



DATE: December 16, 2025

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adopt a Resolution Approving Side Letter of Agreements Amending Memoranda of Understanding between the City of Hayward and Both the International Association of Firefighters, Local 1909 and Hayward Fire Officers Association and Authorizing Staff to Execute the Agreement

RECOMMENDATION

That the City Council adopts a Resolution (Attachment II) approving two Side Letters of Agreement amending the Memoranda of Understanding between the City of Hayward and both the International Association of Firefighters, Local 1909 and Hayward Fire Officers Association (HFOA) and authorizing staff to execute the agreements.

SUMMARY

The City of Hayward is facing a budget deficit and is taking measures to reduce costs to rebuild the target reserve. As a result, the City has taken a number of cost-saving measures to limit the impact this has on its employees and residents, such as reducing expenditures, holding and freezing vacant positions, and seeking concessions from its organized employee groups.

The City has met and conferred in good faith with Local 1909 and the HFOA, and members of the Union and Association have agreed to cost saving measures over calendar year 2026. These measures will provide a savings of \$3.1 million in FY 2025-2026, and a savings of \$2.9 million in FY 2026-2027. The Union has agreed to enter discussions with the possibility of continuing the savings into future calendar years after meeting and reviewing the City's financial situation.

In addition, the Union and the City have agreed to corrections to existing contract language that align with compliance with the California Public Employee Retirement System (CalPERS). These changes reflect the intention of pensionable contributions for certain pays and have no additional fiscal impact.

FISCAL IMPACT

If approved, the proposed Side Letter of Agreements with Fire would result in a projected General Fund savings of approximately \$3.1 million in FY 2025/26 and \$2.9 million in FY

2026/27, for a combined savings of \$6 million in calendar year 2026. The Side Letter also adds costs to the City of roughly \$1 million over two calendar years in 2028 and 2029.

Of the savings for FY 2026/27, \$2 million of savings results from reductions in minimum staffing which will reduce overtime in the department. This \$2 million will reduce the budget deficit of \$26.7 million by \$2 million. The remaining savings of \$1.1 million is from a deferred salary increase and benefits the City's FY 2025/26 budget by that amount. Staff had not included the salary increase in the November revised budget, so the \$1.1 million does not impact the deficit staff shared at that meeting.

BACKGROUND

In response to the City's current financial state, the City has implemented a number of cost saving measures, including but not limited to: identification of one-time savings and funding sources; holding vacancies while working towards instituting an official hiring freeze; limiting training costs and use of consultants; increased frequency of monitoring of cash flow to weekly; increased frequency of monitoring payroll expenditures to bi-weekly; regularly reviewing ideas for balancing the budget from staff; and continued review and reduction of temporary staff.

In addition, all bargaining groups in the City were asked for a concession equivalent to three and one-half percent (3.5%) of each respective bargaining unit's annual salary costs. Cost savings contributed by bargaining groups are critical to the City's fiscal health as employee salaries and benefits costs make up approximately 80% of the General Fund budget.

DISCUSSION

In helping the City realize cost saving measures, Local 1909 and HFOA have agreed to delay the three and eighty-two hundredths (3.82%) increase due to their memberships the pay period containing January 1, 2026. Instead, the Unions will take a partial increase at the start of Fiscal Year 2026-2027 of one and one-half percent (1.5%) and delay the remaining (2.32%) to the end of the calendar year. In addition, the Unions agreed to temporarily modify minimum staffing coverage by a total temporary reduction of five (5) through browning-out service companies; and to temporarily increase the employer-paid portion to CalPERs by an additional two percent (2%) effective approximately July 1, 2026. In return, effective January 1, 2028, the number of employees that may simultaneously use vacation will increase by one (1); and sick leave accrual rates will increase aligned with employees' years of service. All agreed upon temporary changes are outlined in the table below.

Table 1: Key Proposed Changes

MOU Section	Summary of Temporary Update – provisions revert/expire December 31, 2026 (or the pay period containing unless otherwise noted).	Effective Dates (as aligned with applicable pay periods)
4.05 Minimum Staffing	Minimum daily staffing reduction to thirty-three (33) personnel with a combined total of eleven (11) companies, reflecting the temporary brownouts.	After Adoption – December 31, 2026
6.01 Retirement Plan	Increase total employee CalPERS contribution from 15% to 17%.	July 1, 2026 – December 31, 2026
7.12 Salaries	No increase (deferral to later date)	January 1, 2026
	1.5% (partial increase from January 1, 2026)	July 1, 2026
	2.32 (remaining deferral amount from January 1, 2026)	December 31, 2026
9.04 Scheduling Vacation	Increase number of employees from five (5) to six (6) that may use vacation simultaneously.	January 1, 2028
10.03 Sick Leave Allowance	<p>Increase vacation accrual rates as follows:</p> <p>For forty (40) hour employees</p> <ul style="list-style-type: none"> • Employees with Zero (0) to fifteen (15) years of service shall accrue four and ninety-four hundredths (4.94) hours of sick leave credit per payroll period. • Employees with more than fifteen (15) years of service shall accrue five and ninety-four hundredths (5.94) hours of sick leave credit per payroll period. <p>For fifty-six (56) hour employees</p> <ul style="list-style-type: none"> • Employees with Zero (0) to fifteen (15) years of service shall accrue six and ninety-two hundredths (6.92) hours of sick leave credit per payroll period. • Employees with more than fifteen (15) years of service shall accrue eight and thirty-one hundredths (8.31) hours of sick leave credit per payroll period. 	January 1, 2028

In addition to the agreements summarized above, the City and the Union have agreed to amend the MOU provision for Special Assignment Pay that brings the mutual intention of reportable pension pay into compliance with CalPERS regulations. This item is cost neutral as proposed changes resolve a reporting compliance matter.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

NEXT STEPS

Staff will finalize the side letter agreements and obtain necessary review by the City Attorney and approval by the City Manager to execute them. The Human Resources Department will work with the Finance Department to implement these changes.

Prepared by: Ian Tecson, Director of Human Resources

Approved by:

A handwritten signature in blue ink, appearing to read "J. Ott", is positioned above a horizontal line.

Jennifer Ott, City Manager