an election on many of the revenue measures adds urgency to the consideration of these strategies.

Tier 2 strategies shown in Table 2 are considered moderately feasible to implement. Generally, these strategies will take more time to successfully implement and/or be more disruptive to the City organization. City leaders will probably have to consider some Tier 2 strategies, but the extent to which these will need to be fully implemented will depend on the level of success with Tier 1 strategies. It would also be prudent for the City to begin work on some of these strategies as a fallback in case revenue strategies dependent on an election outcome are unsuccessful.

Table 2. Tier 2 Strategies

Tier 2	Strategies
Revenue Enhancement	<ol style="list-style-type: none"> 11. Assess options for increasing parking revenue via meter programs 12. Assess impacts of Business Improvement Districts (BIDs) 13. Utilize potential revenues from Utility Users Tax settlement 14. Update user fees 15. Develop asset optimization strategies 16. Update the development code to increase density and more economic development opportunities
Expenditure Controls and Cost Shifts	<ol style="list-style-type: none"> 17. Continue working with employee groups to share pension contributions and retiree medical costs 18. Shift sidewalk rehabilitation costs to adjacent property owners



Tier 2	Strategies
	19. Update cost allocation plan 20. Review fleet operations policies
Service Delivery Changes	21. Prioritize use of Measure C revenue 22. Explore use of new or updated technology to increase efficiency
Service Reductions and Eliminations	N/A

Strategies shown in Table 3 are considered the least feasible to implement in the Hayward environment. Generally speaking, City executive leaders are opposed to these strategies based on disruption to the existing organization and service reductions. Cities that have employed these strategies have been faced with severe fiscal conditions that could lead to bankruptcy, such as Stockton and San Bernardino. It should be noted, however, that to the extent the City is unable to generate enough revenue increases or expenditure reductions from other strategies, some of these, particularly implementation of a “hard” hiring freeze, become default strategies for maintaining solvency.

Table 3. Tier 3 Strategies

Tier 3	Strategies
Revenue Enhancement	N/A
Expenditure Controls and Cost Shifts	23. Discontinue retiree health coverage for new hires 24. Negotiate for the discontinuance of explicit subsidies for retiree medical coverage 25. Consider options for less expensive classifications
Service Delivery Changes	26. Consider options for alternative service delivery methods 27. Assess opportunities for service sharing arrangements/regionalization of services
Service Reductions and Eliminations	28. Consider a “hard” hiring freeze (phase out positions through attrition to reduce spending levels) 29. Evaluate jail operations/consider exiting jail business



Attachment A – Detailed Strategies

Tier 1 Strategies

1. Increase Real Property Transfer Tax (RPTT)

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

In Hayward, the FY 2018 adopted RPTT revenue is \$7,154,000. Estimated annual impact of increasing tax rate from \$4.50 per \$1,000 property value:

- To \$7 per \$1,000: \$3,974,444
- To \$8 per \$1,000: \$5,564,222
- To \$10 per \$1,000: \$8,743,778
- To \$12 per \$1,000: \$11,923,334
- To \$15 per \$1,000: \$16,692,667

FEASIBILITY

Implementing adjustments to RPTT would require additional analysis and possibly polling, Council approval, and an affirmative vote by the electorate. This strategy can be targeted for the ballot in November 2018 to be effective for the FY 2020 fiscal year. Because Hayward's RPTT rate is below that of several neighboring cities, and the fact that it could generate substantial new revenue for the City, this is considered an important anchor strategy.

BACKGROUND

The vast majority of California cities levy a real property transfer tax of \$0.55 per \$1,000 in property valuation. This is because most cities are general law and limited to this rate by state law, and most charter cities have not elected to propose a higher rate. Only 26 cities in California levy a rate of greater than \$0.55 per \$1,000. The rates vary from \$1.10 to \$15.00 per \$1,000. Two cities (San Mateo and San Francisco) levy the tax as a percentage of valuation.

The Bay area, and particularly Alameda County, is an exception to this general landscape. In Alameda County, all eight of the charter cities (out of 14) levy a rate ranging from a low of \$4.50 (Hayward) to \$15.00 (Oakland and Berkeley), as shown in Table 4. In no other county in the state is this revenue source so common.



Table 4. RPTT Rate for Cities in Alameda County

City	Per \$1,000 Property Value City Rate	General Law or Charter City
1. Berkeley	\$15.00	Charter
2. Oakland	\$15.00	Charter
3. Piedmont	\$13.00	Charter
4. Alameda	\$12.00	Charter
5. Emeryville	\$12.00	Charter
6. Albany	\$11.50	Charter
7. San Leandro	\$6.00	Charter
8. Hayward	\$4.50	Charter
9. Dublin	\$0.55	General Law
10. Fremont	\$0.55	General Law
11. Livermore	\$0.55	General Law
12. Newark	\$0.55	General Law
13. Pleasanton	\$0.55	General Law
14. Union City	\$0.55	General Law

Source: As reported by the California Local Government Finance Almanac

Based on FY 2015 actual financial data, Hayward's per capita RPTT ranks 7 of the 16 Bay Area cities with populations greater than 100,000, as shown in Table 5.

Table 5. RPTT Revenue per Capita for Bay Area Cities with Population Greater Than 100,000

City	County	FY 2015 RPTT Per Capita	Per \$1,000 Property Value City Rate	General Law or Charter City
1. San Francisco	San Francisco	\$372.05	See Note ¹	Charter
2. Oakland	Alameda	\$152.72	\$15.00	Charter
3. Berkeley	Alameda	\$114.66	\$15.00	Charter
4. San Mateo	San Mateo	\$104.87	0.5% of value	Charter
5. Richmond	Contra Costa	\$44.89	\$7.00	Charter
6. San Jose	Santa Clara	\$40.82	\$3.30	Charter
7. Hayward	Alameda	\$37.35	\$4.50	Charter
8. Santa Rosa	Sonoma	\$17.14	\$2.00	Charter
9. Vallejo	Solano	\$15.07	\$3.30	Charter
10. Sunnyvale	Santa Clara	\$11.92	\$0.55	Charter
11. Santa Clara	Santa Clara	\$11.85	\$0.55	Charter
12. Fremont	Alameda	\$7.76	\$0.55	General Law
13. Concord	Contra Costa	\$4.38	\$0.55	General Law



City	County	FY 2015 RPTT Per Capita	Per \$1,000 Property Value City Rate	General Law or Charter City
14. Fairfield	Solano	\$3.69	\$0.55	General Law
15. Antioch	Contra Costa	\$3.52	\$0.55	General Law
16. Daly City	San Mateo	\$3.13	\$0.55	General Law

Source: As reported by the California Local Government Finance Almanac

¹Note for the City of San Francisco:

- Over \$100,000 AV => 0.5%,
- Over \$250,000 AV => 0.68%
- Over \$1 million AV => 0.75%,
- Over \$5 million AV => 2.25%
- Over \$10 million AV => 2.75%,
- Over \$25 million => 3.00%
- Discounts for certain solar and seismic improvements

This revenue source can be controversial. The real estate industry is typically strongly opposed. There are only five measures that made it on the ballot in the last ten years in California, and only two have passed (as outlined in Table 6 below).

