

# **CITY OF HAYWARD**

Hayward City Hall  
777 B Street  
Hayward, CA 94541  
[www.Hayward-CA.gov](http://www.Hayward-CA.gov)



CITY OF  
**HAYWARD**  
HEART OF THE BAY

## **Agenda**

**Wednesday, June 20, 2018**

**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.     [MIN 18-072](#)     Approval of Meeting Minutes from May 16, 2018  
  
      **Attachments:**   [Attachment I Draft Minutes May 16, 2018](#)
2.     [RPT 18-113](#)     Measure C Annual Report  
  
      **Attachments:**   [Attachment I Staff Report](#)
3.     [RPT 18-114](#)     Review of Credit Status & Implications  
  
      **Attachments:**   [Attachment I Staff Report](#)
4.     FY 2019 Budget Process and Debrief (Oral Presentation)
5.     [RPT 18-100](#)     FY 2018 Meeting Schedule & Work Plan  
  
      **Attachments:**   [Attachment I FY 2018 Meeting Schedule & Work Plan](#)
6.     [RPT 18-103](#)     FY 2019 Meeting Schedule & Work Plan  
  
      **Attachments:**   [Attachment I FY 2019 Meeting Schedule & Work Plan](#)

**FUTURE AGENDA ITEMS**

**COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS**

**ADJOURNMENT**

NEXT MEETING - 4:00P.M. WEDNESDAY, JULY 18, 2018



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**File #:** MIN 18-072

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**DATE:** June 20, 2018

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Approval of Meeting Minutes from May 16, 2018

**RECOMMENDATION**

That the Committee approves the meeting minutes from the May 16, 2018.

**SUMMARY**

Staff recommends that the Committee reviews and approves the May 16, 2018 Budget and Finance Committee meeting minutes.

**ATTACHMENTS**

Attachment I      Draft Minutes May 16, 2018



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**COUNCIL BUDGET & FINANCE COMMITTEE MEETING**  
**Meeting Minutes of May 16, 2018**

**Call to Order:** 4:06 pm

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

**Members Absent:** N/A

**Staff:** Kelly McAdoo, Dustin Claussen, Nicole Gonzales, Monica Davis, Chuck Finnie and John Stefanski

**Guests:** Bryan Godbe and Bonnie Moss

**Public Comments:** No public comments.

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1. Approval of Meeting Minutes April 18, 2018

*Action: Unanimous approval as submitted.*

2. Review of Research Scope for Survey of Hayward Voters

- Bryan Godbe with Godbe Research provided an overview of the polling questions and methodologies to be utilized during the upcoming polling process.

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

3. Employee Home Loan Survey Results

- Director Claussen provided an overview of the Employee Home Loan Survey results and provided program recommendations.

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

4. Oakland Public Banking Feasibility Review (Oral Presentation)

- Director Claussen updated the Committee on the status of the Oakland Public Banking Feasibility Review.

*Action: The Committee discussed the presentation and recommended it remain on the non-scheduled future agenda topics. No formal action was taken.*

5. FY 2018 Meeting Schedule and Work Plan

*Action: The Committee reviewed the FY 2018 Meeting Schedule and Work Plan. No action was taken.*

6. Future Agenda Items

*Action: The Committee recommended adding “Review of Credit Status & Implications” and “Hayward Community Foundation” to non-scheduled future agenda topics.*

**Committee Members/Staff Announcements and Referrals:** None.

**Adjournment:** The meeting was adjourned at 5:09 pm



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**File #:** RPT 18-113

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**DATE:** June 20, 2018

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Measure C Annual Report

**RECOMMENDATION**

That the Committee reviews and provides feedback on the City's Measure C (District Sales Tax) FY 2018 annual report.

