

CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov



CITY OF
HAYWARD
HEART OF THE BAY

Agenda

Wednesday, October 26, 2016

4:00 PM

City Hall, Conference Room 4A

Council Budget and Finance Committee

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS:

(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda as well as items on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, any comments on items not on the agenda will be taken under consideration without Committee discussion and may be referred to staff.)

REPORTS/ACTION ITEMS

1. [RPT 16-134](#) Approval of Meeting Minutes of September 28, 2016
Attachments: [Draft Minutes September 28, 2016](#)
2. [RPT 16-138](#) Investment Portfolio Update (presentation by PFM)
Attachments: [Attachment I Investment Program Review](#)
3. [RPT 16-140](#) Review of Draft 2016 Biennial Resident Satisfaction Survey Questions
Attachments: [Attachment I Staff Report](#)
4. [RPT 16-135](#) FY 2017 Meeting Schedule & Work Plan
Attachments: [Meeting Schedule & Work Plan](#)

FUTURE AGENDA ITEMS

5. Other items as my be identified

COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS

ADJOURNMENT

CANCELED REGULAR MEETING - 4:00PM, WEDNESDAY, NOVEMBER 23, 2016

NEXT SPECIAL MEETING - 4:00PM, WEDNESDAY, NOVEMBER 16, 2016



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File #: RPT 16-134

DATE: October 26, 2016

TO: Council Budget and Finance Committee

FROM: Acting Director of Finance

SUBJECT: Draft Meeting Minutes from September 28, 2016 Regular Meeting

RECOMMENDATION

That the Committee approves the meeting minutes from the September 28, 2016 Regular Meeting.

ATTACHMENT:

Attachment I Draft Minutes September 28, 2016



CITY COUNCIL BUDGET & FINANCE COMMITTEE MEETING

Meeting Minutes of September 28, 2016

- Call to Order:** 4:30 pm
- Members Present:** Mayor Halliday, Councilmember Lamnin and Councilmember Jones
- Members Absent:** None
- Staff:** Kelly McAdoo, Dustin Claussen, Stacey Bristow, Eusebia Espitia, and Guy Ferguson
- Guests:** Katherine Yuen, Maze & Associates
 Daman Sandhu, Hayward Resident
 Ruth Stone, Cal State East Bay
 Karamuir Singh, Hayward High School
 Pooja Sarup, Hayward High School
 Jennifer Ramos, Hayward High School
- Public Comments:** None
-

1. Committee reviewed the meeting minutes for the July 6, 2016 City Council Budget & Finance Committee meeting. Motion made by Councilmember Lamnin *Action: unanimous approval*
2. The Committee received an oral presentation from by Katherine Yuen of Maze & Associates regarding the FY 2016 annual audit process. *No action was taken.*
3. The Committee received an oral presentation from Dustin Claussen, Acting Director of Finance regarding the User Fee study and on the Residential Rental Program from Stacey Bristow, Deputy Director of Public Works. *The committee members spent considerable time reviewing each of the presentations and expressed particular concern for the items listed below:*
 - *Preference for consistency – explanation of why in some cases there may be no fee for a 1st offense, but in others there are fees*
 - *Appreciate flexibility for hardships*
 - *Fees for low income constituents. Alarm fee for low income is higher than for non-low-income/disabled applicants.*

- *Public records requests fee/cost recovery. Requests bordering on abusive.*
4. The Committee reviewed the FY 2017 Meeting Schedule. *No formal action was taken. All meeting times moving forward will be scheduled to begin at 4pm. The following meetings are rescheduled: 1) November 23 moved to November 16; 2) December 28 moved to December 21.*

Committee Members/Staff Announcements and Referrals: None.

Adjournment: The meeting was adjourned at 5:36 pm



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File #: RPT 16-138

DATE: October 26, 2016

TO: Council Budget and Finance Committee

FROM: Acting Director of Finance

SUBJECT

Investment Portfolio Update (presentation by PFM)

RECOMMENDATION

Please see attached "City of Hayward 2016 Investment Program Review" as part of the oral presentation by PFM.

