CITYWIDE BUDGET OVERVIEW

CITYWIDE FINANCIALS

The City operating budget is comprised of a number of different funding sources.[1] The General Fund is the largest single fund and represents the revenue for which the City Council has the most discretion. The total proposed City expenditure budget for the FY 2017 is $286 million, with a General Fund budget of $149 million.

Table 1: City Expenditure Budget Summary – All Funds

in 1,000's	FY 2015 Adopted	FY 2016 Adopted	FY 2017 Proposed	$ Change	% Change
General Fund	133,304	140,422	149,187	8,765	6.2%
All Other Funds	119,646	138,913	136,911	(2,002)	-1.4%
Total City Budget	**252,950**	**279,335**	**286,099**	6,764	2.4%

The FY 2017 proposed budget reflects limited General Fund expenditure growth over the FY 2016 adopted budget (6.2%) and a 1.4% reduction in Other Funds, primarily attributed to the infusion of Measure C District Sales Tax funds. Total overall growth is a projected at 2.4% for all funds combined.

CITYWIDE STAFFING

The FY 2017 proposed budget reflects a limited number of staffing changes over FY 2016 resulting in a net increase of 3.2 Full Time Equivalents (FTE) to the General Fund and 7.4 FTE additions to other revenue funds. Staffing changes result in a 1.2% increase in overall labor resources.

The Staffing section of the budget document provides more details regarding specific department and fund staffing changes.

Table 2: Staffing Summary

FTE Summary	FY 2003	FY 2015	FY 2016	FY 2017 Proposed	# Change	% Change
General Fund	772.8	642.7	646.7	649.9	3.2	0.5%
All Other Funds	164.0	181.5	217.5	224.9	7.4	3.4%
Total City Positions	936.8	824.2	864.2	874.8	10.6	1.2%

[1] Other funds is comprised of all non-General Fund revenue sources with key funds including the City's enterprise funds (Water, Sewer, Airport, etc.), Internal Service Funds (Facilities, Fleet/Equipment, Technology).

CITYWIDE BUDGET OVERVIEW

GENERAL FUND DISCUSSION

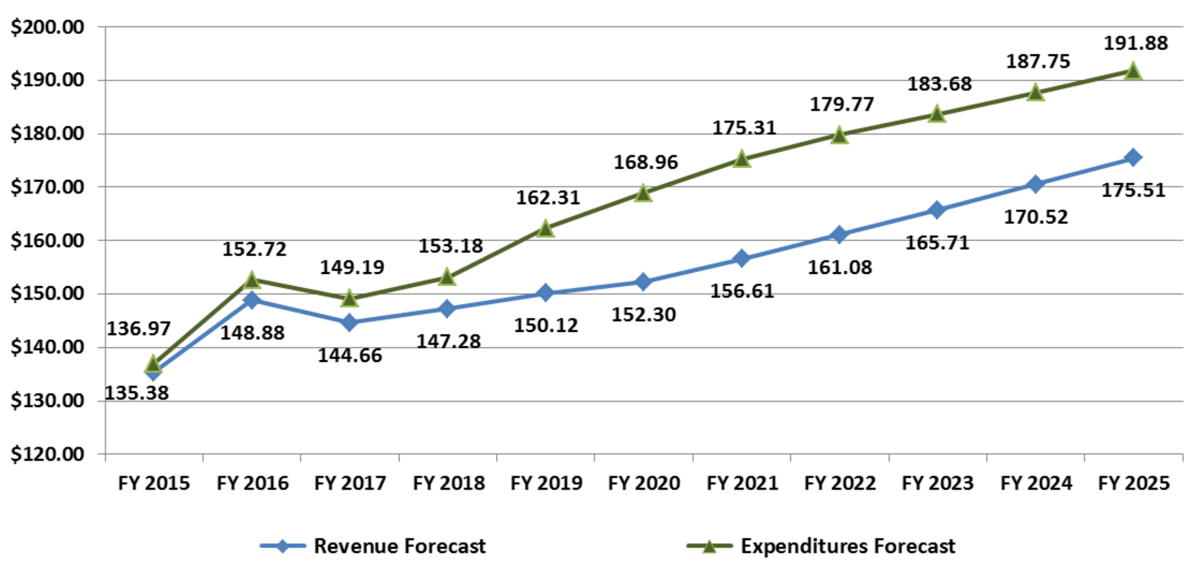
The General Fund represents over fifty percent of the City's total operating costs, and provides many important services such as police and fire services, street maintenance, code enforcement, library and learning services, and other community programs for the residents of Hayward.