Table 6. RPTT Measures on California Ballots in the last 10 Years

Passed	Failed
<ol style="list-style-type: none"> 1. Emeryville (November 2014): To set a real property transfer tax for the first time. 2. San Francisco (November 2016): Increased the tax on the sale of houses and property from 2% to 2.25% for properties sold for between \$5 million to \$10 million, from 2.5% to 2.75% for properties sold for between \$10 million to \$25 million, and from 2.5% to 3% for properties sold for \$25 million or more. 	<ol style="list-style-type: none"> 1. Richmond (November 2016): Failed - increasing the city's real estate transfer tax from 0.7% to 1% for property sold for less than \$400,000 and 1.5% for property sold for \$400,000 or more. 2. Santa Monica (November 2014): Amended the real estate transfer tax, so, for real estate sold for \$1 million dollars or more, the tax rate would have been \$9.00 per each \$1,000 of the sales price (increase from \$3.00) 3. San Francisco (November 2014): Imposed an additional tax on the sale or transfer of multi-unit property that has been owned for less than five years.



2. Increase Business License Tax (BLT)

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

In Hayward, the adopted FY 2018 BLT is \$2.8 million. Estimated impact of increasing the business license revenue per capita is:

- Per capita average for large Bay Area cities without Oakland and San Francisco (\$36.08): \$2,894,472
- Per capita average for Fremont (\$38.12): \$3,219,044
- Per capita average for Alameda County cities without Emeryville and Oakland (\$43.04): \$4,001,836

FEASIBILITY

Implementing adjustments to the business license tax would require additional analysis, Council approval, and an affirmative vote by the electorate. This strategy can be targeted for the ballot in November 2020 to be effective for the FY 2022 fiscal year. A strong argument can be made for increasing this tax based on the relatively low level of revenues compared to similar cities in the Bay Area. The City has the option to incorporate a card club tax within the BLT adjustment (Strategy 3).

BACKGROUND

Based on FY 2015 actual financial data, Hayward's per capita business license tax ranks 13 out of the 16 Bay Area cities with populations greater than 100,000, as shown in Table 7.

Table 7. BLT Revenue per Capita for Bay Area Cities with Population Greater Than 100,000

City	County	FY 2015 BLT Per Capita
1. Oakland	Alameda	\$162.70
2. Berkeley	Alameda	\$136.03
3. San Francisco	San Francisco	\$129.43
4. San Mateo	San Mateo	\$54.32
5. San Jose	Santa Clara	\$48.25
6. Fremont	Alameda	\$38.12
7. Daly City	San Mateo	\$37.94
8. Fairfield	Solano	\$28.44
9. Concord	Contra Costa	\$27.16
10. Santa Rosa	Sonoma	\$22.96
11. Richmond	Contra Costa	\$22.70
12. Antioch	Contra Costa	\$18.14
13. Hayward	Alameda	\$17.02
14. Vallejo	Solano	\$14.86



City	County	FY 2015 BLT Per Capita
15. Sunnyvale	Santa Clara	\$12.47
16. Santa Clara	Santa Clara	\$7.70

Source: As reported by the California Local Government Finance Almanac

Based on FY 2015 actual financial data, Hayward's per capita business license tax ranks 13 out of the 14 cities in Alameda County, as shown in Table 8.

Table 8. BLT Revenue per Capita for Cities in Alameda County

City	FY 2015 BLT Per Capita
1. Emeryville	\$725.50
2. Oakland	\$162.70
3. Berkeley	\$136.03
4. Livermore	\$66.91
5. San Leandro	\$58.71
6. Piedmont	\$46.04
7. Pleasanton	\$45.11
8. Fremont	\$38.12
9. Albany	\$33.46
10. Alameda	\$26.92
11. Newark	\$25.34
12. Union City	\$19.93
13. Hayward	\$17.02
14. Dublin	\$2.86

Source: As reported by the California Local Government Finance Almanac



3. Implement a Card Club Tax

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

Estimate for Hayward for a 15% gross receipts tax for 13 gaming tables is \$2,401,020, assuming the same per table revenue as San Jose.

FEASIBILITY

This strategy can be targeted for the ballot with the BLT adjustment (Strategy 2) or separately. It could potentially take place in the November 2020 or November 2022 election. Many cities charge a relatively high business license for this type of use because it can be authorized by the city, and generally these businesses can generate significant gross revenues.

BACKGROUND

Unlike many other cities, Hayward does not have a special tax or business license fee for card rooms where gambling is allowed. One such city is San Jose, which charges a 15% gross receipts tax, shown in Table 9.

Table 9. City of San Jose Card Club Tax Statistics

	City of San Jose
Gaming Tables	98
Tax Rate	15% gross receipts tax
FY 2017 Revenues	\$18,100,000

Source: As reported by the FY 2018 adopted budget

In addition to the tax, San Jose's Police Department charges several fees associated with the operation of the card rooms. Hayward may wish to consider an additional levy for existing and any potentially new card rooms.



4. Increase Transient Occupancy Tax (TOT)

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

In Hayward, the FY 2018 adopted TOT is \$2.0 million, the lowest in the area. Estimated impact of increasing the TOT rate is shown below.

- 10%: \$359,294 (e.g., San Jose, Fremont, Concord, Richmond)
- 11%: \$598,824 (e.g., Vallejo)
- 12%: \$838,353 (e.g., San Mateo, Berkeley)
- 13%: \$1,077,882
- 14%: \$1,317,412 (e.g., San Francisco, Oakland)

FEASIBILITY

Implementing adjustments to the transient occupancy tax would require additional analysis, Council approval, and an affirmative vote by the electorate. This strategy can be targeted for the ballot in November 2020 or November 2022 depending on the City's decision about timing.

BACKGROUND

Based on FY 2015 actual financial data, Hayward's per capita transient occupancy tax rate is the lowest of the 16 Bay Area cities with populations greater than 100,000, at 8.5%. Hayward ranks 12 out of 16 for per capita TOT revenue. This information is shown in Table 10.

Table 10. TOT Rate and Revenue per Capita for Bay Area Cities with Population Greater Than 100,000

City	County	FY 2015 TOT Per Capita	TOT Rate
1. San Francisco	San Francisco	\$425.98	14.0%
2. Santa Clara	Santa Clara	\$150.33	9.5%
3. Sunnyvale	Santa Clara	\$95.50	10.5%
4. San Mateo	San Mateo	\$78.95	12.0%
5. Berkeley	Alameda	\$60.36	12.0%
6. Oakland	Alameda	\$52.26	14.0%
7. Fairfield	Solano	\$36.30	10.0%
8. San Jose	Santa Clara	\$36.08	10.0%
9. Fremont	Alameda	\$31.70	10.0%
10. Santa Rosa	Sonoma	\$30.09	9.0%
11. Concord	Contra Costa	\$20.78	10.0%
12. Hayward	Alameda	\$16.50	8.5%
13. Vallejo	Solano	\$15.68	11.0%
14. Richmond	Contra Costa	\$9.77	10.0%
15. Daly City	San Mateo	\$8.94	10.0%
16. Antioch	Contra Costa	\$1.38	10.0%

Source: As reported by the California Local Government Finance Almanac



5. Implement Marijuana Processing Tax

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

Potential for Hayward at a 15% gross receipts tax is \$2,152,677, assuming per capita revenue is similar to that of San Jose at \$9.02.

