



DATE: March 6, 2024

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT: FY 2024 Mid-Year Budget Review and Five-Year General Fund Financial Model Update

RECOMMENDATION

That the Council Budget and Finance Committee reviews and provides comments on the FY 2024 Mid-Year Budget Review and Five-Year General Fund Financial Model Update.

SUMMARY

This report presents the mid-year review of the FY 2024 Adopted Budget, and an update to the Five-Year General Fund Financial Model (model) presenting proposed changes and projected year-end results based on current trends and data. While staff considers the entire City budget in its mid-year review, this report focuses primarily on the General Fund.

Proposed FY 2024 mid-year expenditures net a total increase of \$17.9 million in General Fund expenses. Of this amount, \$14.9 million is related to previously authorized and approved appropriations, and proposed FY 2024 mid-year expenditure adjustments totaling a net increase of \$1.99 million, and \$1.0 million for the previously approved commitment to the Employee Home Loan Pilot Program. **Table 1** and **Table 2** below detail the key changes in General Fund expenditures related to previous Council authorized and approved appropriations, and proposed new FY 2024 mid-year requests:

TABLE 1: PREVIOUS COUNCIL AUTHORIZED AND APPROVED GENERAL FUND APPROPRIATIONS

Previous Council Approved Appropriation	FY 2024 Impact (\$)
Employee Contract Terms – Local 1909, HPMU, and City Council	\$1,688,651
Replenish stolen and damaged emergency shelter equipment	\$12,057
New Image Landscape for Downtown Hayward Maintenance	\$116,402
Annual contingency for Hayward Median Maintenance with Brightview Landscape	\$30,000
STEP Grant Appropriations	\$265,000
Appropriate grant funding for Officer Wellness and Mental Health	\$113,737
Appropriate grant funding for the Hayward Animal Shelter	\$8,000
Hayward Literacy Council Reimbursement	\$10,750

Transfer-Out: Loan to Economic Development Corporation for the Purchase Cinema Place	\$8,600,000
Previously Approved FY 2023 Budget Carryforwards	\$4,073,282
Previous Council Approved Appropriations Subtotal	\$14,917,879

TABLE 2: PROPOSED NEW FY 2024 GENERAL FUND MID-YEAR REQUESTS

Mid-Year Request (NEW)	FY 2024 Impact (\$)
No Mid-Year Personnel Requests	\$0
Personnel Expenses	\$0
Unanticipated services and software expenses	\$183,500
Expenses related to the US Conference of Mayor's	\$20,000
Expenses related to the Alameda County Mayor's Dinner	\$8,000
Reallocation of ISF charges from Special Revenue to the General Fund	\$26,482
Additional consulting services inspection fees and plan check for services	\$500,000
Expenses to support Downtown Special Events	\$40,000
Downtown Hayward Improvement Association (DHIA) Assessment increase	\$5,581
Transfer-Out: General Fund Capital - Replace freezer necessary for animal control operations	\$11,000
Transfer-Out: Information Technology Fund - Previously collected technology fee revenue	\$166,544
Transfer-Out: Fleet Management Fund – Fuel costs and deferred repairs and maintenance	\$436,244
Transfer-Out: General Liability Fund – Increase in insurance premium	\$296,958
Transfer Out: Facilities Management Fund – Security Services and PGE costs for the FS6 Training Center	\$296,243
Non-Personnel Expenses	\$1,990,552
Mid-Year Requests (NEW) Subtotal	\$1,990,552
Appropriate funds for previously approved Employee Home Loan Pilot Program	\$1,000,000
Mid-Year Requested Appropriation Total	\$2,990,552
TOTAL GENERAL FUND EXPENSES	\$17,908,432

General Fund revenues are expected to exceed the originally projected FY 2024 amount by \$10.1 million. Changes in revenue projections are detailed in **Table 3** of the report. Key changes in the General Fund revenues are as follows:

