

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, March 7, 2018

5:00 PM

City Hall, Conference Room 4A

Council Budget and Finance Committee

SPECIAL COUNCIL BUDGET AND FINANCE COMMITTEE MEETING

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 18-025](#) Approval of Meeting Minutes January 25, 2018

 Attachments: [Attachment I Draft Minutes January 25, 2018](#)
2. [RPT 18-055](#) Credit Card Fees

 Attachments: [Attachment I Staff Report](#)
3. [RPT 18-052](#) FY 2019 Proposed Budget Discussion (Oral Presentation)

 Attachments: [Attachment I Budget Parameters](#)
 [Attachment II Budget Development Calendar](#)
4. [RPT 18-054](#) Discussion on Mayor & City Council Department Budget

 Attachments: [Attachment I Staff Report](#)
 [Attachment II Budget Narrative](#)
5. [RPT 18-038](#) 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, MARCH 21, 2018



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777 B Street
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File #: MIN 18-025

DATE: March 7, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Approval of Meeting Minutes January 25, 2018

RECOMMENDATION

That the Committee approves the meeting minutes from the January 25, 2018 Meeting.

ATTACHMENT

Attachment I Draft Minutes January 25, 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, and Dustin Claussen

Guests: None

Public Comments: No public comments.

1. Approval of Meeting Minutes January 10, 2018.

Action: Unanimous approval as submitted.

2. Discussion of FY 2019 Budget Process and Work session Framework.

- Director Claussen provided information and facilitated a discussion regarding the upcoming FY 2019 budget.

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

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

- Director Claussen provided a report and update to the Committee.

Action: The Committee received 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 adding a section on the Saturday work session for Strategic Initiatives.

5. Future Agenda Items: None

Committee Members/Staff Announcements and Referrals: None.

Adjournment: The meeting was adjourned at 4:47 pm



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File #: RPT 18-055

DATE: March 7, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Credit Card Fees

RECOMMENDATION

That the Committee reviews and provides comment on this report.

ATTACHMENT

Attachment I Staff Report



DATE: March 7, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT: Credit Card Fees

RECOMMENDATION

That the Committee reviews and provides comment on this report.

BACKGROUND

When a consumer uses a credit or debit card (card) to pay for a transaction at the point of sale or online, hidden in the background are processing fees for the transaction. This fee is paid for the transaction to be processed and has multiple components as demonstrated in the graphic below.



When a customer makes a payment using a card at City Hall, the customer's card is swiped and the information is sent immediately through the Payment Gateway and on to the Credit Card Processor. Currently, the City uses a company named Elavon to process the payments. At the time of processing, depending on the type of card used and fees associated based on the Credit Card Association, funds are deducted and the net balance is deposited in the City's bank account.

Elavon, the City's Credit Card Processor, is paid for their portion of the expense for processing these transactions using General Fund resources. In each of the previous three fiscal years

this expense has increased and, as more customers use cards to pay bills, growth of this expense is expected.

DISCUSSION

The fee from Elavon to process a card payment is 2.65% of each transaction. Currently, the City charges a convenience fee of \$3.95 to customers who pay utility bills by card online, but has no fee for in-person transactions.

As shown in the table below, the amount the City expended in card processing in the General Fund has increased over the past three fiscal years, and is expected to continue to rise in future fiscal periods as cards are the most commonly used payment method in the City:

Department / Division	FY 2017	FY 2016	FY 2015
Hayward Police Dept. (includes Animal Services)	\$4,998.88	\$4,874.39	\$4,700.18
Library	\$1,611.89	\$2,186.37	\$1,812.53
Development Services	\$37,639.12	\$26,915.63	\$29,368.50
Revenue	\$19,044.55	\$24,833.12	\$16,785.43
TOTAL	\$63,294.44	\$58,809.51	\$52,666.64

The issue of increasing card processing fees is not just affecting Hayward; other jurisdictions are grappling with this issue as well. An informal survey of agencies in the state in 2015 showed that more than 20% of agencies charge some form of a card processing fee(s). Four of these agencies are local to the City of Hayward: the City of San Francisco (2.25%); the City of San Leandro (2.5%); Union City (2.25% for transactions over \$2,500); and County of Alameda (2.5%). Unfortunately, more recent survey information was not available at the time of this report, but at the time the survey was taken, at least ten of the jurisdictions indicated that they were exploring the implementation of a service charge.

