

CITY OF HAYWARD

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



CITY OF
HAYWARD
HEART OF THE BAY

Agenda

Thursday, January 25, 2018

5:00 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. [MIN 18-015](#) Approval of Meeting Minutes January 10, 2018
Attachments: [Attachment I Draft Minutes January 10, 2018](#)
2. Discussion of FY 2019 Budget Process and Worksession Framework (Oral Presentation)
3. [RPT 18-030](#) FY 2018 Mid-Year Budget Review and General Fund Long Range Financial Model Update
Attachments: [Attachment I Staff Report](#)
[Attachment II General Fund Long Range Financial Model](#)
4. [RPT 18-027](#) FY 2018 Meeting Schedule & Work Plan
Attachments: [Attachment I Meeting Schedule & Work Plan](#)

FUTURE AGENDA ITEMS

COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS

ADJOURNMENT

NEXT REGULAR MEETING - 4:00P.M. WEDNESDAY, FEBRUARY 21, 2018



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777 B Street
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File #: MIN 18-015

DATE: January 25, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Draft Meeting Minutes from January 10, 2018 Meeting

RECOMMENDATION

That the Committee approves the meeting minutes from the January 10, 2018 Meeting.

ATTACHMENT

Attachment I Draft Minutes January 10, 2018



COUNCIL BUDGET & FINANCE COMMITTEE MEETING
Meeting Minutes of January 25, 2018

Call to Order: 4:02 pm

Members Present: Mayor Halliday, Councilmember Lamnin, and Councilmember Salinas

Members Absent: None

Staff: Kelly McAdoo, Maria Hurtado, Dustin Claussen, Stacy Bristow, and Nina Morris Collins

Guests: Tim Cal, Maze & Associates
Grace Zheing, Maze & Associates

Public Comments: No public comments.

1. Approval of Meeting Minutes January 10, 2018.

Action: Unanimous approval as submitted.

2. Transmittal of the Comprehensive Annual Financial Report for the Year Ended June 30, 2017; and of the Memorandum on Internal Control and Required Communications.

- Presentation by Maze & Associates.

Action: The Committee received and discussed the presentation. No formal action was taken.

3. Home Assistance Purchase Program for Employees.

- Director Claussen provided an overview of the proposed program.

Action: The Committee reviewed and discussed the presentation. No formal action was taken.

4. Meeting Schedule and Work Plan. Council reviewed the work plan for the year.

Action: The Committee recommended moving several agenda items and added "Credit Card Fees" to the calendar.

5. Future Agenda Items: *The Committee requested that "Tax Increment Financing" be added to the list of Non-scheduled future agenda topics.*

Committee Members/Staff Announcements and Referrals: None.

Adjournment: The meeting was adjourned at 4:47 pm



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File #: RPT 18-030

DATE: January 25, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

FY 2018 Mid-Year Budget Review and General Fund Long Range Financial Model Update

RECOMMENDATION

That the Committee reviews and provides comments on the report.

ATTACHMENT

Attachment I Staff Report
Attachment II General Fund Long Range Financial Model



DATE: January 25, 2018

TO: Council Budget & Finance Committee Members

FROM: Director of Finance

SUBJECT: FY 2018 Mid-Year Budget Review and General Fund Long Range Financial Model Update

RECOMMENDATION

That the Committee reviews and provides comments on the report.

SUMMARY

This report presents the mid-year review of the FY 2018 Adopted Budget, and an update to the General Fund Long Range Financial Model for Committee consideration and comment before presentation to the full City Council. The review analyzes revenues and expenditures through November 30, 2017, and presents proposed changes to the City's FY 2018 Operating Budget. While staff considers the entire City budget in its mid-year review, this report focuses primarily on General Fund.

Mid-year expenditure adjustments submitted by Departments total \$1.05 million in the General Fund. Expenditure adjustments for other funds reflect a net fiscal impact of \$829,034, while CIP/Non-Operating funds project a net fiscal savings of \$3.6 million. The mid-year budget changes presented in this report are still being considered for recommendation by the City Manager and may not reflect the final recommendations.

FY 2018 General Fund revenues are expected to exceed original projected amounts by approximately \$3 million. This is primarily attributed to projected increases in the revenue categories of property tax, sales tax, utility users tax, and other taxes/franchise. This projected increase in revenues was included in the most recent version of the General Fund Long Range Financial Model (the Model) in October 2017.

