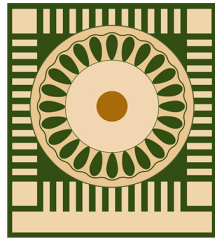


CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov



CITY OF
HAYWARD
HEART OF THE BAY

Agenda

Tuesday, May 12, 2026

4:30 PM

Conference Room 2A

City Council

**SPECIAL CITY COUNCIL MEETING
777 B Street, Hayward, CA 94541
City Hall, Conference Room 2A**

NOTICE: The City Council will hold a hybrid meeting in Conference Room 2A and virtually via Zoom

PUBLIC PARTICIPATION

How to observe the Meeting:

1. Comcast TV Channel 15
2. Live stream <https://hayward.legistar.com/Calendar.aspx>
3. YouTube Live stream: <https://www.youtube.com/user/cityofhayward>

How to submit written Public Comment:

1. Use eComment on the City's Meeting & Agenda Center webpage at: <https://hayward.legistar.com/Calendar.aspx>. eComments are directly sent to the iLegislate application used by City Council and City staff. Comments received before 3:00 p.m. the day of the meeting will be exported into a report, distributed to the City Council and staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda.

2. Send an email to List-Mayor-Council@hayward-ca.gov by 3:00 p.m. the day of the meeting. Please identify the Agenda Item Number in the subject line of your email. Emails will be compiled into one file, distributed to the City Council and staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda. Documents received after 3:00 p.m. through the adjournment of the meeting will be included as part of the meeting record and published the following day.

How to provide live Public Comment during the City Council Meeting:

Participate in Conference Room 2A or click link below to join the meeting:
<https://hayward.zoom.us/j/89200754102?pwd=kCcwobgVX5laTjQM3G3QVhLRA7QraA.1>

Meeting ID: 892 0075 4102

Password: Cc5/12@430

or 833 928 4608 (Toll Free)

Dial: +1

Meeting ID: 892 0075 4102

Password: 0363222317

**SPECIAL CITY COUNCIL MEETING
777 B Street, Hayward, CA 94541
City Hall, Conference Room 2A**

Pursuant to Government Code section 54953(b), the meeting will include two teleconference locations. The agenda will be posted at each location, and members of the public will have an opportunity to address the City Council at each site.

Teleconference Locations:

- 1) Hyatt Place Chicago Downtown Hotel
28 N. Franklin Street, Chicago, Illinois, 60606
Council Member Bonilla Jr. will participate via teleconference.
- 2) Sheraton Grand Sacramento Hotel
1230 J Street, Sacramento, California, 95814
Council Member Roche will participate via teleconference.

CALL TO ORDER: Mayor Salinas

Pledge of Allegiance: Council Member Goldstein

SB 707 TELECONFERENCE NOTIFICATIONS AND CONSIDERATION

ROLL CALL

SPECIAL PRESENTATIONS

National Police Week - May 10 - 15, 2026
Peace Officers' Memorial Day - May 15, 2026

Citizen Recognition Award Commendation: Pharaoh Brown-Farlow

PUBLIC COMMENTS

Limited to Items on the Agenda

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 26-013](#) City Council Budget Work Session: Review Proposed Fiscal Year 2026-27 Operating Budget (Report from City Manager Ott)

Attachments: [Attachment I Staff Report](#)
[Attachment II FY 2026-27 Budget Message and Overview](#)
[Attachment III Work Session Presentation](#)

ADJOURNMENT**NEXT MEETING, May 19, 2026, 7:00 PM****PUBLIC COMMENT RULES**

Any member of the public desiring to address the Council shall limit their comments 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.

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 26-013

DATE: May 12, 2026

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT

City Council Budget Work Session: Review Proposed Fiscal Year 2026-27 Operating Budget

RECOMMENDATION

That the Council reviews and provides feedback on the proposed Fiscal Year 2026-27 City of Hayward Operating Budget.

SUMMARY

The proposed FY 2026-27 Operating Budget City Council Work Session will provide an overview of the City's recommended budget, facilitate discussion on specific items of interest by the City Council, and offer an opportunity for public input. This is a Work Session intended to receive City Council feedback on the proposed budget and no City Council action will be taken.

The Proposed FY 2026-27 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 the adopted budget and will be summarized at the public hearing on June 2, 2026.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	FY 2026-27 Budget Message and Overview
Attachment III	Work Session Slide Deck



DATE: May 12, 2026
TO: Mayor and City Council
FROM: Director of Finance
SUBJECT: City Council Budget Work Session: Review Proposed Fiscal Year 2026-27 Operating Budget

RECOMMENDATION

That the Council reviews and provides feedback on the proposed Fiscal Year 2026-27 City of Hayward Operating Budget.

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BACKGROUND

In preparation for the FY 2026-27 budget, the City Council held a [work session](#) on February 28, 2026 to consider the City's five-year forecast and options to balance this and future budgets. In addition, the [CIP budget work session](#) for FY 2026-27 was held on May 5, 2026.

The Draft Proposed FY 2026-27 Operating Budget was posted on the City's website on Friday, May 8, 2026, in preparation for this work session and can be found at: <https://hayward-ca.gov/your-government/documents/budget-documents>.

DISCUSSION

The City's operating budget is comprised of several funding sources, including Enterprise Funds like Water and Sewer, and Internal Service Funds like Facilities and Information Technology. The General Fund is the largest fund and represents the resources over which the City Council has the most discretion. The General Fund is the primary topic for this Work Session. The total City expenditure budget for the Proposed FY 2026-27 budget is \$539.8 million, with a General Fund budget of \$248.5 million.

The Fiscal Year 2026-27 budget was prepared as the City transitions out of a year of change, both in City leadership, and in updates to the City's budgeting practices. Staff throughout the organization have worked hard to close a significant gap in FY 2025-26 and in FY 2026-27, while at the same time updating budgeting practices to ensure transparency and accuracy. The resulting budget demonstrates the partnership of elected officials, multiple bargaining groups, unrepresented employees, and executives as we seek to resolve our structural deficit and meet the demands of the future.

The FY 2026-27 Budget Message and Overview are attached to this report (Attachment II), as well as the presentation for the May 12 work session (Attachment III). These documents provide greater detail about the proposed budget and ongoing strategy to address the budget gap.

PUBLIC CONTACT

The City Council received a Five-Year Forecast at a Fiscal Sustainability Workshop on February, 28, 2026¹. Since that time, staff has refined the budget numbers especially associated with salary and benefit costs.

The Proposed FY 2026-27 Operating Budget is currently available to the public by contacting the City Clerk's Office at cityclerk@hayward-ca.gov or (510) 583-4400, and on the City's website at: <https://hayward-ca.gov/your-government/documents/budget-documents>

The FY 2026-27 Capital Improvement Program Budget is currently available to the public by contacting the City Clerk's Office at 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>

NEXT STEPS

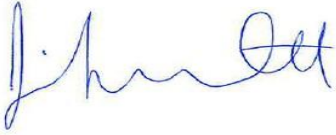
Staff will take Council comments and recommendations and present a final budget for adoption at a public hearing scheduled for June 2, 2026.

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=7929298&GUID=690FD0D6-3575-4504-8D4D-3BACF383BD8A&Options=&Search=>

Prepared by: Franchesca Hatfield, Management Analyst
Nicholas Mullins, Senior Management Analyst
Michael Barnes, Acting Deputy Director of Finance | Revenue Manager

Recommended by: DeAnna Hilbrants, Director of Finance

Approved by:

A handwritten signature in blue ink, appearing to read "Jennifer Ott". The signature is fluid and cursive, with the first name "Jennifer" and the last name "Ott" clearly distinguishable.

Jennifer Ott, City Manager

May 2026

Honorable Mayor, Members of the City Council and Residents of Hayward:

Over the past eight months, the City has taken significant actions to both balance the Fiscal Year 2025-26 budget, present a balanced General Fund budget for Fiscal Year 2026-27, and work towards building a fiscally sustainable organization. The FY 2026-27 proposed budget is balanced and reflects the City's commitment to balancing the needs of the community and striving for long-term fiscal sustainability. At the same time, we recognize there is much more work ahead to stabilize the City's finances.

The attached budget demonstrates the partnership of elected officials, multiple bargaining groups, unrepresented employees, and executives as we seek to resolve our structural deficit and meet the demands of the future. I want to thank our labor groups for agreeing to concessions that were critical to balancing this budget. I also want to thank the Mayor and Council for their leadership in making challenging decisions during my time as City Manager and before. Finally, I want to thank the Finance Director and team for their tireless work to update budget processes to reflect up-to-date actuals and to build this budget book, as well as the midyear budget for FY 2025-26. This partnership enabled the City to reach a place of clarity that paves a pathway forward.

The attached budget is realistic about our expenses and revenue and honest about the challenges we face. Staff recognizes that difficult decisions remain in the City's future. The Fiscal Year 2026-27 budget continues to use significant short-term or one-time sources, as in the previous two fiscal years. This approach allows the City to implement revenue strategies, such as a tax measure on the November ballot, and to see if the economy improves before taking further actions that substantially impact services. Staff is deeply committed to monitoring and reporting frequently on fiscal health indicators and will return to City Council with options if changes are needed or external factors do not improve.

I look to a bright future as we work our way back toward fiscal stability and continue to provide core services to Hayward residents and businesses. Thank you for the honor and privilege of being your City Manager and the opportunity to lead such a fantastic organization in service to our community.

Sincerely,

Jennifer Ott
City Manager

Attachment: Fiscal Year 2026-27 Budget Overview



CITYWIDE BUDGET OVERVIEW

BUDGET CONTEXT FOR FY 2026-27

The Fiscal Year 2026-27 budget was prepared as the City transitions out of a year of change, both in City leadership, and in budgeting practices. The resulting budget is balanced, but continues to use short-term and one-time sources as the City moves towards long-term fiscal sustainability.

In June 2025, Council proposed a General Fund budget for FY 2025-26 that included an assumed \$8.9 million deficit and reflected a \$30 million fund balance. At that time, Council directed staff to identify solutions to balance the FY 2025-26 budget. In August, staff reported that due to overstated revenues and significant overspending in FY 2024-25, the fund balance in the General Fund had been reduced to near zero.

In November 2025, staff presented an updated forecast for FY 2025-26 reflecting a \$26.4 million deficit. In response, Council authorized the City Manager to take actions to reduce that deficit to zero. This was achieved through a combination of activities including the use of Measure C funding, use of OPEB Trust funding, transfers from other funds such as Information Technology Internal Services and Worker’s Compensation, employee concessions, layoffs, and department savings on services and supplies.

Since November, staff has closely tracked actuals for revenue and expenses, with a particular focus on salaries and benefits. Based on these actuals, staff has adjusted the FY 2025-26 budget within the City Manager’s authority to ensure it will be balanced at the close of the Fiscal Year. For FY 2025-26, staff anticipates a reduction of approximately \$6 million in General Fund expenditures compared to FY 2024-25, even with cost-of-living adjustments of 3.5% for miscellaneous units. Staff also anticipates using approximately \$25 million in short-term or one-time sources to balance the FY 2025-26 budget.

CITYWIDE FINANCIALS

The City’s operating budget is comprised of several funding sources, including Enterprise Funds like Water and Sewer, and internal service funds like Facilities and Information Technology. The focus for the past six months has been on the general fund. Staff is continuing to evaluate budgets for funds outside of the General Fund using updated budgeting practices.