ATTACHMENT

Attachment I Investment Program Review

City of Hayward 2016 Investment Program Review

Monique Spyke, Director
spykem@pfm.com
415-982-5544
www.pfm.com



Economic Update

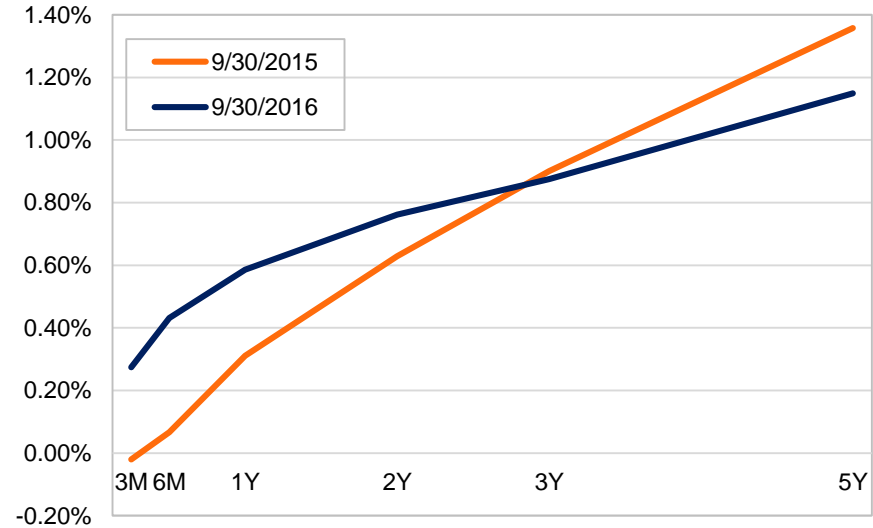
Attachment I

- Treasury yields moved up and down in response to evolving economic conditions, tracking in part (i) the strength of global economy, (ii) the persistent low inflation environment, and (iii) the expectations for a Fed rate hike.
- Low inflation and tepid economic data, both in the U.S. and abroad, pushed longer-term yields lower.
- FOMC officials continue to condition investors for a rate hike before the end of the year.

2-Year U.S. Treasury Yield
September 2015 – September 2016



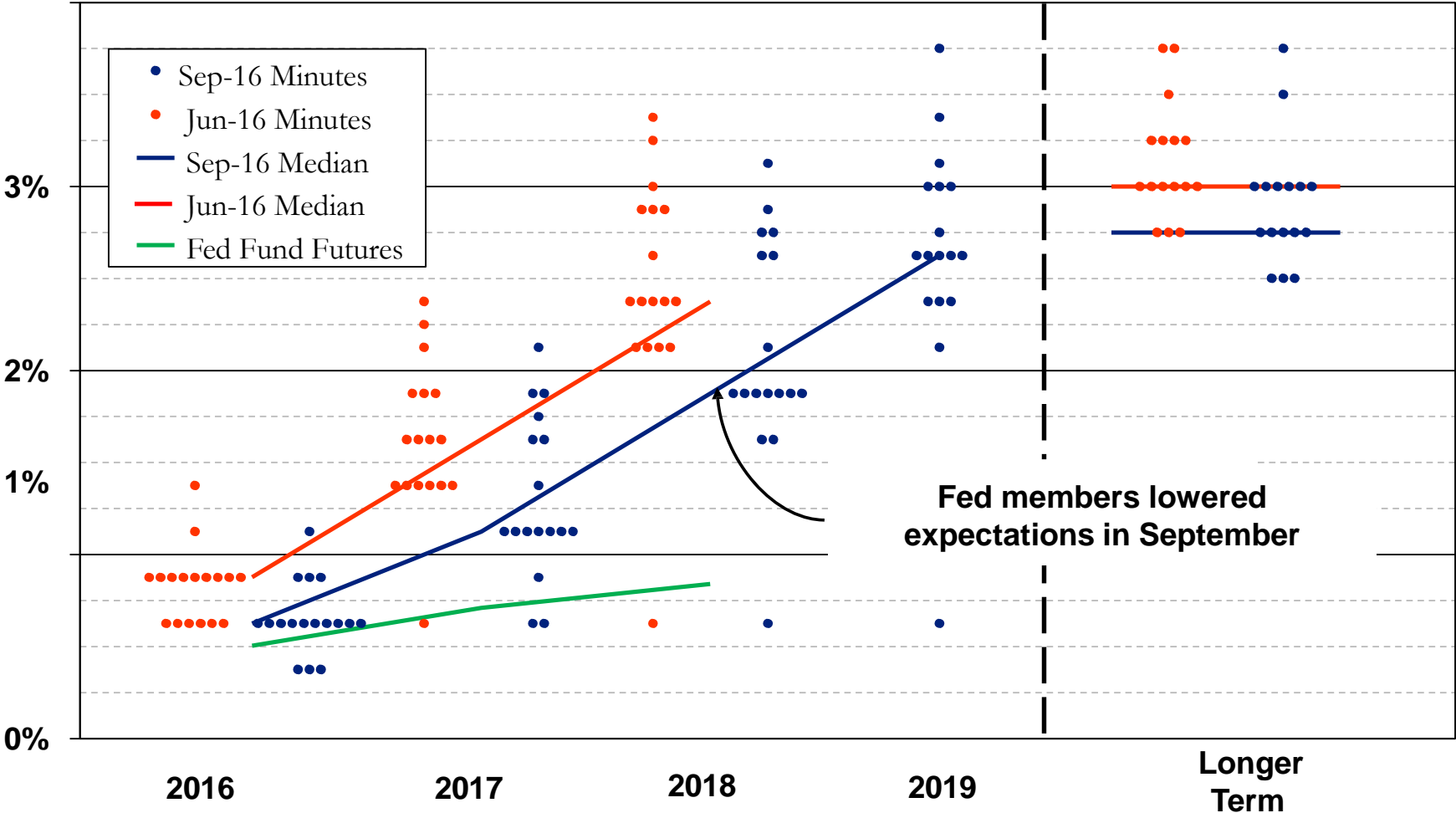
U.S. Treasury Yield Curve
September 30, 2015 vs. September 30, 2016



Source: Bloomberg.