FEASIBILITY

The tax can be implemented as soon as the implemented rate is approved by Council; voters have already approved the cannabis tax at a maximum rate of 15%. Realistically this issue could be considered as soon as the first quarter of 2018.

BACKGROUND

A tax on marijuana processing/sales is a relatively new but potentially viable source of local government revenue. The residents of Hayward have passed Measure EE, which allows for a maximum "...15% of gross sales for all products associated with medical or adult use of cannabis, from cultivation, distribution, manufacturing, and retailing of cannabis..." The Council will have to determine the appropriate percentage rate, up to 15%. This strategy, unlike most of the other revenue strategies, can be acted on by the Council with no need for a popular vote.

Some examples in the Bay Area are shown in Table 11.

Table 11. Select Bay Area Cities with Marijuana Processing Tax

City	Tax Rate	Estimated Revenue in FY 2018	Per Capita Revenue
San Jose	10.0%	\$9,350,000	\$9.02
Berkeley	10.0%	N/A	N/A
San Leandro	6.0%	\$500,000	\$5.69
Oakland	0.5%	\$3,400,000	\$8.03

Source: As reported by the FY 2018 adopted budgets



6. Assess Options for Increasing Parking Revenue via Enforcement

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

Estimate for Hayward will vary based on the magnitude of the increased enforcement. It is estimated that increased enforcement could net as much as \$1 million per year in additional revenue.

FEASIBILITY

Increasing parking revenues via enforcement can be implemented immediately with direction from the management team and support from City Council. The City will need to complete additional analysis and potentially invest in some additional signage and curb striping, but experience with the street sweeping parking restrictions demonstrates that parking enforcement can generate additional revenue for the City.

BACKGROUND

The City's parking fine revenue is mostly generated from street sweeping restriction violations. This covers street sweeping costs, equipment replacement, and the costs of the citation program, which is performed by civilian staff. This program has demonstrated that the City can operate a successful parking enforcement program, which generates significant revenues in the amount of approximately \$1.6 million per year.

There are about 2,000 time-restricted parking spaces in downtown with low to no enforcement levels currently. Of the total amount of parking citations written in 2016, only 4% were written for "over time limit."

Increasing the City's enforcement could have significant impacts. Raising enforcement to a level that parking fine revenues are at \$15 per capita (which is lower than Berkeley or Oakland as shown in Table 12), will yield approximately \$1 million in additional revenues.

Table 12. Parking Fine Revenues of Neighboring Cities

City	FY 2016 Actual	Revenue Per Capita
Berkeley	\$6,134,784	\$51.12
Oakland	\$22,176,974	\$52.40
Hayward	\$1,244,000	\$7.99

Source: As reported FY 2018 adopted budgets



7. Use Community Development Block Grants (CDBG) for Eligible Programs Rather than Community Grants

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

The estimated impact for using CDBG funds is as much as \$1 million annually, depending on the number of eligible programs.

FEASIBILITY

Shifting CDBG funds can be implemented immediately with direction from the management team.

BACKGROUND

The Library and Community Services Department budgets approximately \$1 million of the CDBG funds for community grants. This allocation can be repurposed to fund CDBG-eligible City programs.

The key to making this strategy work would be for the City to identify programs and projects that it is currently doing which primarily benefit low- and moderate-income residents. Cities commonly use CDBG monies to support their own activities aimed at low-income residents, which could include certain capital projects in lower income areas.



8. Make Fleet Utilization Improvements

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Assuming 10% of the fleet is removed from service, the savings are estimated to be:

- \$150,400 in one-time basis from surplus sales
- \$79,350 annually for saving ongoing maintenance operational costs
- \$164,600 annually for saving replacement costs

FEASIBILITY

Conducting a fleet utilization study can begin with direction from the management team. It is a common practice to periodically analyze the need for equipment and vehicles bought and maintained by a city. It has been documented that cities often own more fleet equipment than is optimal from an economic perspective, and it has been many years since Hayward did this type of analysis.

BACKGROUND

A preliminary investigation indicates that the City of Hayward maintains a fleet in excess of what is required. This is typical in cities that sometimes ascribe a benefit to having “extra” vehicles or owning fleet equipment that can be more cost effectively rented or removed from service.



9. Initiate Hiring Freeze at Current Levels (reallocate staff based on priorities to meet new workload demands)

STRATEGY TYPE: Service Reductions and Eliminations

IMPACT ESTIMATE

No additional impact on the fiscal model. A hiring freeze at current levels is an assumption of the current model. The model can be adjusted to show the impact of additional hiring, but this only makes the City’s fiscal deficit situation worse. Of course, from a practical standpoint, the City may have to shift employee resources to meet priorities but the model assumes no net increase in staffing from current levels.

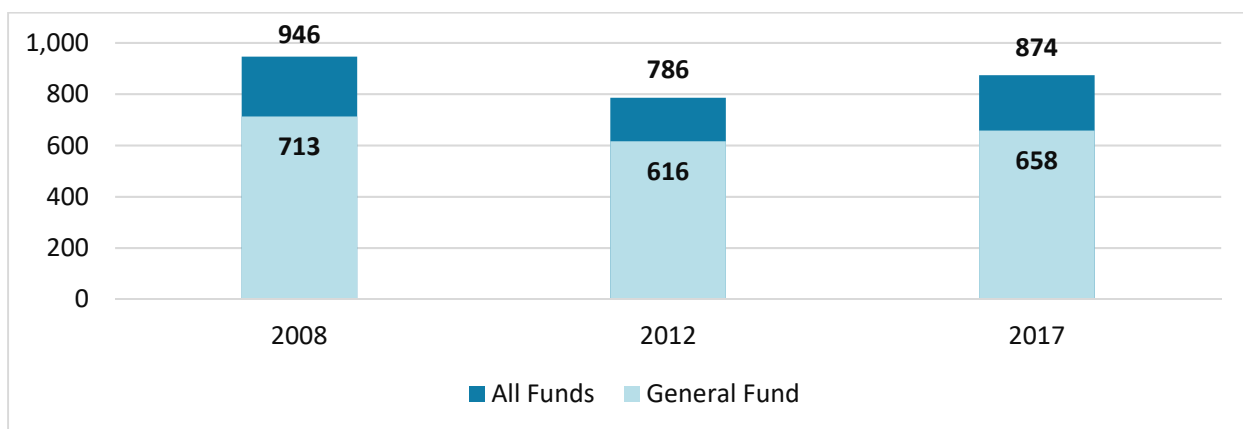
FEASIBILITY

A hiring freeze can be implemented with direction from Council and the management team. Even with a hiring freeze, the City is unable to become financially sustainable without implementing another \$17 million to \$21 million annually in revenue increases or expenditure reductions. The Management Partners’ fiscal model assumes that staffing does not increase above current levels, meaning that the baseline fiscal model assumes a hiring freeze for any additional positions above the current level of 874 FTEs (658 in the General Fund).