The General Fund is the largest fund and represents the resources over which the City Council has the most discretion. The total proposed City expenditure budget excluding capital funds for FY 2026-27 is approximately \$539.8 million, with a General Fund budget of \$248.5 million.

Table 1: City Expenditure Budget Summary - All Funds

Expenditures

<i>in 1,000's</i>	FY 2025 Actual	FY 2026 Projected*	FY 2027 Proposed	\$ Change from FY2025 Actual	% Change from FY025 Actual
General Fund	247,733	241,261	248,583	850	— %
All Other Funds	301,944	213,414	291,193	(10,751)	(3.6)%
Total City Budget	549,677	454,675	539,776	(9,901)	(1.8)%

CITYWIDE BUDGET OVERVIEW

**In Table 1, staff has focused on the General Fund, so has not yet completed a projection for All Funds for FY 2026. The All Funds number for FY 2026 is the adopted budget from June 2025 and likely does not reflect actuals.*

The FY 2026-27 adopted budget reflects a General Fund expenditure increase over the FY 2025-25 actuals of \$851,000, or 0.0%. The FY 2026-27 adopted budget also shows a decrease of \$10.7 million, or (3.6)% to All Other Funds and an overall decrease of (1.8)% for all funds combined over FY 2025-26. This decrease is primarily associated with reduced spending on major projects.

CITYWIDE STAFFING

The FY 2026-27 proposed budget does not recommend any changes to positions at this time, but does recommend holding vacant approximately 90 General Fund FTEs (over 12% of previous General Staffing levels) to reduce costs while maintaining flexibility for the future. Those 90 vacancies are included in the total positions in Table 2: Staffing Summary. As departments are still identifying the optimal use of resources to complete required work with these vacancy management measures in place, staff recommends that each department is authorized a specified number of positions and, with approval of the City Manager, each department may propose budget-neutral alternate staffing recommendations when new vacancies occur through attrition. The staffing section of the budget document provides more detail by department.

Table 2: Staffing Summary*

FTE Summary	FY 2024 Adopted	FY 2025 Adopted	FY 2026 Adopted	FY 2027 Proposed
General Fund	686.1	700.9	700.9	700.6
All Other Funds	251.8	253.3	255.4	255.4
Total City Budget	937.8	954.15	956.3	956.0

**While the FY 2026-27 proposed staffing shows no change, this budget will hold vacant 90 of the General Fund's 700.6 FTEs, which is over a 12% reduction and results in a staffing of 610.6.*

GENERAL FUND DISCUSSION

The General Fund represents nearly half of the City's total operating costs, and provides many important services such as police and fire services, street maintenance, code enforcement, library and learning services, and other community programs for the residents of Hayward.

As mentioned above, the FY 2026-27 budget is balanced, but the City continues to use significant short-term and one-time sources. In addition, the City forecasts structural budget gaps in future years, as rising personnel and benefit costs outpace estimated revenues. A structural change is necessary to balance the budget moving forward.

The following General Fund analysis provides a comparison of the adopted FY 2026-27 Operating Budget to the immediate previous years. FY 2025-26 "Projected" is based on how staff anticipates the fiscal year will end; the actual ending balance may be different when the

CITYWIDE BUDGET OVERVIEW

year is closed and financial audits are complete. In addition the audit for FY 2024-25 is not complete although staff does not anticipate further transactions.

General Fund Revenues

Overall, staff is projecting an increase in General Fund revenues in FY 2026-27 of approximately \$3.4 million or 1.6 percent without transfers in and \$7.3 million or 3% with transfers in when compared to the projected actuals for FY 2025-26. The significant change is primarily attributed to projected increases in property tax, transient occupancy tax (TOT), and utility users tax. These increases are offset by decreases in Sales Tax and Real Property Transfer Tax. Each revenue category varies in its change over the prior year, with some revenues seeing declines and others experiencing increases.

Table 3: FY 2026-27 General Fund Revenues

<i>(in the 1,000's)</i>		A	B	C	D	E	F
		FY 2025 Actual	FY 2026 Adopted	FY 2026 Projected	FY 2027 Proposed	Change \$ (D-C)	Change % (D/C-1)
Revenue							
1	Annual Property Tax - Recurring	\$ 70,025	\$ 72,959	\$ 79,500	\$ 76,257		
2	RPTTF Pass- Thru & Annual	5,882	4,500	—	4,833		
3	Property Tax Total	\$ 75,907	\$ 77,459	\$ 79,500	\$ 81,090	\$ 1,590	2.0%
4	Sales Tax (incl Prop 172)	53,476	45,600	47,599	46,539	(1,060)	-2.2%
5	Utility Users Tax	23,101	27,000	24,844	26,072	1,228	4.9%
6	Franchise Fees	13,031	13,630	12,885	13,873	988	7.7%
7	Real Property Transfer Tax	10,598	13,500	11,794	11,000	(794)	-6.7%
8	Business License Tax	4,119	3,700	3,272	3,587	315	9.6%
9	Transient Occupancy Tax	2,341	3,500	2,629	2,757	129	4.9%
10	Cannabis Tax	741	1,100	626	850	224	35.8%
11	Emergency Facilities Tax	1,972	2,075	2,242	2,372	129	5.8%
12	Charges for Services	10,502	17,314	14,923	14,552	(371)	-2.5%
13	Intergovernmental	5,736	8,251	7,267	7,455	188	2.6%
14	Fines and Forfeitures	2,961	2,823	2,756	3,651	895	32.5%
15	Interest and Rents	—	—	—	—	—	—%
16	Other Revenue	4,056	863	4,020	3,987	(33)	-0.8%
17	Total Revenue	\$ 208,542	\$ 216,815	\$ 214,357	\$ 217,785	\$ 3,429	1.6%
18	Transfers In-Other Funds	7,881	4,419	26,906	30,798	3,892	14.5%
19	Total Revenue/Resources	\$ 216,423	\$ 221,234	\$ 241,262	\$ 248,583	\$ 7,321	3.0%

The City's top five General Fund revenue sources are Property Taxes, Sales Tax, Utility Users Tax (UUT), Franchise Fees, and Real Property Transfer Tax. These five revenue sources make up over 80% of City General Fund revenues. During each of the last five years, the City has experienced unique changes in each of these revenue sources, resulting in overall revenue growth until Fiscal Year 2024-25 when the total growth for these revenues was flat. Based on information received so far, staff anticipates the revenues to be flat (increasing or decreasing slightly from the year before) for Fiscal Year 2025-26, and Fiscal Year 2026-27. Highlights of changes in these revenues include:

CITYWIDE BUDGET OVERVIEW

Property Tax: Between FY 2020-21 and FY 2024-25, the City has experienced growth in property tax of 3% - 8%. For Fiscal Year 2025-26, that growth slowed to less than 3% (a forecasted increase of \$2 Million from the prior year) versus increases of over 7% during FY 2022-23 and FY 2023-24 (nearly \$5 million in growth annually at the peak). The Alameda County Assessor has recommended that cities be cautious in growth projections because they are experiencing a number of assessment appeals primarily associated with offices and rental buildings that may result in lower assessments and, therefore, lower property tax collections. Staff is monitoring this closely.

Sales Tax: During FY 2023-24 and FY 2024-25, the City received significant sales tax associated with bringing new BART cars into operation in Hayward. After two fiscal years with sales tax exceeding \$53 million annually, sales tax is anticipated to decline to \$47.5 million in FY 2025-26 and \$46.5 million in FY 2026-27 as the BART car project is completed.

Utility Users Tax and Franchise Fees: The City experienced significant increases (over \$10 million) in these revenue sources in FY 2022-23. As these items are associated with customer cost of utilities, these increases are associated with increases in utility bills. Since FY 2022-23, these revenues have declined or become flat, which is likely due to changes in customer behavior especially associated with use of cable services. Due to recent resolution of a court case between the City of Santa Barbara and Disney, the City is notifying streaming providers to submit utility users tax. This may result in new, ongoing revenues of \$1.5 million - \$2 million. These amounts are not included in this proposed budget because the timing and actual collections of these new revenues are unknown. The City will be notifying streaming providers of their responsibility for this tax in spring 2026 and will update the Council as new revenues are collected.

Real Property Transfer Tax: In FY 2021-22 and FY 2022-23 the City experienced significant increases in Real Property Transfer Tax, primarily due to historically low interest rates. Beginning in FY 2022-23, this revenue declined and has continued to decline. In addition, a statewide ballot measure that has qualified for the November 2026 election puts this revenue source at risk. The following information was provided by the City's property tax consultant (HdL Coren and Cone):

- *"...the initiative seeks to invalidate all real estate transfer taxes passed by charter cities, whether they were passed by citizens' initiatives or with 2/3 vote of the electorate. If this initiative passes, all existing real property transfer taxes passed by charter cities that allow the city to collect more than the \$1.10 specified in the California Revenue and Taxation Code would become null and void on December 31, 2028. In addition, no new real property transfer taxes would be able to be passed by charter cities in the future."*

Transfers/Short Term Revenues:

In order to balance previous budgets, the City relied on a number of one-time or short-term solutions such as transfers from other funds including Measure C and Internal Service Funds in FY 2025-26 and FY 2026-27 and the American Rescue Plan Act (ARPA) in Fiscal Years 2021-22, 2022-2023 and Fiscal Year 2024-25.

CITYWIDE BUDGET OVERVIEW

Following is a summary of short-term or one-time transfers since Fiscal Year 2021-22, along with use of reserves:

	FY 2026-27	FY 2025-26	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22
Short-term or one-time transfers	29,787,735	25,487,036	4,018,911	4,716,708	7,250,000	7,601,500
Use of Reserves	0	0	31,218,745	392,034	0	0
Total	29,787,735	25,487,036	35,237,656	5,108,742	7,250,000	7,601,500

The Fiscal Year 2026-27 budget continues to rely on significant short-term or one-time transfers. This approach allows the City to implement revenue strategies, such as a tax measure on the November ballot, and to see if the economy improves before taking further actions that impact services. Staff is committed to monitoring and reporting frequently on fiscal health indicators and will return to City Council with options if changes are warranted or external factors do not improve.

The sources of short-term or one-time funds proposed to be used in FY 2026-27 are:

- Measure C: \$10 million
- Transfer from Worker’s Compensation Fund: up to \$4.7 million (total transfer of \$6 million to allocate refunds to all funds that contributed to Worker’s Compensation Fund)
- Transfer from OPEB Trust (funds held by CalPERS and allowed for reimbursement of OPEB payments that took place during the same fiscal year): \$3 million. The City can receive up to the amount paid for OPEB benefits during that specific Fiscal Year.
- Transfer from OPEB funds held by the City and not yet transferred to the OPEB Trust: \$4.8 million (total transfer of \$5.25 million to allocate refunds to all funds that contributed to OPEB Fund)
- Recovery / reimbursement of grant funds that has been held in other funds for projects completed in prior years, funded by general fund, and not transferred: \$5.5 million

General Fund Expenditures

Overall, the proposed FY 2026-27 expenditures increased over the FY 2024-26 Projected Actuals by \$7.3 million or 3.0%. This increase is primarily due to benefits, such as the CalPERS Unfunded Accrued Liability (UAL) and increases in transfers to the liability and capital funds to ensure those funds have sufficient funding for the fiscal year.