The economic crisis that began in 2008 hit the General Fund the hardest of all of the City's funds. In 2011, the General Fund deficit was forecasted at $30 million – a reflection of the severe loss of revenue caused by the recession and the long-term chronic shortfall between revenues and expenditures.

Hayward's employees help close the gap. The City has achieved enormous success in reducing this structural gap through recurring expenditure reductions – in large part through the efforts of City employees to share in the cost of their employee benefits and forgo wage increases for five years. All employee groups were asked to consider wage and benefit concessions of 17% to be achieved by FY 2015, or as otherwise agreed upon. To date, all groups have achieved 12%–17% in overall structural savings, allowing the City to avoid significant service reductions and to preserve services and jobs.

The FY 2017 proposed budget shows a structural deficit of $4.5 million re-appearing. The adopted FY 2016 budget was balanced without the forecasted use of General Fund Reserves. This structural gap continues through FY 2018 and is projected to widen in future fiscal years unless consistently and permanently addressed.

Table 3: General Fund 10-Year Gap Forecast



Key assumptions to help reduce projected FY 2017 deficit

- Increased revenue projections that reflect improved economic conditions
- Increased assumed salary savings based on current vacancy levels
- Reduction in contributions toward funding OPEB unfunded liability

CITYWIDE BUDGET OVERVIEW

Basic General Fund Ten-Year Plan Assumptions

The General Fund Ten-Year Plan (Plan) is a dynamic planning tool to assist City Council and staff in managing and projecting the City's current and future fiscal status. Staff considers a variety of assumptions in constructing and updating the Plan; these variables can easily influence the fiscal forecast. *For example*, the Plan represented in Table 3 reflects the assumption that the voters will re-approve the City's Utility Users Tax by 2018. If this does not occur, the General Fund is projected to lose about $16.5 million in annual revenues – dramatically escalating the projected deficits.

The General Fund section of the budget document contains a detailed General Fund Ten-Year Plan. Critical Cost Drivers impacting FY 2017 and beyond include:

- Escalating CalPERS retirement and medical rates
- Funding Retiree Medical benefits
- Critical resource additions
- Capital costs: vehicle replacement, information technology, streets maintenance

General Fund Reserve

The Reserve is made up of funds intended for emergency needs (such as a catastrophic natural or financial disaster). It also provides some 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% of total General Fund expenditures.

While FY 2016 assumed no use of the Reserve Fund when the budget was adopted, the Ten-Year Plan now assumes the need to use about $3.8 million of the Reserve in FY 2016. (The actual use of the Reserve could change depending on actual year-end results.) Based on the Ten-Year Plan projections and another planned use of the Reserve of $4.5 million, the estimated FY 2017 ending General Fund Reserve (cash) is approximately $15.5 million, resulting in a projected Reserve level of 10% - far below Council policy.

It is Council's intent to replenish the General Fund Reserve when it dips below the 20% threshold as one-time funds are available. Council has been wise in past uses of reserves, and staff has made every effort to maintain those reserve levels as close to Council policy as possible.

KEY FY 2017 BUDGET CHANGES

The following General Fund analysis provides a comparison of the FY 2017 Proposed Budget to the immediate previous years. FY 2016 "projected" is based on what staff knows currently about how this fiscal year will end; the actual ending balance may be different when the year is closed.

CITYWIDE BUDGET OVERVIEW

General Fund Revenues

General Fund revenue projections reflect improvements to several key revenues, refined further from the projections presented this past March during the FY 2016 mid-year review. Overall, staff is proposing to increase FY 2017 revenues over FY 2016 Adopted by about $4.2 million or 3%. Each revenue category varies in its change over the prior year, with some revenues seeing declines and others experiencing increases