BACKGROUND

Hayward total staffing (positions) peaked at approximately 946 full-time equivalent employees (FTEs), of which 713 were from the General Fund (GF) in 2008. The total decreased to 786 FTE (616 in GF) in 2012, and recovered to 874 FTE (658 in GF) in 2017, as shown in Figure 1.

Figure 1. City of Hayward Budgeted Staffing Levels



Management Partners projects that staffing levels per 1,000 population will diminish for the City of Hayward. The City may need to reallocate staff based on shifting priorities, but current and foreseeable trends indicate staffing cannot increase above existing levels if the City is to remain sustainable. Even then, maintaining current staffing will require significant revenue increases as noted above.



10. Eliminate General Fund Subsidies for Capital Projects and Reduce Capital Fund Investments from General Fund to Maximum Extent Possible

STRATEGY TYPE: Service Reductions and Eliminations

IMPACT ESTIMATE

Estimated impact varies annually between \$1.2 million to \$2.4 million. This could be accomplished to the extent the City can defer capital spending from the General Fund for equipment, technology and fleet purposes. The City expects to spend approximately \$17.4 million from the General Fund over the next 10 years for projects and other capital uses.

FEASIBILITY

It will take more analysis to determine how much General Fund support can be reduced. Management Partners suggests that no such monies be programmed into discretionary capital projects, and that the City scrutinize every dollar of General Fund spending for capital until the deficit is solved. These actions can be carried out with direction from Council and the management team.

BACKGROUND

Given that each dollar the City spends from the General Fund on capital projects adds to the deficit, each such expenditure should be scrutinized for possible delay or elimination. This action is consistent with adopted budget policies.

The City's adopted budget states: *"Because the City operating budget essentially funds some CIP projects through transfers to the CIP funds, the initial project costs have an immediate budgetary impact – and must be considered within the context of the full City budget."*



Tier 2 Strategies

11. Assess Options for Increasing Parking Revenue via Meter Programs

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

The estimate for Hayward for a parking meter program ranges from \$1 million to \$2 million per year net of enforcement costs.

FEASIBILITY

Implementing a parking program would require additional analysis and Council approval. This strategy is not judged to be something that could be implemented in a timeframe consistent with the immediate financial challenges facing the City. However, it is a solid long-term strategy for developing additional revenues and a best practice in urbanized areas. This strategy may be politically difficult to implement based on past direction by Council.

BACKGROUND

In urbanized, densely populated communities, parking revenues can be significant. Historically, Hayward leaders have not been very interested in developing this revenue source, although it could produce some significant revenue.

The parking program revenues for some nearby cities provide an idea of the potential; although it is unlikely that Hayward could reach these levels given the differences in development density and other factors. Table 13 shows net revenue estimates of recent fiscal years of Berkeley and Oakland.

Table 13. Parking Program of Neighboring Cities

City – Program	Net Revenue Estimate	Net Revenue Per Capita
Berkeley – Parking Meter Program FY 2016 Actual	\$2,064,404	\$17.20
Oakland – FULL Parking Program* (full expenditure of parking program; revenues from meters and off-street parking, which include Oakland airport) FY 2017 Estimate	\$22,737,481	\$53.73
Oakland – PARTIAL Parking Program* (full expenditure of parking program; revenues from meters ONLY) FY 2017 Estimate	\$2,563,335	\$6.06

Source: As reported FY 2018 adopted budgets

*Oakland's program includes revenues related to airport parking, which is an unrealistic comparison for Hayward. However, even excluding airport parking related revenues yields net revenue of \$2.5 million for the City.



12. Assess Impacts of Business Improvement Districts (BIDs)

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

The impact of establishing BIDs requires more research, but it is probably less than \$100,000 per year. The City is in the process of evaluating the specifics of this option. Many cities use BIDs to shift costs from the General Fund to business and property owners, or to provide services the General Fund can no longer support.

FEASIBILITY

Further analysis would be necessary to evaluate the extent to which establishment of a BID or BIDs may have a positive impact on the General Fund. This strategy is not judged to have enough impact to address the financial challenges facing the City. It would be a best practice for the future, but not suitable for solving the near-term problems.

BACKGROUND

It was suggested during interviews that some additional revenues may be developed by creating a business improvement district or districts as permitted by California law. Hayward has discussed the establishment of several such districts. Developing this revenue stream may allow the City to reduce certain expenditures currently carried by the General Fund.



13. Utilize Potential Revenues from Utility Users Tax (UUT) Settlement

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

Estimated annual impact if litigation is successful is between \$1 million to \$6 million.

FEASIBILITY

The Utility User Tax settlement is still pending litigation results.

BACKGROUND

UUT is in litigation. So far, the City has impounded \$10.9 million and placed it into its reserve.



14. Update User Fees

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

Estimated impact for updating weed abatement fees and fines for postponing inspection is likely less than \$50,000 per year.

FEASIBILITY

City leaders can consider moving all user fees to recover costs to the maximum extent permitted by law without a political approval process. This strategy is not judged to have enough impact to address the financial challenges facing the City. It would be a best practice for the future but not suitable for solving the near-term problems.

BACKGROUND

According to interviews, Council has implemented updates to user fees to improve cost recovery. This should accrue to the benefit of the General Fund, but improvements are not yet apparent.

Most fees were adjusted to be consistent with recommendations from the recent user fee study conducted in October 2016, but several were not increased. They include: Request for Postponement of Inspection (Community Preservation), Weed Abatement - First Violation, Animal Impounding Fees, Animal Control Hearing Fees, and Animal Boarding Fees. There appears to be room for additional cost recovery from these and other user fees.



15. Develop Asset Optimization Strategies

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

The estimation of impact requires more research.

FEASIBILITY

This strategy is not judged to be something that could be implemented in a timeframe consistent with the financial challenges facing the City. It would be a best practice for future action and organizational development but not suitable for solving the near-term problems.

BACKGROUND

All cities own assets. There are often real estate and buildings that could be sold or better managed to maximize economic return. The first step for the City is to get a list of all surplus real estate and buildings, and analyze what return is being earned (if any) and what potential strategies exist for obtaining a return from the surplus property (e.g., rent-related revenue).



16. Update Development Code to Increase Density and More Economic Development Opportunities

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

The estimation of impact requires more research.

FEASIBILITY

This strategy is not judged to be something that could be implemented in a timeframe consistent with the financial challenges facing the City. It could be considered a best practice for future organizational development but not suitable for solving the near-term problems.

BACKGROUND

According to interviews, revisions to the City code to allow more high intensity development than currently allowed could increase revenue to the City, principally from higher property tax revenues. An effort to allow additional development intensity would likely take several years and cost at least \$650,000. However, if implemented, it could lead to significant gains in assessed valuation and revenues.

As a first step in evaluating this strategy, the City could consult with other cities that have allowed additional development intensity and determine what steps would have to be taken to begin a code revision project.