CITYWIDE BUDGET OVERVIEW

Table 4: FY 2026-27 General Fund Expenditures

(in the 1,000's)	A FY 2025 Actual	B FY 2026 Adopted	C FY 2026 Projected	D FY 2027 Proposed	E Change \$ (D-C)	F Change % (D/C-1)
1 Expenditures						
2 Salary	\$ 112,139	\$ 124,072	\$ 112,813	\$ 111,893	\$ (919)	-0.8%
3 Overtime	17,972	6,623	9,907	9,898	(9)	-0.1%
4 Wages Subtotal	\$ 130,111	\$ 130,695	\$ 122,719	\$ 121,791	\$ (928)	-0.8%
5 Medical/Dental/Other Benefits	18,298	17,710	17,838	19,161	1,323	7.4%
6 Retiree Medical (pay-go)	3,286	3,021	4,125	3,979	(146)	-3.5%
7 Worker's Compensation	5,550	6,858	6,599	6,100	(499)	-7.6%
8 Retirement (CalPERS)	48,395	51,036	54,000	59,862	5,862	10.9%
9 Benefits Subtotal	\$ 75,529	\$ 78,625	\$ 82,561	\$ 89,102	\$ 6,540	7.9%
10 Assumed Vacancy Savings		(9,597)		0	0	
11 Interdepartmental (ID) Charges	(6,519)	(6,955)	(7,333)	(8,560)	(1,226)	16.7%
12 OPEB Liability Contribution		(1,510)	0	0	0	
13 Net Staffing Expense	\$ 199,121	\$ 191,259	\$ 194,660	\$ 202,333	\$ 7,673	3.9%
14 Supplies & Services	14,685	13,714	13,675	12,366	(1,308)	-9.6%
15 Internal Service Fees	18,766	22,094	22,094	20,369	(1,724)	-7.8%
16 Debt Service	2,632	2,576	2,576	2,572	(4)	-0.2%
17 Liability Insurance	6,855	6,409	6,409	8,954	2,546	39.7%
18 Economic Dev. Fund	350	350	350	100	(250)	-71.4%
19 Capital Projects/Other Funding	5,324	1,445	1,499	1,888	389	26.0%
20 Non-Personnel Expenses Subtotal	\$ 48,612	\$ 46,588	\$ 46,602	\$ 46,250	\$ (352)	-0.8%
22 Total Expenditures	\$ 247,733	\$ 237,847	\$ 241,261	\$ 248,583	\$ 7,322	3.0%

FY 2026-27 Proposed General Fund Expenditures

While growth in historical ongoing revenue is flattening, Hayward continues to experience considerable growth in employee benefit costs, particularly pension and post-employment healthcare costs, and has made efforts to reduce its unfunded liabilities, meet ongoing service demands, address capital needs, and appropriately address emerging needs while meeting its strategic priorities.

Salaries and Benefits - In FY 2023-24 and FY 2024-25, the City adopted updated labor agreements and made equity adjustments to salary to reflect current staff duties. Between FY 2023-24 and FY 2024-25, salary and benefits costs increased over \$35 million (or 20% from the year before). At the same time, ongoing revenues were flat and, as a result, all General Fund Reserves were depleted during FY 2024-25.

As a result of numerous cost saving measures including concessions from employee groups, layoffs, vacancy management, and reductions in services and supplies, the City was able to contain salaries and benefits in FY 2025-26 and FY 2026-27 to keep costs almost the same as in FY 2024-25, even while some specific costs are growing – for example, the General Fund share of CalPERS Unfunded Actuarial Liability grew over \$7 Million between FY 2024-25 and FY 2025-26 and will grow \$6.5 Million between FY 2025-26 and FY 2026-27.

CITYWIDE BUDGET OVERVIEW

Table 5 - CalPERS Rates

<i>(in the \$1,000s)</i>	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Miscellaneous							
Normal Cost %	10.410 %	9.960 %	9.700 %	9.500 %	9.300 %	9.200 %	9.000 %
UAL Payment	\$ 17,940	\$ 19,624	\$ 20,358	\$ 22,043	\$ 22,352	\$ 22,610	\$ 20,675
Employer Contribution Rate %	39.19 %	38.04 %	38.10 %	39.40 %	38.80 %	38.10 %	34.70 %
Change over Prior Year	1.65 %	(1.15)%	0.06 %	1.30 %	(0.60)%	(0.70)%	(3.40)%
Police							
Normal Cost %	23.370 %	22.530 %	21.800 %	21.000 %	20.100 %	19.400 %	18.700 %
UAL Payment	\$ 17,925	\$ 20,007	\$ 20,689	\$ 22,104	\$ 22,404	\$ 22,664	\$ 22,403
Employer Contribution Rate %	92.98 %	93.49 %	93.20 %	95.20 %	93.30 %	91.40 %	87.90 %
Change over Prior Year	7.73 %	0.51 %	(0.29)%	2.00 %	(1.90)%	(1.90)%	(3.50)%
Fire							
Normal Cost %	21.100 %	20.280 %	19.600 %	19.000 %	18.400 %	17.900 %	17.300 %
UAL Payment	\$ 11,907	\$ 14,608	\$ 15,105	\$ 16,164	\$ 16,385	\$ 16,573	\$ 16,069
Employer Contribution Rate %	70.45 %	70.77 %	70.40 %	71.90 %	70.60 %	69.20 %	65.60 %
Change over Prior Year	1.95 %	0.32 %	(0.37)%	1.50 %	(1.30)%	(1.40)%	(3.60)%

A critical challenge in preparing for the FY 2026-27 budget has been to better understand all salary costs as, historically, the City has used salary savings from vacant positions to fund items like special pays and leave payouts. As vacancies have been eliminated from the General Fund, staff has focused on accurately budgeting these salary costs.

Overtime – Overtime in FY 2024-25 peaked at \$15.9 million. Due to partnership with employee groups and updated management practices, the City was able to reduce overtime in FY 2025-26 to an estimated \$8.4 million. In FY 2026-27, staff projects this cost will be similar at \$8.7 million. Overtime management has been a critical strategy in balancing the City’s budget.

Supplies and Services - To manage for the increasing salary and benefit costs, all departments have reduced their services and supplies budgets. Supplies and services are forecasted to decrease by more than \$5 million in FY 2025-26 compared to FY 2024-25. This cost will grow in FY 2026-27, as some of the reductions in FY 2025-26 resulted from deferred projects, but will still be nearly \$3 million lower than in FY 2024-25.

General Fund Reserve

The General Fund Reserve is intended to support City operations during emergency situations, provide flexibility to address one-time priority programs, smooth out economic swings, and buffer the loss of state and federal funds. Current City Council policy is to maintain a reasonable reserve level equal to 20 percent of total General Fund expenditures. As mentioned above, overstated revenues and significant overspending in FY 2024-25 reduced the General Fund reserve to near zero. Staff anticipates the reserve will remain near zero at the end of FY 2025-26.

CITYWIDE BUDGET OVERVIEW

The FY 2026-27 proposed budget is balanced, but does not build the reserve. Staff recommends that any one-time revenue received and any ongoing revenue received that exceeds expenses be put towards the General Fund Reserve.

The City has retained a balance in Measure C that can be used in the event of a catastrophic event if the City faces an immediate need for funds to stabilize the community and preserve City services.

General Fund Forecast

The General Fund Forecast is tool used to assist City Council and staff in managing and projecting the City’s current and future fiscal status. The City uses the Forecast to simulate different fiscal scenarios to understand the long-term fiscal impacts to the General Fund. A summary of the Forecast as of May 2026 is below. An updated model will be shared with Council and community periodically during the fiscal year. Note the following assumptions incorporated into this forecast:

For FY 2027-28 through FY 2029 - 30 Revenues:

- Business license tax modernization revenue increase of \$11 million
- Utility user tax revenue increase related to data centers and streaming of \$4.7 million
- Continued use of Measure C and OPEB Trust of \$13 million through FY30 and the end of the current public safety contracts

For FY 2027-28 through FY 2029-30 Expenses:

- Assumes some level of fire and police overtime reductions continue
- Includes contractual Cost Of Living Allowance (COLA) and 2% increases if there is no contractually specified COLA
- Continue all current vacancy savings
- Contribute \$6.1 million to worker’s compensation in FY28 with modest annual growth
- Annual increases in other expenses categories varies from 2-4%

	FY 2026 Projected	FY 2027 Proposed	FY 2028 Forecasted	FY 2029 Forecasted	FY 2030 Forecasted
Ongoing Revenues	215,775	218,795	236,274	240,166	245,163
Short-Term or One-Time Revenues	25,487	29,788	13,000	13,000	13,000
Total Revenue	241,262	248,583	249,274	253,166	258,163
Salaries & Benefits	205,280	210,892	219,449	226,156	232,360
Other Expenses	35,982	37,691	36,867	37,971	38,952
Total Expenses	241,262	248,583	256,316	264,127	271,312
Surplus/(Shortfall)	0	0	(7,042)	(10,961)	(13,149)

A continuing challenge to balance...

Based on current revenue sources, which staff projects will have limited growth, the updated Five-Year Forecast reflects an ongoing structural deficit primarily associated with growth in salary and benefit costs.

The City is pursuing the following activities to support the reduction of the structural deficit:

- The City Council is considering a ballot measure for the November 2026 election to modernize the City’s business license tax. If approved by the voters, this change can

CITYWIDE BUDGET OVERVIEW

be proposed for the collection of taxes in calendar year 2027 and could result in \$11 million in new revenue.

- The City is notifying streaming providers of their responsibility to submit utility-users tax. This item was deferred pending resolution of litigation between the City of Santa Barbara and Disney. This may result in revenue between \$1.5 million and 2.5 million per year.
- A new data center is in the planning process. An economic analysis of this data center was completed and \$904,000 in new revenue is projected for FY 2026-27 and this revenue is projected to grow to over \$10 million annually in 2033.
- Staff updated the Municipal Fee Schedule to assure that fees and charges are based on most current costs for the City.

UNFUNDED NEEDS & LIABILITIES

Hayward's deferred infrastructure and capital needs, along with its unfunded liabilities like CalPERS and OPEB, must also be accommodated in both our short- and long-range financial planning. For FY 2025-26 and FY 2026-27, the City will not contribute to its OPEB Trust and will draw down from the trust for OPEB benefits paid during the year.

In addition to the structural issues in the General Fund, several other funds have negative cash balances. For FY 2026-27, staff focused on the General Fund and assuring that all other funds have sufficient revenues to meet the requests of the department. As part of the long-term strategy, staff will create a plan to resolve deficit fund balances such as through one-time funding or incremental increases in transfers.

Unfunded Capital Needs

The FY 2026-27 Capital Improvement Program reflects "Identified Capital Needs" totaling approximately \$637 million for which funding is undetermined. In accord with Council policy, as one-time funding becomes available, it will first be used to build the General Fund reserve. Once the reserve is replenished, Council will allocate one-time funds toward these unfunded CIP needs or other financial needs such as long-term liabilities.

Benefit Liabilities & Funding Status

The City actively manages its benefit liabilities and completes actuarial valuations for all benefit liabilities with the exception of accrued leave payouts (analysis conducted by staff). These valuations consider the economic, demographic, and historical compositions of the benefit programs and establish amounts that the City should allocate each year to fund its benefit-related financial obligations. Actuarial valuations identify the Annual Determined Contribution (ADC) an agency should make toward the funding of the benefit. The ADC is generally comprised of two elements: a portion of funding for current costs (sometimes referred to as "pay go") and a portion of funding for future liability costs, the UAL.

