



DATE: February 22, 2022

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: FY 2022 Mid-Year Budget: Adopt a Resolution Approving the FY 2022 Mid-Year Budget Update and Receiving the General Fund Long Range Financial Model Update

RECOMMENDATION

That the Council 1) reviews the FY 2022 Mid-Year budget and updated General Fund Long Range Financial Model Update; 2) adopts a resolution providing amendments to the previously adopted City of Hayward FY 2022 Operating Budget (Attachment II); and 3) adopts a resolution providing amendments to the previously adopted City of Hayward FY 2022 Capital Improvement Program Budget (Attachment III).

SUMMARY

This report presents the mid-year review of the FY 2022 Adopted Budget, and an update to the General Fund Long Range 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 2022 mid-year expenditures net a total increase of \$2.8 million in General Fund expenses. Of this amount, \$1.5 million is related to previously authorized and approved appropriations, and proposed FY 2022 mid-year expenditure adjustments totaling a net increase of \$1.3 million. The proposed FY 2022 mid-year expenditures are all one-time in nature. 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 2022 mid-year requests:

TABLE 1: PREVIOUS COUNCIL AUTHORIZED AND APPROVED APPROPRIATIONS

Previous Council Approved Appropriation	FY 2022 Impact (\$)
Employee Contract Terms - HAME, Local 21, SEIU	\$1,008,998
STEP Grant Appropriations	\$405,000
Transfer-Out to General Fund CIP Fund for General Plan Update	\$125,561
Hayward Literacy Council Reimbursement	\$14,285
Previous Council Approved Appropriations Subtotal	\$1,553,844

TABLE 2: PROPOSED NEW FY 2022 MID-YEAR REQUESTS

Mid-Year Request (NEW)	FY 2022 Impact (\$)
No Mid-Year Personnel Requests	\$0
Personnel Expenses	\$0
Navigation Center appropriation reduction due to ARPA funding	(\$1,000,000)
Temp Staff needs due to HR Vacancies and Citywide Recruitment needs	\$82,000
Adjustment to reflect actual cost of executive and hard-to-fill recruitments	\$80,000
Implementation of HR Department Organizational Study	\$75,000
Contract Services for unanticipated Job Audits and Compensation Studies	\$45,000
Contract Legal Services for Employee Relations	\$30,000
Contract Consulting Services for Employee Relations	\$20,000
Miscellaneous Services for Employee Relations	\$10,000
Contract Legal Services for ADA and complex issue guidance	\$10,000
Matt Jimenez Center operational expenses no longer covered by HARD	\$50,000
Transfer-Out: Facilities Capital Fund - Parking Structure/HPD Repairs/Fire Admin Office	\$696,762
Transfer-Out: Fleet Management - Replace Damaged Fire Truck Ladder	\$650,000
Transfer-Out: Facilities Management - Additional Sanitation and Security Hours	\$424,863
Transfer-Out: IT Capital Fund - Technology Fees for EnerGov Implementation	\$91,598
Non-Personnel Expenses	\$1,265,223
Mid-Year Requests (NEW) Subtotal	\$1,265,223
TOTAL GENERAL FUND EXPENSES	\$2,819,067

General Fund revenues are expected to exceed the originally projected FY 2022 amount by \$4.6 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 2022 IMPACT (\$)
Projected increase in Sales Tax above budgeted amount	\$1,000,000
Projected increase in Property Tax above budgeted amount	\$836,580
Projected increase in Real Property Transfer Tax above budgeted amount	\$2,500,000
Projected increase in Cannabis Tax above budgeted amount	\$267,746
Projected increase in In-House Parking Collection above budgeted amount	\$30,000
TOTAL GENERAL FUND REVENUES	\$4,634,326

If mid-year requests are approved as proposed, the FY 2022 Revised Budget would result in a projected shortfall, requiring the use of \$4.3 million in General Fund Reserves for FY 2022. While FY 2022 is projected to end of the year using \$4.3 million in General Fund Reserves, this is an

improvement over what was projected at the time of adoption, which forecasted a use of \$6.2 million in General Fund Reserves.