Table 4: FY 2017 General Fund Revenues

		A	B	C	D	E	F
	(in the 1,000's)	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Projected	FY 2017 Proposed	Change $ (D-B)	Change % (D/B-1)
	Revenue						
1	Property Tax - recurring	39,637	42,021	42,455	44,405	2,384	5.7%
2	RPTTF Pass-Thru & Annual	1,866	1,500	1,500	1,600	100	6.7%
3	Property Tax - one-time	625	-	-	-	-	0.0%
4	Property Tax Total	42,128	43,521	43,955	46,005	2,484	5.7%
5	Sales Tax	31,058	34,064	33,274	32,600	(1,464)	-4.3%
6	UUT	15,681	16,411	16,461	16,543	132	0.8%
	UUT Prior Period Payment	-	-	6,033	-	-	0.0%
7	Franchise Fees	10,128	9,585	9,609	9,362	(223)	-2.3%
8	Property Transfer Tax	5,710	6,500	7,000	7,154	654	10.1%
9	Business License Tax	2,603	2,721	2,771	2,846	125	4.6%
10	Transient Occupancy Tax	2,033	1,996	1,996	2,036	40	2.0%
11	Emergency Facilities Tax	1,887	1,831	1,831	1,840	9	0.5%
12	Charges for Services	9,939	9,924	10,255	11,137	1,213	12.2%
13	Other Revenue	648	431	539	451	20	4.6%
14	Intergovernmental	7,856	7,262	8,131	8,038	776	10.7%
15	Fines and Forfeitures	2,413	1,767	1,822	2,014	247	14.0%
16	Interest and Rents	117	555	555	614	59	10.7%
17	**Total Revenue**	**132,201**	**136,567**	**144,230**	**140,640**	**4,073**	**3.0%**
18	Transfers in	3,177	3,855	4,655	4,025	170	4.4%
19	**Total Revenue/Resources**	**135,378**	**140,422**	**148,885**	**144,665**	**4,243**	**3.0%**

A summary of key revenue assumptions for FY 2016 follows. Please note that the General Fund section of the budget document contains further discussion and analysis of key General Fund revenue categories.

Property Tax – Property Tax is tied directly to assessed valuation and the decline of these revenues since 2009, coupled with California's tax controls, resulted in a slow recovery. However, Hayward is now experiencing the impacts of an improved economy and active real estate market. Actions taken by the County Assessor in FY 2013 – FY 2015, driven by improved market conditions and rising housing stock prices, increased overall assessed valuation related to the reassessment of property values (Proposition 8). This is a reversal of significant reductions in assessed value that occurred during FY 2010 – FY 2012 as a result of the Great Recession.

With the majority of the second installment of Property Tax revenues received in April 2016 by the City, and following a discussion with the County Assessor about projected FY 2017

CITYWIDE BUDGET OVERVIEW

valuations in early March, staff is proposing an increase to Property Tax revenue projections for FY 2017 totaling 5.7% over the adopted FY 2016 revenues. Future annual growth is projected at 4–5%.

Sales Tax – While Sales Tax revenues have rebounded from pre-recession lows, this revenue category has experienced some regression. Revenue projections for FY 2017 reflect a -4.3% contraction over FY 2016 Adopted. However, $1.2 million of this reduction is attributed to one-time "true-up" adjustments due to the end of the Triple Flip in FY 2016. Exclusion of this one-time revenue results in FY 2017 reduction of about 0.8 percent.

Aside from these factors the City has experienced sales tax erosion like many California municipalities. When adjusted for inflation, sales tax revenues are not keeping pace. There are many reasons for this, but the impact is such that sales tax is actually declining when viewed on a per capita basis. At a time when the City is experiencing higher costs in municipal government and a growing demand for services from the community, the City is actually collecting less sales tax per person than in the early years of the tax. However, considering some economic development improvements and a sustained level of receipts, staff assumes a steady economic growth of sales tax revenue of 3–4%in future years.

Real Property Transfer Tax – FY 2017 Transfer Tax revenues are projected at $7.2 million – of which $4.8 million are considered recurring baseline revenues pursuant to current Council policy. This is an increase over FY 2016 adopted revenues of 10%. This optimistic projection anticipates a couple of large commercial transactions to occur in FY 2017. It is difficult to project this volatile revenue; however, future annual growth is estimated at 6% in FY 2018 and 2% thereafter.

- *RPTT Volatility and Base Annual Revenues:* RPTT is volatile revenue – and is entirely connected to Hayward's real estate market conditions, both value and rate of churn. It is reasonable to assume that Hayward will receive an annual base of revenues due to normal property turnover. However, given the unpredictability of this revenue, it is also reasonable to assume that spikes to this revenue are one-time in nature. Meaning, revenues received in excess of an annual base, currently $4.8 million, are considered non-recurring and are to be used toward one-time expenses such as capital improvements and reductions of benefit liabilities. This prudent fiscal approach helps avoid the mistake of budgeting recurring costs against one-time spikes in revenue – thereby exacerbating the City's structural gap.