**SUMMARY**

The City's Measure C (District Sales Tax) is a general tax and is considered discretionary in nature. However, the Council supported the original ballot measure on the premise that these funds would be used to address illegal dumping, litter control, graffiti abatement and to fund capital projects including construction of the City's new 21<sup>st</sup> Century Library and Community Learning Center, completion of fire station retrofits and improvements, rehabilitation and expansion of the existing fire training center, as well as extensive street improvements. Staff will continue to focus on the completion of current and future capital improvement projects, and look for ways to utilize revenues to achieve the promises of Measure C.

**ATTACHMENTS**

Attachment I      Staff Report



DATE: June 20, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT Measure C Annual Report

#### RECOMMENDATION

That the Committee reviews and provides feedback on the City's Measure C (District Sales Tax) FY 2018 annual report.

#### SUMMARY

The City's Measure C (District Sales Tax) is a general tax and is considered discretionary in nature. However, the Council supported the original ballot measure on the premise that these funds would be used to address illegal dumping, litter control, graffiti abatement and to fund capital projects including construction of the City's new 21<sup>st</sup> Century Library and Community Learning Center, completion of fire station retrofits and improvements, rehabilitation and expansion of the existing fire training center, as well as extensive street improvements. Staff will continue to focus on the completion of current and future capital improvement projects, and look for ways to utilize revenues to achieve the promises of Measure C.

#### BACKGROUND

On June 3, 2014, the voters of the City of Hayward passed Measure C to create a District Sales Tax that increased the City's Sales and Use Tax by half a percent for twenty years, through October 1, 2034. Based on actual revenues received to date, staff estimates that the District Sales Tax is generating more than the projected \$13 million annually in revenue.

This District Sales Tax is a general tax and is considered discretionary in nature. Council has historically used these funds to address some of the ongoing operating and capital priorities consistent with the uses outlined when the Council adopted a resolution placing the measure on the ballot in 2014. The ongoing service-related priorities include public safety (particularly police services), illegal dumping, litter control, and graffiti abatement. Some of the priority capital projects include the construction of the City's new 21<sup>st</sup> Century Library and Community Learning Center, fire station retrofits and improvements, rehabilitation and expansion of the existing fire training center, as well as extensive street improvements.

On September 30, 2015, the City issued Certificates of Participation (COPs) for \$67.5 million to fund the capital projects listed above. Debt Service for the COPs is secured and paid for by the District Sales Tax revenue. Annual debt service payments for the COPs range from \$2.7 to \$5.4 million annually for twenty years.

## DISCUSSION

The table below shows revenue and expenditure activity related to the District Sales Tax for FY 2017 and FY 2018.

	FY 2017 Actual	FY 2018 Projected Actuals
<b>Revenues</b>		
Measure C District Sales Tax	\$ 14,009,387	15,074,503
Other Revenues (Interest)	180,219	80,470
<b>Total Revenues</b>	<b>14,189,607</b>	<b>15,154,973</b>
<b>Expenditures</b>		
<b>Capital</b>		
Library/ Learning Center	17,373,241	16,217,628
Fire Facilities Design	1,285,742	686,008
Fire Station 1	358,293	766,707
Fire Station 2	587,183	2,060,513
Fire Station 3	472,826	1,902,173
Fire Station 4	114,900	2,083,700
Fire Station 5	75,973	1,774,027
Fire Station 6 & Regional Training Center	681,043	5,981,992
Street Rehabilitation	10,554,232	954,923
Vehicles		15,000
Debt Service	2,859,637	2,730,688
<b>Operating</b>		
Personnel	2,185,650	2,287,877
Other Operating	209,485	184,263
<b>Total Expenditures</b>	<b>36,758,205</b>	<b>37,645,499</b>
<b>Beginning Fund Balance</b>	<b>72,558,228</b>	<b>49,989,629</b>
<b>Annual Surplus/Shortfall</b>	<b>(22,568,599)</b>	<b>(22,490,526)</b>
<b>Ending Fund Balance</b>	<b>\$ 49,989,629</b>	<b>\$ 27,499,104</b>



FY 2018 District Tax related capital expenditures totaled \$35.2 million, including design and construction of the City's 21<sup>st</sup> Century Library and Community Learning Center (\$16.2 million), design and improvements for Fire Station Nos. 1 – 6 and Regional Training Center is (\$15.3 million) and city-wide street infrastructure improvement projects (\$954,923). The significant ending fund balance in FY 2018 will be mostly expended over the next two fiscal years as the library and fire station improvements are completed.