17. Continue Working with Employee Groups to Share Pension Contributions and Retiree Medical Costs

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

Each additional 1% in pension cost sharing can offset the General Fund deficit by approximately \$700,000 per year. Some, but not all employees are currently sharing in funding pensions beyond the minimum required by law. In addition, the City has accrued a multi-million-dollar liability for retiree healthcare and is and should negotiate cost sharing and cost capping for this benefit subject to the minimum employer contribution required by the medical plan provider (CalPERS). Taken together, it would be reasonable to expect to obtain a cost savings of approximately \$2 million per year from this strategy.

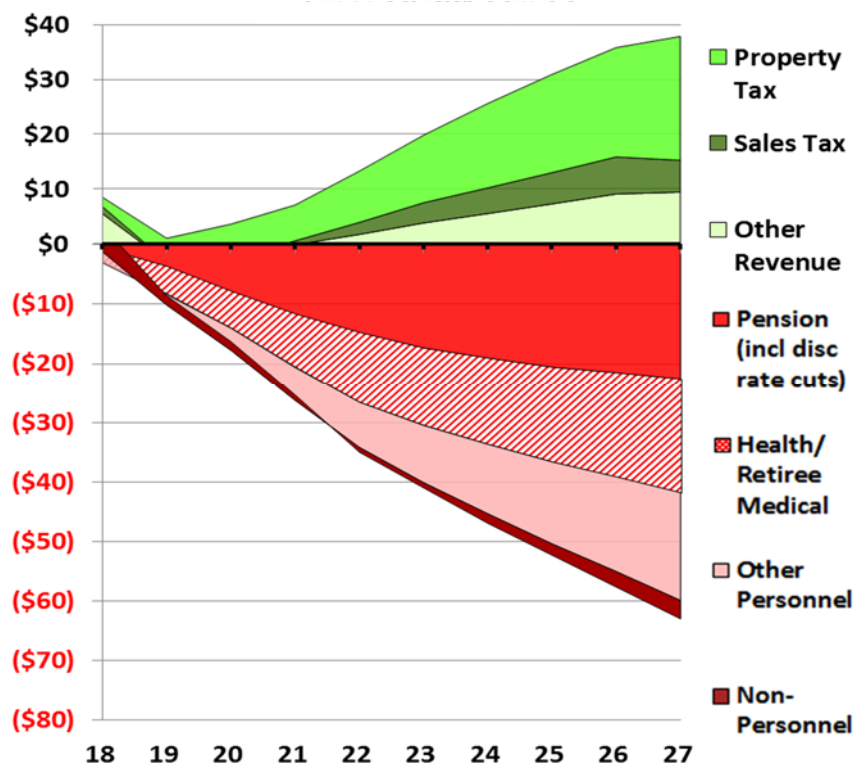
FEASIBILITY

This strategy will require successful negotiations with labor groups. Doing so will require time, so this strategy may not be as timely as others.

BACKGROUND

According to the baseline fiscal model prepared as of October 5, 2017, more than half of the cost-burden of the 10-year deficit is because of pension and retiree medical health costs, as shown in Figure 2.

Figure 2. Components of Cumulative Budget Growth since FY 2017 (in millions)



The California Public Employees' Pension Reform Act (PEPRA) was approved in 2012 and took effect January 1, 2013. PEPRA provides that an employer may require employees to pay 50% of the total annual normal cost up to an 8% contribution rate for miscellaneous employees, and an 11% or 12% contribution rate for safety employees beginning in 2018. PEPRA does not require an employer to implement this change, but the employer may do so once the employer has completed the good faith bargaining process as required by law.

Following passage of Public Employee Pension Reform Act (PEPRA) in 2012 the City has made progress in controlling pension costs. Notably agreements have been reached with some employee organizations that provide for employee cost-sharing on pensions above the base in the amount of 3% to 6%. However, some employees have no cost sharing and some that do are not paying the full amount necessary to reach the total employee share for pensions.

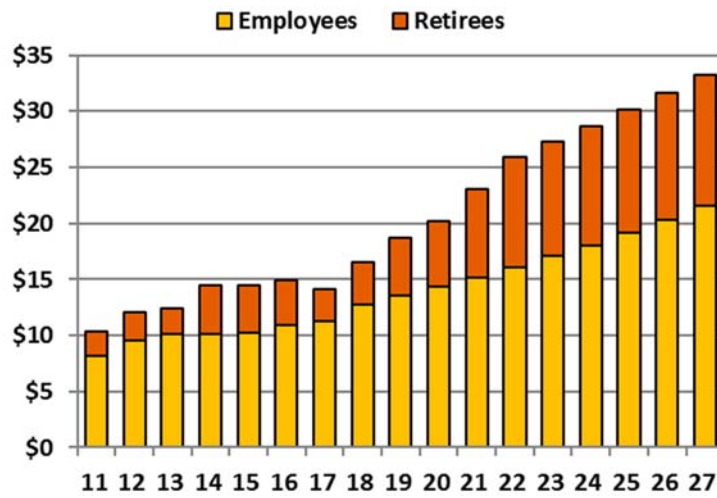
The two predominant pension plans currently have a member (or employee) normal cost estimated at 8.2% to 15.3%. Under law, employees are required to pay from 6.25% to 9.00%, and some employees in Hayward an additional 3% to 6% based on the Memoranda of Understanding (MOU). To the extent these normal costs are not paid by employees, the City "picks up" that cost, in addition to paying the employer share (currently at 8.8% to 22.1 %) and the unfunded liability amount (currently approximated at \$23.3 million per year). The City has negotiated for the current cost-sharing arrangement and could have a goal of moving all employees to cover 100% of the employee cost.

Likewise, the City has negotiated some cost sharing (in the form of capping City contributions, and contributing a percentage of salary for current employees) for retiree healthcare, but costs are growing much faster and therefore the City's liability is growing quickly. Currently, the City is not paying the actuarially required contribution (ARC) to sustainably fund these costs. Rather, it is on a "pay as you go" basis and the costs are increasing. In the last reported full year, the ARC increased by over \$7 million, from a liability of \$25 million to \$33 million. The fiscal model assumes funding ramps up to the ARC, but negotiating a cost share or cap would help the City with this task.

As shown in Figure 3, the City's expenditures related to medical insurance for employees and retirees are increasing, but costs associated with the retirees are growing at a faster rate. By FY 2027, retiree insurance costs will be approximately one-third of all the costs associated with health insurance, according to the baseline fiscal model prepared as of October 5, 2017.



Figure 3. Forecast of Health Insurance Expenditures (in millions)



The City must pay the minimum required employer contribution to stay with the CalPERS medical program. This amount is currently about \$130 per year per employee. The City is now committed to spending about that amount per month, so there is plenty of room for cost sharing. In addition, it should be noted that employees currently retiring are in plans that are much more generous than those in place for much older retirees.



18. Shift Sidewalk Rehabilitation Costs to Adjacent Property Owners

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

Up to \$3 million could be freed up from the Maintenance Services' Department budget. Because not all the General Fund subsidy in this department may be eligible for replacement with gas tax monies, we estimate between \$800,000 and \$1.9 million could be freed to reduce General Fund expenditures or fund other Measure BB eligible projects, potentially reducing the impact on the General Fund from other projects.