This report also provides an overall update to the City's General Fund long-term outlooks. The Council Budget and Finance Committee reviewed this report on February 16, 2022 and recommended City Council approval.

BACKGROUND

On June 1, 2021¹, Council adopted the FY 2022 Operating Budget projecting a net negative position at fiscal year end and a use of \$6.2 million in General Fund Reserves. Since the time of adoption of the FY 2022 Budget, the City has continued to address fiscal challenges related to the ongoing impacts of the COVID-19 crisis. However, considering recently updated revenue projections, additional Council approved appropriations, and proposed new mid-year requests, the City's General Fund net position is projected to improve, updating the projected use of Reserves to balance from the \$6.2 million projected at the time of budget adoption to \$4.3 million.

It should be noted that the projected use of \$4.3 million in General Fund Reserves does not reflect the appropriation of \$7.25 million in American Rescue Plan Act (ARPA) funding that was approved by Council to address lost revenue during the peak of the COVID-19 crisis. The \$7.25 million has been transferred to the General Fund and is reflected in revised fund balance projections.

On February 16, 2022, the FY 2022 Mid-Year review and update to the General Fund Long Range Financial Model were presented to the Council Budget and Finance Committee for review and feedback. The Committee recommended City Council approval.

This report also includes an update to the General Fund Long Range Financial Model (Attachment V) as part of the FY 2022 mid-year review, reflecting the proposed changes in revenue projections and expenditure adjustments, as well as the appropriation of ARPA funds in FY 2022, and planned appropriation in FY 2023.

DISCUSSION

GENERAL FUND REVENUES

FY 2022 General Fund revenues are projected to be \$4.6 million higher than originally projected. This is primarily attributed to projected increases in Property Tax, Sales Tax, Property Tax, Real Property Transfer Tax, and Cannabis Tax revenues.

The following analysis highlights key revenue variances as it pertains to FY 2022 mid-year projections and the impact on future year projections as outlined in the model.

¹ Hayward City Council Meeting on June 1, 2021 - <https://hayward.legistar.com/MeetingDetail.aspx?ID=861489&GUID=A6C9F8C6-B338-4330-8144-5A6B0257729B&Options=info|&Search=>

Property Tax (increase of \$836,580) – The FY 2022 Adopted Budget projected an increase of 3% year-over-year in Property Tax revenues as the economic recovery led to increased home values. The projection has been updated to reflect slightly more robust growth in property values and increases in assessments due stronger than expected sales.

Sales Tax (increase of \$1.0 million) – The amount projected at the time of adoption was based on modest sales tax growth during the initial stages of the economic recovery from the COVID-19 crisis. The updated Sales Tax projections reflect an increase of \$1.0 million, as the recovery has strengthened and most businesses in Alameda County have been able to resume operations.

Real Property Transfer Tax (RPTT) (increase of \$2.5 million) – The amount projected at the time of adoption reflected a slowdown in home sales due to the crisis during the first two quarters of FY 2021. Revenues have been adjusted based on trends showing a rebound in both home sales and increase in home values since budget adoption

Cannabis Tax (increase of \$267,746) – The FY 2022 Adopted Budget projected Cannabis Tax revenue at \$650,000. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$0.3 million projected revenue through the end of the fiscal year.

Parking Citation Revenue (increase of \$30,000) – The Mid-Year FY 2022 adjustments include an increase in In-House Parking Collection revenue based on year-to-date revenue trends.

GENERAL FUND EXPENDITURES

FY 2022 General Fund total adjustments include FY 2021 carryforwards, previous Council authorized and approved appropriations, and mid-year requests. FY 2022 General Fund expenditures, including proposed mid-year requests and previous Council authorized and approved appropriations are projected to be \$2.8 million higher than anticipated at the time the City adopted its budget. Of this amount, \$1.0 million is related to updated employee labor contracts and \$545,000 to previously authorized and approved appropriations. Proposed FY 2022 mid-year expenditure requests total a net increase of \$1.3 million. FY 2021 budget carryforwards total \$2.5 million and were approved with the FY 2021 Operating Budget. The following analysis highlights key expenditure variances as it pertains to FY 2022 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 2022.