Franchise Fees – This revenue category is comprised of franchise fees assessed on utilities doing business within City limits (e.g., refuse, gas, electricity, cable, etc.) and is assessed as a percentage of gross receipts. While some categories show slight growth, overall franchise fees are experiencing a 2.3% decrease for FY 2017.

Charges for Services – This revenue category is comprised of a variety of fees for building related activities. Given current levels of activity, FY 2017 projects a 12.2% increase. Future years reflect lower annual growth of 2–3% as a means to smooth the impacts of a future recession and market slow-down.

Transfers In (from other funds): Gas Tax – The City uses State Gas Tax funds to partially fund streets maintenance. These funds are transferred from the Gas Tax fund into the General Fund each year. Unfortunately, the State has significantly lowered its Gas Tax allocation to cities in recent years – and projections for FY 2017 are no exception. FY 2017 revenues reflect a $496,000 reduction. This directly translates to an increased use of General Funds for these services.

CITYWIDE BUDGET OVERVIEW

General Fund Expenditures

Overall – the proposed FY 2017 expenditures have increased over the FY 2016 adopted budget by $8.8 million or 6.2%. There are several factors driving the expenditure growth, almost all due to escalating employee-related costs.

Table 5: FY 2017 General Fund Expenditures

(in the 1,000's)	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Projected	FY 2017 Proposed	Change $ (D-B)	Change % (D/B-1)
Expenditures						
Salary	63,732	68,097	69,567	71,715	3,618	5.3%
Overtime	6,973	6,000	7,235	5,530	(470)	-7.8%
Wages Subtotal	**70,705**	**74,097**	**76,802**	**77,245**	**3,148**	4.2%
Medical & Dental	10,197	12,596	12,723	13,021	425	3.4%
Retiree Medical (pay-go)	2,248	2,809	2,809	2,846	36	1.3%
Worker's Compensation	5,324	5,162	5,197	6,335	1,173	22.7%
Other Benefits	1,976	1,720	1,731	2,064	344	20.0%
Retirement (CalPERS)	18,008	21,308	21,240	23,897	2,589	12.1%
Benefits Subtotal	**37,753**	**43,596**	**43,700**	**48,163**	**4,567**	10.5%
Assumed Vacancy Savings	-	(2,282)	(2,700)	(2,860)	(579)	25.4%
Interdepartmental (ID) Charges	(3,723)	(5,037)	(5,019)	(4,778)	259	-5.1%
Unemployment Self Insurance	68	150	150	150	-	0.0%
OPEB Liability Contribution*	2,060	1,000	-	-	(1,000)	-100.0%
Net Staffing Expense	**106,863**	**111,524**	**112,934**	**117,919**	**6,395**	**5.7%**
Maintenance & Utilities	1,007	976	1,078	1,025	49	5.0%
Supplies & Services	9,554	6,811	9,411	6,940	129	1.9%
Internal Service Fees	11,553	13,336	13,336	14,413	1,077	8.1%
Minor Capital Outlay	33	19	33	25	6	31.6%
Debt Service*	3,302	3,445	3,572	3,572	127	3.7%
Liability Insurance*	2,385	2,338	3,838	2,889	551	23.6%
Economic Development Fund (from RPTTF	350	-	-	350	350	100.0%
Capital Funding*	1,925	1,973	2,480	2,054	81	4.1%
Non-Personnel Expenses Subtotal	**30,108**	**28,898**	**33,748**	**31,268**	**2,369**	8.2%
UUT Prior Period Payment Offset	-	-	6,033	-	-	0.0%
Total Expenditures	**136,971**	**140,422**	**152,715**	**149,187**	**8,764**	**6.2%**

**Transfers Out of General Fund Total*

Salary – FY 2017 includes the contracted Cost of Living Adjustment (COLA) for all bargaining groups. This was a critical necessity to keep our organization market-competitive and to respect the five years or more than our employees had weathered without any increase to base salary. FY 2017 includes all position changes approved by City Council as part of the FY 2016 mid-year review and the proposed FY 2017 changes – a total increase of 3.2 FTE to the General Fund.