Table 6 provides a summary of the City's benefit liabilities and current levels of funding. Due to the City's fiscal condition, staff is proposing a budget that funds these liabilities at a lower level than past years. Rebuilding these funds will be an essential component of the road to fiscal stability.

CITYWIDE BUDGET OVERVIEW

Table 6: Summary of Benefit Liabilities

(in millions)	Actuarial Valuation Date	Accrued Liability	Value of Assets	Funded Ratio	Unfunded Liability	Unfunded Ratio
CalPERS Police Safety Plan	6/30/2024	\$ 544.69	\$ 322.08	58.0 %	\$ 222.61	40.9 %
CalPERS Fire Safety Plan	6/30/2024	\$ 404.16	\$ 243.19	60.2 %	\$ 160.98	39.8 %
CalPERS Miscellaneous Plan	6/30/2024	\$ 606.72	\$ 400.45	66.0 %	\$ 206.27	34.0 %
Total Cal PERS		\$ 1,555.57	\$ 965.72	62.1 %	\$ 589.86	37.9 %
OPEB - Retiree Medical Police Officers	6/30/2023	\$ 48.86	\$ 17.00	34.8 %	\$ 31.85	65.2 %
OPEB - Retiree Medical Firefighters	6/30/2023	\$ 19.63	\$ 6.74	34.3 %	\$ 12.89	65.7 %
OPEB - Retiree Medical Miscellaneous	6/30/2023	\$ 27.67	\$ 9.70	35.1 %	\$ 17.96	64.9 %
Total OPEB-Retiree Medical*		\$ 96.16	\$ 33.44	34.8 %	\$ 62.70	65.2 %
Workers' Compensation	6/30/2024	\$ 27.81	\$ 27.65	99.4 %	\$ (0.16)	0.6 %
Accrued Leave Payouts*	6/30/2024	12.91	0.00	0.0 %	\$ 12.91	100.0 %
TOTAL		\$ 1,692.45	\$ 1,026.81	59.6 %	\$ 665.31	39.3 %

*OPEB and accrued leave payout amounts reflected are based on prior-year data, as the updated information is still pending. Revised figures will be incorporated upon receipt of the final report.

Retirement Annual cost - The City is fully meeting its actuarial determined contribution (ADC) amounts based on the CalPERS normal rates and unfunded liability. Given the CalPERS "smoothing" methodology, the long-term intent is to fund the City's liability over the 30-year amortization period.

Workers' Compensation - Pursuant to the current actuarial valuation conducted for the program, a funding status of 70 - 85 percent is recommended. Funding status is currently below the recommended level for expected costs. As funding is available, staff will prioritize increasing this confidence level

Retiree Medical - OPEB - As of June 30, 2025, the City's Net OPEB liability is nearly \$80 million. Annual payments to current retirees are projected to be \$3.6 million and there is an implied subsidy of \$1.7 million. The estimated actuarial calculation of the City's ADC is \$7.7 million. The City will not fund the ADC in FY 2026-27 and will draw down from the trust. As a result, the actuarial ADC is expected to grow.

Accrued Leave Payouts (annual cost: varies) - The total liability for compensated absences due in one year is pending completion of the FY 2024-25 Annual Comprehensive Financial Report.



City Council Budget Work Session

May 12, 2026



Work Session Agenda

1. Budget Context
2. Recap and Updates since February 28th Budget Work Session
3. Recommended FY27 Budget
4. Future Budget Considerations
5. Departmental Considerations, Service Impacts and Goals
6. Next Steps

Welcome and Public Comment

(4:30 - 4:40 PM)



Budget Context

(4:40 - 5:00 PM)



Strategic Roadmap Priorities



Highly Ranked FY26 Strategic Projects

Champion Climate Resilience

Implement bike distribution program with the goal of increasing bike access and usage

Create a citywide tree inventory and database

Enhance Community Safety

Update and train on the City's Community Resilience Plan, with the goal of being a model of resiliency

Using the organizational assessment of the Police Department, analyze police beats to optimize service levels

Grow the Economy

Activate Cinema Place and continue the property management strategy

Bring zoning amendments to remove barriers for businesses, allow popups, and allow appropriate commercial uses in residential districts

Invest in Infrastructure

Begin construction of La Vista Park

Evaluate safety enhancements for the Downtown Loop

Continue implementation of "A Bench for Every Stop" project

Preserve, Protect & Produce Housing for All

Engage with Alameda County stakeholder to secure Measure W dollars to support the response to homelessness in Hayward

Support development of and ensure safe community integration of: Regis Behavioral Health Campus

Strengthen Organizational Health

Bring a revised budget in the fall and mid-year budget review, with strategies to advance fiscal solvency

Implement the interdepartmental assessment of Access Hayward to enhance effectiveness and increase transparency

Resident Satisfaction Survey

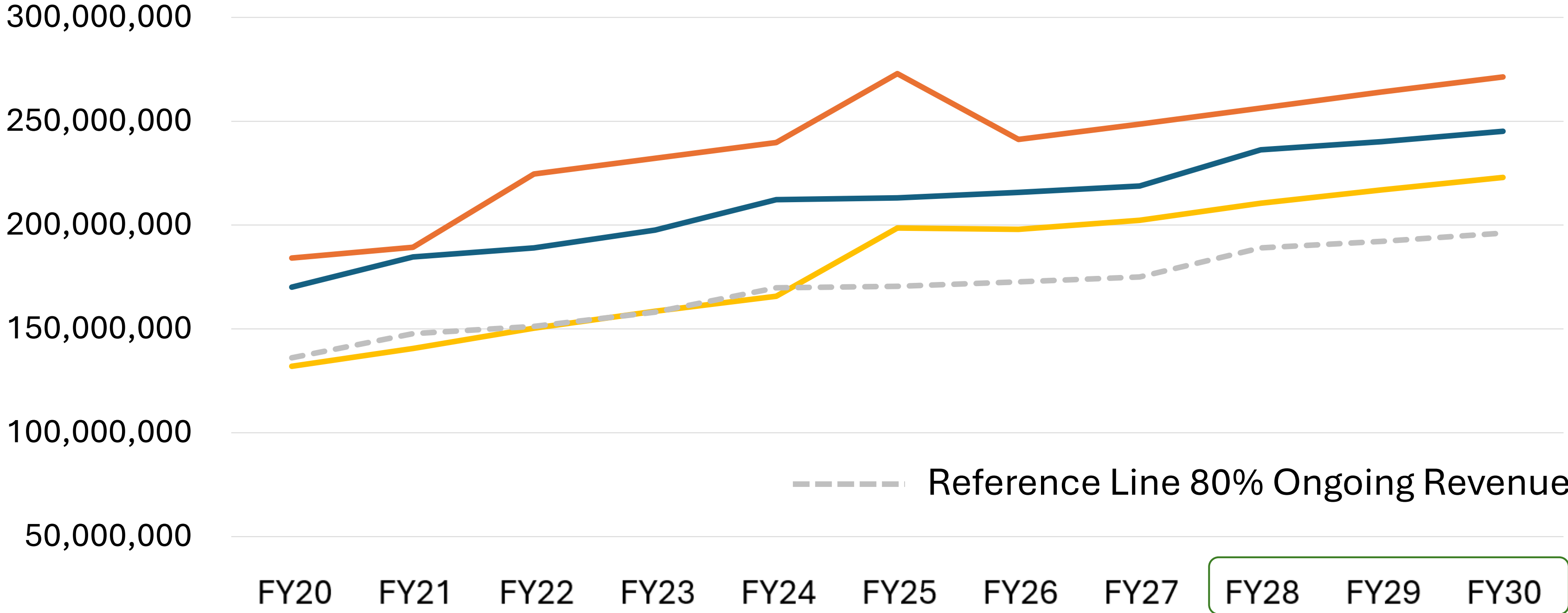
- **Who:** Random sample of 1,320 residents 18+ between March 29 and April 9, 2025, interviewed in English and Spanish by phone and online.
- **Trend:** Overall satisfaction with quality of life was at highest point in more than a decade.
- **Greatest concerns:** (1) Cost of housing, (2) Homelessness, (3) Crime, (4) Traffic congestion on local streets, (5) Potholes and street maintenance, and (6) Litter and graffiti.
- **Service priorities:** (1) Fast emergency response, (2) Safe neighborhoods, (3) Safe and well-maintained streets and sidewalks, (4) Healthy local businesses that stay in Hayward (5) A clean and well-maintained city, and (6) Adequate preparation for disasters such as wildfires and earthquakes.

What Is Causing Hayward's Fiscal Challenges?

- **Declining Real Estate Market** – caused a decline in market related tax revenues which stagnated at <1% on average per year over the last three years and failed to match increasing salary and benefit costs
- **Rising Personnel Costs** – CalPERS pension rates, retiree health obligations, and negotiated COLAs continue to outpace revenue growth; entered into labor contracts misaligned with market and fiscal realities.
- **ARPA Expiration** - Increased staffing and programs dependent on one-time ARPA and grant funding
- **Did NOT Adhere to Financial Best Practices** - maintaining realistic financial projections; budgeting accurately for overtime, contract increases, and leave payouts; using salary savings as a “crutch,” and purchasing a risky real estate asset budgeted as a non-liquid reserve
- **Experienced leadership transitions** and dilution of authority and responsibility

RESULT: Exceeded FY24-25 General Fund budget by \$30 million (15% of revenues) and depleted all General Fund cash reserves and continued structural deficits in excess of \$30 million

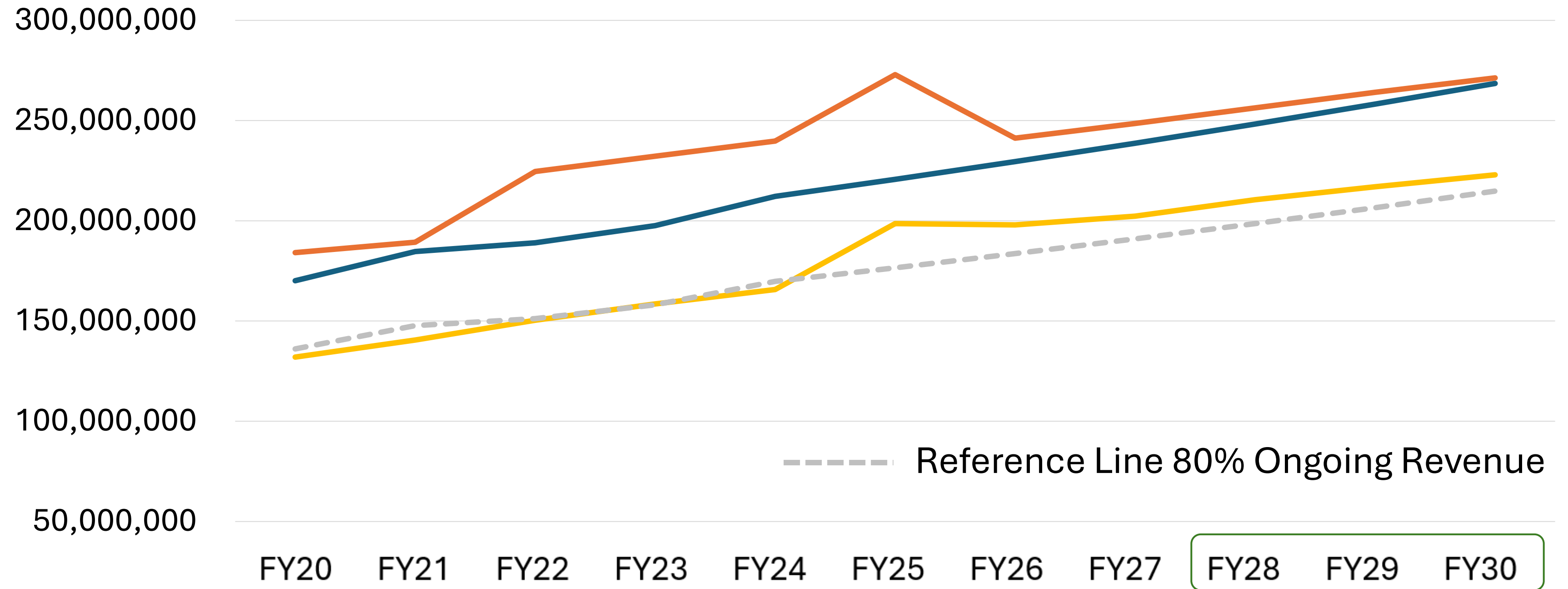
Costs Significantly Outpaced Revenue Growth