Carryforward Requests (increase of \$2.5 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 2022 (increase of \$1.5 million):

City Council previously authorized and approved appropriations totaling \$1.5 million. Previously authorized and approved appropriations are as follows:

- Council approval of employee contract terms (\$1.0 million);
- Appropriation of STEP grant funding (405,000);
- Transfer-Out to Capital Projects Fund for General Plan Update (\$125,561); and
- Appropriation of Hayward Literacy Council Reimbursements (\$14,285).

Proposed FY 2022 Mid-Year Requests – New (net increase of \$1.3 million):

- Hayward Navigation Center (decrease of \$1,000,000): The Adopted Budget of \$1,000,000 for Hayward Navigation Center Funding will be reduced as a result of the appropriation of ARPA funding to continue ongoing operational needs at the center.
- Contract Services (increase of \$402,000) – Additional contract services are necessary in multiple departments.
 - Human Resources is requesting an increase of \$352,000 for contract services to assist with employee relations, labor negotiations, COVID-19 contact tracing, temporary staffing, ADA compliance consulting, job classification audits, and a department organizational study; and
 - Maintenance Services is requesting an increase of \$50,000 for utility and janitorial services for the Matt Jimenez Community Center to support the Afghan Refugee Relief site and other City programs.
- Transfer-Out (increase of \$1.9 million)
 - A transfer-out from the General Fund to the Information Technology Capital Fund in the amount of \$92,000 is requested to cover costs associated with the implementation of EnerGov online permitting. The transfer is based on collected Technology Fee revenues and 3% of collected Code Enforcement revenues;
 - A transfer-out from the General Fund to the Facilities Management Fund of \$425,000 to support enhanced Citywide disinfection; additional security for the Watkins Street garage; and additional facilities services for the Library;
 - A transfer-out from the General Fund to the Facilities Capital Fund in the amount of \$697,000 to cover structural repairs to City parking and Hayward Police Department facilities; repair of the elevator at the Watkins Street garage to ensure ADA compliance; and reconfiguration of the Hayward Fire Department Administration offices at City Hall; and
 - A transfer-out from the General Fund to the Fleet Management fund of \$650,000 to replace an 18-year-old fire truck ladder. The ladder was due for replacement in 2025 but must be replaced early due to damage.

The amounts shown below in Table 4 demonstrate the General Fund impact of the changes being proposed as part of the City's FY 2022 Mid-Year Budget Review from the time that Council adopted the City's Operating Budget in June of 2021. In total, the changes presented for consideration will require the projected use of \$4.3 million in General Fund Reserves, reduced from \$6.2 million that was projected at the time of adoption.

