



DATE: May 18, 2021
TO: Mayor and City Council
FROM: Director of Finance
SUBJECT Proposed FY 2022 Operating Budget Work Session #2

RECOMMENDATION

That the Council continues to review and provide direction to staff on the City's Proposed FY 2022 Operating Budget.

SUMMARY

The Council Budget Work Session #2 of the proposed FY 2022 Operating Budget is a continuation of the budget conversation following the Saturday, May 15, 2021 budget work session. Budget Work Session #2 will include department presentations that were not completed during the Saturday budget work session and will include follow-up discussion on any specific items requiring Council direction in advance of adoption of the FY 2022 Operating Budget on June 1, 2021.

BACKGROUND

The FY 2022 Operating Budget process began in January of 2021. Over the last several months, Finance staff and the various departments met to review the respective FY 2022 department budget proposals before presenting them to the City Manager. On April 28, the proposed FY 2022 Operating Budget was provided to the Council ahead of the Saturday budget work session on May 15, 2021¹.

DISCUSSION

Proposed FY 2022 Operating Budget

The Proposed FY 2022 Operating Budget document was provided to the Council on April 28, 2021 in advance of the May 15, 2021 Saturday work session. Over the upcoming weeks, Council will consider the annual budget prior to the planned adoption on June 1, 2021. During the Saturday work session, Council receives and discusses department budgets, where Council has an opportunity to ask questions as well as discuss and provide feedback to each

¹ Council Budget Work Session #1 - Special Council Meeting on May 15, 2021 - <https://hayward.legistar.com/LegislationDetail.aspx?ID=4942511&GUID=C2E19913-F4E0-4AF3-A4A7-AAA3FD418DC8&Options=&Search=>

department. The Saturday budget work session also includes a review of the City's Five-Year Plan.

In FY 2022, the City continues to balance the challenges related to economic recovery of key revenue sources, rising operational expenses, and the continuation of providing support to the most vulnerable members of the Hayward community. The proposed FY 2022 Operating Budget provided to Council on April 28, 2021 reflects projected General Fund revenues of \$178.6 million, an increase of \$12.3 million over the FY 2021 Adjusted Budget, with General Fund expenditures at \$184.7 million, an increase of \$15.1 million over the FY 2021 Adjusted Budget, resulting in a projected a use of \$6.0 million Reserves.

General Fund Five-Year Plan Update

The General Fund Five-Year Plan was reviewed by the Council at the Saturday budget work session on May 15, 2021. If the City does not implement any changes and adopts the FY 2022 Operating Budget as proposed, the City projects the use of \$6.0 million in Reserves. The General Fund Reserve level will fall below the Council's 20% General Fund Reserve Policy to 12.2% in FY 2022, with complete depletion of the City's General Fund Reserve in 2025, leaving a -1.4% ending fund balance.

TABLE 1: GENERAL FUND FIVE-YEAR PLAN UPDATE

| General Fund Forecast (FY 2022 Proposed) <i>\$ In thousands</i> | FY 2022 Year 1 | FY 2023 Year 2 | FY 2024 Year 3 | FY 2025 Year 4 | FY 2026 Year 5 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue | \$178,634 | \$184,941 | \$190,855 | \$196,427 | \$201,783 |
| Expenditures | 184,659 | 194,122 | 199,921 | 206,715 | 212,483 |
| Net Change in Reserve-Surplus / (shortfall) | (6,025) | (9,181) | (9,067) | (10,288) | (10,700) |
| Beginning Balance | \$28,631 | \$22,606 | \$14,925 | \$7,358 | (\$2,930) |
| <i>Net Change in Reserve - Surplus / (Shortfall)</i> | <i>(6,025)</i> | <i>(9,181)</i> | <i>(9,067)</i> | <i>(10,288)</i> | <i>(10,700)</i> |
| <i>American Rescue Plan Act Funding</i> | | 1,500 | 1,500 | | |
| Ending Balance | \$22,606 | \$14,925 | \$7,358 | (\$2,930) | (\$13,629) |

The proposed FY 2022 budget projects a \$6.0 million use of General Fund Reserves. As shown in Table 1, the City continues to forecast structural budget gaps in future years, as the City continues to recover from the economic impacts of the pandemic, while balancing rising operational expenses. The current proposed budget does not include any funds from the Federal stimulus package. The Council will discuss allocation of these funds in early July.

FISCAL IMPACT

The fiscal impacts of the information presented is dependent on the direction of Council. Changes resulting from Council direction will be included in the FY 2022 Operating Budget presented for the public hearing and adoption at the regularly scheduled Council meeting on June 1, 2021.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to any of the six priorities outlined in the Council's Strategic Roadmap.

NEXT STEPS

The proposed FY 2022 Operating Budget and Capital Improvement Program budgets will be presented to the Council for consideration at a public hearing and adoption on June 1, 2021.

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Approved by:



Kelly McAadoo, City Manager