- All General Fund Expenses
- Ongoing Revenues (excludes short-term and one-time sources)
- Salary and Benefit Costs (net staffing charge outs)

FY28 FY29 FY30
Forecasted Years

For reference: Same chart with hypothetical 4% annual revenue growth from FY24 – FY30, which is the average growth of the previous 10 years



- All General Fund Expenses
- Ongoing Revenues (excludes short-term and one-time sources)
- Salary and Benefit Costs (net staffing charge outs)

Forecasted Years

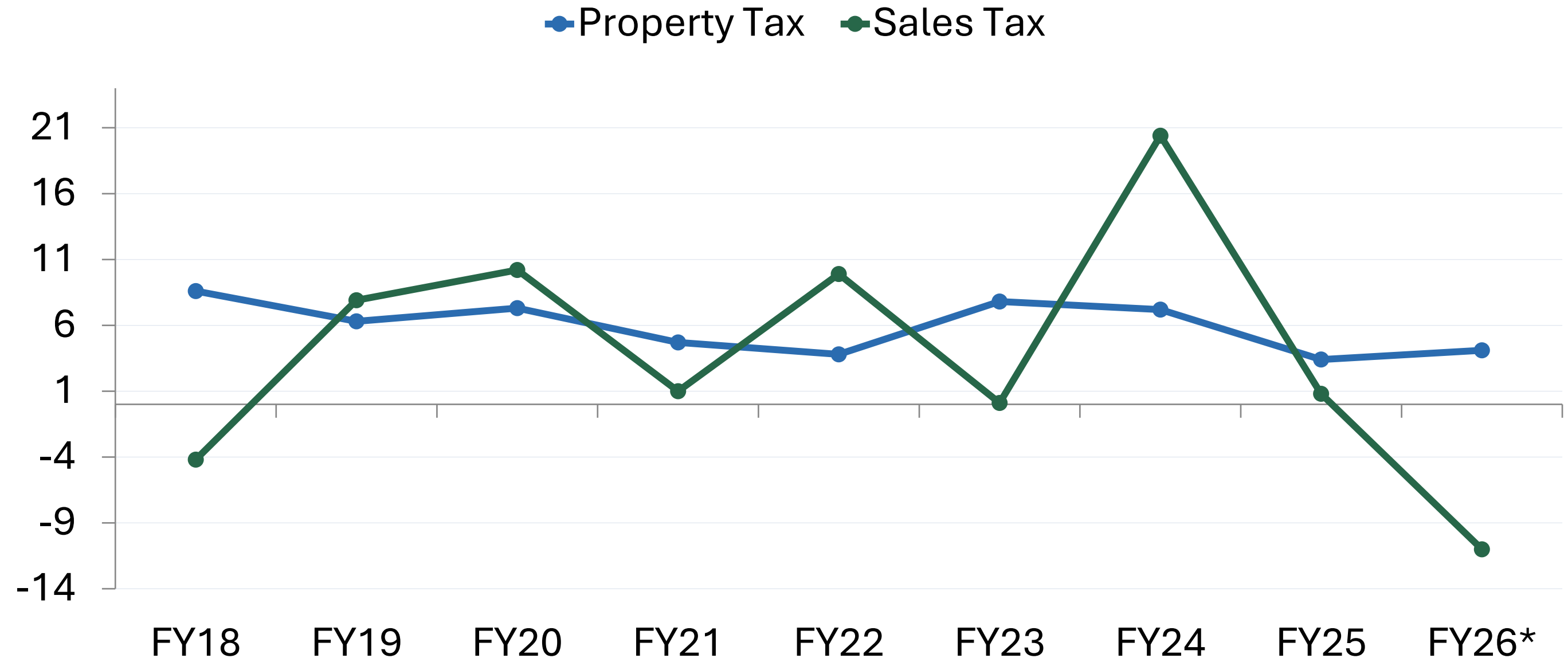
Property & Sales Tax Growth Rates

City of Hayward · FY2018–FY2026

PROP TAX RANGE
+3.4% to +8.6%

SALES TAX RANGE
-11.0% to +20.4%

Property tax growth is stagnate, while sales tax growth is volatile



Year-over-year growth

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26*
Prop Tax	+8.6%	+6.3%	+7.3%	+4.7%	+3.8%	+7.8%	+7.2%	+3.4%	+4.1%
Sales Tax	-4.2%	+7.9%	+10.2%	+1.0%	+9.9%	+0.1%	+20.4%	+0.8%	-11.0%

Growth shading: ≥8% 4–8% 0–4% Neg.

FY26* SALES TAX
-11.0%
Largest single-year decline in the 10-year record

* FY26 is the adopted budget.
All prior years are actuals.

Regional Bay Area Budget Crisis

BAY AREA CITIES REPORTING DEFICITS

6+

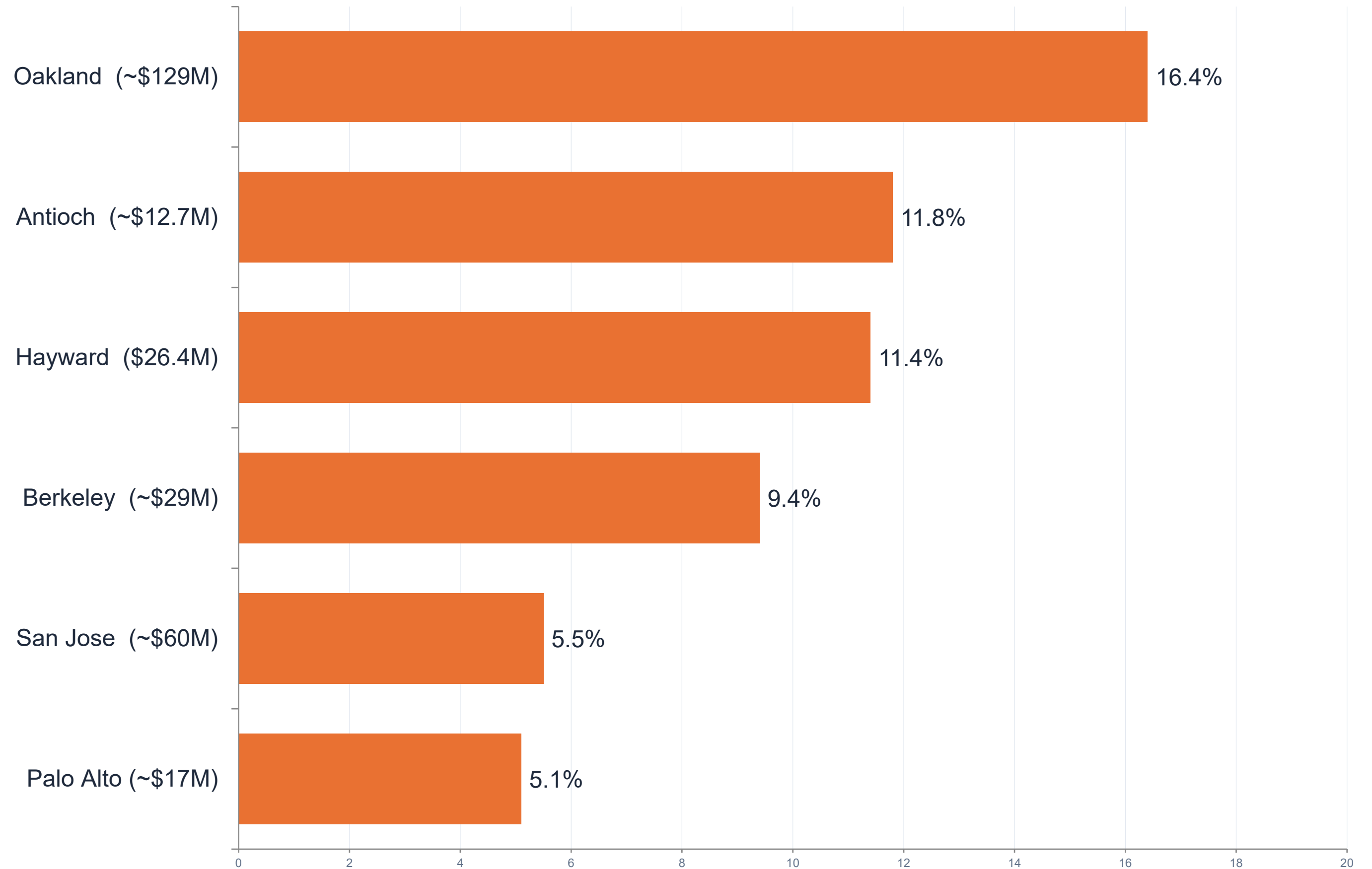
ROOT CAUSE

Structural

Costs outpace revenue growth across the entire region

Sources: City adopted budgets & council reports (FY2025-26). Oakland: General Purpose Fund. San Jose: City Manager mid-year report (Feb 2026). Palo Alto: Proposed Budget (May 2026). Hayward: before budget actions.

FY2025-26 General Fund deficit as % of GF expenditures



Deficit figures represent structural gaps before budget actions. Oakland uses General Purpose Fund (equivalent to GF). Antioch from FY2025-26 Adopted Budget. San Jose from City Manager mid-year report (Feb 2026). Berkeley from City of Berkeley budget proposal (Apr 2026).

Key Budget Lessons Learned

01. ***Adhere to Financial Best Practices***

- Accurate baseline financial projections grounded in market and financial realities
- Appropriate use of one-time and ongoing funds
- Appropriate budgeting of over-time, salary savings, and realistic revenue estimates
- Appropriate accounting of restricted funds and reserves (i.e., cinema place)
- Strengthen internal monitoring and controls

02. ***Improve Transparency and Accountability***

- Regularly share and analyze updated projections and actuals internally and externally
- Establish and adhere to financial policies grounded in financial best practices
- Hold each other and our colleagues accountable at all levels of the organization
- Create a culture of collaboration, transparency and “see something, say something”

Key Budget Lessons Learned (*cont.*)

03. ***Practice Strong Leadership at All Levels***

- Raise and vocalize issues and concerns with Council, staff, labor partners and community
- Attract, retain and train qualified staff
- Be prepared to make difficult or unpopular recommendations grounded in financial realities

04. ***Financially Constrain Labor Negotiations and Contracts***

- Educate Council, negotiators and labor partners on current and future market and financial realities
- Institute an iterative process with Council and Finance Department regarding cost of proposals from the beginning to end of negotiations
- Establish consistent salary survey and equity adjustment methodologies grounded in market realities and Hayward 's financial situation that are equitable among bargaining groups
- Consider risk sharing measures

How Did We Close the Gap this Year?