TABLE 4: SUMMARY OF PROPOSED MID-YEAR CHANGES

<i>(in thousands)</i>	FY 2022 Adopted	Change	FY 2022 Mid-Year Revised
Revenue			
Real Property Transfer Tax		\$2,500	
Sales Tax		\$1,000	
Property Tax		\$837	
Cannabis Tax		\$268	
Parking Citation revenue		\$30	
Total Revenue	\$178,634	\$4,634	\$183,268
Expenditures			
No Mid-Year Personnel Requests		\$0	
Employee Contract Terms - HAME, Local 21, SEIU		\$1,009	
Net Staffing Expenses	\$144,720	\$1,009	\$145,729
Navigation Center appropriation reduction (City Manager's Office)		(\$1,000)	
Temporary Staffing due to Vacancies (Human Resources)		\$82	
Executive Recruitment Expense (Human Resources)		\$80	
Department Organizational Study (Human Resources)		\$75	
Contract Services - Job Classification Audit (Human Resources)		\$45	
Legal Services - Employee Relations (Human Resources)		\$30	
Consulting Services - Employee Relations (Human Resources)		\$20	
Miscellaneous Services - Employee Relations (Human Resources)		\$10	
ADA Consulting for Labor Relations (Human Resources)		\$10	
Matt Jimenez Center operations (Maintenance Services)		\$50	
Previous Council Approved Appropriation - Non-Personnel Expenses		\$545	
Transfer-Out: IT Capital Fund - Tech Fees for EnerGov Implementation		\$92	
Transfer-Out: Facilities Management - Sanitation and Security Hours		\$425	
Transfer-Out: Facilities Capital Fund - Garage, HPD, Fire Admin		\$697	
Transfer-Out: Fleet Management - Replace Damaged Fire Truck Ladder		\$650	
Net Operating Expenses	\$40,067	\$1,810	\$41,877
Total Expenditures	\$184,787	\$2,819	\$187,606
Total Surplus/(Shortfall)	(\$6,153)	\$1,815	(\$4,338)
Transfer-In ARPA Revenue Replacement			\$7,250
Reserve Ending Balance	\$29,977		\$39,042
Balance as % of Total Expenses	16.2%		20.8%

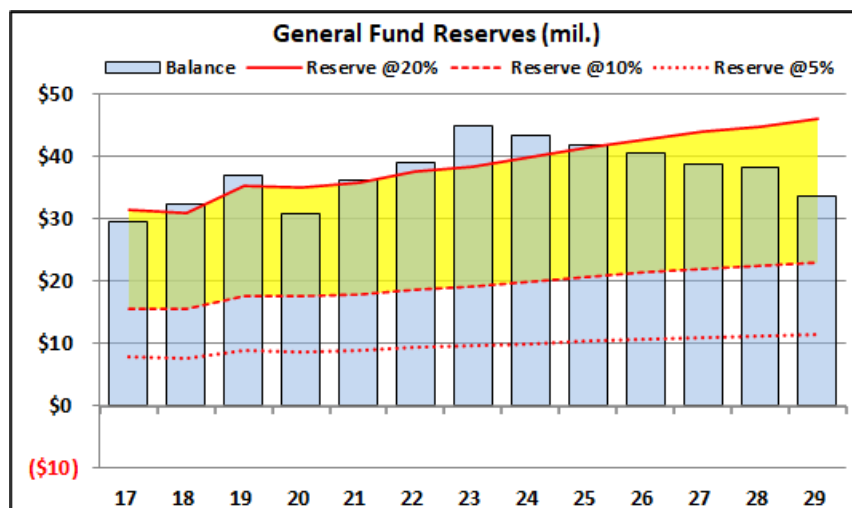
GENERAL FUND LONG RANGE FINANCIAL MODEL UPDATE

Attachment V is an updated version of the model that includes projected changes in revenue and expenses impacting the City's projected year-end fiscal position for FY 2022. The FY 2022 Adopted Budget assumed a \$6.2 million use of General Fund Reserves by the end of the fiscal year, with an ending balance of \$29.9 million. Based on the FY 2022 Adopted Budget, the Model projected that General Fund Reserves would fall to 16.2% of the City's budgeted General Fund expenditures, with a further drop to 14.3% of expenditures by the end of FY 2023. Per current policy, General Fund Reserve 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 the use of \$4.3 million in General Fund Reserves based on these changes. The reduction in use of Reserves can be attributed to an increase in projected revenues as of mid-year, specifically in Property Tax, Sales Tax, Real Property Transfer Tax, and Cannabis Tax revenues. Based on these changes only, General Fund Reserve balance is 16.9% of total expenses. This falls short of the current reserve policy.