TABLE 3: GENERAL FUND REVENUES

GENERAL FUND REVENUE ADJUSTMENTS	FY 2024 IMPACT (\$)
Projected increase in Property Tax above budgeted amount	\$2,200,000
Projected increase in Utility User Tax above budgeted amount	\$3,000,000
Reimbursement from over allocation to Workers' Compensation Fund	\$4,497,701
Previously approved revenue increases via grant funding	\$436,026
TOTAL GENERAL FUND REVENUES	\$10,134,183

The total change to the FY 2024 Adopted Budget is an increase of \$17.9 million. Of that amount, \$8.3 million is related to operational expenses, with \$9.6 million in appropriations related to authorized loans to Hayward Economic Development Corporation (\$8.6 million), and loans for the Employee Home Loan Pilot Program (\$1.0 million).

If mid-year requests are approved as proposed, in addition to the previously approved appropriations, the FY 2024 Revised Budget would result in \$12.9 million projected use General Fund Reserves for FY 2024.

This report provides an overall update to the City's Five-Year General Fund outlook.

BACKGROUND

On June 6, 2023¹, Council adopted the FY 2024 Operating Budget, which projected a reluctant use of General Fund Reserves by \$5.1 million to balance the budget. Since the time of the FY 2024 Operating Budget adoption, the City's fiscal position has changed as it continues to address service needs and emerging needs of the community. Considering recently updated revenue projections, additional Council approved appropriations, and proposed new mid-year requests, the proposed FY 2024 Revised Budget will result in a balanced budget with a small projected use of General Fund Reserves. If mid-year requests are approved as proposed, in addition to the previously approved appropriations, the FY 2024 Revised Budget would result in \$12.9 million projected use General Fund Reserves for FY 2024.

This report includes an update to the Five-Year General Fund Financial Model as part of the FY 2024 mid-year review, reflecting the proposed changes in revenue projections and expenditure adjustments.

DISCUSSION

GENERAL FUND REVENUES

FY 2024 General Fund revenues are projected to be \$10.1 million higher than originally projected. This is primarily attributed to projected increases in Property Tax, and Utility Users Tax (UUT) revenues, and reimbursement from prior over allocation to the City's Workers' Compensation Fund.

The following analysis highlights key revenue variances as it pertains to FY 2024 mid-year projections and the impact on future year projections as outlined in the model.

Property Tax (increase of \$2.2 million) – The FY 2024 Adopted Budget projected an increase of 3% year-over-year in Property Tax revenues as the economic recovery led to increased home values. Property Tax projections have been updated to reflect slightly more growth than previously projected in tax revenue.

¹ Hayward City Council Meeting on June 6, 2023 - <https://hayward.legistar.com/>

Utility User Tax (increase of \$3.0 million) – The FY 2024 Adopted Budget projected UUT at \$18.0 million. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$3.0 million in projected revenue through the end of the fiscal year.

Transfer-In from Workers' Compensation Fund (\$4.5 million) - The fund transfer will reimburse the General Fund for prior-year overfunding to the Workers' Compensation Fund.

Grant Appropriations (\$0.4 million) – Previous approved Council grant funding appropriation.

GENERAL FUND EXPENDITURES

FY 2024 General Fund total adjustments include FY 2023 carryforwards, previous Council authorized and approved appropriations, and mid-year requests. FY 2024 General Fund expenditures, including proposed mid-year requests and previous Council authorized and approved appropriations are projected to be \$17.9 million higher than the City adopted budget. Of this amount, \$14.9 million is related to previously authorized and approved appropriations, which includes \$4.1 million in FY 2023 budget carryforward, and \$10.8 million related to other previously authorized and approved appropriations, such as grants, contract agreements, and loan agreements. Proposed FY 2024 new mid-year expenditure requests total an increase of \$1.99 million, and a request for appropriation of \$1.0 million for the previous Council approved Employee Home Loan Pilot Program.

The following analysis highlights key expenditure variances as it pertains to FY 2024 mid-year projections and the fiscal impacts on future year projections, as illustrated in the model.