To offset this expense, staff is recommending a card service charge. There are two different methods recommended to manage a card service charge: agency-managed and processor-managed.

- An agency-managed service charge, could defray up to 100% of the expense to the City. A percentage service charge would be added to all payments, and that revenue flows directly into the General Fund. Card processing fees themselves are not lessened by this service charge, but the revenue generated by the service charge would recover all or a portion of the processing expense.
- Conversely, a processor-managed service charge would be completely handled by the card processor. If a processor-managed service charge were to be employed, a percentage-based fee would be added to each card payment and would be paid directly to the Credit Card Processor – it would offset 100% of the processing fees.

With this method, card processing fees paid by the City would be eliminated without City action.

ECONOMIC IMPACT

If implemented, it is not anticipated that either of the methods discussed above will have a significant economic impact on Hayward customers.

FISCAL IMPACT

In FY 2017, the General Fund expended more than \$63,000 in card processing. This amount is expected to increase in FY 2018 due to transaction volume. The implementation of a processor-managed or agency-managed service charge would eliminate or reduce credit card processing fees and allow for the resources to remain in the General Fund.

NEXT STEPS

Committee comments will be considered and if supported, a program will be created to defray the expenses related to the processing of payments using cards.

Prepared and Recommended by: Dustin Claussen, Director of Finance

Approved by:



Kelly McAdoo, City Manager



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File #: RPT 18-052

DATE: March 7, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

FY 2019 Proposed Budget Discussion (Oral Presentation)

RECOMMENDATION

That the Committee receives and comments on the attached Budget Parameters for the FY 2019 Budget Development Process (**Attachment I**) and Budget Development Calendar (**Attachment II**). Oral presentation to be provided by Director Claussen.

ATTACHMENT

Attachment I	Budget Parameters
Attachment II	Budget Development Calendar



DATE: January 24, 2018

TO: Department Heads

FROM: Dustin Claussen, Director of Finance

SUBJECT: Budget Parameters for the FY 2019 Budget Development Process

In preparation for the FY 2019 Budget development process, please find below budget parameters to guide your respective departments budgets.

1. **STATUS QUO BUDGET:** FY 2019 will be budgeted at expenditure levels congruent with FY 2018. With the completion of the General Fund Long Range Financial Model, the City continues to project a structural budget deficit in future years. However, on October 14, 2017, the City Council held a fiscal sustainability work session, where they reviewed the General Fund Long Range Financial Model, and potential strategies to help close the General Fund budget gap. As we work towards implementation of Council's preferred strategies, departments will be asked to present a "no-growth" budget for FY 2019. Exceptions may be considered should the budget request be related to compliance with state/local regulations, and/or potential health and safety risk. Exceptions will be reviewed by the City Manager on a case-by-case basis.
2. **NO ADDITIONAL FTE'S:** No additional FTE's will be considered. Exemptions include staffing requirements due to legal mandates, contract compliance, or health and safety risk.

Future requests for position adds should follow the steps (in order) outlined below:

- a) Department identifies a need.
 - b) Department presents need to Human Resources to assist in identifying the appropriate position and approach.
 - c) Position information provided to Finance to determine budget availability.
 - d) Information from steps A-C presented to CMO for decision.
3. **REQUEST FOR POSITION RECLASSIFICATIONS:** Reclassifications occur when: there is a vacant position that a Department Head wants to change to a position that better meets the needs of the department and an employee in a current position has mastered all job elements of the current position and has continuously performed the duties of another (usually higher) level position. A reclassification is based on the complexity of work and qualifications for the higher position and not workload, department, or assignment.

Please note, a request for reclassification could result in the following:

- a) no change because the need or duties are consistent with the current classification,
- b) the duties outside the current position be reassigned to the appropriate employee,



To begin a reclassification request, departments must submit a Position Inventory Questionnaire to Human Resources.