Overtime – Projected FY 2017 Overtime is $5.53 million – which is 7.8% less than budgeted in FY 2016. However, planned staffing changes in the Fire Department will reduce overtime usage in FY 2017. Much of the General Fund overtime use is in the Police and Fire Departments and is necessary for mandatory staffing levels. Given the number of vacancies that remain in the Police Department, staff anticipates a continued high use of overtime until positions are filled.

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Retiree Medical (pay-go) – Payments to active retirees for retiree medical benefits are paid monthly by the City. FY 2017 anticipates an increase based on the current payment levels and number of retirees.

Medical & Dental Benefits – Medical benefit rates are anticipated to increase by 3.4% over 2016 rates (effective January 2017 and prorated accordingly). The budgeted increase of 6% reflects the anticipated rate growth based on current medical plan selections. Increases to dental benefits are assumed at 2% each year.

CalPERS Retirement Rates – Retirement rates increase significantly in FY 2017 – with total costs increasing 12.1%. The FY 2017 rates increase over prior year levels by 1.92% to as much as 4.8% of payroll, depending on plan. Over the last several years, the CalPERS Board of Administration has considered and adopted several rate methodology changes that directly impact the retirement rates that cities pay (employer contribution rates). Each of these changes is effective in different fiscal years, with varying phase-in schedules. While these changes significantly increase our current retirement costs, they are intended to stabilize the CalPERS plans for long-term sustainability and should have been implemented long ago in the CalPERS system.

The cost of the retirement plans is broken into Employee Contribution rates (fixed) and Employer Contribution rates (variable). Both rates are a percent of payroll. The Employee Contribution is fixed and is based on the pension plan formula (generally 9% for public safety plans and 7% or 8% for miscellaneous plans). The Public Employees' Pension Reform Act of 2013 (PEPRA) introduced new benefit formulas effective January 1, 2013 that affect new employees to the City that have not previously been part of the CalPERS system. While there is little immediate financial benefit to the City with this "two-tiered" system, the long-term benefit of lower retiree costs is anticipated to be significant.

Most employee groups contribute beyond the Employee Contribution portion and pay a portion of the Employer Contribution: 6% for sworn police and fire personnel, 1% for all non-sworn personnel (with a multi-year phased-in increase to 3%). The Employer rates displayed in Table 6 represent the full Employer cost as assessed by CalPERS, and do not reflect these cost-sharing agreements, as these agreements do not affect the overall cost of CalPERS, only who pays what share.

Table 6 – CalPERS Rates

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Miscellaneous								
CalPERS 10/2015 Valuation	22.1%	24.47%	26.39%	28.10%	29.80%	31.40%	32.00%	32.50%
Change over prior year	**2.36%**	**2.41%**	**1.92%**	**1.71%**	**1.70%**	**1.60%**	**0.60%**	**0.50%**
Police								
CalPERS 10/2015 Valuation	39.80%	42.40%	47.22%	50.08%	54.50%	58.10%	59.00%	59.70%
Change over prior year	**4.61%**	**2.60%**	**4.82%**	**2.86%**	**4.42%**	**3.60%**	**0.90%**	**0.70%**
Fire								
CalPERS 10/2015 Valuation	37.15%	40.40%	43.12%	46.10%	49.10%	52.10%	52.80%	53.70%
Change over prior year	**3.75%**	**3.25%**	**2.73%**	**2.98%**	**3.00%**	**3.00%**	**0.70%**	**0.90%**

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Vacancy Savings – Vacancy savings are assumed based on normal attrition and known staffing vacancies. Projected FY 2017 vacancy savings are $2.86 million in the General Fund and assume savings primarily attributed to police and fire staffing. As departments achieve full staffing (particularly the Police Department) this assumed savings will be reduced.

Retiree Medical Unfunded Liabilities – City Council policy is to pre-fund the City's benefit liabilities to the greatest extent possible within existing operating resources. FY 2017 assumes no contribution toward the City's Other Post-Employment Benefits (OPEB) Retiree Medical unfunded liability. The City plans to phase in the funding of the total Annual Required Contribution (ARC) for its OPEB liability – reaching this minimum annual funding level by FY 2022. Should the City have available resources to increase the FY 2017 funding level toward the OPEB liability, Council can consider increasing this allocation and accelerating this funding goal.

Internal Service Fees – The Fleet and Technology Internal Service Funds (ISF) have experienced general cost increases and grow by $1.08 million or 8.1% over FY 2016. The Facilities ISF reflects a rate increase of 3% for FY 2017 as reached from the outcome of a facilities management plan.

