



DATE: May 19, 2020

TO: Mayor and City Council

FROM: Assistant City Manager/Interim Human Resources Director

SUBJECT: Adopt Resolutions Amending the Employment Agreement Between the City Manager and the City of Hayward to Eliminate the City Manager's July 2020 Scheduled 2% Cost of Living Adjustment and Authorizing the Mayor to Execute the Agreement and Reducing the Mayor and City Council's Salary by 2% and the Mayor and Council's Travel and Miscellaneous Budget by 50% for Fiscal Year 2021

RECOMMENDATION

That Council adopts a Resolution (Attachment II) authorizing a single amendment to the employment agreement between the City of Hayward and the City Manager, Kelly McAdoo, to eliminate the City Manager's July 2020 scheduled 2% Cost of Living Adjustment (COLA) and authorizing the Mayor to execute the agreement on behalf of the City Council, and that Council adopts a resolution (Attachment III) reducing the Mayor and Council's salary by 2% and the City Council's travel and miscellaneous budget by 50% for Fiscal Year 2021.

SUMMARY

If the attached Resolutions are approved, the City Manager's five-year contract will be amended to reflect the elimination of a 2% COLA scheduled for July 1, 2020. Furthermore, the Mayor and Council's salary will be reduced by 2% and the Council's travel and miscellaneous budget will be reduced by 50% for Fiscal Year 2021.

BACKGROUND AND DISCUSSION

In response to the COVID-19 pandemic and the rapid spread of the disease, on March 16, 2020, the Health Officer of the County of Alameda, along with the Health Officers of Contra Costa, Marin, Santa Clara, San Mateo, and Santa Cruz counties, issued an Order for the public to shelter-in-place of residence, limiting the public's ability to leave their homes except to perform essential work and obtain essential services. The County has extended this order, which is currently in effect through May 31, 2020. On March 19, 2020, Governor Newsom also issued a state-wide Order to shelter-in-place of residence, followed by state

guidance on a phased reopening of businesses if certain quantifiable indicators are met to demonstrate progress in the battle to quell the spread of the virus.

As a result of these Shelter in Place Orders and the closure of all but non-essential businesses and services, City revenues have been severely impacted. Based on updated revenue projections, by the close of Fiscal Year 2020, the revenue decline resulting from COVID-19 is projected to require the use of approximately \$17 million of the City's \$36 million General Fund operating reserve (or savings account).

As a result, the City has implemented a number of cost saving measures. First, a vast majority of temporary staff were released from their positions. Second, City-wide non-emergency expenses have been limited to \$250,000 per month (previously averaged around \$750,000 per month) for the entire organization, with the Director of Finance and the City Manager closely reviewing all City expenditures. Third, the City Manager and Executive team have agreed to forego the value of their cost-of-living (COLA) increases scheduled for July 1, 2020, either by forgoing the COLA itself or agreeing to an 80 hour furlough obligation in Fiscal Year 2021. The City Council has asked all bargaining groups in the City to forego the value of their cost-of-living (COLA) increases scheduled for July 1, 2020, either by forgoing the COLA itself or agreeing to an 80 hour furlough obligation in Fiscal Year 2021. The City Manager, Finance Director, HR Director, and City negotiating team have been negotiating with all bargaining groups to try to implement cost savings that can be implemented as part of the FY2021 budget. Cost savings contributed by bargaining groups are critical to the City's fiscal health as labor costs make up approximately 85% of the General Fund budget and these labor cost savings help avoid layoffs and reductions in services to the community. Currently, the City has not laid off any permanent City employees and has paid full salary and benefits to all employees during the shelter-in-place order time period.

Earlier this evening on the consent calendar, the Council considered a sideletter agreement with Hayward Firefighters Local 1909 that would eliminate the July 1, 2020 2% salary adjustment. This report asks the Council to take similar actions with respect to the City Manager's employment agreement and the Council salary and other Council expenses. To assist with improving the cash flow projection, the City Manager volunteered to forego the July 1, 2020 scheduled 2% COLA currently provided for in her employment agreement. Additionally, the City Council volunteered to reduce their salary by 2% and reduce the travel and miscellaneous budget by 50% for FY 2021. City Councilmembers do not receive annual cost of living salary adjustments so a salary reduction is the only way to achieve similar cost savings.

FISCAL IMPACT

The savings from the City Manager foregoing the 2% COLA is approximately \$6,506. The approximate savings from the City Council reducing their salary by 2% and their travel and miscellaneous budget to 50% for Fiscal Year 2021 is approximately \$11,800.

These two actions will save a total \$18,306 in the General Fund in FY 2021.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to the City Council's Strategic Roadmap.

NEXT STEPS

If Council approves these actions, staff will work to implement the employment agreement amendment and adjust the FY 2021 budget to reflect these changes.

Prepared by: Anthony Phillip, Human Resources Analyst

Recommended by: Maria A. Hurtado, Assistant City Manager/Interim Director of Human Resources

Approved by:



Kelly McAdoo, City Manager