In addition to mid-year changes, the General Fund Model includes \$7.25 million in ARPA funds appropriated in the General Fund to address estimated loss of revenue during the COVID-19 crisis. As detailed in the ARPA State and Local Fiscal Recovery Funds section below, Council authorized the appropriation and transfer of \$7.25 million to General Fund Reserves for FY 2022. This transfer represents one half of \$14.5 million in revenue replacement funding over FY 2022 and FY 2023. ARPA guidelines allow for funds to be used to replace revenue lost due to the COVID-19 crisis, with the amount based on pre-crisis revenue trends. With this transfer, the ending General Fund reserve balance will increase from the \$29.9 million projected at the time of budget adoption to \$39.0 million as of mid-year. As a result, the General Fund Reserve balance level would increase from 16.2% at the time of budget adoption to 20.8% at mid-year, putting the reserve in compliance with City policy.

The graph below depicts revised General Fund revenues and expenditures based on updated FY 2022 projections.



HAYWARD PEOPLE'S BUDGET

In FY 2021, Council directed staff to convene Policy Innovation Workshops inclusive of community members and City staff to recommend public safety policy and programmatic changes in FY 2022. As part of the many community conversations pilot projects were identified and fell into three main categories: New Public Safety Response Models and Services, Community Relationships, and Transparency and Accountability.

One of the pilot programs identified was the Neighborhood Participatory Budget (People's Budget). The People's Budget is a one-time community participatory budget process that would have community members submit and vote on proposals to increase connections and cohesion in their neighborhoods. For this project, Hayward has been divided six sectors. Each sector has a budget of \$50,000-\$67,000, depending on the population and income level of the sector. Staff advertised this process at the 13 City-Hall-to-You events starting in September 2021. Community members were invited to apply to be neighborhood delegates by October. Over 50 community members are currently serving as delegates for the six sectors. Each sector has a staff liaison, who is working with the delegates to do community outreach and create proposals. Proposals are scheduled to be finalized by the end of March. Community voting on the proposals will occur in April or May, depending on the evolving COVID-19 health guidance.

In addition, staff created an online map where anyone in the community can submit ideas for their neighborhood. Over 200 ideas have been submitted. Staff also partnered with Chabot College students in the fall semester to brainstorm ideas for proposals. This culminated in an open house at Chabot where students shared their proposals with neighborhood delegates and were invited to serve on implementation teams for the winning projects.

The one-time community participatory budget process includes the authorization and appropriation of \$350,000 to be directly allocated based on the top-voted proposals for implementation. An update will be provided to Council regarding the release of the voting guide, selected proposals, and next steps for project implementation.

MEASURE C FUND

Measure C Operating

The Council, as well as the ballot language for Measure C, established a number of 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 2022 Measure C operating fund total adjustments include FY 2021 carryforwards and two mid-year requests. Proposed FY 2022 Measure C expenditure related requests total an increase of \$19.9 million. The following details the additional requests:

- Transfer-Out of Measure C Operating Fund (Fund 101) to Measure C Capital Fund (Fund 406) is a correction that will reconcile the adopted FY 2022 CIP Budget with the intended transfer from the FY 2022 Operating Budget (increase of \$19.8 million);

- FY 2021 budget carryforwards (increase of \$35,786);
- Previously approved appropriation for employee contract terms (increase of \$59,283); and
- Increase to rental expense at the Hayward Police South Resource Center (increase \$5,000)

Measure C Capital

While Measure C funds operating programs and related expenses, Measure C funds are primarily used to fund capital projects. FY 2022 Measure C capital total adjustments include prior year carryforwards.

FY 2022 Council adopted expenditure appropriations of \$37.7 million in the Measure C capital fund. Total adjustments included in the mid-year review are \$7.6 million. These adjustments are comprised of \$7.2 million in FY 2021 carryforwards and a prior Council authorization of \$399,000 appropriation for capital expenditures related to the 21st Century Library and Heritage Plaza project.