- **Workforce Reductions** – overall reduction of approx. 15%
 - Strong vacancy management
 - Voluntary separation program
 - Layoffs and other terminations
- **Use of Fund Balances** – used balances established for capital, rainy day, and longer-term liabilities
 - OPEB Trust
 - Measure C
 - Worker's Compensation Fund
- **Concession Bargaining** – Successful concessions with public safety, Council, and unrepresented groups
 - Temporary reductions in HFD minimum staffing; shift changes for HPD; and furloughs and pay reductions for Council and unrepresented groups

Ongoing

One-Time

One-Time

&

Ongoing

How Did We Close the Gap this Year? (cont.)

- **Other Cost Saving Measures** – employed numerous other cost saving measures
 - Limiting non-essential travel
 - Unspent fund balances from CIP and Internal Service funds
 - Review and cancellation of non-essential contracts
 - Reductions of service and supply budgets
 - Business license tax audit
 - Actively partnering with HARD for community events and discontinued event spending

One-Time

&

Ongoing



Recap and Updates since February 28th Budget Work Session

(5:00 - 5:15 PM)

February 28th Budget Work Session: Base Financial Forecast

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Property Tax	\$77,458,791	\$79,474,678	\$82,198,193	\$85,031,671	\$87,979,643
Sales Tax	\$47,559,300	\$46,474,500	\$46,621,319	\$47,715,154	\$48,718,210
Utility Users Tax	\$25,000,000	\$27,654,080	\$28,466,428	\$29,666,401	\$30,947,188
Other Revenue	\$59,996,909	\$59,803,400	\$60,401,928	\$61,011,224	\$61,631,505
Transfers In	\$23,237,000	\$4,490,959	\$4,564,778	\$4,640,073	\$4,716,875
Revenue Total	\$233,252,024	\$ 217,897,617	\$222,252,646	\$228,064,523	\$233,790,273
Salaries & Benefits	\$184,505,500	\$197,349,821	\$217,390,307	\$223,662,767	\$228,774,500
Other Expenses	\$48,746,500	\$53,136,048	\$54,890,631	\$56,705,577	\$58,583,035
Expenses Total	\$233,252,000	\$250,485,868	\$263,956,988	\$271,954,592	\$278,856,982
Surplus/(Shortfall)	\$0	(\$32,588,251)	(\$41,632,211)	(\$43,739,817)	(\$44,628,831)

Why Does there Continue to Be a Structural Deficit?

- Slowed growth in property and other tax revenue and reductions in sales tax and property transfer tax revenues
- Baseline revenue excludes temporary or one-time funds used last fiscal year, including Measure C and OPEB Trust transfers
- Cost of living adjustments in closed employee contracts
- Significant increases in CalPERS retirement costs and continued payment of unfunded liability associated with previous, larger workforce
- Increases in health care, maintenance and utility costs
- Leave payout and special pay expenses previously covered through salary savings

Approach to Recommended FY26/27 General Fund Budget

- **Include revenue items that are likely, conservative and not dependent on voter approval**, plus proactively pursue a “match neighbor” business license tax measure in November 2026, implement enforcement of short-term rental ban on a pilot basis, and do not implement an EMS fee at this point
- **Use short-term funding again next fiscal year** (i.e., Measure C and OPEB Trust, etc.) until there is greater clarity on the success of the business license modernization tax measure, recovery of real estate market and associated property tax growth trend, and extent of revenue from data centers
- **Assume cost saving measures that are likely to occur and minimize severe service impacts**; avoid across-the-board cuts for now; and pursue concession bargaining to help close the fiscal cap
- **Allow cost-neutral departmental restructuring of personnel** for operational effectiveness to account for new reality of reduced staffing

Budget Updates Since February 28th

- **Business License Tax Modernization Measure** - Actively pursuing a business license tax modernization measure in November 2026 with Council approval targeted for June 2, anticipated to increase General Fund revenues by \$11 million annually, if approved by voters
- **Concession Bargaining** - Engaged in concession bargaining with all labor groups, which led to Council approving concessions with six groups, unrepresented and Council appointed officers on April 21 for COLA deferrals, reductions and other overtime cost saving measures, resulting in \$7.5 million in additional savings
- **Salary and Benefit Projections for FY26 and FY27** - Monitored actual payrolls associated with new reduced workforce this FY, which led to revising budget projections for this FY and next with significantly increased salary and benefit estimates to account for continued payment of unfunded liabilities for the previous larger workforce and unbudgeted special pays, education incentives and leave payouts previously covered by salary savings, resulting in implementing immediate cost saving for this FY and increased expense projections of approximately \$10 million for next FY

Budget Updates Since February 28th (*cont.*)

- **Updated Fee Schedule** – Council adopted an updated Master Fee Schedule on April 21, which will help offset the cost of increased employee compensation
- **Streaming and Other Revenue Measures** – Council adopted Utility User Tax (UUT) ordinance changes to strengthen collection of streaming revenues, outstanding litigation resolved in favor of cities, and letters sent to all streaming providers; increased cannabis revenue from new dispensary is on hold due to ongoing CEQA litigation
- **Sale of City Property** - Actively marketing the sale of key City properties to restore reserves and reduce expenses with negotiation updates planned for closed session in June and August



Recommended FY27 Budget

(5:15 - 5:30 PM)



Recommended FY27 General Fund Budget

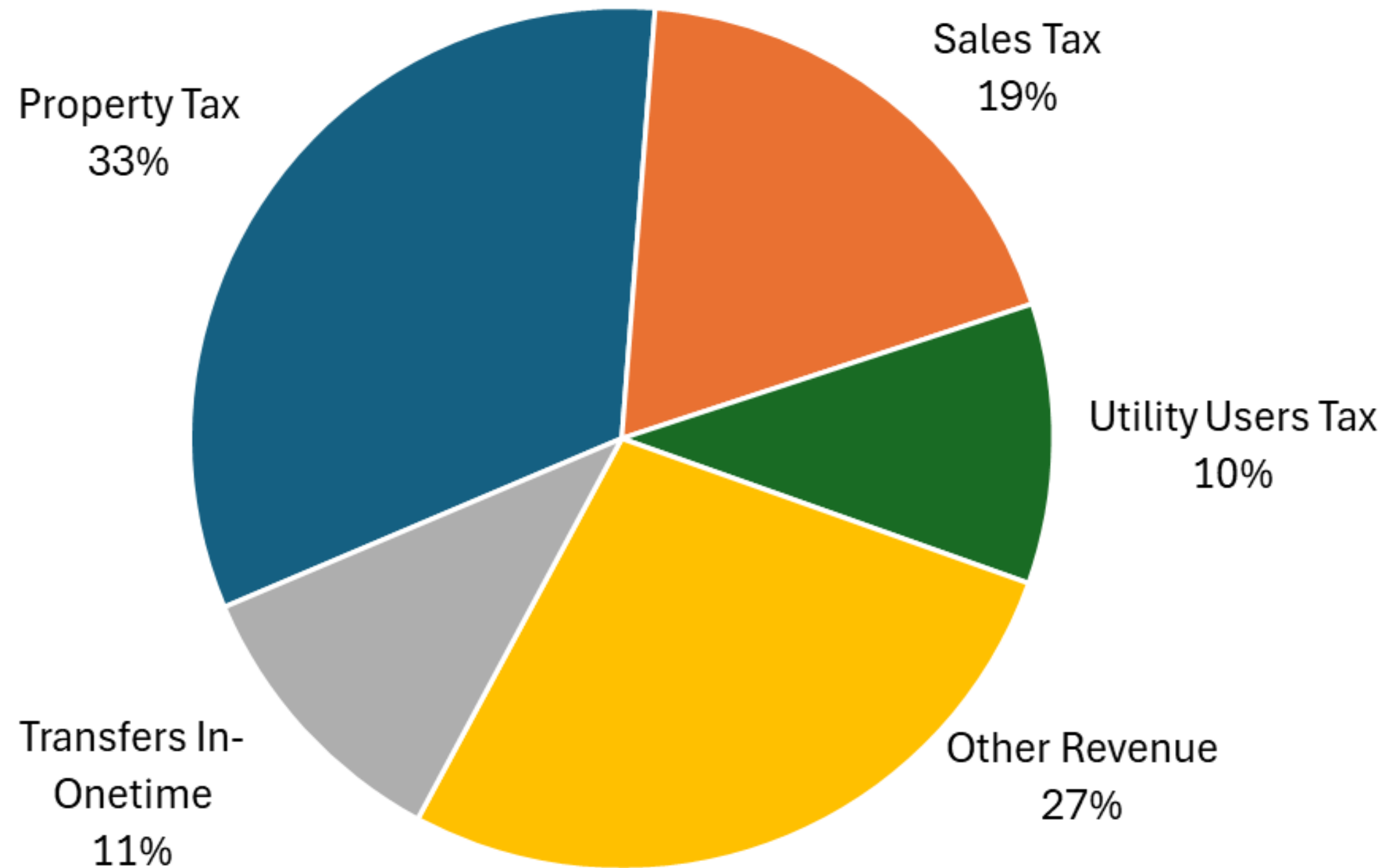
- Overall, **proposed \$249 million General Fund budget is balanced**, but stretched and still heavily reliant on short-term funding and transfers from Measure C, OPEB Trust, Worker's Compensation and eligible Grant Funds
- **Structural deficit of approximately \$30 million remains** until new revenues are approved, revenue growth recovers, and other cost control measures are implemented
- Includes **updated salary and benefits based on actuals** from this fiscal year and concessions from labor partners (i.e., COLA deferrals and overtime reductions)
- **Excludes potential revenue from the proposed business license tax measure** since it is dependent on voter approval