Operating Expenses

A number of adjustments are needed at mid-year to fund necessary and/or unanticipated expenditures, and to appropriate prior year carryforward requests into FY 2024.

Carryforward Requests (increase of \$4.1 million):

A carryforward is unspent budget that is linked to a commitment such as a contract, requisition, or purchase order. The carryforward of commitment to a new fiscal year carries with it the unspent budget associated with the balance of the commitment. Carryforwards represent budget amounts that were previously authorized and approved by Council during the prior fiscal year.

Previous Council Approved Appropriations - FY 2024 (increase of \$10.8 million):

City Council previously authorized and approved appropriations totaling \$12.5 million. Previously authorized and approved appropriations are as follows:

- Council approval of employee contract terms (\$1.7 million)
- Replenish stolen and damaged emergency shelter equipment (\$12,057)
- New Image Landscape for Downtown Hayward Maintenance (\$116,402)
- Annual contingency for Hayward Median Maintenance with Brightview Landscape (\$30,000)
- STEP Grant Appropriations (\$265,000)
- Purchase of 1069 B Street (Cinema Place) (\$8,600,000)

- Appropriate grant funding for Officer Wellness and Mental Health (\$113,737)
- Appropriate grant funding for the Hayward Animal Shelter (\$8,000)
- Hayward Literacy Council Reimbursement (\$10,750)

Appropriate Funds for Previously Approved Employee Home Loan Pilot Program (increase of \$1,000,000):

In 2019, City Council approved the use of \$1,000,000 of General Fund reserves to fund an Employee Home Loan Pilot Program. The pilot program was paused due to the onset of the COVID-19 pandemic. The pilot program has re-launched with the first lottery drawing scheduled to occurring on April 1, 2024.

Proposed FY 2024 Mid-Year Requests – New (net increase of \$1.99 million):

- City Manager Unanticipated Services and Software (increase of \$183,500):
 - Language Access Plan (\$36,000)
 - Strategic Roadmap Dashboard (\$30,000)
 - Lean Innovation Staff Training (\$12,500)
 - Public Works and Maintenance Services Organizational Assessment (\$75,000)
 - Investigation Services (\$30,000)
- Mayor and City Council (increase of \$28,000): Costs associated with US Conference of Mayors (\$20,000) and the Alameda County Mayors Dinners (\$8,000)
- Internal Service Fees (increase of \$26,482): Reallocation of ISF charges from Special Revenue to the General Fund for Community Services Division
- Consulting Services (increase of \$500,000): Additional consulting services, inspection fees, and plan check for services in Development Services
- Downtown Special Events costs (increase of \$40,000) – Additional funding required to support Downtown Special Events
- Downtown Hayward Improvement Association (increase of \$5,581) – Additional funding required for the DHIA Assessment fee increase
- Transfer-Out (increase of \$1,206,989)
 - Transfer-Out: Capital Projects Fund - Replace freezer need for animal control operations (\$11,000)
 - Transfer-Out: Information Technology Capital Fund - Previously collected technology fee revenue (\$166,544)
 - Transfer-Out: Fleet Management Fund – Fuel costs and deferred repairs and maintenance (\$436,244)
 - Transfer-Out: General Liability Fund – Increase in insurance premium (\$296,958)
 - Transfer Out: Facilities Management Fund – Security Services and PGE costs for the FS6 Training Center (\$296,243)

The amounts shown below in **Table 4** demonstrate the General Fund impact of the changes being proposed as part of the City’s FY 2024 Mid-Year Budget Review, as well as previously approved appropriations authorized after the Council adopted the City’s Operating Budget in June of 2023.