FOMC Dot Plot

Attachment I

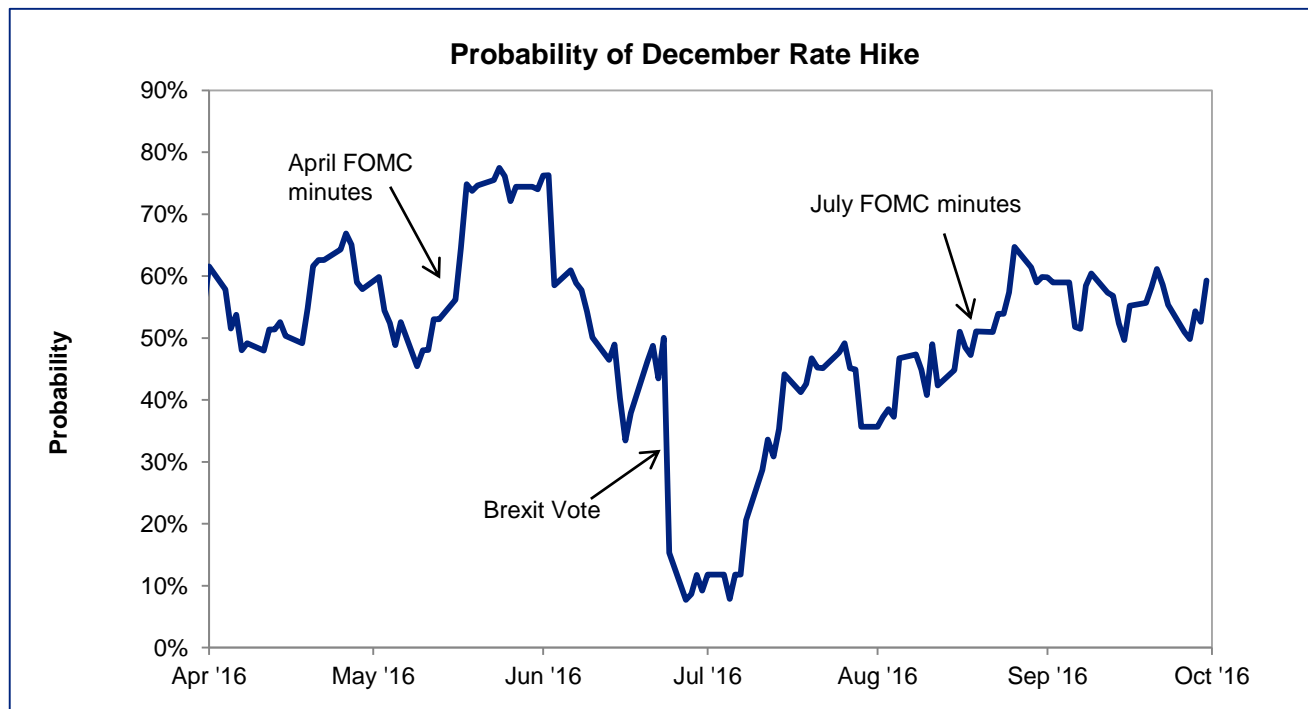


Source: FOMC; Fed Funds Futures as of 09/20/2016. Individual dots represent each of the 17 FOMC members' judgment of the midpoint of the appropriate target range for the federal funds rate.

Market Outlook for the Fed Funds Target Rate

Attachment I

- There is a strong consensus of a Fed hike in December 2016, as the first rate hike since December 2015.
- Fed Chair Janet Yellen hinted at a rate hike during the third quarter when she mentioned the “case for an increase in the federal funds rate has strengthened in recent months.”



Source: Bloomberg. "Current Outlook" as of October 7, 2016.

Investment Program Achievements

Attachment I

- Managed portfolio to the City's objectives of:
 - Safety
 - Liquidity
 - Yield
- Increased diversification of portfolio with high-quality assets.
- Kept portfolio duration modestly shorter than the benchmark in anticipation of a Fed rate hike some time before the end of this year.
- Monitored portfolio holdings and credit issuers on a daily basis.
- Provided timely economic, legislative, and market information.

