



# **State of the Budget**

**FY 2025-26 Proposed Operating Budget**

**May 13, 2025 - Work Session**

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**City of Hayward**

Sharif Etman, MBA  
Interim Director of Finance

# Agenda

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- Finance Basics
- Current Financial Situation
- Projected Revenue and Expenses
- Deficit and Mitigation Strategies
- Next Steps



# Finance Basics

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- \$232 million General Fund City (\$469 million total)
  - Surplus = Revenue exceeds Expenses
  - Deficit = Expenses exceed Revenue
  - Reserves = Funds set aside for a specific purpose
  - Fund Balance = the leftover general fund \$\$ from year to year
  - Unassigned Fund Balance = Assigned by Council each year when available
  - Use of Reserves = Approved by City Council

# General Fund Reserve Policy



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City Council Policy for General Fund Reserves = 20% of Approved Operating Expense Budget

For Example: \$232 million Expense Budget

20% of \$232 million = \$46 million

Currently Hayward has \$31.6 million in available spendable GF reserves.

- 14% or 1.7 Months

\$10 million Non-Spendable for Theater and Watkins Garage

# Current Financial Situation

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- Current Fiscal Year projected to end in deficit
- One time fixes no longer available
- Structural deficit of \$12.6 million in General Fund for next fiscal year
- Expenses will continue to exceed Revenue
- Spendable Reserve Amount has been reduced by \$10 million

# FY 2025-26 Projected Revenue



\$219.7 million Projected Total General Fund

Net \$8.5 million less than current year

- \$2.5 million Increase in Property Tax (\$80.3 million total)
- \$4 million Less in Sales Tax (\$68.4 million total)
- \$4 million Loss in ARPA
- \$2 million Less in Real Property Transfer Tax (\$13.5 million total)
- Transient Occupancy Tax Adjustments (\$3.5 million)
- \$1 million other less revenue

# FY 2025-26 Projected Expenses



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\$232.3 million Total Projected General Fund Expenses

\$11.2 million increase in Salary and Benefits

- First full year of MOU and staff commitments
- Overtime for Fire reduced from \$7 million actuals to \$3.5 million budgeted
- Overall overtime reduced from \$15 million to \$11.5 million

# Strategies to Balance Budget



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ARPA funds

TOT Increase

Real Property  
Transfer Tax

1/2 cent sales tax

UUT Increase

Fund Transfers (Worker's Comp)

Reserves

Vacancy Savings

# Actions Taken by Departments

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- Department wide reductions of \$480K
  - City Manager: \$70K
  - City Attorney: \$15K
  - City Clerk: \$14K
  - Finance: \$116K
  - Human Resources: \$150K
  - Maintenance Services: \$55K
  - Public Works: \$60K
- Vacancy Management (\$500K-\$1 million potential savings)
- Suspension of MIHU
- Program Reviews of Police and Fire
- Planning for Fall Reviews

# Recommendations / Mitigation Strategies

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- Period of Respite / Rest / No growth
- Evaluate All Programs / Departmental Reviews
- Redefine Core Services
- Encourage Staff, Council and Community Feedback
- Identify Revenue Enhancement
- Position Management
- June Adoption – Fall Revise – Mid-Year – June Adoption

# Next Steps

## What's Our Message?

- Serving our Community is our priority
- Everything is on the table
- Input from all stakeholders is key
- Integrity and Stewardship of Funds
- Measured and Thoughtful Approach

## Change Takes Time

- Multiple year approach ( July Budget. Fall Revise, Mid-Year)
- Priority Based Decisions / Redefine Core Services
- Evaluate all positions based on Priorities
- Monitor Federal Funding

# Questions

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# Resident Satisfaction Survey



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## Highest ranked community concerns

- Cost of Housing
- Homelessness
- Crime
- Potholes and Street Maintenance
- Litter and Graffiti

# Resident Satisfaction Survey

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## Community's municipal services priorities

- Fast emergency response
- Safe neighborhoods & safe and well-maintained streets and sidewalks
- Healthy local businesses that stay in Hayward
- A clean, well-maintained city & well-maintained street lighting
- Effective police protection and crime prevention

# Resident Satisfaction Survey



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## City service/policy areas with greatest room for improvement

- Homeless encampment monitoring, intervention and cleanup
- Creation and preservation of affordable places to live
- Neighborhood police patrols
- Street and sidewalk repair and maintenance
- Traffic circulation

# Discussion

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