TABLE 4: SUMMARY OF PROPOSED GENERAL FUND CHANGES

<i>(in thousands)</i>	FY 2024 Adopted	Change	FY 2024 Mid-Year Revised
Revenue			
Property Tax		\$2,200	
Utility User Tax (UUT)		\$3,000	
Transfer-In (reimbursement) from Workers' Compensation Fund		\$4,498	
Grant Revenue Appropriations		\$436	
Total Revenue	\$199,883	\$10,134	\$210,017
Operating Expenditures			
FY 2023 Budget Carryforwards		\$4,073	
FY 2024 Previous Council Approved Appropriations		\$556	
FY 2024 Employee Contract Terms Council Approved Appropriations		\$1,689	
FY 2024 New Mid-Year Requests		\$1,991	
Total Operating Expenditures	\$204,978	\$8,309	\$213,287
Loan Expenditures			
Employee Home Loan Program		\$1,000	
Hayward Economic Development Corporation Loan		\$8,600	
Total Loan Expenditures		\$9,600	
Net Total Expenditures	\$204,978	\$17,909	\$222,887

FIVE-YEAR GENERAL FUND MODEL UPDATE

The Five-Year Model (model) has been updated to include projected changes in revenue and expenses impacting the City's projected year-end fiscal position for FY 2024. The FY 2024 Adopted Budget projected a use of General Fund Reserves in the amount of \$5.1 million by the end of the fiscal year, with a projected ending balance of \$37.6 million. Based on the FY 2024 Adopted Budget, the model projected that General Fund Reserves would represent 18.4% of the City's budgeted General Fund expenditures, which falls below the City's current General Fund Reserve policy that states that General Fund Reserves should equal 20% of budgeted General Fund expenditures.

As part of the mid-year review process, the model has been updated to include current revenue projections, mid-year expenditure requests, and previous Council approved appropriations as discussed in this report. The updated model projects a use of \$12.9 million in General Fund Reserves by the end of the fiscal year, compared to the projected use of General Fund Reserves at the time of adoption, which projected a use of \$5.1 million. The change in projected use of General Fund Reserves can be attributed to the net impact of increased revenue projections and increases in projected expenses. A loan to the Hayward Economic Development Corporation for the purchase of Cinema Place in the amount of \$8.6 million is attributed to a significant increase in

General Fund expenses. Additionally, the mid-year proposal reflects a \$1.0 million appropriation to fund the previous Council approved Employee Home Loan Pilot Program.

While the loans are shown as current expenses, both the Hayward Economic Development Corporation and employee home loans will be repaid to the General Fund overtime until the loans are paid in full. An update to the model presented to Council during the scheduled March 12, 2024, meeting will reflect projected annual loan repayments. Based on these changes, the General Fund Reserve balance is projected to be 14% of total expenses by the end of the fiscal year when including the approved loans. Exclusion of the loans from the General Fund Reserve balance, demonstrates a projected reserve balance of 18.5%.

At a Council work session held on February 6, staff presented Council with an update to the General Fund Long Range Financial Model. During the work session, staff reviewed a number of policy decisions that could impact the net fiscal position of the City. The scenarios included a combination of revenue generation strategies, cost reduction strategies, and illustration of potential employee cost increases. The scenarios are not reflected in the mid-year model update. Should Council elect to implement presented revenue generating strategies, it could increase revenue by approximately \$2.5 million annually.

Table 5 provides an overview of the City's five-year forecast, with updated revenue projections and expenditures. The table provides a review of the General Fund Reserve balance based on standard operating expense and revenue generation, and also provides an update to the General Fund Reserve balance when including the loans to the Hayward Economic Development Corporation and Employee Home Loan Pilot Program.