FEASIBILITY

This would be a challenging strategy to implement because it would likely be opposed by property owners in the City. This strategy is not judged to be something that could be implemented in a timeframe consistent with the immediate financial challenges facing the City.

BACKGROUND

Under California State law, cities are authorized to place responsibility for sidewalks and related improvements in parkway areas with the adjoining property owner (Streets and Highways Code Section 5610). Some cities, such as San Jose, explicitly include responsibility for sidewalk and tree repairs in defining adjacent property owners' responsibilities.

The key to having this strategy reduce the General Fund deficit is to reduce service demands on the City by having adjacent property owners fund sidewalk and related improvements, potentially including street trees. This would allow the gas tax and potentially Measure BB funding for project work currently funded from the General Fund (e.g., maintenance in the public right-of-way). Eligible costs may be found in some programs currently receiving General Fund support including administration, street maintenance and landscape maintenance.

Gas tax revenues in California can be used for physical maintenance and traffic services. This includes everything involved in the preservation and upkeep of a highway, including all its elements, in as nearly as practicable its original condition or its subsequently improved condition. In addition, monies can be used for many traffic services including:

- Patching, repairing, surface treating, and joint filling on bituminous or concrete surfaces;
- Repairing traveled way and shoulders;
- Cleaning culverts and drains;
- Mowing, tree trimming, and watering within the street right-of-way;
- Replacing topsoil, sod, shrubs, trees, irrigation facilities, etc., on street and roadside;
- Repairing curb, gutter, rip-rap, underdrain, culverts, and drains;
- Cleaning, painting, and repairing bridges and structures;
- Repainting and repairing signs, guard rails, traffic signals, lighting standards, etc.;
- Adding small numbers of conventional traffic control devices including signs; and
- Servicing street or road lighting and traffic control devices.
- Furnishing power for street or road lighting and traffic control devices.



19. Update Cost Allocation Plan

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

Fully charging overhead to grant funds, Measure BB, and all internal service funds has an estimated impact of \$100,000.

Charging overhead to General Fund departments to account for non-General Fund revenues is estimated to have limited impact, but requires further research and analysis for more specifics.

FEASIBILITY

This strategy is not judged to have enough impact to address the financial challenges facing the City. It would be a best practice for the future but not suitable for solving the near-term problems.

BACKGROUND

Fully allocating and collecting overhead, particularly from non-General Fund sources, can help the General Fund by spreading costs.



20. Review Fleet Operations Policies

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

The estimation of impact requires more research.

FEASIBILITY

This strategy is not judged to be something that could be implemented in a timeframe consistent with the financial challenges facing the City. It would be a best practice for future organizational development but not suitable for solving the near-term problems.

BACKGROUND

Per Management Partners' fleet expert's interview, Hayward has officers commuting long distances in city vehicles. Many fire and police vehicles travel to employees' homes based on agreements between the city manager and chiefs. All police motors, investigators, executive staff and at least one civilian use city vehicles to commute.



21. Prioritized Use of Measure C Revenue

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

The estimated impact is \$7 million annually, starting in FY 2021.

FEASIBILITY

Prioritized use of Measure C can begin with direction from Council and the management team.

BACKGROUND

The wording of Measure C provides the City with the opportunity to allocate associated revenues towards operations or capital expenditures. The City Council has made a policy decision to program monies into both areas. Currently Measure C supports Maintenance Service and Police as shown in Table 14.

Table 14. Measure C Support for General Fund Functions

	FY 2018 Adopted Measure C Allocation	Positions Funded
Maintenance Services	\$611,548	Maintenance Leader (1) Maintenance Worker/Laborer (2) Groundskeeper/Laborer (2)
Police	\$2,409,500	Call Taker (8) Certified Latent Print Examiner (1) Communications Supervisor (1) Crime and Intelligence Analyst (1) Police Lieutenant (1) Police Officer (3)

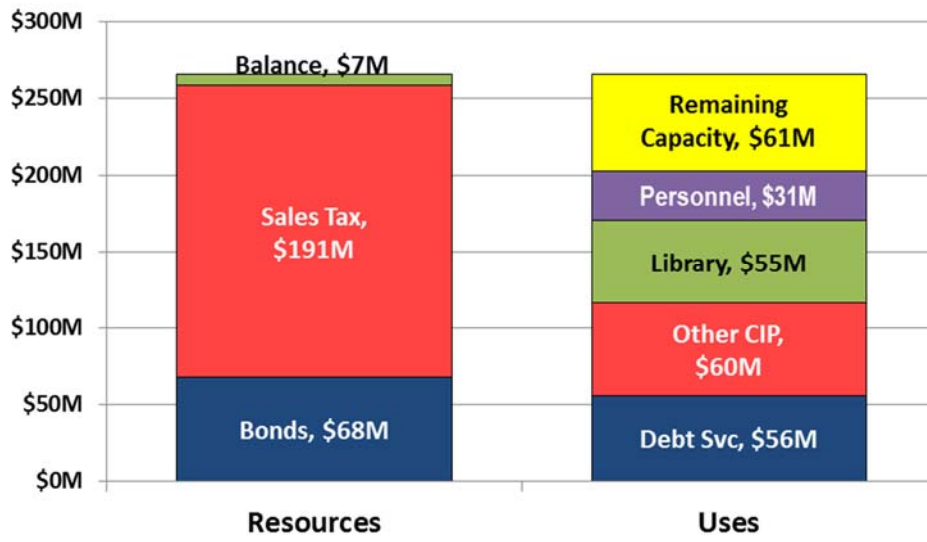
Measure C is also used to fund capital projects, and to fund debt service for capital used for certain Capital Improvement Program (CIP) projects. Management Partners estimates that some Measure C monies could be shifted to provide additional funding for operations, offsetting some of the General Fund deficit.

While some of the capital projects slated for completion with debt financing have not been completed, Management Partners has assumed that that these projects will be completed as planned because the only other alternative would be to defease the debt, essentially using the bond proceeds to repay the bonds and eliminate further debt service. This is an unusual and complicated effort for municipal bonds and therefore is considered an unfeasible strategy except in desperate circumstances.

According to the baseline fiscal model prepared as of October 5, 2017, the City is projected to be able to use \$61 million of non-committed Measure C revenues to support General Fund operations to balance the deficit, as shown in Figure 4.



Figure 4. Measure C Sales Tax FY 2016-17 Forecast Totals



22. Explore Use of New or Updated Technology to Increase Efficiency

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Estimate of impact will vary based on effectiveness of technology and training of staff. The estimate is difficult to articulate without in-depth research.

FEASIBILITY

This strategy is not judged to be something that could be quantified and/or implemented in a timeframe consistent with the financial challenges facing the City. It would be a best practice for the City to engage on an ongoing basis, but not explicitly suitable for solving the near-term problems.

BACKGROUND

The Information Technology (IT) Department has implemented recent initiatives focusing on upgrading outdated infrastructure and reviewing systems. The department is evaluating the internal and external use of Cloud-based solutions and how tools (such as laptops and smart phones) can improve the efficiency and effectiveness of the organization. Based on our interview, the following areas of improvement were identified:

- Provide additional Enterprise Resource Planning training for human resources and finance staff,
- Establish an annual IT training program for employees,
- Integrate the IT Department during technology-related request for proposal (RFP) processes,
- Strategically and intentionally integrate technology to the existing business processes to create efficiency gains, and
- Develop an accurate cost allocation plan for IT services.



