



**DATE:** February 18, 2026

**TO:** Council Budget & Finance Committee Members

**FROM:** Director of Finance

**SUBJECT:** Review and Comment on Draft City of Hayward Financial Policies

### **RECOMMENDATION**

That the Council Budget & Finance Committee (CBFC) reviews and comments on draft City of Hayward Financial Policies.

### **SUMMARY**

Adopting financial policies is a crucial accountability measure that helps ensure that the City adheres to a framework for responsible financial management. The adoption of financial policies is especially important right now given the current fiscal challenges being faced by the City. City staff prepared draft financial policies (Attachment II) based on financial best practices and examples from other jurisdictions for CBFC's review and comment.

### **BACKGROUND**

The annual budget is one of the most important policy documents that the City produces as it determines how City financial resources will be allocated among City services and functions, such as public safety, library, infrastructure, development, and administration. Adopting financial policies is a crucial accountability measure that helps ensure that the City adheres to a framework for responsible financial management. Financial policies are intended to enable the City to align public resources with community goals, ensure fiscal transparency, and guide decision-making about public services and infrastructure.

The adoption of financial policies is especially important right now given the current fiscal challenges being faced by the City. As stated in previous staff reports, the City ended last fiscal year with a significant deficit of approximately \$30 million, resulting in the reduction of the starting fund balance for FY 2025-26 to approximately \$1 million, and since then, took numerous actions to address the forecasted budget deficit of \$26.4 million for FY 2025-26, which is now balanced.

City staff prepared draft financial policies (Attachment II) based on financial best practices and examples from other jurisdictions for CBFC's review and comment.

## DISCUSSION

These proposed financial policies incorporate a budget process, a long-term planning process, and revenue and expenditure policies to inform the budget. These policies address more than the budget itself including:

- Roles and functions of City Council, City Manager, and City Departments including authority of the City Manager associated with budget actions
- Fund Structure
- Fund Balance and Reserve Policies
- Interfund Loans
- Internal Service and Enterprise Funds
- Capital Facilities and Improvements
- References to Debt and Investment Policies
- Grant Management
- Financial Items in the City Charter and Municipal Code

While it may take some time to achieve full adherence to each of the specific policies, by adopting a consolidated set of financial policies, there will be a single document that guides the development and administration of future operating budgets and long-term financial plans and helps improve transparency. The following summarizes the overall intent of the attached draft financial policies, including to:

- Include clear policies so that the City can attain and maintain financial sustainability and accountability;
- Identify and follow best practices in budgeting, reserves, and grants; and
- Include mechanisms for ensuring compliance so that a culture of fiscal prudence is established citywide.

Key highlights of specific financial policies include:

- The City's budget will be structurally balanced;
- The budgeting process will incorporate a five-year forecast;
- One-time revenues will be used only for one-time purposes;
- Revenues will be conservatively budgeted using analytical techniques;
- Budget for capital projects will incorporate capital and operating costs;
- Reserves will be established with clear targets;
- Other funds will be reviewed regularly; and
- These fiscal policies will be reviewed regularly.

Staff recommends CBFC reviews and comments on the attached draft financial policies.

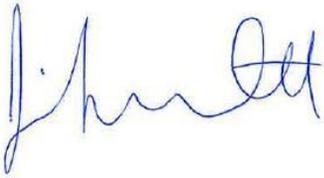
## **NEXT STEPS**

City staff will incorporate comments and feedback from CBFC into a subsequent draft and provide an updated version for further review and comment to the full City Council at the upcoming February 28, 2026 Budget Retreat.

*Prepared by:* DeAnna Hilbrants, Finance Director

*Recommended by:* DeAnna Hilbrants, Finance Director

Approved by:

A handwritten signature in blue ink, appearing to read "Jennifer Ott". The signature is fluid and cursive, with the first name "Jennifer" written in a larger, more prominent script than the last name "Ott".

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Jennifer Ott, City Manager