TABLE 5: FIVE-YEAR GENERAL FUND FINANCIAL MODEL UPDATE

GENERAL FUND FORECAST Mid-Year Update <i>in thousands</i>	FY 2024 Adopted Year 1	FY 2024 Revised Year 1	FY 2025 Forecast Year 2	FY 2026 Forecast Year 3	FY 2027 Forecast Year 4	FY 2028 Forecast Year 5
Revenues	\$199,883	\$210,016	\$210,500	\$215,731	\$217,447	\$220,951
Expenditures	\$204,978	\$213,286	\$215,871	\$223,674	\$230,093	\$234,374
Net Change in Reserve - Surplus / (Shortfall)	(\$5,095)	(\$3,269)	(\$5,371)	(\$7,943)	(\$12,646)	(\$13,423)
Beginning Balance	\$42,723	\$42,723	\$39,454	\$34,083	\$26,139	\$13,494
Ending Balance	\$37,628	\$39,454	\$34,083	\$26,139	\$13,494	\$70
Target to maintain 20% GF Reserves of Expenditures	18.4%	18.5%	15.8%	11.7%	5.9%	0.0%
Beginning Balance	\$42,723	\$42,723	\$29,853	\$24,482	\$16,538	\$3,893
<i>Net Change in Reserves - Surplus / (Shortfall)</i>		(\$3,269)	(\$5,371)	(\$7,943)	(\$12,646)	(\$13,423)
<i>Employee Home Loan Pilot Program</i>		(\$1,000)				
<i>Economic Development Corporation Loan</i>		(\$8,600)				
Net Ending Balance	\$37,628	\$29,853	\$24,482	\$16,538	\$3,893	(\$9,530)
Net Target to maintain 20% GF Reserves of Expenditures	18.4%	14.0%	11.3%	7.4%	1.7%	(4.1%)

MEASURE C FUND

Measure C Operating

The Council, as well as the ballot language for Measure C, established several spending priorities for these funds. These priorities include a mix of capital projects and funding allocations toward operating services. While Measure C revenues are to primarily be used to fund capital projects,

operating activities, such as police services, addressing illegal dumping, litter control, and graffiti abatement, which also fulfill the promises of Measure C.

FY 2024 Measure C operating fund total adjustments include previously authorized and approved appropriations, and mid-year requests. Proposed FY 2024 Measure C expenditure related requests total an increase of \$792,289. The following details the additional request:

- Previously approved carryforwards from FY 2023 (\$374,229)
- Proposed Mid-Year Request: Transfer-out to the General Liability Insurance Fund for the Measure C allocated portion of the increased amount in the City's insurance premium costs (increase of \$7,060).
- Proposed Mid-Year Request: Appropriate funding to St. Rose Hospital to support the continued delivery of vital health care services while hospital leadership works on long-term sustainable financial plan (increase of \$250,000).
- Proposed Mid-Year Request: Appropriate funds for additional expenses related to Operation Clean Sweep to support Citywide clean-up (increase of \$75,000).
- Proposed Mid-Year Request: Appropriate funds for expenses related to polling, research, public engagement, and communication regarding the potential Measure C extension (increase of \$86,000).

Measure C Capital

While Measure C funds operating programs and related expenses, Measure C funds are primarily used to fund capital projects. FY 2024 Measure C capital total adjustments amount to \$6.8 million. Of this amount, the FY 2023 carryforwards accounts for \$4.8 million, and \$2.0 million in previously approved appropriations for Fire Station 6 and Fire Training Center Project.

OTHER FUNDS

Total adjustments for FY 2024 Other Funds include FY 2023 carryforwards, previous Council approved appropriations, and mid-year requests. Expenditure increases in Other Funds total \$35.3 million. Of this total, FY 2023 budget carryforwards total \$16.7 million; and appropriations previously approved by City Council total \$11.8 million. Increase in expenditure requests at mid-year amount to a net of \$6.8 million. Detail of mid-year adjustments are as follows:

Previous City Council Approved Appropriations (increase of \$11.8 million)

- Appropriation of California State Library Grant Funds (increase of \$233,984).
- Appropriation of various Local Grants for the Fire Department (increase of \$139,020).
- Appropriation of Friends of Hayward Library donations (increase of \$161,000).
- Appropriation of FY 2024 Budgets for Landscape and Lighting Assessment Districts and Maintenance Districts (increase of \$2.6 million).
- Appropriate funds for the purchase of 1069 B Street, LLC's leasehold interest in the Cinema Place property (increase of \$8,600,000).
- Appropriate received funds for the Hayward Youth Commission (increase of \$3,102).
- Appropriation to establish budget balances from Byrne Grant 2022 and 2023 award years (increase of \$83,572).