Tier 3 Strategies

23. Discontinue Retiree Health Coverage for New Hires

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

The estimation of impact is in progress as a City actuary is currently computing the exact dollar savings. Eliminating this benefit for new hires would allow the City to reach full funding of the actuarially required contribution (ARC) sooner and reduce the total amount spent on this benefit.

FEASIBILITY

This strategy will require negotiations and exiting the Public Employee Medical and Hospital Care Act (PEMHCA), which requires notice to CalPERS in a specified period after annual rate adjustment and migration to an alternative plan for current and retired employees, such as League Health Benefits Marketplace. However, senior executive staff with the City believe proposing or moving from PEMHCA will be very detrimental to labor relations. Therefore, this strategy is considered to have minimal to no viability.

If considered as an option, implementing this change will probably be easier than eliminating the benefit for existing employees or retirees receiving the benefit from a labor relations standpoint.

BACKGROUND

The City provides medical insurance coverage for retirees. This is not required and many cities do not provide this benefit. Currently the City is not paying the ARC to sustainably fund these costs. Rather, it is on a “pay as you go” basis and the costs are increasing. In the last reported full year, the ARC increased by over \$7 million, from a liability of \$25 million to \$33 million.

This action would probably not create big problems for recruitment, since retiree medical coverage is not a benefit offered in all cities and the cities that have it are discontinuing the benefit in various ways.



24. Negotiate for Discontinuance of Explicit Subsidies for Retiree Medical Coverage

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

The estimation of impact is in progress as a City actuary is currently computing the exact dollar savings. Explicit subsidies are a substantial and growing expense.

FEASIBILITY

As with strategy 23, this will require negotiations and exiting PEMHCA, which requires notice to CalPERS in a specified period after annual rate adjustment and migration to an alternative plan for current employees, such as League Health Benefits Marketplace. However senior executive staff with the City believe proposing or moving from PEMHCA will be very detrimental to labor relations. Therefore, this strategy is considered to have minimal to no viability.

If considered as an option, implementing this change will probably be easier than eliminating the benefit for existing employees or retirees receiving the benefit from a labor relations standpoint.

BACKGROUND

The City pays for retiree medical benefits in two ways. First, it allows retirees to buy into the group rate policy that is maintained for employees. This is the primary means by which individuals obtain medical insurance in the United States while they are working. Allowing retirees to purchase a group rate marginally increases the costs for the City because the group being insured is somewhat older, and thus more expensive. This cost is called the implicit subsidy by actuaries.

The second cost is the amount of money the City provides to retirees to purchase medical insurance at group rates. Currently, this direct payment ranges from \$1,440 to \$1,500 per year per retiree (and eligible surviving family). This amount is called the explicit subsidy by actuaries.

To put this issue in perspective, the City currently provides both the implicit and explicit subsidy to 598 retirees and an additional 709 current employees are eligible.



25. Consider Options for Less Expensive Classifications

STRATEGY TYPE: Expenditure Controls and Cost Shifts

IMPACT ESTIMATE

The estimation of impact requires more research.

FEASIBILITY

This strategy is not judged to be something that could be implemented in a timeframe consistent with the financial challenges facing the City. It would be a best practice for future organizational development but not suitable for solving the near-term problems.

BACKGROUND

To maintain service levels, the City will have to maximize efficiency and effectiveness as the population and service demands increase. Pension cost increases are particularly acute in the public safety area for sworn personnel, making sworn positions particularly expensive while also absolutely necessary.

One approach that may have some potential would be to increase the extent to which civilian employees can leverage sworn service delivery in police and fire. For example, civilian community service officers, which Hayward already uses to some degree, can be used to increase the productivity of sworn patrol officers. Some cities also use civilian classifications for some police investigative activities. In fire, civilians can be used for inspections, permitting, transportation, public education and training/administrative activities.

Similar leveraging opportunities may be available with respect to other non-sworn professional positions such as engineers, librarians and executive management.

To look for these opportunities, the City would need to conduct a detailed study of staffing classifications and potential alternatives within service areas/departments. Once a more optimal staffing profile is developed, an implementation plan would need to be put in place based on turnover within the service area/department.



26. Options for Alternative Service Delivery Methods

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Estimate of impact will vary based on type and number of services contracted.

FEASIBILITY

This strategy is not judged to be something that could be implemented in a timeframe consistent with the financial challenges facing the City. It would be a best practice for future organizational development but not suitable for solving the near-term problems.

BACKGROUND

Given the significant deficit situation, the City needs to increase revenues or cut spending. Other cities have obtained real expenditure reductions by changing the way services are delivered, mainly through having work done by contractors rather than city employees. The main driver for cost reductions is eliminating expensive defined benefit pension costs, which differentiate the public and private sectors.

Not every service is amenable to contracting; executive management and public safety positions generally cannot be contracted. However, many maintenance functions can be successfully contracted. The services often contracted in California vary but generally include:

- Public works maintenance functions,
- Facilities maintenance,
- Information technology support and/or implementation, and
- Inspection and plan check services.

In recent analyses, Management Partners reviewed the costs of three cities that provided street sweeping services in-house and nine that provided the service by contract, shown in Table 15. Fewer cities provided services in-house (three, compared to nine contracting cities) at a higher cost per mile swept (\$36, compared to \$23 by contracting cities). The main reason for this difference was labor and equipment costs. This is an example of the types of savings that can be obtained by contracting. Currently, Hayward delivers street sweeping services by employing the operators as employees and directly purchasing or leasing the equipment.

Table 15. Recent Analyses by Management Partners of Street Sweeping Services

	In-House	Contract
Number of Jurisdictions	3	9
Average Cost per Mile Swept	\$36	\$23



27. Assess Opportunities for Service Sharing Arrangements/Regionalization of Services

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Estimate of impact will vary based on the number and arrangement of services shared/regionalized (e.g., jail capacity, dispatch street sweeping, maintenance services).

FEASIBILITY

It takes time to explore options for service sharing and regionalization arrangements and to implement them effectively. The City should consider options for sharing services for cost-effectiveness in the long run.

BACKGROUND

Services sometimes can be delivered more cost effectively through service sharing agreements with other agencies or regionalized agreements. This is an appropriate strategy when two or more agencies serve the same population with overlapping missions, or there are benefits from economies of scale.

For the first case, Hayward Area Recreation and Park District (HARD) has a mission to provide park and recreation services for the City of Hayward as well as other nearby unincorporated areas. There are elements of community services programs that may be administered in partnership with HARD.