Overview of Accomplishments for the City

Attachment I

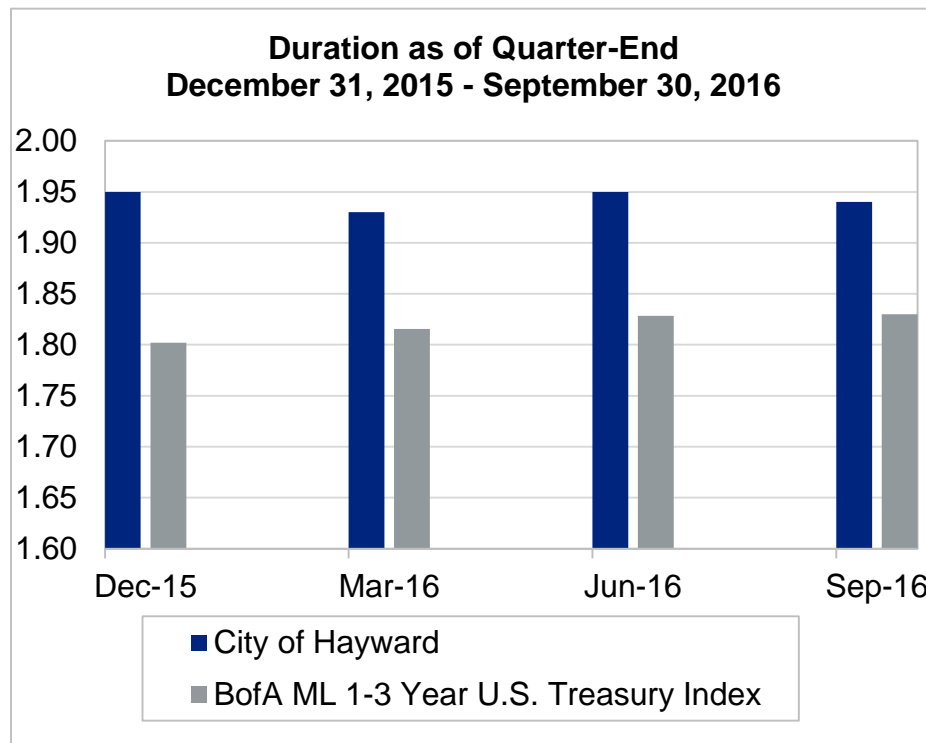
PFMAM Service Provided	Result
Active Management	<ul style="list-style-type: none">• PFMAM’s active management of the City’s portfolio has enhanced yield while actively controlling and mitigating risk.<ul style="list-style-type: none">– For the trailing 12 months, we worked with the City to diversify their portfolio by investing less in Treasuries and more into agencies, ABS and supernationals offering more attractive yields and have consistently met or beat the benchmark.– For the trailing 12 months, market value earnings were roughly \$1.3 million.
Credit Review and Analysis	<ul style="list-style-type: none">• Each non-government issuer in the City’s portfolio has been fully vetted. We only purchase securities from issuers on our “Approved Credit List”, which is maintained and monitored by the members of PFMAM’s Credit Committee.
Broker/Dealer Analysis	<ul style="list-style-type: none">• In the past 12 months, we executed 100 competitive transactions for the City of Hayward with 21 different brokers from our “Approved Broker/Dealer” list which contains 50 members.
Portfolio Management Resources	<ul style="list-style-type: none">• We maintain frequent contact with the City to provide updates on investment strategy.• We have provided the City with access to the four senior professionals from PFMAM assigned to the City’s account.

* As of 9/20/16.

Controlling Interest Rate Risk

Attachment I

- PFMAM works to limit interest rate risk by:
 - **Active duration management** – we constantly monitor and adjust the portfolio’s duration relative to its benchmark relative to our view of interest rates.
 - **Maturity selection** – we mitigate the need to sell securities prior to maturity by only selecting securities that may be reasonably held to maturity.



Market-Implied Probability of Hike				
Meeting	12/31/15	3/31/16	6/30/16	9/30/16
10/28/15	-	-	-	-
12/16/15	-	-	-	-
1/27/16	0%	-	-	-
3/16/16	51%	-	-	-
4/27/16	56%	0%	-	-
6/15/16	75%	20%	-	-
7/27/16	79%	33%	0%	-
9/21/16	87%	41%	0%	-
11/2/16	89%	45%	0%	17%
12/14/16	93%	54%	9%	59%

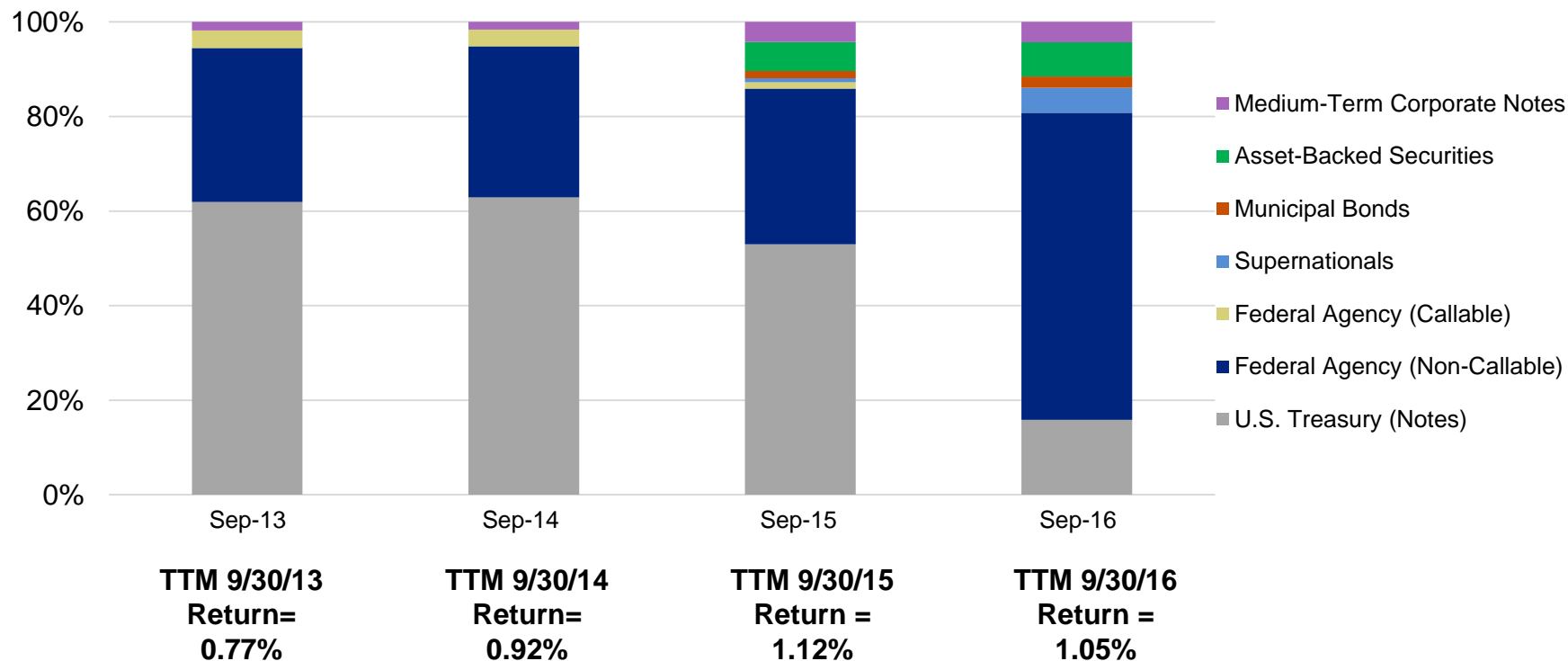
Source: Bloomberg.