Proposed Mid-Year Requests (increase of \$6.8 million)

- Measure D Recycling Fund (increase of \$91,966): Budget correction to appropriately allocate funds for the Senior Sustainability Specialist.
- Rental Housing Program Fund (increase of \$60,508): Increased translation services expenses.
- Affordable Housing Fund (increase of \$13,950): Administrative budget correction, increase appropriate funds for housing programs to sustain baseline budget.
- Community Development Block Grant Fund (increase of \$504,877): Increase CDBG expenditure to program revenue received in FY 2023 and FY 2024.
- Water Fund (decrease of \$45,983): Budget correction to appropriately allocate funds for the Senior Sustainability Specialist
- Sewer Fund (decrease of \$45,983): Budget correction to appropriately allocate funds for the Senior Sustainability Specialist
- Facilities Management Fund (increase of \$336,775): Increase in security services contract and expansion of security service hours at the Watkins parking garage, City Hall, and Downtown facilities, replacement of the backflow preventer at Fire Station #1; PG&E costs at Fire Station #6 Training Center; major backup emergency generator repairs at Fire Station #9; fuel polishing to maintain diesel fuel for fire engines and emergency backup generators; and additional security services needs at the various library branches.
- Landscape & Lighting and Maintenance District Funds (increase of \$79,872): Increased water utility needs.
- Fleet Management Fund (increase of \$600,000): Increase in fleet fuel budget due to projected increases in fuel costs; and increase in budget for deferred maintenance and repairs of City fleet.
- Federal Grants Fund (increase of \$505): Adjustment to match actual FY 2024 HOME grant allocation.
- General Liability Insurance Fund (increase of \$399,862): Reflect the cost of the increased insurance premiums in the FY 2024 Adopted Budget. This expense is an Internal Service Fund, which is supported by allocations and transfers from General Fund, Measure C, and various operating funds.
- Transfer-Out to the General Fund from other funds for the reallocation of ISF charges from Special Revenue (increase of \$26,482)
- Transfer-Out to the General Liability Insurance Fund from other funds for the allocation of costs contributing to the increase in general liability insurance premium cost (increase of \$94,617).
- Transfer-Out to Fleet Maintenance Fund from other funds for the allocation of cost contributing to the increase in operating expenses related to fleet fuel and deferred maintenance of citywide fleet (increase of \$163,756).
- Transfer-Out from Worker's Compensation Fund (Fund 705) for reimbursement from over allocation to Workers' Compensation Fund (increase of \$5,400,000)
- Transfer-In to Enterprise Funds (Water Fund, Sewer Fund, Stormwater Fund) for reimbursement from over allocation to Workers' Compensation Fund (increase in revenue of \$902,299)

CAPITAL IMPROVEMENT FUNDS

Total adjustments for FY 2024 Capital Improvement Funds include FY 2023 carryforwards, previous Council approved appropriations, and mid-year requests. The FY 2024 Capital Improvement Budget expenditures total a net increase of \$138.1 million. Of this amount, FY 2023 carry forwards total \$136.1 million; and prior Council authorized, and approved appropriations total \$1.2 million. Proposed mid-year adjustments reflect an increase in projected expenditures in the amount of \$815,767. **Table 6** provides detail of the proposed FY 2024 CIP mid-year changes.