For the second case, programs with economies of scale include dispatch services, animal shelter, and training facilities for public safety staff. For example, City of Hayward is one of two cities in Alameda County providing animal shelter services solely for its own benefit. Other cities in the county provide the services for more than one jurisdiction, contract with the county, or have an arrangement with a nonprofit organization (Alameda). Animal shelter services in Alameda County are provided by the following organizations:

- Friends of the Alameda Animal Shelter (FAAS) – nonprofit organization provides service for the City
- City of Berkeley – for Berkeley, Albany, Emeryville, and Piedmont
- Alameda County (East County Animal Shelter) – for Dublin, Livermore, and Pleasanton
- Tri-City Animal Shelter (Fremont) – for Fremont, Newark, San Leandro, and Union City
- City of Oakland – Oakland
- City of Hayward – Hayward

Jurisdictions in California are studying whether regionalized dispatch can improve the quality of communications and be beneficial to the community. There is opportunity to coordinate regionalized dispatch because most, if not all, city police departments within Alameda County provide their own emergency dispatch services.



There may be opportunity to coordinate a regionalized animal control service because most cities in Alameda County provide their own, except the following cities:

- Albany contracts with the City of Berkeley
- Dublin contracts with Alameda County
- Emeryville contracts with the City of Piedmont

The City could also consider regionalization strategies for fire and police dispatch, and perhaps market utilization of the jail by other nearby cities, as well as BART and East Bay Parks.

28. Consider a “Hard” Hiring Freeze (phase out positions through attrition to reduce spending levels)

STRATEGY TYPE: Service Reductions and Eliminations

IMPACT ESTIMATE

Estimated impact is approximately \$150,000 per position.

FEASIBILITY

A hiring freeze can be implemented with the direction from Council and the management team.

BACKGROUND

Maintaining staffing at current levels will require significant revenue increases. Absent such increases or equivalent spending reductions, the City may need to consider not replacing positions when they are vacated via normal attrition. This will have the impact of reducing services as employees leave, but it will reduce expenditures by an unknown annual amount.

Hayward is currently experiencing a turnover rate of approximately 6% to 8% depending on the employee group, which suggests 40 vacancies per year in the General Fund. City leaders may need to reallocate staff based on shifting priorities.



29. Evaluate Jail Operations/Consider Exiting Jail Business

STRATEGY TYPE: Service Reductions and Eliminations

IMPACT ESTIMATE

Estimated impact is up to \$2 million annually.

FEASIBILITY

This strategy is not judged to be something that could be implemented in a timeframe consistent with the financial challenges facing the City. It may not be suitable for solving the near-term problems. There are also trade-offs involving use of officer time.

BACKGROUND

Hayward operates a 30-bed Type 1 jail facility. Staffing and other related costs are at least \$2 million per year. Cities in California are not required to construct and operate jails; most do not. There are approximately 100 city jail facilities in California, but a number of these are in remote locations, and some may not be in active use.

Most California cities transport arrestees to a jail operated by the county sheriff, which is also the case in Alameda County. In Alameda County, most arrestees are transported to one of two sheriff-operated jails: the Santa Rita Facility in Dublin or the Glenn Dyer Jail in Oakland. Each is about 15 miles from Hayward. Within Alameda County only three of 14 cities have a jail facility. (The other two are in Fremont and Berkeley.) Based on interviews it is thought that neither of the Hayward or Fremont facilities operates at full capacity.

It should be noted that there are mitigating costs for discontinuing jail operations. First, the extent City police officers spend time booking an arrestee, including time spent traveling, is time away from other work. In addition, counties including Alameda can charge booking fees for using county jails, although state legislation has capped the amount and the state is providing some funding to offset such fees.



Strategies Not Feasible to Implement or Already Implemented

This section shows strategies that were analyzed, but are not feasible or have been implemented already.

30. Assess Surplus Capacity for Garage Services to Other Agencies

Analysis complete. Not a feasible strategy due to existing space limitations.

31. Emergency Response Fees

After the Great Recession, some cities in California (approximately 50 at one time) tried to impose a fee on fire responses to accidents involving nonresidents. The theory was that if insurance companies commonly pay for others responding to an accident (e.g., towing companies and ambulances) then fire response should also be compensated, especially if the insured was not a taxpayer in the responding jurisdiction. However, the approach has not been very successful. The insurance industry mounted both a legislative and public relations effort to stop such fees (dubbing it the “crash tax”), and cities found it hard to administer. In addition, the fees brought in less revenue than estimated.

One early adopter (City of Roseville) dropped the effort after it netted only \$40,000 annually, produced additional workload for fire companies, and generated negative public comment. After study, Management Partners concluded this is not a feasible strategy in Hayward and less controversial user fee adjustments are possible.

32. Vacant Property Tax

This revenue source was suggested during interviews. A vacancy tax has not been tried in California, but has been implemented in Vancouver, Canada. According to Vancouver’s website, the purpose of the Empty Homes Tax is to:

- Return empty or underutilized properties to use as long-term rental homes for people who live and work in Vancouver, and
- Help relieve pressure on Vancouver’s rental housing market, as the city has one of the lowest rental vacancy rates and the highest rental costs in Canada.

The estimated financial impact for this policy is as follows:

- One-time costs of \$4.7 million over three years
- Annual operating cost of \$1.5 million
- Revenues not yet available (will be available with the FY 2018 budget)

The strategy is not recommended since there is uncertainty regarding successful implementation and effectiveness of this policy.

33. Review Workers’ Compensation Policy for Consistency with Practices in Labor Market and Legal Mandates

In the past, safety and non-safety employees received \$4850 leave. The City has corrected this issue, so there is no additional savings for this strategy.



34. Review Water Fund Payments to the General Fund

Complete. Water Fund's payment for City water is captured in the cost allocation plan.

35. Delay Investment in Fire Training Facilities Until an Assessment for Regionalized Arrangement is Completed

Given the City's serious structural deficit, capital spending that impacts the General Fund should be delayed or eliminated. The Fire Training Center is in the planning stage according to FY 2018 adopted budget, and will impact the General Fund as follows:

- Prior expenditures: \$1.5 million
- FY 2018: \$4.0 million
- FY 2019: \$26.4 million
- FY 2020: \$17.0 million
- Total: \$48.9 million

A complication with cancelling this project is the fact that debt has already been created to build the facility. In financing the debt, the City has committed to using the bond proceeds to build the facility. Because of the debt service for this project, this strategy should only be considered in case of emergency, in which case, the debt would have to be defeased. This means paying off the debt owed with bond proceeds. This is an unusual effort for municipal bonds and therefore is considered an unfeasible strategy except in desperate circumstances. It would require assistance from a debt financing expert.

36. Evaluate Library Operations and Alternative Service Delivery Methods

There may be opportunities to alleviate the cost burden of library operations by using alternative service delivery methods, especially by partnering with other local agencies (e.g., HARD or the school district).

Contracting for library services has been tried in California cities, but without much success. Nonetheless, because the research and implementation of changing service delivery methods takes much time and resources, the strategy is not feasible in the short-run.

There may be opportunities to receive resources from the school district for various programs. Some potential areas of research may include grants for library programs or staffing/volunteers provided by the school district. This will help alleviate the cost burden associated with hiring full-time employees to administer the library's programs.

Furthermore, the level of political will and community support for a change in the structure of the library department is likely to be lacking given the support from the community for Measure C (which, in part, supports increased investment in the libraries).