Managing Sector Allocation

Attachment I

- We have improved diversification over time by adding additional investment sectors.
- We have actively managed sector allocation to add value.

Sector Allocation Over Time

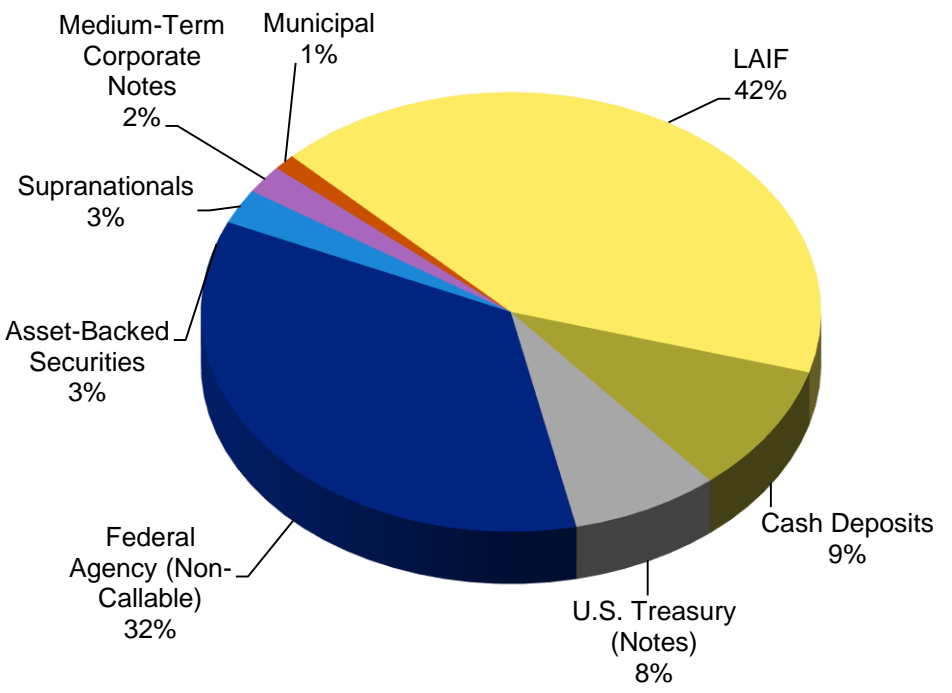


* Returns are shown net of portfolio management fees.

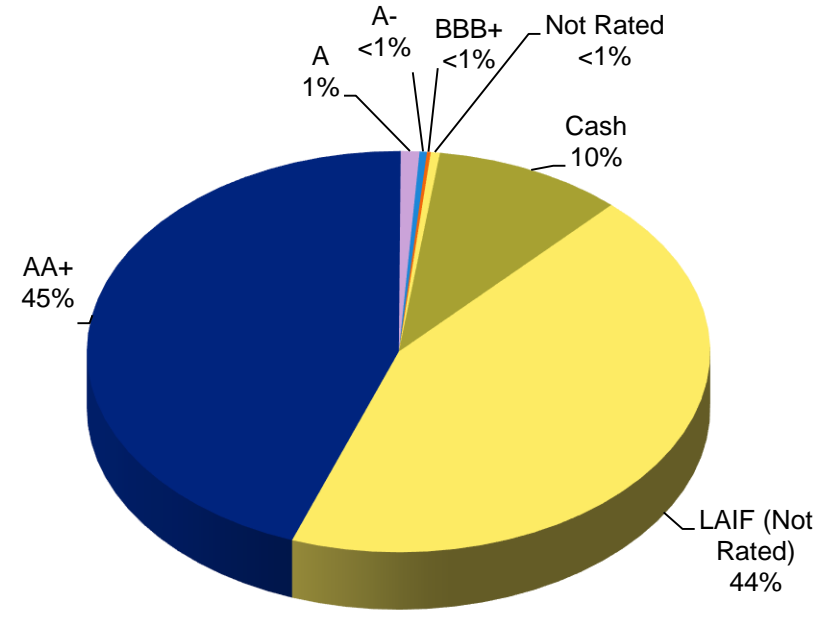
City's Portfolio Diversified and Highly Rated