Recommended FY27 General Fund Budget

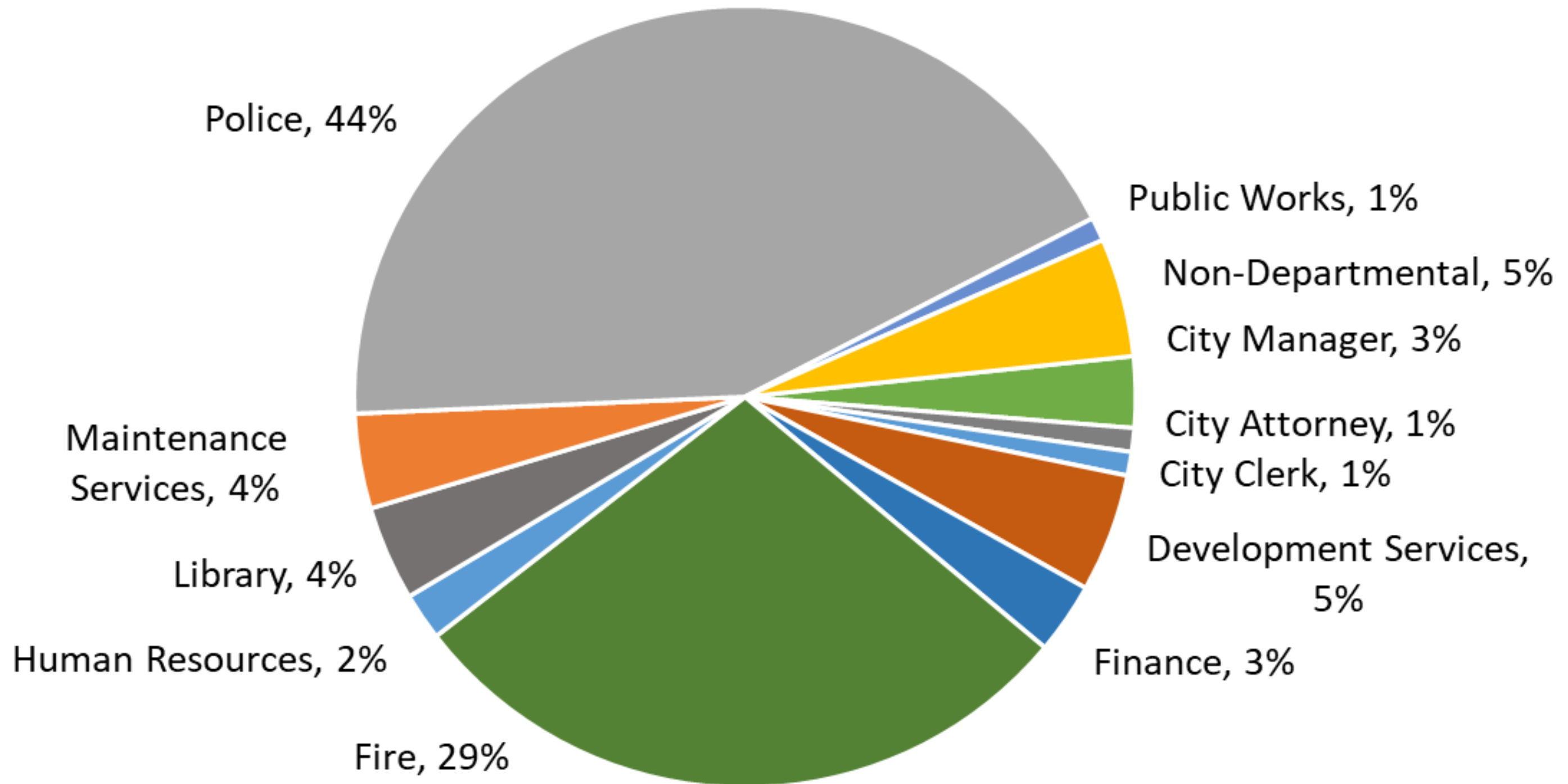
(in 1,000s)	FY 2027 Proposed	Percent of Total
Property Tax	\$81,090	32.6%
Sales Tax	\$46,539	18.7%
Utility Users Tax	\$26,072	10.5%
Other Revenue	\$64,083	25.8%
Subtotal	217,785	87.6%
Transfers In - Ongoing	\$4,010	1.6%
Transfers In - Onetime	\$26,788	10.8%
Total Revenue	248,583	100.0%
Salaries	121,791	49.1%
Benefits	89,102	35.8%
Staffing Charge Outs	(8,560)	
Subtotal	202,333	81.4%
Other Expenses	46,250	18.6%
Total Expenses	248,583	100.0%

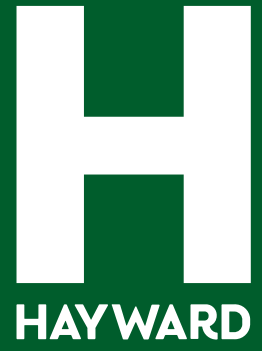
* Salaries & Benefits are 96% of all ongoing revenues excluding short-term/one-time revenue

Recommended FY27 General Fund Revenues



Recommended FY27 General Fund Expenses by Department





Future Budget Considerations

(5:30 - 6:00 PM)



Approach to Business License Tax Modernization Measure Revenue in FY27

- After the election, **propose holding an early December 2026 Budget Work Session** to discuss results of business license tax (BLT) modernization measure and year-to-date monitoring of actuals
- If passes, the **new BLT revenue would replace some one-time funding sources with a permanent, ongoing revenue stream** — directly reducing the structural gap in FY28 by approximately \$11 million
- Recommend using new BLT revenue in FY27 to **replenish the General Fund reserve to a 4.5% level** that can be used as a contingency throughout fiscal year and beyond

Updated Budget Forecast FY28 and Beyond: Revenue & Expense Assumptions

- **Revenues:**

- Business license tax modernization revenue increase of \$11 million
- Utility user tax revenue increase related to data centers and streaming of \$4.7 million
- Continued use of Measure C and OPEB Trust of \$13 million through FY30 and the end of the current public safety contracts

- **Expenses:**

- Assumes some level of fire and police overtime reductions continue
- Includes contractual COLAs and 2% increases if there is no contractually specified COLA
- Continue all current vacancy savings
- Contribute \$6.1 million to worker's compensation in FY28 with modest annual growth
- Annual increases in other expenses categories varies from 2-4%

UPDATED Financial Forecast

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Property Tax	79,500,000	81,090,000	82,711,800	84,366,036	86,053,357
Sales Tax	47,599,300	46,539,200	47,469,984	48,419,384	49,387,771
Utility Users Tax	24,844,001	26,072,478	26,577,656	27,922,809	29,294,865
Other Revenue	59,413,297	61,083,657	75,504,137	75,447,475	76,417,048
Subtotal	211,356,598	214,785,335	232,263,577	236,155,704	241,153,041
Transfers In - Ongoing	4,418,587	4,010,277	4,010,297	4,010,297	4,010,297
Short-Term or One-Time	25,487,036	29,787,735	13,000,000	13,000,000	13,000,000
Total Revenue	241,262,221	248,583,347	249,273,874	253,166,001	258,163,338
Salaries & Benefits	205,280,514	210,892,594	219,449,104	226,156,094	232,359,989
Other Expenses	35,981,707	37,690,753	36,867,606	37,970,967	38,951,885
Expenses Total	241,262,221	248,583,347	256,316,710	264,127,061	271,311,875
Surplus/(Shortfall)	\$0	\$0	(7,042,836)	(10,961,060)	(13,148,536)

Considerations for Future Budgets

- **Revenues likely to increase by \$16 million in FY28**, assuming revenues from a successful business license tax modernization measure, estimated UUT increases from data centers and streaming companies, and increased cannabis revenue from a new dispensary
- In FY28, **deficit is reduced to approximately \$7 million**, but **assumes continued use of \$13 million in short-term revenue** from Measure C and OPEB Trust
- **Reduction of future deficits depend on** maintaining Measure C funding, economic recovery and related growth in tax revenues, and/or additional cost saving measures (i.e., concessions, contract negotiations, and/or deeper cuts) that result in structural, ongoing changes to the budget

Future Budget Priorities

- **Building Reserves:** As the City depleted all of its General Fund reserves last fiscal year, there is a need to restore reserves to the recommended 20% of its annual operating budget (or approximately \$45 million), including in part from the sale of City properties and other one-time measures or windfall revenues.
- **Measure C Funded Priority Capital Projects:** The recently approved Measure K1 extended the Measure C sales tax measure with the goal of building a new modern police building, corporation yard, Fire Station 9, Weekes Branch and other capital needs, which requires that sufficient Measure C/K1 funding is available to fund ongoing debt service and not just used to balance the City's General Fund deficit.
- **Restoring Negative Cash Fund Balances:** There are several funds that are currently running negative cash balances in the range of \$1 million to over \$16 million, such as General Liability and Facilities funds that need to be restored, most likely with one-time funding.

Pursuing Additional Funding

- **Homelessness.** Applying for a Pro-Housing grant for up to \$1.2 million to help provide ongoing support for homelessness services and relevant County funding opportunities.
- **Tree Planting.** Exploring an Urban Greening grant to help off-set costs for planting trees in underserved areas; the program has \$46M available in round 1.
- **Fireworks and Flavored Tobacco Enforcement.** Obtained a State grant for flavored tobacco enforcement for \$153K over three years and pursuing a State grant to bolster seasonal fireworks enforcement efforts with \$3.6M in annual funding available.
- **Fire Suppression.** Exploring a FEMA SAFER Grant to restore Engine 11 staffing: 75% of firefighter costs in Years 1–2 and 35% in Year 3 with matching funds potentially impacting General Fund, depending on concessions.
- **State and Federal Earmarks and Other Grants:** Partnership with lobbyists to secure grants to enhance core services from State and federal earmarks, potentially, including LINK, drones as first responders, safe routes to school, The Stack Center Phase II, literacy/ESL programs, cultural programming, and new book purchases at the Library.

Future Budget Risks

- **Property Transfer Tax Reductions (#25-0006A1)** — November 2026 initiative would reduce local real estate transfer taxes to the City to \$0.55/\$1,000 (currently \$8.50/\$1,000), threatening Hayward's \$11 million annual Real Property Transfer Tax revenue. (A competing legislative amendment (ACA 13) would require the initiative to pass by two-thirds.)
- **Pension Legislation (AB 1383)** – Bill currently in the State Senate would allow negotiated enhanced CalPERS retirement formulas for public safety employees, including lower retirement age and higher benefit multipliers – potentially increasing pension costs.
- **Senior Property Tax Exemption (#25-0035)** — potential November 2026 initiative would fully exempt primary residences from property taxes for homeowners age 60+, with estimated local revenue losses of \$10-16M annually. (Signature deadline for November is June 25, 2026.)
- **“Fix Prop 19” (#25-0017)** – potential November 2026 would reinstate inherited property transfer rules without reassessment to market value, reducing local government revenue by an estimated \$1-2B annually statewide and gradually eroding Hayward's property tax base.

Dinner

We will return at 6:30 pm



Departmental Impacts & Considerations

(6:30 - 8:30 PM: 15 Mins per Department)

Impact to Core Services

- Over the past two years, the City has eliminated general-fund supported special initiatives and reduced or currently held vacant 90 FTEs
- Over the past year, the City has begun to reduce core services to address fiscal challenges
- Departments will present on service models and impacts in more detail

Examples of Impacted Services To Date

- Reduced library hours and programs
- Elimination of community grants
- Reduction of two fire companies
- Longer response time for illegal dumping removal
- Longer response time for permit review and inspections

Police Department



Considerations and Service Impacts

- **Staffing adjustments and overtime reductions:** While changes to staff deployment, shift schedules, and overtime have resulted in financial savings, capacity for conducting follow-up investigations, community engagement, and training sworn and professional staff have been reduced.
- **Recruitment pipeline is open, but vacancies remain:** Recruitment for sworn and critical dispatcher positions continue; however, anticipated staff separations could quickly widen the vacancy gap, impacting service levels and response times.
- **Vacancy management could delay promotions:** There is a critical need to promote for succession planning based on anticipated retirements, which could be delayed by vacancy management.
- **Organizational need to leverage technology solutions:** Strategic technologies help maintain and improve operational efficiency, safety, and crime reduction outcomes.
- **Crime reduced despite financial and operational challenges:** There has been a 10.46% reduction in crime in the past 365 days (data pulled May 4th).
 - 23% reduction in homicides, 20% reduction in burglaries, 35% reduction in stolen vehicles, and 28% reduction in robberies

Key Goals for FY 2027

- **Achieve annual CALEA accreditation:** Ensures HPD continues to meet national standards and best practices in the delivery of services.
- **Realign Jail operations:** The realignment of jail operations, including a partial closure during non-peak hours, will allow for the repurposing of Community Service Officers (CSOs) to other necessary programs without overall workforce reductions.
- **Implement a parking enforcement program:** Allows HPD to repurpose CSOs from the Jail and respond to chronic community concerns regarding parking, including in the downtown and Tennyson corridors. The program is estimated to generate \$800,000 in annual revenue and will offset associated staff costs.
- **Supplement existing UAS program with a Drone as First Responder (DFR) concept:** While adhering to established policies and guidelines around UAS usage and community privacy, this program will allow HPD to repurpose CSOs from the Jail and maintain or improve operational efficiency, including response times, situational awareness, and community and officer safety. Also, acts as an operational resource for other City departments.



