



DATE: February 25, 2025

TO: City Council

FROM: Assistant City Manager

SUBJECT: FY 24-25 Mid-Year Budget Review: Adopt a Resolution Approving the FY 24-25 Mid-Year Budget Amendments and Receive and Review the Five-Year General Fund Financial Model Update

RECOMMENDATION

That the City Council 1) reviews the FY 24-25 Mid-Year budget; 2) adopts a resolution providing amendments to the previously adopted City of Hayward FY 24-25 Operating Budget (Attachment II); and 3) adopts a resolution providing amendments to the previously adopted City of Hayward FY 24-25 Capital Improvement Program Budget (Attachment III).

SUMMARY

This report presents the mid-year review of the FY 24-25 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 24-25 mid-year expenditures net a total increase of \$1.56 million in General Fund expenses. **Table 1** details the key changes in General Fund expenditure related to previous City Council authorized and approved appropriations and carryforwards and **Table 2** details proposed new FY 24-25 mid-year requests:

TABLE 1: PREVIOUS CITY COUNCIL AUTHORIZED AND APPROVED GENERAL FUND APPROPRIATIONS & CARRYFORWARDS

Previous Council Approved Appropriations & Carryforwards		FY 24-25 Impact (\$)
Appropriations		\$1,185,183
Carryforwards		\$3,640,787
Previous Council Approved Appropriations Subtotal		\$4,825,970

TABLE 2: PROPOSED NEW FY 2024-25 GENERAL FUND MID-YEAR REQUESTS

Mid-Year Request (NEW)	FY 24-25 Impact (\$)
Retired Annuitant for District-based election development	\$14,470
Personnel Expenses	\$14,470
Print cost and notices for the transition to District-based elections and the 2024 Presidential Election	\$50,001
Consulting services for the transition to District-based election	\$54,985
Registrar of Voter's invoice for the 2024 Presidential Election	\$331,487
Reduction of Cost Allocation from Special Revenue to the General Fund	\$167,575
Additional consulting services inspection fees and plan check for services	\$500,000
Vehicle procurement for new Development Services staff	\$46,000
Repair and replace a ladder on a ladder truck through Seagrave	\$400,000
Non-Personnel Expenses	\$1,550,048
Mid-Year Requests (NEW) Subtotal	\$1,564,518
TOTAL GENERAL FUND EXPENSES	\$1,564,518

General Fund revenues are expected to exceed the originally projected FY 24-25 amount by \$10.4 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 24-25 IMPACT (\$)
Projected increase in Property Tax	\$1,250,000
Projected increase in Sales Tax	1,796,000
Projected increase in Utility User Tax	3,000,000
Projected increase in Franchise Fees	1,156,000
Projected decrease in Real Estate Property Transfer Tax	(2,000,000)
Projected increase in Business License Tax	300,000
Projected increase in Rental Inspection Income	325,000
Projected increase in Other Revenue	570,000
One-time allocation from unallocated ARPA funds (shown as transfer in)	4,018,911
TOTAL GENERAL FUND REVENUES	\$10,415,911

If mid-year requests are approved as proposed, in addition to the revised revenue totals for FY 24-25, the revised budget would result in an increase of approximately \$67,000 of projected General Fund Reserves for FY 24-25.

This report provides an overall update to the City's Five-Year General Fund outlook which includes the revised use of General Fund reserves.

BACKGROUND

On June 4, 2024¹, City Council adopted the FY 24-25 Operating Budget, which projected a reluctant use of General Fund Reserves of \$1.8 million to balance the budget, reducing the City's General Fund reserve balance percentage to 12.7%. Since the time of the FY 24-25 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 and proposed new mid-year requests, the proposed FY 24-25 Revised Budget will result in an increase of \$67,000 in projected General Fund Reserves, with an estimated General Fund reserve balance percentage of 18.6%.

This report includes an update to the Five-Year General Fund Financial Model as part of the FY 24-25 mid-year review, reflecting the proposed changes in revenue projections and expenditure adjustments.