Consider the following when requesting a reclassification:

- a) A comprehensive job audit is required and may take up to 120 days to complete;
 - b) If reclassification to a new position is recommended, a salary survey may be required if the recommendation is for a position that doesn't currently exist in the City's Classification Plan, which potentially adds up to 30 days and will be done concurrent with other steps;
 - c) There may be a meet and confer requirement, when there is a change of bargaining unit and depending on the level of cooperation from the Union, this could add up to 90 days to the process;
 - d) Should not be used simply as a way to increase compensation.
4. **1 YEAR LIMIT ON CONTRACT CARRY FORWARDS:** Unused contracts will be eligible for carryforward one year after the year originally approved or budgeted. Note this does not apply to contracts known to be multi-year projects at the time of approval or that are budgeted across multiple fiscal years. If departments are unable to spend the contract amounts in this timeline, a new budget request should be submitted.
5. **UNFUNDED CIP NEEDS:** In an effort to continue developing a list of unfunded capital needs, please identify and submit any unfunded CIP needs.
6. **IDENTIFY EFFICIENCY MEASURES:** Review your department budget, and consider the following efficiency measures.
- a) Evaluate any one-time or ongoing efficiency saving opportunities within your department (i.e. technological/software solutions, partnership opportunities, deferment of non-essential purchases or operational expenditures that have none to minimal service impacts, etc.).
 - b) Evaluate opportunities to reprioritize existing resources. Be creative and innovative (i.e. cost sharing opportunities across departments).
 - c) Look for opportunities to control expenses. Review and prioritize expenses based on priority levels of high/critical vs. low/desirable, and analyze the fiscal and potential service impacts of deferral or reduction.
 - d) Collaborate. Create scales of economy by partnering with other departments.

Key Dates		Actions
FY 2019 Annual Budget		
March 2018		
1-9		Initial budget meetings with CM, ACM, Departments & Finance
2		ISF Budget & Rates due to Finance
2		Enterprise & Special Revenue Funds Summaries due to Finance
6		City Council Work Session - Community Agency Funding: CDBG, Social Services, and Arts/Music
12		Updated department narratives due to Finance
12		All final department budget information due to Finance
12		ISF, Enterprise & Special Revenue Funds Summaries & Multi-Year Forecasts Finalized
20		City Council to adopt FY 2019 Master Fee Schedule
21		Presentation of draft CIP to City Manager & ACM
27		FY 2019 Proposed Operating Budget Document Finalized and to the Printers
27		City Council - General Fund 5-Year Stability Plan Update
April 2018		
2		Begin FY 2019 GANN Limit calculations
17		City Council - presentation of the Proposed Operating & CIP Budgets
17		City Council Public Hearing - Community Agency Funding: CDBG, Social Services, and Arts/Music
27		Council Infrastructure Committee review
28		City Council Operating Budget Work Session #1 (Saturday)
May 2018		
1		City Council Operating Budget Work Session #1 Continued if necessary
8		City Council Budget Work Session #1 FY 2019-2028 CIP Budget
8		City Council Operating Budget Work Session #2
10		Planning Commission - FY 2019-2028 CIP Budget
22		City Council Public Hearing & Adoption - Operating and Capital budgets
29		City Council to adopt FY 2019 GANN Appropriations Limit
29		City Council Adopt Operating and Capital Budgets (if not approved on 5/22)



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File #: RPT 18-054

DATE: March 7, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Discussion on Mayor & City Council Department Budget

RECOMMENDATION

That the Committee reviews and provides comment on the proposed FY 2019 Mayor & City Council budget and narrative.

ATTACHMENT

Attachment I Staff Report
Attachment II Budget Narrative



DATE: March 7, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT: Discussion on Mayor & City Council Department Budget

RECOMMENDATION

That the Committee reviews and provides comment on the proposed FY 2019 Mayor & City Council budget and narrative.

BACKGROUND & DISCUSSION

On April 17, 2018, the City Manager will present for City Council consideration the proposed operating budget, with planned adoption on May 22, 2018. For FY 2019, the City Manager and Finance Director have requested that all departments develop a baseline budget with budget allocations equal to or below those of FY 2018, unless the increased allocation can be offset by new, verifiable revenues or a like reduction in expenditures. The proposed Mayor & City Council budget was developed to comport with these guidelines.