TABLE 6: PROPOSED FY 2024 MID-YEAR CIP CHANGES

Mid-Year CIP Changes	FY 2024 Mid-Year Changes
Capital Projects (Fund 405) – Replace freezer to store deceased animals requires additional \$11,000 than original quote	\$11,000
Facilities Capital (Fund 726) – Replacement of exterior doors at the Corp Yard to accommodate new access control door readers; new service maintenance contract for access control system; electrical infrastructure upgrade to provide adequate power for EV charging stations in City Hall basement garage; and Watkins garage security enhancements	\$203,920
Special Gas Tax (Fund 210) – Transfer-out: Budget correction of FY 2023 Mid-Year Transfer-Per the FY 22 TDA Audit, the auditor's recommended Project 05307 (Patrick/Gading Complete Street) should be expensed out of Fund 210 instead of Fund 213	\$350,226
Measure BB (Fund 212) - Administrative adjustment of expense budget; reducing budget due to ACTC prohibition of non-ACTC funds being expensed in Measure BB (Fund 212); funds will be appropriated in Street Systems Improvement (Fund 450)	(\$300,000)
Street Systems Improvement (Fund 450) - Administrative adjustment of expense budget to utilize developer deposit revenue; funds incorrectly appropriated to Measure BB (Fund 212)	\$300,000
Fleet Management Enterprise (Fund 737) – Use of fund balance to fund the gap for valve truck replacement	\$200,000
Fleet Management Capital (Fund 736) – Appropriate received revenue from insurance claim and auction of two fire vehicles	\$50,621
Total Net Change	\$815,767

AMERICAN RESCUE PLAN ACT (ARPA) STATE AND LOCAL FISCAL RECOVERY FUNDS

On March 11, 2021, the American Rescue Plan Act (ARPA) of 2021 was signed into law. A major component of ARPA was the State and Local Fiscal Recovery Fund (SLFRF), which included \$65 billion in direct federal relief to cities to address the impacts of COVID-19 and aid in recovery. The City of Hayward was allocated approximately \$38.3 million in fiscal recovery funding, to be disbursed in two tranches. The first tranche of 50% of the City's allocation was disbursed in late May 2021, with the second half was disbursed in May of 2022.

On July 13, 2021, Council approved a plan for use of the City's ARPA \$38.3 million. To date, the City has received the full \$38.3 million in ARPA funding. Council appropriated \$18.9 million in FY 2022, and \$16.4 million FY 2023. The use of ARPA funds is governed by the SLFRF Interim Final Rule issued by the US Treasury Department in May 2021. City Staff developed the ARPA expenditure plan based on community needs, the City's operational response, and Council feedback. The expenditure plan was also presented to the Council Infrastructure Committee, the Homelessness-

Housing Task Force, the Council Economic Development Committee, and the Community Services Commission for further refinement prior to Council approval in July.

The ARPA expenditure plan is comprised of 37 projects across four major expenditure categories: support for public health expenditures and investments in pandemic operational needs; addressing negative impacts caused by the public health emergency; replacement of lost public sector revenue; and investment in water, sewer, and broadband infrastructure. Projects commenced in FY 2022 and will continue through FY 2024.

Table 7 provides an overview of total expenditures in FY 2023 and the revised budget in FY 2024.

TABLE 7: ARPA EXPENDITURE PLAN OVERVIEW (\$ THOUSANDS)

Expenditure Category	Total Budget	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Revised Budget
Support public health expenditures, including capitalizing investments in public facilities to meet pandemic operational needs	\$6,940	\$799	\$897	\$5,244
Address negative economic impacts caused by the public health emergency	\$15,700	\$3,915	\$4,270	\$7,515
Replace lost public sector revenue	\$14,500	\$7,250	\$7,250	\$0
Invest in water, sewer, and broadband infrastructure	\$1,238	\$80	\$323	\$835
TOTAL ARPA EXPENDITURES	\$38,378	\$12,043	\$12,740	\$13,595

**Includes unspent FY 2023 appropriated expenditures (carried forward into FY 2024)*

In accordance with the U.S. Treasury guidelines, ARPA recipients must obligate funds by December 31, 2024, and fully expend all ARPA dollars by December 31, 2026. The obligation of funds may include entering into contract and/or securing a purchase order or requisition for supplies, services, and/or equipment that are considered eligible expenses. The City has the option to reallocate any unspent and/or unobligated ARPA dollars to fund potential projects that meet the eligibility requirements of ARPA dollars. Currently, the majority of projects are expected to fully obligate or expend all ARPA dollars by the funding deadlines.