DISCUSSION

As mentioned above, at the time of adoption the City Council approved a budget that used \$1.8 million of General Fund reserves to balance. After the time of adoption, the City Council ratified successor agreements with many of its bargaining groups, which furthered the projected use of reserves by approximately \$9.1 million. During the mid-year process the City Manager received requests from departments for approximately \$2.6 million. If all of these requests were approved the City would need to use \$13.5 million in reserves to balance the budget.

Staff is not presenting a mid-year budget proposal that includes the use of \$13.5 million in reserves. In response the City Manager's Office and the Finance Department worked with the Departments to significantly reduce mid-year requests, resulting in additional proposed expenditures of approximately \$1.6 million.

Additionally, staff refined revenue projections in many categories to more accurately reflect expected revenues, resulting in a total adjustment of approximately \$10.4 million. The City Manager is also proposing to defer recruitments for the last quarter of the fiscal year and projects a savings from doing so of approximately \$3.4 million.

If the City Council supports these recommendations, rather than a significant draw on General Fund reserves, the adjustments are projected to result in a modest reserve increase of approximately \$67,000.

GENERAL FUND REVENUES

FY 24-25 General Fund revenues are projected to be \$10.4 million higher than originally projected. This is primarily attributed to projected increases in Property Tax, Utility Users Tax (UUT) revenues, one-time allocation from unallocated ARPA funds, and other revenues.

¹ Hayward City Council Meeting on June 4, 2024 - [CITY OF HAYWARD - File #: PH 24-024](#)

The following analysis highlights key revenue variances as it pertains to FY 24-25 mid-year projections and the impact on future year projections as outlined in the model.

Property Tax (increase of \$1.2 million) – The FY 24-25 Adopted Budget projected an increase of 3.5% 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.

Utility User Tax (increase of \$3 million) – The FY 24-25 Adopted Budget projected UUT at \$24.0 million. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$3 million in projected revenue through the end of the fiscal year.

Transfer-In from American Rescue Plan Act (ARPA) Fund (\$4 million) - The fund transfer will allocate one-time funds to the General Fund from the ARPA Fund for unallocated ARPA dollars.

Sales Tax (increase of \$1.7 million) – The FY 24-25 Adopted Budget projected Sales Tax at \$47.6 million. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$1.7 million in projected revenue through the end of the fiscal year.

Franchise Fees (increase of \$1.1 million) – The FY 24-25 Adopted Budget projected Franchise Fees at \$12.9 million. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$1.1 million in projected revenue through the end of the fiscal year.

Real Property Transfer Tax (decrease of \$2 million) – The FY 24-25 Adopted Budget projected Real Property Transfer Tax at \$17.6 million. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts a decrease of approximately \$2 million in projected revenue through the end of the fiscal year.

Other Taxes (increase of \$300,000) – The FY 24-25 Adopted Budget projected Other Taxes at \$5.2 million. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$300,000 in projected revenue through the end of the fiscal year.

Other Revenues (increase of \$570,000) – The FY 24-25 Adopted Budget projected Other Revenues at \$467,000. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$570,000 in projected revenue through the end of the fiscal year.

Interest & Rents (increase of \$325,000) – The FY 24-25 Adopted Budget projected Interest & Rents at \$650,000. Based on review and analysis of year-to-date revenue collected, the mid-year budget review forecasts an increase of approximately \$325,000 in projected revenue through the end of the fiscal year.

GENERAL FUND EXPENDITURES

FY 24-25 General Fund total adjustments include FY 23-24 carryforwards, previous City Council authorized and approved appropriations, and mid-year requests. FY 24-25 General Fund expenditures, including proposed mid-year requests and previous City Council authorized and approved appropriations are projected to be \$10.31 million higher than the FY 24-25 Adopted Budget. Of this amount, \$1.18 million is related to previously authorized and approved appropriations and \$9.13. Proposed FY 24-25 new mid-year expenditure requests total an increase of \$1.56 million.

The amounts shown below in **Table 4** demonstrate the General Fund impact of the changes being proposed as part of the City's FY 24-25 Mid-Year Budget Review, as well as previously approved appropriations authorized after City Council adopted the City's Operating Budget in June of 2024.