Annually, each department is asked to prepare a budget narrative identifying the department's FY 2018 achievements, FY 2019 goals, and meaningful performance metrics to report on progress. The attached proposed budget narrative outlines achievements and goals suggested for inclusion in the FY 2019 budget document.

FISCAL IMPACT

Any increases in total expenditures without offsetting new, verifiable revenues will be funded using General Fund reserves in FY 2019.

NEXT STEPS

Committee comments will be incorporated into the proposed budget and narrative, and presented to the entire City Council for consideration on April 17, 2018.

Prepared by: Laurel James, Management Analyst

Recommended by: Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is positioned above a horizontal line.

Kelly McAdoo, City Manager

MAYOR & CITY COUNCIL DEPARTMENT

MISSION STATEMENT

The mission of the Mayor and City Council is to represent the priorities and concerns of Hayward residents by providing relevant and timely policy direction to its appointed officers for the development of programs and services that address the needs of the residents, businesses, and visitors of Hayward; and exercising transparent and ethical governance of the community.

DEPARTMENT OVERVIEW

The Mayor and City Council provide overall policy leadership and guidance to appointed staff members who in turn implement this direction. The Mayor and Council appoint the City Manager, City Attorney, and City Clerk and adopt an overall City budget that provides the framework and resources within which the municipal corporation operates. Each year, the City Council adopts priorities that guide the work of City staff consistent with the above mission statement.

FY 2018 KEY PERFORMANCE/ACCOMPLISHMENTS

1. Provided legislative and policy development for the City Manager in support of the community's priorities: Safe, Clean, Green, and Thriving.
2. Allocated and approved City financial resources and labor contracts in support of achieving long-term financial stability for the City.
3. Approved development projects at identified "catalyst sites" (locations where significant and thoughtfully designed projects can catalyze complementary development on proximate properties) throughout Hayward, including the mixed-use Haymont townhome development on Mission Boulevard and the Mission Seniors project.
4. Responded to constituent concerns throughout the City.
5. Balanced public safety and fiscal responsibility to adopt a tax, amend the municipal code and zoning ordinance, and create an RFP process to allow commercial cannabis sales in Hayward.
6. Took action to address housing affordability issues in Hayward, including:
 - a. Updating the City's Accessory Dwelling Unit ordinance.
 - b. Revising the Affordable Housing ordinance.
 - c. Providing direction to staff on creating a workplan to address additional affordable housing issues and to develop a Request for Proposals process for Measure A1 affordable housing funding.

FY 2019 KEY SERVICE OBJECTIVES/GOALS

1. Continue to provide informed direction to staff for achievement of the key priorities: Safe, Clean, Green, and Thriving.
2. Continue to oversee the implementation of a comprehensive citywide performance management program for City departments and services.
3. Continue efforts to bring structural balance to the City's finances and stability to the City's labor environment.

MAYOR & CITY COUNCIL DEPARTMENT

4. Continue partnerships with the community and other agencies, including working with Hayward Unified School District to support and enhance the educational performance of Hayward's public schools.
5. Maintain excellence in responding to resident and community requests.
6. Respond to federal government actions that reduce funding for identified City goals.
7. Other programs and initiatives that will receive major attention in FY 2019 include:
 - a. Rental Housing Affordability
 - b. Economic Development
 - c. Ongoing revision and update of Land Use policies and regulations
 - d. Simplification of City operational and regulatory procedures for businesses and residents.

FY 2019 DEPARTMENT PERFORMANCE METRICS

Performance of the Mayor and Council is constantly measured by the community and the voters, through the effectiveness of their policy and legislative actions, and by the results of the bi-annual Community Satisfaction Survey. Specific performance measures to determine the success of the organization based on Council direction are built into each department and approved by Council through the budget process.



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File #: RPT 18-038

DATE: March 7, 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
March 7, 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 meets 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 March 7, 2018 at 5 p.m.	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 Employee Home Loan Options
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