As of February 2024, it is estimated that there may be approximately \$1.2 million in funding from the unspent funds allocated to the Regional Fire Training Center project that may be considered for reallocation. In December 2023, staff presented the Council Budget and Finance Committee with an update on ARPA projects and funding status. Several potential projects and/or programs were presented to the Committee for consideration and feedback, which included the following:

Potential Projects	Description	Estimated Cost
Replacement of Lost Revenue	Additional allocation to the General Fund for the Replacement of Lost Revenue.	Staff to determine amount – will be included in 3/12 report to Council
Homelessness Public Education Campaign	Develop a public education campaign to educate the Hayward community about ongoing homelessness efforts and how the homeless system of care operates. (LHH 1.3a).	\$ 75,000
FY25 Funding for South Hayward Parish Year-Round Operations	Continued funding for extended operations of emergency shelter at South Hayward Parish, which was expanded beyond a Winter Warming Shelter through the City's first ARPA allocation (2.1e).	\$ 1,000,000
Calendar Year 2025 Safe Parking Pilot	Leverage County land use committee convening to identify land for safe parking pilot to serve mid-county residents (2.2b).	\$ 1,000,000
Additional Navigation Center Funding for On-Site Meals and Operational Expenses	Increase operational funding to Hayward Navigation Center to add more on-site meals and cover existing operating gaps due to increased costs (2.1a).	\$ 500,000
FY 2025 Motel Voucher Program	Allocate funding to enable continued operations of motel voucher program, which provides brief motel stays for individuals who are unsheltered and on the waitlist for the Navigation Center or who need temporary shelter during dangerous weather events when alternative shelter is not available.	\$ 50,000
Affordable Housing Development	Apply available ARPA funding to the next Affordable Housing Notice of Funding Availability (NOFA) to fund affordable housing development loans. To ensure funds are expended prior to the deadline, funds could be used for shovel-ready projects, pre-development costs, or acquisition costs. Applicable projects would include new construction, preservation of affordable housing or adaptive re-use. The additional \$5 million in funding may possibly fund another one or two projects.	\$ 5,000,000

Expansion of Together for Hayward eGift Card Program	The Together for Hayward eGift Card Program is one of the most successful and impactful economic recovery programs the City offers. The program injects dollars into small businesses using ARPA funds which are then matched by consumers. Staff are well versed in administering this program and would be able to expend the funds prior to the deadline.	Any available amount
--	--	----------------------

The Committee was supportive of all the potential projects and/or programs, and supported staff in moving forward to the full City Council for consideration when deemed appropriate by staff.

STRATEGIC ROADMAP

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

FISCAL IMPACT

The overall fiscal impact of the proposed mid-year adjustments is an increase to General Fund revenue of \$10.1 million, and an increase to General Fund expenditures of \$17.9 million. Of this amount, an increase of \$1.99 million is attributed to newly requested adjustments; with \$15.9 million attributed to carryforwards, and previously approved appropriations. All Other Funds (including Measure C) proposed adjustments will result in a net increase of \$7.6 million in newly requested expenditures; and Capital Improvement Funds will result in a proposed net increase in expenditures of \$0.8 million in newly requested expenditures.

SUSTAINABILITY FEATURES

The actions in this report do not have an impact on sustainability. Sustainability elements are more directly identified with specific projects as they are carried out.

PUBLIC CONTACT/NEXT STEPS

Upon recommendation by the Committee, staff will present the FY 2024 Mid-Year Budget Review and Five-Year General Fund Financial Model Update to the full City Council at the regularly scheduled meeting on Tuesday, March 12, 2024.

Prepared by: Nicholas Mullins, Management Analyst II
Nicole Gonzales, Director of Finance

Recommended by: Nicole Gonzales, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', with a long horizontal stroke extending to the right.

Kelly McAdoo, City Manager