Additionally, the FY 2022 Mid-Year Review includes an increase in Transfer-In from Measure C Operating Fund (Fund 101) to Measure C Capital Fund (Fund 406). This is a correction that will reconcile the adopted FY 2022 CIP Budget with the intended transfer from the FY 2022 Operating Budget (increase of \$19.8 million)

Attachment VI is an update to the Measure C 20-Year Financial Forecast that includes projected changes in revenue and expenses impacting the projected year-end fiscal position for FY 2022.

OTHER FUNDS

Total adjustments for FY 2022 Other Funds include FY 2021 carryforwards, previous Council approved appropriations, and mid-year requests. Expenditure increases in Other Funds total \$44.4 million. Of this total, FY 2021 budget carryforwards total \$18.8 million; and appropriations previously approved by City Council total \$22.7 million. Increase in expenditure requests at mid-year amount to \$2.9 million. Detail of mid-year adjustments are as follows:

Previous City Council Approved Appropriations (increase of \$22.7 million)

- Previously approved appropriation for employee contract terms - HAME, Local 21, SEIU (increase of \$691,494);
- Appropriation for reimbursement to Bay Area Community Services (BACS) for unanticipated grants issued via the Rent Relief Program (increase of \$110,000);
- Appropriation in State Grants funding (increase of \$1.3 million);
- Appropriation in Annual State Library Grant (increase of \$87,626);
- Appropriation in CLLS ESL Grant at the Library (increase of \$26,425);
- Appropriation of Local Grant Funding for Annual CERT (increase of \$44,000);
- Appropriation of HUSD Grants for Educational Services (increase of \$30,000);
- Appropriation of Library Donations – Friends of the Library (increase of \$25,000);
- Appropriation of FY 2022 Budgets for Landscape and Lighting Assessment Districts (increase of \$1.6 million); and
- Appropriation of ARPA funds for approved projects/programs outlined in the Federal Stimulus Expenditure Plan (increase of \$18.9 million)

Proposed Mid-Year Requests (increase of \$2.9 million)

- Recycling/Measure D Fund (increase of \$1.1 million): Appropriation of revenue received from Waste Management in FY 2020 and FY 2022.
- Sewer Fund (increase of \$899,000): \$820,000 Transfer-Out to Water Fund to charge 50% of Utility Billing Program expenses to the Sewer Fund; and Appropriation of \$78,000 in revenue received in FY 2021 from the East Bay Dischargers Authority (EBDA) for maintenance of their facilities.
- Facilities Management Fund (increase of \$425,000): \$283,000 for augmented cleaning and regular total sanitization of City Facilities; \$120,000 for an additional 16 hours of security at the Watkins St. garage; and \$72,000 for a temporary facility service worker for the Library.
- Water Fund (increase of \$130,250): Increase in bank processing fees due to remote payment options offered in response to COVID-19.
- Community Development Block Grant (CDBG) Fund (increase of \$121,000): \$75,000 for consultant services to evaluate the Hayward Affordable Housing Ordinance; \$20,000 for Legal Services related to CDBG home loans; \$16,000 for mailing expenses related to the Rent Review Program; \$10,000 for a preliminary safe parking study as part of Let’s House Hayward.
- Landscape & Lighting and Maintenance District Funds (increase of \$66,000): Increased costs related to a change to maintenance vendor; and increased water and electrical utilities needs.
- State Grants Fund (increase of \$53,000): Appropriation of \$40,000 in revenue received from the CalRecycle Beverage Container Recycling Grant; Appropriation of \$13,000 received from Waste Management of Alameda County; Appropriation of \$675 in FY 2020 recycling donation revenue.
- Recycled Water Fund (increase of \$25,000): Adjustment to budget to reflect updated debt service payment schedule issued by the State in December 2021.
- Used Oil Fund (increase of \$18,000): Appropriation of \$18,000 in revenue received from the CalRecycle Used Oil Grant for FY 2021.
- Hayward Trust & Agency Fund (increase of \$7,400): Appropriation of donations for use in the annual Martin Luther King Jr. Event.
- Donations Fund (increase of \$7,000): Appropriation of unspent Bookmobile Capital funding transferred from Fleet Management Capital Fund.
- Local Grant Fund (increase of \$5,000): Appropriation of revenue received from East Bay Energy Watch.