Attachment I

Sector Allocation
September 30, 2016



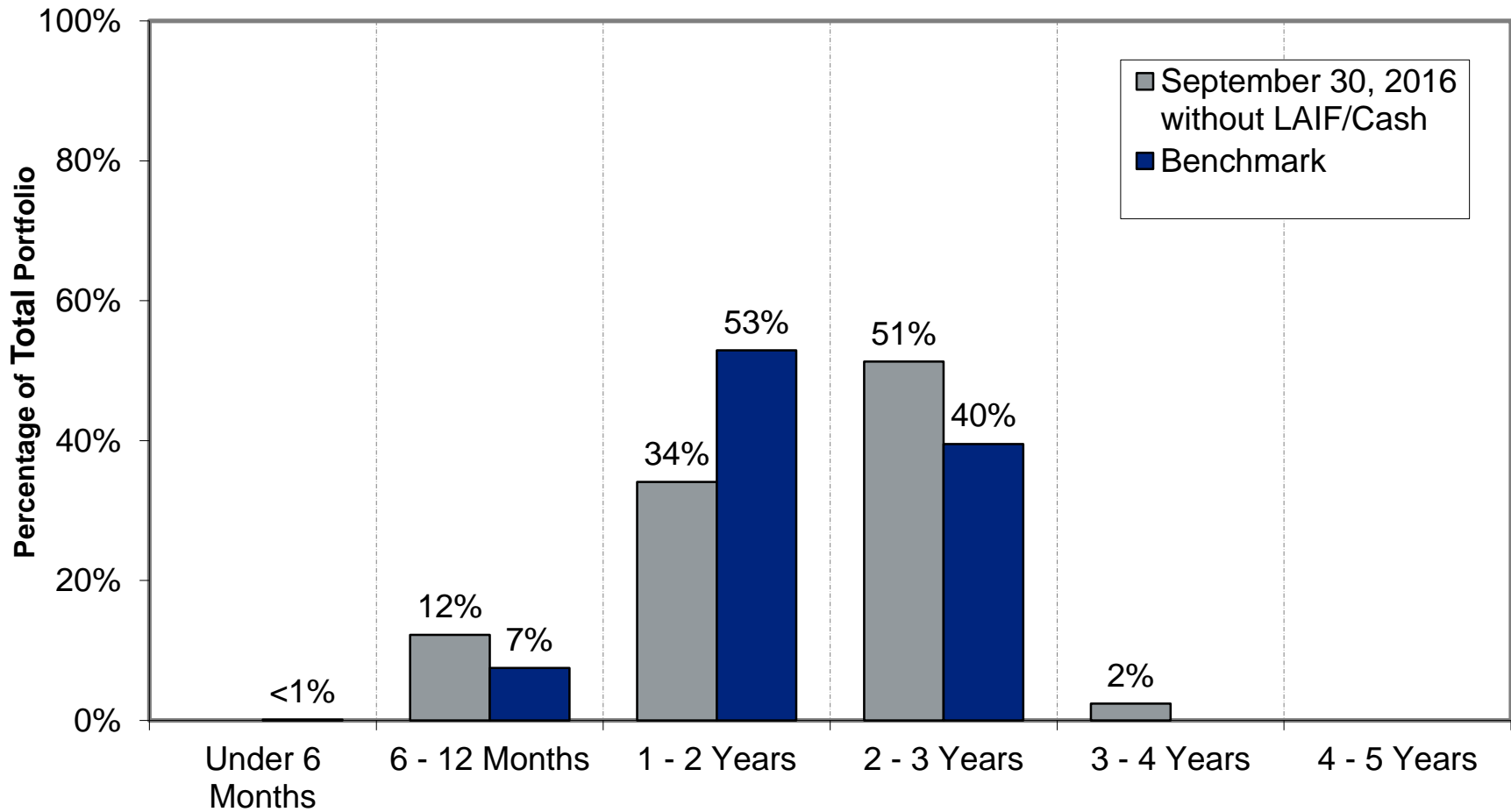
Credit Quality*
September 30, 2016



* Ratings by Standard and Poor's.
Numbers may not add to 100% due to rounding.