BACKGROUND

When adopted in May 2017, the FY 2018 Adopted Budget resulted in a projected use of \$2.5 million of General Fund Reserves. Due to the projected increase in General Fund revenues, the City would not need to utilize General Fund Reserves for FY 2018 if an increase to budgeted expenditures was not made.

The Model is updated to reflect revised revenue projections, and requested FY 2018 mid-year budget expenditure adjustments. Increasing budgeted expenditures to fulfill all departmental requests would result in a use of approximately \$600,000 of General Fund Reserves. At this time, staff is still analyzing departmental requests and currently does not anticipate a use of General Fund Reserves at that level once staff presents the final recommendations to the full Council for consideration on February 27, 2018.

DISCUSSION

General Fund Revenues

As mentioned above, FY 2018 General Fund revenues are projected to be approximately \$3 million higher than projected at the time of adoption of the FY 2018 Operating Budget in May 2017. Property tax, sales tax, and UUT are the significant drivers in the projected increase in General Fund revenue.

General Fund Expenditures

The table below illustrates the department budget requests by budget category for Mid-Year FY 2018. As shown, department budget requests total \$1.05 million in General Fund. The largest portion of this increase is in the Services and Supplies expenditure requests. Key drivers of the anticipated expenditure variances include implementation of several projects that support the Council Strategic Initiatives (\$416,000), and contract/consulting services (\$315,000) for the Police Department. The remaining expenditure variances include overtime, professional training, and other service and supplies.

FY 2018 MID-YEAR DEPARTMENT REQUESTS BY BUDGET CATEGORY				
	GENERAL FUND	OTHER FUNDS	CIP/NON-OP FUNDS	
PERSONNEL	\$ (33,293.47)			
MAINTENANCE & UTILITIES	\$ 10,000.00	\$ 10,300.00		
SERVICES & SUPPLIES	\$ 1,081,900.00	\$ 4,199,500.00	\$ 164,440.33	
CAPITAL			\$ (3,775,738.86)	
TRANSFER OUT			\$ 121,000.00	
TOTAL EXPENDITURES	\$ 1,058,606.53	\$ 4,409,800.00	\$ (3,490,298.53)	
REVENUE	\$ (10,000.00)	\$ (3,580,766.00)		
TRANSFER IN			\$ (121,000.00)	
TOTAL REVENUE	\$ (10,000.00)	\$ (3,580,766.00)	\$ (121,000.00)	
NET FISCAL IMPACT	\$ 1,048,606.53	\$ 829,034.00	\$ (3,611,298.53)	

Measure C

The City Council, as well as the ballot language for Measure C, established a number of spending priorities for these funds. These priorities include a mix of capital projects and funding allocations toward operating services. While Measure C revenues are to primarily be used to fund capital projects, operating activities, such as addressing illegal dumping, litter control, and graffiti abatement also fulfill the promises of Measure C.

The FY 2018 mid-year budget includes a request to increase expenditures to address homeless abatement efforts, including \$60,000 in General Fund to address the need for additional field supplies and \$15,000 in Fleet Capital for the purchase of an all-terrain utility cart to assist in debris removal from remote areas along creeks, hillsides, and Caltrans right-of-way. Due to the nature of these requests, staff recommends that Measure C resources be used to fund these expenditures. If Measure C resources are utilized, it would reduce the requested amount in the General Fund expenditures by \$75,000 at FY 2018 Mid-Year. Staff requests feedback on this proposed use of Measure C

Other Funds

Total expenditure increases in all other funds equates to \$4.4 million, with increased revenue projections of \$3.6 million. The key drivers of the \$4.4 million in expenditures include \$3.2 million in increased water purchases. With the removal of regional drought restrictions, the City has experienced an increase in water usage. The other \$1.05 million in expenditures variance is related to outside legal services for the Inclusionary Housing Project, conditional backstop loan to Eden Housing that was previously approved by the Housing Authority, and a predevelopment loan agreement for Habitat for Humanity. The increased expenditures in the other funds is offset by \$3.5 million in projected revenue. FY 2018 Mid-Year budget changes for Other Funds results in a net fiscal impact of \$829,034.