Public Works & Utilities

Considerations and Service Impacts

- **Cost Recovery:** Approximately 90 to 95% of PW&U's funding sources are from various Enterprise Funds or Special Revenue Funds, which are non-General Fund.
- **Federal WIFIA Loan Delay:** Significant delay in securing a \$244 million Water Infrastructure Finance and Innovation Act (WIFIA) loan which has caused a delay in proceeding with the required construction of Water Resource Recovery Facility (WRRF) Improvements Phase 2; now also pursuing a \$50 million loan from the State Revolving Fund (SRF).
- **La Vista Park Value-Engineering:** Value-engineering associated with La Vista Park construction will allow the City to reallocate approximately \$5 million in Measure C funding back to the City for additional fund balance.
- **Rapid Response to Pedestrian Fatalities:** Recent pedestrian fatalities spurred a concerted staff focus and targeted approach to implementing immediate safety enhancements, including near-term quick-build improvements at the top 10 High-Injury Network intersections.

Key Goals for FY 2027

- **Appropriate Tracking:** Track charges to ensure activities are appropriately charged to special revenue, CIP, or development projects to minimize fiscal impacts to General Fund.
- **Public Safety Center:** Initiate the design, land use entitlement and possibly the developer solicitation process for Public Safety Center Project.
- **Skywest:** Proceed with transferring the western portion of Skywest property to HARD for development of park and open space.
- **Safe Street Planning:** Advance the Safe Streets Hayward (A St., B St., & Tennyson Rd.) and Safe Streets Downtown (Downtown Loop) Projects, including prioritizing design and construction funding for Phase 1 of the Tennyson Corridor safety improvements.
- **Compost Hub:** Complete the design and construction of the Compost Hub at the Hayward Community Garden.
- **WRRF Project:** Pending WIFIA funding, begin construction of WRRF Improvements Ph 2.
- **Pavement Condition Index (PCI):** Strive towards achieving Council goal of a PCI of 80.



Fire Department



Considerations and Service Impacts:

- **Reduced response capacity from staffing reductions:** Maintaining response times through strategic response adjustments, training schedule changes, and streetlight pre-emption repairs, while monitoring reduced redundancy and simultaneous-call demand.
- **Reduced costs with impacts to training:** Payroll was reduced by \$6.8M and overtime by \$2.6M; however, training cuts affect specialized training in wildland, technical rescue, and succession planning.
- **Fire Prevention capacity was initially reduced, but core work is on schedule:** Staff reorganized workflows, updated fees, closed process gaps, and increased outside plan check to keep inspections and plan reviews current.
- **Community outreach and public education have been reduced:** To preserve Emergency Management capacity, the Public Education Officer position was reassigned to that function, reducing prevention education, community engagement, and public outreach.

Key Goals for FY 2027:

- **Modernize technology to improve efficiency and data quality:** Adopt new technologies to improve regional interoperability, analytics, and rapid disaster damage assessment (i.e., Tablet Command, ImageTrend, and Quick Capture).
- **Complete accreditation, audits, and department assessments:** Priorities include the HazMat audit, State Fire Training academy accreditation, ISO assessment, Standards of Cover and Community Risk Assessment.
- **Strengthen training, succession planning, and operational readiness:** More than 30 potential retirements over the next few years could affect key operational and leadership positions, making leadership development and readiness planning a priority.



Maintenance Services



Considerations and Service Impacts:

- **Cleanup Timelines:** Streets Division's response time for illegal dumping, graffiti removal, and encampment cleanup requests extended from within 24-48 hours to up to 72-96 hours.
- **Tree Planting Goal:** Landscape Division will continue expanding the City's urban forest but requires decreasing annual planting goal from 1,500 to 1,000 trees.
- **Facility Response Times:** Facilities Division's response time for facility maintenance requests will be extended from 72-96 hours to up to 120 hours.
- **Preventative Maintenance Schedules:** Fleet Division will prioritize preventative maintenance schedules for Public Safety fleet, "white" fleet will require a longer turnaround time.

Key Goals for FY 2027

- **Bike Lane Sweeping Program:** Launch a citywide protected bike lane sweeping program utilizing a compact street sweeper.
- **Tree Management Software:** Implement the City's first tree management software, which will be the backbone of the tree maintenance program.
- **Energy Conservation Project:** Complete the Energy Conservation Project and implement a facilities work order software solution.
- **Fleet Lift Replacement Plan:** Begin the Fleet Lift Replacement Plan, a multi-year plan to replace six (6) vehicle/equipment lifts that are out of compliance and at the end of their useful life.



Development Services



Considerations and Service Impacts:

- **Supplies and Service Reductions:** Supplies and Services budget reduced by 40% over last few FY impacting nimble response.
- **Strategic Deployment of Limited Staff Resources:** Vacancies and impending retirements in key positions, requires strategic prioritization of workload.
- **Filling Key Cost-Recovered Positions:** Propose filling State-mandated Building Official position and vacant Code Enforcement Manager plus adding a new Code Enforcement Inspector based on revenue analysis that revealed high percentage of cost recovery in both Code Enforcement and Building Divisions, ranging from 75% to 100%.
- **Implementing Efficiency Measures:** Public service efficiency measures explored for various processes including Permit Center, Rental Unit Invoicing, and Code Enforcement Violation Notices.

Key Goals for FY 2027:

- **Focus on Core Services and Functions:** In part, by building-out DSD activity dashboards with IT to gain key data to strategically target resources and identify opportunities for improvement.
- **Rent Registry:** Exploration of initial phase of Rental Registry implementation.
- **BART TOD Partnership:** Ongoing collaboration with BART related to TOD development at the downtown BART station.
- **Hayward Business Friendly Ordinance Follow-Up:** Items include Accessory Commercial Units and definitions for last mile delivery and truck terminal uses.
- **Smoke Free Multi-Family Housing Ordinance:** Recommend adoption of a new ordinance with partnership from Alameda County Health for initial education and low-level enforcement.



Public Library



Considerations and Service Impacts:

- **Loss of Funding and Workforce Reductions:** Impact of General Fund budget cuts, compounded by loss of Hayward Promise Neighborhood funds, and English as a Second Language (ESL) funds from the State Library, and reduced funding from The Friends of the Library Group and Hayward Literacy Plus Council, has resulted in a significant loss of funding for the Library of approximately \$585,000 annually, as well as full-time and part-time workforce reductions.
- **Service Impacts:** Loss of funding has resulted in a number of service impacts:
 - Reduced open hours from 6 to 5 days a week (48 hrs to 39 hrs/wk)
 - Bookmobile services and outreach discontinued
 - Repeated unscheduled closures of the Makerspace due to staff shortages
 - Most public services staff are working three Saturdays a month on a regular basis
 - Loss of highly used and popular databases/streaming services like Hoopla and Kanopy

Key Goals for FY 2027:

- **Weekes Library Branch Utilization:** Increase library use at the Weekes branch.
- **Literacy Programs:** Maintain ESL and Adult Literacy Services at the current level.
- **Community Programs:** Maintain community programs (storytimes, special events, etc.) at current levels (except Trunk or Treat).
- **Private Fundraising:** Support the Friends of the Library and Hayward Literacy Plus Council to strengthen their fundraising.



Information Technology, Finance, & Human Resources



Considerations and Service Impacts:

- **Information Technology (IT):** Loss of Support Technician has resulted in elimination of Friday in-person TechTeam support at City Hall and higher ticket resolution times.
- **Finance:** Loss of Deputy Director and Senior Accountant have resulted in ongoing delays in completing FY 2024-25 Annual Financial Report (ACFR), although created an opportunity to provide stretch assignments to staff and build future staff capacity.
- **Human Resources:** Loss of Deputy Director, one Human Resources Manager, and two Human Resource Analysts have resulted in delayed special projects and response times.

Key Goals for FY 2027:

- **Information Technology:** Build and promote IT's new Innovation Assistance Program to City departments to improve efficiencies and effectiveness via technological enhancements.
- **Finance:** Develop improved budget, payroll, and accounting processes potentially using IT Innovation Assistance Program.
- **Human Resources:** Reevaluate service offerings to streamline workflows and processes, and improve customer service.



City Manager, City Attorney & City Clerk



Considerations and Service Impacts:

- **City Manager:** Restructuring of community services division and administrative functions due to workforce reductions and loss of community agency funding.
- **City Attorney:** Minimizing insurance premium increases through effective risk management strategies in key exposure areas; and mobilizing human resources across department lines (i.e., 0.5 FTE shared position with Finance) to offset reductions in force and loss of positions.
- **City Clerk:** Sustain Passport Program operations and revenue generation with limited staffing by leveraging 0.20 FTE shared position with City Manager's Office to support operational efficiencies.

Key Goals for FY 2027:

- **City Manager:** Manage placement of the Business License Tax Modernization measure on the November 2026 ballot, if approved by Council, and oversee implementation, if approved by voters.
- **City Attorney:** Maximize staff attorney ability to defend claims/lawsuits while reducing reliance on outside counsel.
- **City Clerk:** Deliver a compliant by-district municipal election by executing voter outreach, coordination, and administration aligned with election laws and state requirements.

Next Steps

Next Steps

- **June 2026** – Recommend City Council approval of: (1) the City’s Operating and Capital Improvement Program budgets, and (2) placement of a business license tax modernization measure on the ballot
- **November 2026** – Election held on City’s business license tax modernization measure
- **December 2026** – Hold a Council budget work session based on results of the election and year-to-date monitoring of actual expenditures
- **February/March 2027** – Hold a Council work session on updating the City’s Strategic Roadmap in order to calibrate workload with most recent budget and workforce projections

Background Slide

FY24 – FY27 Comparison: City reduced expenses and used short-term funding to address stagnate revenues

Dollars in 1,000s	FY 2024 Actual	FY 2025 Actual	FY 2026 Estimated	FY 2027 Proposed	% Change FY24 to FY27	% Change FY25 to FY27
Property Tax	73,406	75,907	\$79,500	\$81,090	10%	7%
Sales Tax	53,034	53,476	\$47,599	\$46,539	(12%)	(13%)
Utility Users Tax	24,453	23,101	\$24,844	\$26,072	7%	13%
Other Revenue	57,359	55,956	59,413	61,083	6%	9%
Subtotal	208,253	208,542	211,356	214,785	3%	3%
Transfers In - Ongoing	3,973	4,681	\$4,418	\$4,010	1%	(14%)
Short-Term or One-Time*	5,135	34,415	\$25,487	\$29,787	480%	(13%)
Total Revenue	217,361	247,773	241,262	248,583	14%	0%
Salaries	106,001	130,111	122,719	121,791	15%	(6%)
Benefits	63,677	75,529	82,561	89,102	40%	17%
Other Expenses	47,683	42,093	35,981	37,690	(21%)	(11%)
Total Expenses	217,361	247,773	241,261	248,583	14%	0%

*Includes use of reserves in FY24 and FY25