CAPITAL IMPROVEMENT FUNDS

Total adjustments for FY 2022 Capital Improvement Funds include FY 2021 carryforwards, previous Council approved appropriations, and mid-year requests. The FY 2022 Capital Improvement Budget adjustments total a net increase of \$132.4 million. Of this amount, FY 2021 carry forwards total \$126.3 million; and prior Council authorized, and approved appropriations total \$1.4 million. Proposed mid-year adjustments reflect an increase in projected expenditures in the amount of \$4.7 million. Table 5 provides detail of the proposed FY 2022 CIP mid-year changes.

TABLE 5: PROPOSED FY 2022 MID-YEAR CIP CHANGES

Mid-Year CIP Changes	FY 2022
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	Mid-Year Changes
Facilities Capital (Fund 726) - Structural repairs to Watkins and Cinema Place Garages, including ADA compliance repairs to damaged elevator.	\$200,000
Facilities Capital (Fund 726) - Reconfiguration and update to Fire Administrative Offices	\$246,762
Facilities Capital (Fund 726) - Urgent repairs to Hayward Police Department facilities	\$250,000
Fleet Management Capital Fund (Fund 736) - Transfer Out of unspent Bookmobile Wrap budget to Donations Fund	\$7,000
Fleet Management Capital Fund (Fund 736) - Replace damaged fire truck ladder originally scheduled for replacement in FY 2025.	\$650,000
Route 238 Corridor Improvement (Fund 410) - Administrative Cleanup: Transfer Out of Parcel Group 7 proceeds to Route 238 Settlement Administration Fund	\$3,390,000
Total Net Change	\$4,743,762

AMERICAN RESCUE PLAN ACT OF 2021 (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 expected twelve months later in May of 2022.

On July 13, 2021, Council approved a plan for use of the City’s ARPA \$38.3 million allocation and authorized the appropriation of \$18.9 million for FY 2022. The use 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 Homeless-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 cause by the public health emergency; replacement of lost public sector revenue; and investment in water, sewer, and broadband infrastructure. Projects will be carried out over FY 2022 and FY 2023, with the projects appropriated for FY 2022 representing some of the greatest needs including public health response upgrades to City facilities and assistance to affected small business and community members. Table 6 provides an overview of total expenditures and FY 2022 appropriations.

TABLE 6: ARPA EXPENDITURE PLAN OVERVIEW

Expenditure Category	Total Budget	FY 2022 Appropriation
A. Support public health expenditures, including capitalizing investments in public facilities to meet pandemic operational needs	\$6,940,000	\$3,240,000

Expenditure Category	Total Budget	FY 2022 Appropriation
B. Address negative economic impacts caused by the public health emergency	\$15,700,000	\$7,845,000
C. Replace lost public sector revenue	\$14,500,000	\$7,250,000
D. Invest in water, sewer, and broadband infrastructure	\$1,238,000	\$588,000
TOTAL ARPA EXPENDITURES	\$38,378,000	\$18,923,000

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 \$4.6 million, and an increase to General Fund expenditures of \$5.3 million (\$1.5 million in previously approved appropriations, \$2.5 million in carryforwards, and a net increase of \$1.3 million in newly requested adjustments). All Other Funds (including Measure C) proposed adjustments will result in an increase of \$22.7 million in newly requested expenditures; and Capital Improvement Funds will result in a proposed net increase in expenditures of \$4.7 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 approval by Council of the recommendations contain herein, staff will post the budget amendments per the approved resolutions. Staff will continue to refine the General Fund Long Range Model as part of the upcoming FY 2023 budget process.

Prepared by: Nicole Gonzales, Deputy Director of Finance
Rick Rivera, Management Analyst II

Recommended by: Dustin Claussen, Director of Finance

Approved by:



Kelly McAdoo, City Manager