CIP/Non-Operating Funds

Total expenditure change includes a net savings of \$3.5 million. The key drivers in the projected reduction include the reduction of \$4.2 million in project allocation due to the reduction in the projected revenue from Alameda County Transportation Commission (Alameda CTC). The expenditure changes account for an increase of \$818,000 that includes IT capital projects, an appropriation for former Route 238 parcel Disposition and Development property management and improvements, parking structure security improvements, and the replacement of two police vehicles. Additionally, included in the FY 2018 Mid-Year changes are proposed offsetting revenues of \$121,000 to be transferred in. The FY 2018 Mid-Year budget change for CIP/Non-Operating Funds include a net fiscal savings of \$3.5 million.

General Fund Long Range Financial Model Update

The updated General Fund Long Range Financial Model includes a reduction in the projected structural gap in FY 2018. The FY 2018 Adopted budget projected a use of \$2.5 million in General Fund Reserves. The Model reflects the assumptions contained in FY 2018 Adopted Budget and is updated with the mid-year expenditure and revenue projections discussed in this report. It is important to remember that the Council deferred a number of IT and fleet related expenses for FY2018 and implemented a three-month hiring freeze of all non-safety positions in order to reduce the use of General Fund reserves projected. These actions are one-time in nature and cannot continue as a strategy for balancing the budget long term. Staff is working diligently on the five year budget balancing strategy based on initial direction from the City Council at the October 14, 2017 budget work session. Staff will be returning to Council over the next few months to finalize this plan.

The current General Fund Reserve goal is 20 percent of General Fund expenditures. Based on the updated Model, the City will fall short of this goal by less than 1 percent in FY 2018

according to the revised projections. It is staff's priority to replenish General Fund Reserves to meet the City's reserve policy.

STRATEGIC INITIATIVES

The FY 2018 mid-year budget includes an increase of \$416,000 in expenditures to fund projects that supports the three Council Strategic Initiatives.

FISCAL IMPACT

The overall fiscal impact of the proposed adjustments results in an increase to General Fund revenue of \$3 million and an increase to General Fund expenditures of \$1.05 million, of which \$386,000 is considered on-going operational expenses. Budget adjustments in all Other Funds reflect a net total impact of \$829,034; and CIP/Non-Operating Funds reflect a net savings of \$3.6 million.

SUSTAINABILITY FEATURES

This report does not have an impact on sustainability.

PUBLIC CONTACT/NEXT STEPS

Staff will continue to consider and refine requests prior to presenting proposed FY 2018 Mid-Year adjustments to the full Council at the regular City Council meeting on February 27, 2018.

NEXT STEPS

Prepared by: Dustin Claussen, Director of Finance
 Nicole Gonzales, Budget Officer

Recommended by: Dustin, Claussen, Director of Finance

Approved by:



Kelly McAdoo, City Manager

SUMMARY FORECAST (\$ in Thousands)	Revised Budget	Actual	Revised Budget	Actual	Revised Budget	Actual	Revised Budget	Actual	Revised Budget	Actual	Revised Budget	Actual	Adopted Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	<u>2011-12</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Property Tax	35,960	\$35,715	\$35,768	\$39,181	\$40,710	\$38,971	\$40,830	\$42,128	\$43,573	\$44,159	\$47,734	\$47,198	\$48,112	\$48,912	\$51,476	\$53,538	\$53,728	\$56,551	\$59,520	\$62,594	\$65,104	\$67,142	\$69,797
Sales Tax	25,777	26,346	27,940	28,534	30,500	31,019	31,719	31,058	33,275	33,059	33,401	34,839	32,926	33,540	34,817	34,112	35,555	37,024	38,529	39,524	40,547	41,600	40,649
UUT	14,800	14,797	15,096	14,940	15,000	15,762	15,750	15,681	22,494	22,041	19,620	20,754	16,593	18,663	20,037	21,187	21,690	22,205	22,733	23,187	23,651	24,124	24,305
Other Tax/Franchises	18,525	20,370	19,612	20,325	21,327	20,860	20,818	22,361	23,207	25,356	23,808	25,247	23,808	24,336	24,895	24,761	25,535	26,337	27,166	27,792	28,432	29,088	28,925
Permits & Fees	7,321	7,811	8,140	7,844	8,696	10,466	9,381	9,939	10,105	12,218	11,787	15,274	12,799	12,919	13,192	13,147	13,521	13,907	14,304	14,609	14,920	15,239	15,194
Other Revenue	16,505	14,941	14,211	12,914	13,601	13,641	13,322	14,211	15,702	17,429	15,091	13,779	14,849	13,648	13,697	13,946	14,152	14,329	14,658	14,992	15,336	15,693	16,060
Transfer In-Measure C		-		-		-		-		-		-		-	-	-	-	-	-	-	-	-	-
Total Revenues	118,888	119,980	120,767	123,739	129,834	130,718	131,820	135,378	148,356	154,262	151,441	157,090	149,087	152,018	158,112	160,690	164,181	170,353	176,909	182,698	187,991	192,886	194,930
Salaries/Wages	60,060	61,697	63,502	62,986	63,760	63,649	66,343	63,732	67,035	67,497	69,169	70,002	74,243	74,139	77,395	79,195	80,972	82,785	84,640	86,536	88,475	90,457	92,484
Overtime	4,044	5,412	5,561	6,879	5,615	7,831	7,279	6,973	7,299	7,778	5,716	9,254	5,566	5,566	5,720	5,858	5,991	6,126	6,264	6,405	6,550	6,697	6,848
Retirement	18,447	17,492	15,317	15,143	16,014	14,736	18,265	18,008	21,222	20,689	23,687	23,021	23,600	23,600	26,812	30,928	34,747	37,823	40,379	42,105	43,610	44,600	45,615
Health/Other Benefits	11,983	11,229	12,456	11,113	13,018	11,468	13,296	12,241	14,017	13,142	14,418	12,437	14,581	14,057	14,877	15,719	16,609	17,552	18,549	19,606	20,724	21,909	23,163
Retiree Medical	2,560	2,560	2,321	2,321	2,345	4,327	2,242	4,308	2,810	3,916	2,846	2,846	3,794	3,794	5,160	5,879	7,838	9,798	10,197	10,615	10,976	11,336	11,759
Workers Comp	4,935	5,187	4,939	5,499	4,975	5,585	5,013	5,324	5,224	5,732	6,340	6,284	5,903	5,899	6,158	6,301	6,443	6,587	6,735	6,885	7,040	7,197	7,359
Interdept Charges	(4,891)	(5,332)	(5,300)	(5,399)	(5,315)	(5,120)	(5,179)	(3,731)	(5,019)	(4,451)	(4,513)	(4,015)	(4,602)	(4,144)	(4,259)	(4,361)	(4,460)	(4,561)	(4,663)	(4,769)	(4,876)	(4,986)	(5,098)
Vacancy Savings		-		-		-		-		-		-	(1,931)	(1,964)	(1,930)	(1,982)	(2,040)	(2,093)	(2,149)	(2,207)	(2,268)	(2,331)	(2,396)
Subtotal Personnel	97,137	98,245	98,797	98,542	100,412	102,476	107,258	106,855	112,587	114,303	117,663	119,830	121,154	120,947	129,934	137,536	146,099	154,016	159,951	165,177	170,230	174,880	179,732
Supplies & Services	6,868	6,710	7,392	7,092	9,007	8,502	12,273	10,767	11,574	9,807	12,618	10,109	9,269	10,350	9,454	9,643	9,836	10,032	10,233	10,438	10,647	10,859	11,077
Internal Service Fees	9,280	9,677	9,294	9,677	9,409	9,677	11,515	11,553	13,336	13,336	14,413	14,413	11,863	11,863	15,400	15,708	16,022	16,343	16,669	17,003	17,343	17,690	18,044
Debt Service	2,784	2,784	2,822	2,822	2,809	2,809	3,302	3,302	3,445	3,445	3,568	3,640	3,283	3,420	3,417	3,417	3,417	3,417	3,417	3,417	3,417	3,418	3,419
Capital Outlay/Projects	2,771	3,027	3,137	3,174	5,353	5,489	2,294	1,925	4,191	5,864	2,029	1,768	5,643	2,773	1,746	1,285	1,260	2,385	1,853	1,990	1,674	1,755	1,601
Economic Development	-	-	-	-	-	-	-	350	-	-	350	556	350	350	350	350	350	350	350	350	350	350	350
Insurance	2,774	2,464	2,847	2,537	2,621	2,621	2,385	2,385	2,385	2,338	4,389	4,389	350	2,907	2,965	3,024	3,085	3,147	3,209	3,274	3,339	3,406	3,474
Additions/(Reductions)		-		-		-		-		-		-		-	-	-	-	-	-	-	-	-	-
Subtotal O&M	24,477	24,662	25,492	25,302	29,199	29,098	31,769	30,281	34,931	34,790	37,367	34,874	30,408	31,664	33,332	33,427	33,970	35,674	35,732	36,471	36,770	37,478	37,964
Total Expense	121,614	122,907	124,289	123,844	129,612	131,574	139,027	137,136	147,519	149,093	155,030	154,704	151,562	152,611	163,266	170,963	180,068	189,690	195,683	201,648	207,000	212,358	217,696
Chng in Reserve-Surplus/(Shorfall)	(2,726)	(2,927)	(3,522)	(105)	222	(856)	(7,207)	(1,758)	837	5,169	(3,589)	2,387	(2,475)	(592)	(5,154)	(10,273)	(15,887)	(19,337)	(18,774)	(18,950)	(19,009)	(19,472)	(22,767)
UUT Set-asides		-		-		-		-		(6,023)		(4,248)		-	-	-	-	-	-	-	-	-	-
Beginning Balance		29,550		27,764		28,115		33,420		31,684		30,829	28,968	28,968	28,375	23,222	12,949	(2,939)	(22,276)	(41,050)	(60,000)	(79,009)	(98,481)
Ending Balance		26,623		27,659		27,259		31,662		30,829		28,968	26,493	28,375	23,222	12,949	(2,939)	(22,276)	(41,050)	(60,000)	(79,009)	(98,481)	(121,247)
Balance as % of Total Expense		21.7%		22.3%		20.7%		23.1%		20.7%		18.7%		18.6%	14.2%	7.6%	-1.6%	-11.7%	-21.0%	-29.8%	-38.2%	-46.4%	-55.7%
Balance at 20% of Expenses		24,581		24,769		26,315		27,427		29,819		30,941		30,522	32,653	34,193	36,014	37,938	39,137	40,330	41,400	42,472	43,539
Amount Above or (Below) 20%		2,042		2,890		944		4,235		1,011		(1,973)		(2,147)	(9,432)	(21,244)	(38,952)	(60,214)	(80,187)	(100,330)	(120,409)	(140,952)	(164,787)