TABLE 4: SUMMARY OF PROPOSED GENERAL FUND CHANGES

<i>(in thousands)</i>	FY 24-25 Adopted	FY 24-25 Amended Budget	FY 24-25 Recommended Changes	FY 24-25 Mid-Year Revised
Revenue				
Property Tax	\$72,938	\$72,938	\$1,250	\$74,188
Sales Tax	\$47,619	\$47,619	\$1,796	\$49,415
Utility User Tax (UUT)	\$24,000	\$24,000	\$3,000	\$27,000
Franchise Fees	\$12,928	\$12,928	\$1,156	\$14,084
Real Property Transfer Tax	\$17,600	\$17,600	\$(2,000)	\$15,600
Transient Occupancy Tax	\$3,125	\$3,125	\$0	\$3,125
Cannabis Tax	\$1,100	\$1,100	\$0	\$1,100
Other Taxes	\$5,228	\$5,228	\$300	\$5,528
Charges for Services	\$15,049	\$15,049	\$0	\$15,049
Inter-Governmental	\$8,251	\$8,251	\$0	\$8,251
Fines & Forfeitures	\$2,723	\$2,723	\$0	\$2,723
Other Revenues	\$467	\$467	\$570	\$1,037
Interest & Rents	\$650	\$650	\$325	\$975
Transfer-In* (includes ARPA amount)	\$4,681	\$8,699*		\$8,669
Total Revenue	\$216,360	\$220,378	\$6,397	\$226,775
Operating Expenditures				
Salaries & Benefits	\$171,630	\$180,821	\$14	\$180,835
Non-Personnel	\$32,020	\$33,205	\$1,104	\$34,309
Transfers Out	\$14,518	\$14,518	\$446	\$14,964
Total Operating Expenditures	\$218,168	\$228,544	\$1,564	\$230,108
<i>Salary Savings from Hiring Deferrals</i>			\$(3,400)	\$226,708
<i>Encumbrances/carryforwards from FY 2023-24</i>		\$3,640		\$230,348

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 24-25. The FY 24-25 Adopted Budget projected a use of General Fund Reserves in the amount of \$1.8 million by the end of the fiscal year, with a projected ending balance of \$40.9 million. Based on the FY 24-25 Adopted Budget, the model projected that General Fund Reserves would represent 18.8% 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 City Council approved appropriations as discussed in this report. The updated model projects an increase of \$67,000 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 \$1.8 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.

Based on these changes, the General Fund Reserve balance is projected to be 18.6% of total expenses by the end of the fiscal year.

At a City Council work session held on February 4, 2025² staff presented City Council with an update to the General Fund Long Range Financial Model and discussed potential budget balancing strategies for FY 24-25 and future years. During the work session, staff reviewed several potential policy decisions that could impact the net fiscal position of the City. The scenarios included a combination of revenue generation strategies and cost reduction strategies, which clarified the City Council's priorities. The scenarios are not reflected in the mid-year model update. However, they will be considered in the development of the FY 2025-26 budget accordingly.

Also, staff will present an updated Five-Year General Fund Financial Model at the February 25, 2025 City Council meeting, which will provide an overview of the City's five-year forecast, with updated revenue projections and expenditures.

MEASURE C/K-1 FUND

Measure C/K-1 Operating

The City Council, as well as the ballot language for Measure C/K-1, established several spending priorities for these funds. These priorities include a mix of capital projects and funding allocations toward operating services. While Measure C/K-1 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/K-1.

² Hayward City Council Meeting on February 4, 2025 - [CITY OF HAYWARD - Meeting of City Council on 2/4/2025 at 5:30 PM](#)

FY 2024-25 Measure C/K-1 operating fund total adjustments include previously authorized and approved appropriations and mid-year requests. Proposed FY 2024-25 Measure C/K-1 expenditure related requests total an increase of \$4 million. The following details the additional request:

- Previously Approved Appropriation:
 - Transfer-out funds for Fire Station 6 and Fire Training Center Project (\$3.2 million)
- Proposed Mid-Year Requests:
 - Authorize a contribution to the County in Support of St. Rose Hospital in the amount of \$750,000, increasing the total contribution for FY 25 to \$1,000,000. St. Rose Hospital is an independent community hospital located in Hayward that has provided critical safety-net services to the residents of Hayward for over 50 years. Over time St. Rose Hospital has experienced financial difficulties for years due to a large proportion of the patients served are Medi-Cal and uninsured patients. Without significant changes it was believed that the hospital was at risk of closing its doors.