Maturity Distribution vs. Benchmark Distribution

Attachment I

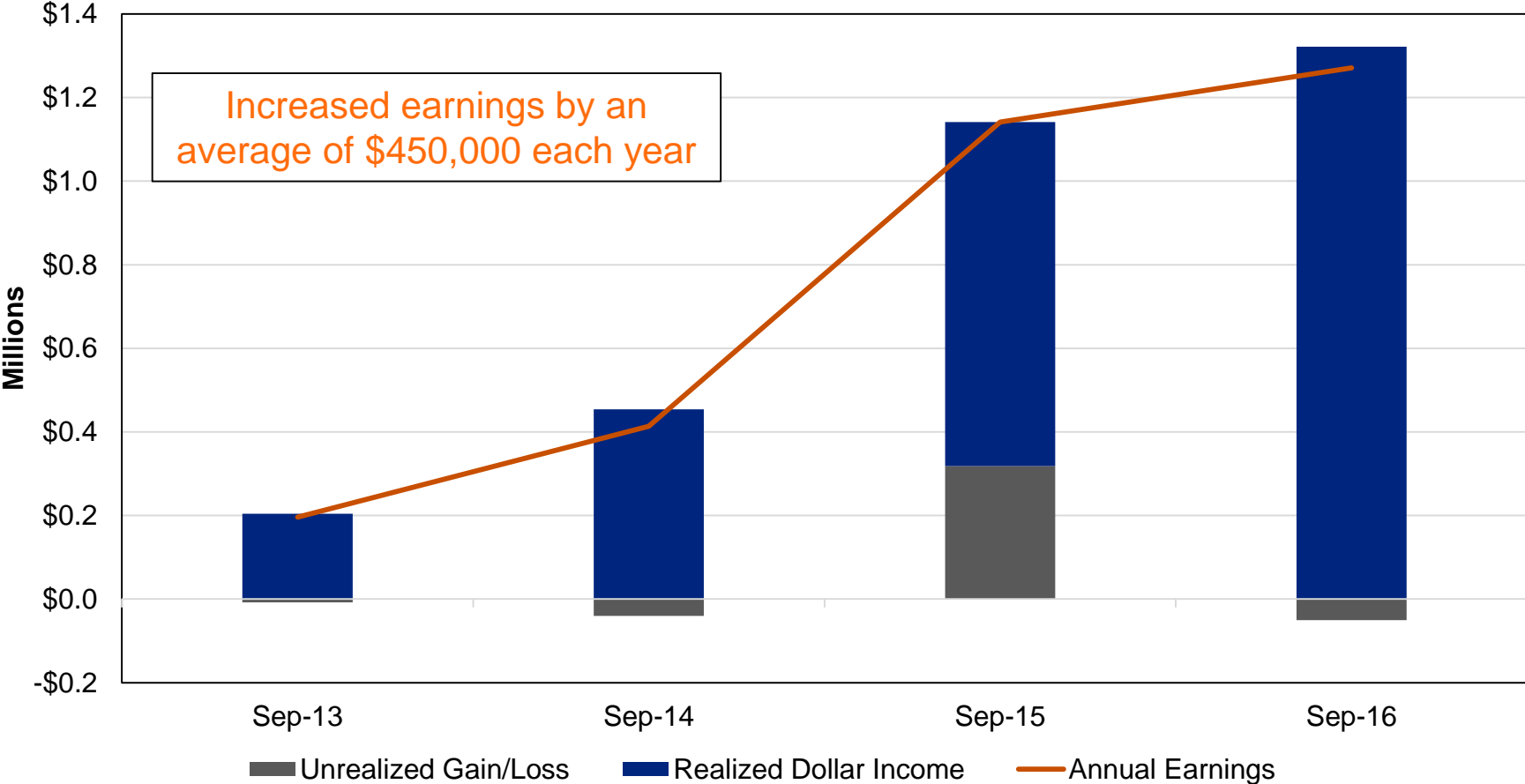


- Excludes cash and LAIF balances.
- Benchmark represents Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- Numbers may not add to 100% due to rounding.

Portfolio Earnings Continue to Increase

Attachment I

Trailing 12 Months Earnings



Portfolio's Historical Total Return Performance

Attachment I

- The portfolio generated returns in excess of its benchmark despite having a similar duration.

Third Quarter Return ^{1,2,3,4,5} Quarter Ended September 30, 2016					
	Effective Duration	Past Year Return	Past 2 Years Return	Past 3 Years Return	Since Inception
Hayward	1.83	1.05%	1.12%	0.92%	0.77%
1-3 Year U.S. Treasury Index	1.83	0.88%	1.02%	0.85%	0.73%
Difference		+0.17%	+0.10%	+0.07%	+0.04%

1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

2. Merrill Lynch Indices provided by Bloomberg Financial Markets.

3. Quarterly returns are presented on an unannualized basis.

4. Excludes LAIF and cash balance in performance, duration, and yield computations.

5. Inception date is September 30, 2012.

Strategy Update

Attachment I

- We will continue to monitor credit sectors, including corporates notes, commercial paper, and negotiable CDs.
- We will continue to evaluate the MBS and ABS sectors. To provide further portfolio diversification and add incremental return, we will purchase those issues we believe are:
 - Well structured,
 - offer adequate yield spreads, and
 - have limited duration variability.
- Agency yield spreads moved modestly tighter during the third quarter but still offer value in certain maturities. New issues, which typically offer a yield concession, offer the best opportunities.
- Keep the duration of the portfolio near neutral to the benchmark as we monitor incoming economic data and the prospect for a Fed rate hike at year-end, providing more evidence on the direction of interest rates over the coming quarter.