Prior budgets allocated a General Fund transfer to the Fleet Capital Fund for the purchase of vehicles as included in the Capital Funding allocation. Beginning in FY 2015, the Fleet ISF includes the appropriate costs within the respective department budgets (e.g., Police, Fire, Maintenance, etc.) to accurately reflect the true cost of department operations. FY 2017 budget reflects no Fleet Capital Fund transfers or cost allocations to the General Fund and indicates a reduction in fuel charges of $102,500.

The Technology Internal Service Fund represents an increase of about $257,000 in FY 2017 for specific recurring technology costs that no longer include General Fund cost allocations, but do include:

- Munis and other program annual software maintenance
- 1 new FTE position charged to the fund
- Transfer of $614,000 to the Technology Capital Fund

Capital Funding

This category is fairly unchanged from FY 2016. FY 2017 includes $750,000 in one-time allocations for a variety of critical Information Technology projects:

- IT security assessment
- Server replacement/network server replacement
- Network infrastructure replacement
- Online permitting
- Council Chambers technology upgrade

Some of these projects will require funding in future years as well to complete; however, funding levels will be contingent on future budget processes. In addition, there are similarly critical technology needs that remain on the unfunded list, as can be seen in the Capital Improvement Plan budget for FY 2017.

CITYWIDE BUDGET OVERVIEW

Other Funds

The most significant changes in non-General Fund funds are related to the new Measure C Fund. The Enterprise & Other Funds section of the budget document provides multi-year forecasts and analyses for all of the City's key enterprise and internal service funds.

Measure C – During the June 3, 2014 municipal election, the voters of the City of Hayward passed a ballot measure (Measure C) to increase the City's Transaction and Use (Sales) Tax by half a percent for twenty years. This half cent increase became effective October 1, 2014, bringing Hayward's Sales and Use Tax rate to 10.0%. This is a general tax and is considered discretionary in nature. Staff estimates that the new sales tax will generate approximately $13.5 million annually in locally controlled revenue that can be allocated by the City Council and will remain in place for a period of twenty years.

The City Council, as well as the ballot language, established a number of spending priorities for these funds. These priorities include a mix of capital projects and funding allocations toward operating services. The Measure C revenues will be used to fund debt service for construction of the new Library and Community Learning Center, completion of fire station retrofits and improvements, and rehabilitation and expansion of the City's existing fire training center. Of the $13.5 million in annual revenue, staff estimates annual debt service payments for the above defined projects will total approximately $5 - $6 million annually. The remaining funds are to be allocated among police services, maintenance services, and street repairs.

Staff presented recommendations for the use of the Measure C funds to both the Council Budget & Finance Committee and the City Council in November and December 2014[2]. Consistent with those discussions, staff is including assumed revenues and expenditures for Measure C as part of the FY 2017 budget.

- *Revenue:* The City began receiving allocations of the Measure C Transaction and Use (sales) Tax effective January 1, 2015. Staff anticipates receiving approximately $13.5 million in revenues from Measure C for FY 2017. As previously approved by Council, staff established a new fund within the General Fund to allow for easy tracking of the revenues and expenses associated with Measure C (Fund 101).

- *Expenditures:* Given the timing of the design of the Measure C funded capital projects, FY 2017 is estimating expenses of $6 million for related staffing (police and maintenance) and estimated debt service.

UNFUNDED NEEDS & LIABILITIES

While the proposed FY 2017 Operating Budget reflects the basic operating needs of the City, as well as the inclusion of funding toward some benefit liabilities and capital needs, it does not reflect the full spectrum of need – as many of these needs are by necessity "unfunded." As can be seen in the discussion below regarding benefit liabilities, the City is not fully funding these obligations. However, the City Council spent time in FY 2016 reviewing its benefit liabilities and considering funding plans toward adequately funding the unfunded portions of these liabilities.

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Unfunded Capital Needs

The FY 2017 Capital Improvement Program reflects “Identified Capital Needs” totaling almost $453 million for which funding is undetermined. In accord with Council policy, as one-time funding becomes available, Council will allocate funds toward these unfunded CIP needs.

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. In today’s economic climate, it is critical that the City continue to manage its benefit liabilities to ensure long-term fiscal stability and the continuance of these valuable benefits to City employees. Actuarial valuations identify the Annual Required Contribution (ARC) an agency should make toward the funding of the benefit. This is essentially the minimum funding amount that should be responsibly made by any organization. The ARC 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 costs (the Unfunded Actuarial Liability or UAL).