In March of 2024 the City committed to funding St. Rose Hospital of \$250,000 to support the continued delivery of vital health care services while hospital leadership worked on long term sustainable financial plan. Since that time St. Rose Hospital and Alameda Health Systems has agreed to transfer ownership of the hospital to Alameda Health Systems and on November 1, 2024, AHS and St. Rose Hospital entered into a Membership Issuance Agreement establishing AHS as the sole statutory member of St. Rose Hospital making St. Rose Hospital an affiliate of the broader Alameda Health System, operating as an independent, non-profit, community hospital with its own board of directors appointed by AHS.

Alameda Health Systems has asked the City for a commitment of \$1,000,000 a year for three consecutive fiscal years commencing in FY 24-25. This money would stay at St. Rose and will be used to assist as the Hospital works towards a sustainable future. It has been made clear by staff that, if supported by City Council, this would be a three-year commitment and the City does not intend to continue to provide significant financial support moving forward.

- Provide funding for temporary staff to continue work on City Council priorities of blight reduction (increase of \$90,000)

Measure C/K-1 Capital

While Measure C/K-1 funds operating programs and related expenses, Measure C/K-1 funds are primarily used to fund capital projects. FY 24-25 Measure C/K-1 capital total adjustments amount to \$14.7 million. Of this amount, the FY 23-24 carryforwards account for \$10.3 million, and \$3.2 million in previously approved appropriations for Fire Station 6 and Fire Training Center Project. FY 24-25 Mid-Year requests for Measure C/K-1 Capital are listed below:

- Proposed Mid-Year Request: Utilize fund balance to fully fund the Jackson Corridor Median Project (increase of \$150,000)

- Proposed Mid-Year Request: Transfer-out administrative cleanup. Add transfer-out applied to Transportation Improvement System Fund (Fund 460) instead of Measure C/K-1 Capital Fund (Fund 406) (increase of \$1.0 million)

OTHER FUNDS

Total adjustments for FY 24-25 Other Funds include FY 23-24 carryforwards, previous City Council approved appropriations, and mid-year requests. Expenditure increases in Other Funds total \$42.6 million. Of this total, FY 23-24 budget carryforwards total \$20.4 million; and appropriations previously approved by City Council total \$20 million. Increase in expenditure requests at mid-year amount to a net of \$2.2 million. Details of mid-year adjustments are as follows:

Proposed Mid-Year Requests (increase of \$2.2 million)

- Federal Grants Fund (net increase of \$5,326): Budget correction to match actual FY 24-25 HOME grant allocation
- Community Development Block Grant Fund (zero net increase): Increase CDBG revenue and expenses to align with actual Program Income received
- State Grant Fund (zero net increase): Appropriate received grant revenue of \$421,847
- Lighting & Landscape District 3 Fund (increase of \$65,000): Utilize fund balance for the capital replacement of the Fox Hollow Bus Stop
- Lighting & Landscape District 10 Fund (increase of \$10,000): Utilize fund balance to pay for water services through the end of FY 24-25
- Lighting & Landscape District 11 Fund (increase of \$153,000): Utilize fund balance to pay for water services and HOA invoices for FY 24-25
- Lighting & Landscape District 14 Fund (increase of \$36,000): Utilize fund balance to pay for water services through the end of FY 24-25
- Water Fund (increase of \$45,000): Utilize fund balance to pay for additional bank charges
- Sewer Fund (net decrease of \$408,000): Utilize fund balance to pay for additional bank charges and reduce expense budget line
- Airport Fund (increase of \$150,000): Utilize fund balance for additional security added to the Airport which is separate from the Maintenance Services Department security contract
- Recycled Water Fund (decrease of \$1,223,215): Administrative adjustment of expense budget and transfer-out that was not requested in FY 24-25
- Worker's Compensation Fund (increase of \$2 million): Utilize fund balance to increase budget for current expenditures. Funds were depleted to settle existing claims
- Facilities Management Fund (increase of \$782,164): Utilize fund balance for emergency plumbing repairs to the jail (\$9,007); bring Underground Storage Tanks into compliance for state inspection (\$40,212); plumbing upgrade for new occupant at Downtown Library Pocket café (\$8,075); generator maintenance, fuel polishing, and load-bank testing (\$42,070); replacement of motor and safety loops for the Utilities security gate (\$15,000); utilities for the remainder of FY 24-25 (\$617,800); and restore the security robot in the Watkins Parking Garage (\$50,000)
- Fleet Management Fund (increase of \$325,000): Utilize fund balance to increase fleet fuel budget and accident repairs through FY 24-25

