



DATE: May 13, 2025

TO: Mayor and City Council

FROM: Interim Director of Finance

SUBJECT: City Council Budget Work Session: Review Proposed Fiscal Year 2025-26 Operating Budget

RECOMMENDATION

That the City Council reviews and provides feedback to staff on the proposed FY 2025-26 Operating Budget.

SUMMARY

The proposed FY 2025-26 Operating Budget City Council Work Session will provide an overview of the City's recommended budget, facilitate discussion on specific items of interest by the City Council, and offer an opportunity for public input in advance of the scheduled budget adoption on June 3, 2025. This is a Work Session intended to receive City Council feedback on the proposed budget only and as such no City Council action will be taken.

BACKGROUND

The development of the FY 2025–26 Operating Budget began in January 2025. Over the past several months, Finance staff worked collaboratively with all City departments to review and refine departmental budget proposals prior to submission to the City Manager. The proposed FY 2025–26 Operating Budget was distributed to the City Council on May 1, 2025, in advance of the scheduled City Council Work Session on May 13, 2025.

The Operating Budget is supported by various funding sources, with the General Fund serving as the largest and most flexible fund under City Council discretion. The total proposed City expenditure budget for FY 2025–26 is \$469 million, including a General Fund budget of \$232.3 million.

DISCUSSION

The proposed FY 2025–26 Operating Budget was distributed to the City Council on May 1, 2025, in advance of the scheduled budget work session on May 13, 2025. During the work session, the City Council will receive an overview of the City's recommended budget providing

an opportunity to ask questions, offer feedback, and discuss specific elements of each departmental budget.

During the planning for the annual budget cycle this year, staff has recognized that the City will need to continuously monitor and potentially update proposed revenue and expenditure projections. With that in mind, staff is recommending a Fall Revision process to address any required changes or updates that will be necessary prior to the annual Mid-Year process.

The FY 2025–26 Proposed Operating Budget reflects projected General Fund revenues of \$219.7 million and proposed General Fund expenditures of \$232.3 million, resulting in a projected General Fund deficit of approximately \$12.6 million. The City continues to anticipate structural budget gaps in future fiscal years, driven by rising operational costs and constrained revenue growth.

General Fund revenues are projected to increase by a modest \$3.5 million dollars or 1.5 percent over FY 2024-25 Adopted Budget. This is primarily attributable to slower growth in property taxes and stagnation in property sales and sales tax. Growth in General Fund expenditures is outpacing revenue projections with an increase of 14.2 million dollars or 6.5 percent over FY 2024-25 Adopted Budget. The increased expenses are a result of increases in personnel-related expenses, primarily salaries, pensions and benefits.

The tables below provide a summary of the proposed FY 2025–26 Operating Budget revenue and expenditure projections as presented to the City Council on May 1, 2025.

Table 1 – Citywide Expenditure Budget

<i>in 1,000's</i>	FY 2024-25 Adopted	FY 2025-26 Proposed 5/1/25	\$ Change from FY 2024-25	% Change from FY 2024-25
General Fund	\$ 218,168	\$ 232,304	\$ 14,136	6.5%
All Other Funds	\$ 199,059	\$ 236,772	\$ 37,713	18.9%
Total City Budget	\$ 417,228	\$ 469,076	\$ 51,849	12.4%

Table 2 – Citywide Revenue Projections

<i>in 1,000's</i>	FY 2024-25 Adopted	FY 2025-26 Proposed 5/1/25	\$ Change from FY 2024-25	% Change from FY 2024-25
General Fund	\$ 216,360	\$ 219,714	\$ 3,354	1.6%
All Other Funds	\$ 198,526	\$ 208,906	\$ 10,380	5.2%
Total City Budget	\$ 414,885	\$ 428,620	\$ 13,734	3.3%

Due to the projected budget deficit demonstrated in the Proposed FY 2025-26 Operating Budget staff is recommending a no growth in staffing levels. Current total City staffing remains

at 956.30 employees with 700.9 being funded by General Fund. Table 3 provides an overview of those proposed changes as presented to the City Council.

Table 3 - Citywide Staffing

	FY 2024-25 Adopted	FY 2025-26 Proposed 5/1/25	# Change from FY 2024-25	% Change from FY 2024-25
General Fund	700.90	700.90	0.00	0.0%
All Other Funds	255.40	255.40	0.00	0.0%
Total City Budget	956.30	956.30	0.00	0.0%

Capital Improvement Program (CIP) FY 2026-27 – FY 2035-36

The CIP budget work session was held at a regular public meeting of the City Council on May 6, 2025.

FISCAL IMPACT

The fiscal impacts of the information presented are dependent on the direction of the City Council. Changes resulting from City Council's direction will be included in the FY 2025-26 Operating Budget presented for the public hearing and adoption at the regularly scheduled City Council meeting on June 3, 2025.

STRATEGIC ROADMAP

The City Council held a special meeting to conduct a Work Session on FY 2025-26 Strategic Planning Process on March 08, 2025, to align with the budget planning process. At this meeting, key operational priorities were spotlighted by all Department Directors to frame the upcoming operational year.

A second Strategic Planning Work Session took place on April 15, 2025 to identify and prioritize proposed projects. It is anticipated that the final review of the FY 2025-26 Road Map will take place at the May 27, 2025 City Council meeting. The adoption of the Strategic Road Map will take place at the same meeting of the budget adoption in the month of June.

Also, the proposed FY 2025-26 operating budget does include funding of the Strategic Road Map project - HEART Pilot Program with limited term positions and suspending of its Mobile Integrated Health Unit (MIHU).

PUBLIC CONTACT

The FY 2025-26 Operating Budget has been discussed at the monthly City Council Budget and Finance Committee starting in January 2025 through April 2025. Public notices will be published in The Daily Review on May 23 and May 30 announcing the date, time, location, and subject matter of this public hearing. A notice advising residents about the Planning Commission's public hearing on the CIP will be published in The Daily Review newspaper more than the requisite ten days in advance.

The Proposed FY 2025-26 Operating Budget is currently available to the public by contacting the City Clerk's Office at cityclerk@hayward-ca.gov or (510) 583-4400, and on the City's website at: <https://hayward-ca.gov/your-government/documents/budget-documents>

The FY 2025-26 Capital Improvement Program Budget is currently available to the public by contacting the City Clerk's Office at cityclerk@hayward-ca.gov or (510) 583-4400, and on the City's website at: <https://www.hayward-ca.gov/your-government/documents/capital-improvement-program>

NEXT STEPS

Once the City Council has reviewed and offered feedback on the recommended Operating Budget, the appropriate updates will be made. The proposed FY 2025-26 Operating Budget and Capital Improvement Program budgets will be presented to the City Council for consideration at a public hearing and adoption on June 3, 2025.

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Approved by:



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