As bond rating agencies review the City’s debt, they actively consider the level of the City’s unfunded benefit liabilities and the economic pressure these place on the City. Failure to meet the minimum recommended funding levels or to implement a plan to achieve full funding of the ARC and/or a long-term plan to pay down the future liabilities could have a negative impact on future bond ratings – with a possible resultant increase in the cost of borrowing should the City seek to incur new debt.

Table 7 provides a summary of the City’s benefit liabilities and current levels of funding. Each of these benefit liabilities is unique in its structure and the degree of funding varies depending on the benefit.

Table 7: Summary of Benefit Liabilities

(in millions)	Actuarial Valuation Date	Accrued Liability	Value of Assets	Funded Ratio	Unfunded Liability (1)	Unfunded Ratio
CalPERS Police Safety Plan	6/30/2014	$ 320.42	$ 215.85	67.4%	$ 104.56	32.6%
CalPERS Fire Safety Plan	6/30/2014	$ 245.01	$ 174.18	71.1%	$ 70.83	28.9%
CalPERS Miscellaneous Plan	6/30/2014	$ 386.83	$ 280.14	72.4%	$ 106.69	27.6%
Total CalPERS		**$ 952.25**	**$ 670.17**	**70.4%**	**$ 282.08**	**29.6%**
OPEB - Retiree Medical Police Office	6/30/2013	$ 43.37	$ -	0.0%	$ 43.37	100.0%
OPEB - Retiree Medical Firefighters	6/30/2013	$ 12.82	$ 0.76	6.0%	$ 12.06	94.0%
OPEB - Retiree Medical Miscellaneou	6/30/2013	$ 19.60	$ 0.08	0.4%	$ 19.53	99.6%
Total OPEB-Retiree Medical (1)		**$ 75.80**	**$ 0.84**	**1.1%**	**$ 74.96**	**98.9%**
Workers' Compensation	6/30/2015	$ 18.37	$ 9.65	52.5%	$ 8.72	47.5%
Accrued Leave Payouts (2)	6/30/2015	$ 7.10	$ -	0.0%	$ 7.10	100.0%
Total		**$ 1,053.52**	**$ 680.66**	**64.6%**	**$ 372.87**	**35.4%**

(1) Updated OPEB actuarial valuation in progress
(2) Accrued Leave Payouts - no actuarial valuation

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Retirement Annual cost (annual cost: $23.9 million) – The City is fully meeting its annual required contribution (ARC) amounts based on the CalPERS premium rates. Given the new CalPERS "smoothing" methodology, the long-term intent is to fund the City's liability over the 30-year amortization period. See Attachment I for further discussion regarding funding policies. However, while recent changes adopted by the CalPERS Board will increase Hayward's Employer rates, the changes will improve the plan's funding status over the next thirty years.

Workers' Compensation (annual Cost: $6.3 million) – Pursuant to the current actuarial valuation conducted for the program, a funding status of 70 – 85% is recommended. Table 7 shows that the City is currently at about a 52.5% funding level. Staff recommended funding at the 80% level and beginning in FY 2013, implemented a plan to build the fund balance toward achieving this funding level over the next four years. Workers' Compensation rates charged against live payroll include a component of cost (about $1.5 million/year) toward unfunded liability. Once the 80% funding level is reached (about $9 million in fund balance reserved for future liability) – the Workers' Compensation rates will be adjusted downward.

*Retiree Medical – O*PEB (annual cost: $2.85 million "pay go") – The estimated actuarial calculation of the City's ARC is $7.9 million ($2.85 million "pay go" and $5 million toward future unfunded liability). The City is not funding the full ARC due to its budget pressures – but is fully funding the annual $2.85 million "pay go" portion for active retirees. Effective FY 2014, the City began contributing toward the unfunded liability based on available resources and phases in the cost of fully funding the ARC by FY 2022.

Accrued Leave Payouts (annual Cost: varies) – Staff has taken strong action to lower this liability during the past two years by managing employees to approved vacation caps. This has helped to prevent large accrued leave payouts to retiring or terminating employees. The total liability has reduced from the FY 2013 balance of $8.6 million to the FY 2015 balance of $7.1 million – a 17% reduction in liability. However, while progress has been made in this area, it has been a challenge to get all employees below the cap due to staffing shortages compounded by increasing workload.