CAPITAL IMPROVEMENT FUNDS

Total adjustments for FY 24-25 Capital Improvement Funds include FY 23-24 carryforwards, previous City Council approved appropriations, and mid-year requests. The FY 24-25 Capital Improvement Budget expenditures total a net increase of \$150.4 million. Of this amount, FY 23-24 carry forwards total \$150.1 million; and prior City Council authorized, and approved appropriations total \$867,376. Proposed mid-year adjustments reflect a net decrease in projected expenditure in the amount of \$584,779. **Table 6** provides details of the proposed FY 24-25 CIP mid-year changes.

TABLE 6: PROPOSED FY 2024-25 MID-YEAR CIP CHANGES

Mid-Year CIP Changes	FY 24-25 Mid-Year Changes
Transportation System Improvement (Fund 460) – Administrative clean-up to add budget line item missed during FY 24-25 budget adoption and SR2S-Cesar Chavez Middle School should be expensed from this fund instead of Measure BB (Fund 212)	(\$838,000)
Special Gas Tax (Fund 210) – Increase electricity budget for streetlight energy due to PG&E rate increase	\$350,000
Measure BB (Fund 212) - Administrative adjustment of expense budget for projects SR2S – Cesar Chavez Middle School and SR-92/Whitesell interchange. They should be expensed from Transportation System Improvement (Fund 460) and Street System Improvement (Fund 450) respectively	(\$602,000)
Street Systems Improvement (Fund 450) – SR-92/Whitesell interchange should be expensed from this fund instead of Measure BB (Fund 212)	\$440,000
Fleet Management Enterprise (Fund 736) – Repair and replace a ladder on a truck through Seagrave, appropriate received insurance check, and vehicle procurement for new Development Services staff (net zero)	\$0
Facilities Management Capital (Fund 726) – HPD-North Substation flooring replacement (\$30,900); City Hall Sensory Garden security gate (\$14,321); New office furniture for the new City Manager (\$20,000)	\$65,221
Total Net Change	(\$584,779)

STRATEGIC ROADMAP

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

FISCAL IMPACT

The overall fiscal impact of the proposed mid-year adjustments is an increase in General Fund revenue of \$10.4 million, and an increase to the General Fund expenditures of \$6.4 million. Of this amount, an increase of \$1.56 million is attributed to newly requested adjustments; with \$4.83 million attributed to carryforwards and previously approved appropriations. All Other Funds (including Measure C) proposed mid-year adjustments will result in a net increase of \$3 million in newly requested expenditures; and Capital Improvement Funds will result in a proposed net decrease in expenditures of \$0.5 million.

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 City Council of the recommendations contained herein, staff will post the budget amendments per the approved resolutions. Staff will continue to refine the Five-Year General Fund Financial Model as part of the upcoming FY 2025-2026 budget process

Prepared by: Nicholas Mullins, Senior Management Analyst

Recommended by: Dustin Claussen, Assistant City Manager

Approved by:

A handwritten signature in dark ink, appearing to read 'Dr. Alvarez', is positioned above a horizontal line.

Dr. Ana M. Alvarez, City Manager