Disclaimer

Attachment I

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.



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File #: RPT 16-140

DATE: October 26, 2016

TO: Council Budget and Finance Committee

FROM: City Manager

SUBJECT

Review of Draft 2016 Biennial Resident Satisfaction Survey Questions

RECOMMENDATION

That the Committee receives and provides comments on this report and draft survey.

ATTACHMENT

Attachment I Staff Report



DATE: October 26, 2016
TO: Council Budget and Finance Committee
FROM: City Manager

SUBJECT

Review of Draft 2016 Biennial Resident Satisfaction Survey Questions

RECOMMENDATION

That the Committee receives and provides comments on this report and draft survey.

BACKGROUND

The City has completed Biennial Resident Satisfaction Surveys every two years since the fall of 2008. This survey, in combination with the previous four, will provide valuable insight and data on resident satisfaction with local service delivery over the past eight years. Each survey has been conducted by Godbe Research Inc., under the leadership of Bryan Godbe. Godbe Research has also conducted voter surveys for the City's most recent ballot measures including the past Utility User Tax measures and Measure C.

DISCUSSION

Since it has been over two years since the last survey was performed by Godbe Research, staff recommends engaging the same firm to duplicate the process used in previous years. The survey will continue to assess the level of satisfaction with the delivery of services presently provided by the City.

This survey, in addition to the previous Resident Satisfaction Surveys, will provide longitudinal insight regarding the satisfaction levels of Hayward residents with City service delivery. This information will help guide the City Manager in formulating recommendations to Council for refining priorities and developing long term policy strategies.

Specifically, the Survey will continue to measure resident opinions and overall satisfaction with City service delivery, image, public safety services, communications, and customer service. Additionally, this survey also solicits resident responses to a hypothetical ballot measure regarding a bond measure to fund a new police station.

The draft survey questions will be distributed at the Council Budget and Finance Committee meeting.

The 2016 Resident Satisfaction Survey will consist of a 22-minute hybrid survey of 400 total City voters/residents, made up of both telephone surveys as well as internet surveys. The survey will be made available in both the English and Spanish languages.

FISCAL IMPACT

The total cost of this survey will be \$34,125 which will be paid out of the FY2017 CIP budget for this specific project, with additional funding coming from the City Manager's Office budget to cover the increased cost of the survey this year. The addition of the internet survey component increased the estimated cost of the survey above what staff had originally budgeted in the CIP.

NEXT STEPS

The survey will begin following the end of the November election and will take place from November 10th through November 20th. The results of the survey will be presented to the Council at a work session on December 13th.

Prepared and Recommended by: John Stefanski, Management Analyst

Approved by:



for Kelly McAdoo, City Manager



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File #: RPT 16-135

DATE: October 26, 2016

TO: Council Budget and Finance Committee

FROM: Acting Director of Finance

SUBJECT: FY 2017 Meeting Schedule & Work Plan

RECOMMENDATION

That the Committee receives and comments on the FY 2017 Council Budget and Finance Committee Meeting Schedule & Work Plan.

ATTACHMENT

Attachment I Meeting Schedule & Work Plan



COUNCIL BUDGET AND FINANCE COMMITTEE
FY 2017 Meeting Schedule & Workplan
October 26, 2016

Meeting Location: 777 B STREET - CITY HALL - 4TH FLOOR CONFERENCE ROOM 4A
 HAYWARD, CALIFORNIA

Meeting Time: 4:00 P. M.

Meeting Dates: The Council Budget & Finance Committee generally meet monthly on the 4th Wednesday of the month, except for August, due to City Council Break. Special meetings will be scheduled as determined necessary by the Committee or the City Manager.

DATE	SUGGESTED TOPICS (subject to change)
September 28, 2016	FY 2016 annual audit process (external auditor) User Fee Study Update
October 26, 2016	Investment portfolio update (external investment manager) Review of the 2016 Community Survey Questionnaire (external consultant)
November 23, 2016 November 16, 2016 (special)	FY 2016 General Fund Preliminary year-end FY 2018 Budget Process Plan and Development Calendar FY 2017 Statement of Investment Policy review
December 28, 2016 December 21, 2016 (special)	FY 2018 Budget Development Process
January 25, 2017	FY 2016 CAFR review (external auditor) General Fund Ten-Year Plan review
February 22, 2017	Preliminary FY 2017 mid-year overview Annual benefit liabilities review (funding & risk mgmt.) FY 2018 Proposed Budget discussion
March 22, 2017	City debt portfolio review FY 2018 budget process update
April 26, 2017	Discussion on Mayor and City Council Department budget FY 2018 budget process update
May 24, 2017	Preview of FY 2018 CIP & Ten-Year CIP FY 2018 Proposed Budget discussion
June 28, 2017	TBD
July 26, 2017	FY 2018 budget process debrief Measure C Annual Report

Non-scheduled future agenda topics:

- Performance Measurement
- Affordable Care Act – Health Care Exchange