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777 B Street
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File #: RPT 18-027

DATE: January 25, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

FY 2018 Meeting Schedule & Work Plan

RECOMMENDATION

That the Committee receives and comments on the FY 2018 Council Budget and Finance Committee Meeting Schedule & Work Plan.

ATTACHMENT

Attachment I Meeting Schedule & Work Plan



COUNCIL BUDGET AND FINANCE COMMITTEE
FY 2018 Meeting Schedule & Workplan
January 25, 2018

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 3rd 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 20, 2017	FY 2017 Annual Audit Process (Oral Presentation by External Auditor) Employee Budget Focus Group
October 18, 2017	Investment Portfolio Update (External Investment Manager) FY 2018 Statement of Investment Policy Review and Delegation of Authority Review of Research Scope for Survey of Hayward Voters
November 15, 2017 December 6, 2017 at 5 p.m.	Review of Results from Survey of Hayward Voters and Discussion of Next Steps FY 2019 Budget Process Plan and Development Calendar
December 20, 2017 January 10, 2018	Presentation of FY 2017 Audit Home Assistance Purchase Program for Employees
January 17, 2018 January 25, 2018 at 5 p.m. (Thursday)	Discussion of FY 2019 Budget Process and Work Session Framework FY 2018 Mid-Year Review & General Fund Long Range Financial Model Update
February 21, 2018	Cannabis Tax Rate Discussion Credit Card Fees FY 2019 Proposed Budget Discussion Discussion on Mayor & City Council Department Budget
March 21, 2018	Annual Review of City Issued Debt Annual City Benefit Liabilities and Funding Plan Review CalPERS Home Assistance Purchase Program for Employees
April 18, 2018	FY 2019 Budget process update
May 16, 2018	Public Banking Review-Oakland Fees Report
June 20, 2018	Measure C Annual Report
July 18, 2018	FY 2019 budget process debrief

Non-scheduled future agenda topics:

- Performance Measurement
- Affordable Care Act – Health Care Exchange
- Public BankingTax Increment Financing