Projected FY 2018 Measure C personnel expenditures of \$2.3 million were for the Maintenance Services Department (\$543,827) and Police Department (\$1,744,050). All five Measure C Maintenance positions have been filled. Aside from the Call Taker positions, all Police Department Measure C funded positions have been filled. Due to the high level of Call Taker vacancies that were Measure C funded, the FY 2019 Adopted Budget reallocated 8.0 FTE Call Taker positions to the General Fund, and 7.0 FTE Communications Operators are reallocated to Measure C. Other operating expenditures include utilities, supplies and services, and internal staff charges.

#### NEXT STEPS

Finance Department staff will continue to work with the other relevant departmental staff to monitor the progress of designated capital projects and operating expenses and provide periodic reporting on activities to the Committee and City Council.

Prepared by: Monica Davis, Management Analyst II

Recommended by: Dustin Claussen, Director of Finance

Approved by:



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Kelly McAdoo, City Manager



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**File #:** RPT 18-114

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**DATE:** June 20, 2018

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Review of Credit Status & Implications

**RECOMMENDATION**

That the Committee reviews and provides feedback on this report.

**SUMMARY**

As with all organizations seeking credit, the City is subject to credit review processes. One which takes place routinely is the credit rating process. The report below provides background information on the credit rating process and the City's most recent rating and outlook.

**ATTACHMENTS**

Attachment I      Staff Report



DATE: June 20, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT: Review of Credit Status & Implications

#### RECOMMENDATION

That the Committee reviews and provides feedback on this report.

#### SUMMARY

As with all organizations seeking credit, the City is subject to credit review processes. One which takes place routinely is the credit rating process. The report below provides background information on the credit rating process and the City's most recent rating and outlook.

#### BACKGROUND

As part of the normal course of business, leveraging different financing instruments to provide immediate access to funding for significant capital projects, equipment and other specific projects, the City has used various financing instruments. Some of the instruments that the City uses require a formal credit rating from a public rating agency. Among the agencies the City has used for credit ratings are Moody's, Standard & Poors, and Fitch Ratings.

Credit ratings are opinions about credit risk, credit worthiness, and risk of loss by an unbiased party to provide potential investors (those who may purchase a bond or other offerings from the City) with a forward-looking ranking (grade or rating) of the City. Ratings are published by a public rating agency after it has analyzed the City's history of, ability and willingness to meet its financial obligations in accordance with the terms of (potential) debt obligations.

#### DISCUSSION

To fund the acquisition of capital equipment or construction of specific projects (eg, the 21<sup>st</sup> Century Library & Learning Center), the City will at times issue a financing tool (bond, COP, lease-purchase agreements, etc.) to facilitate the work. When offered on the publicly traded market, these instruments, in many cases, will include a credit rating, which offers potential investors, among other things, an indication of the City's likelihood and ability to make required payments in accordance with the terms of the agreement. In many cases, a credit

rating will relate to risk and could deter risk averse investors and therefore, may impact the interest rate associated with the offering. Typically, when there are similar offerings from like organizations, the one with a higher credit rating will pay lower interest for the life of the offering.

During the rating process, it is likely that the following attributes of an organization are considered and evaluated:

- Institutional and Legal Framework
- Operating Environment/Economy
- Governance and Management
- Budgetary Performance and Financial Flexibility
- Debt, Liquidity and Contingent Liabilities
- Extraordinary Support (support from other sources that could secure the offering)

These are not the only criteria considered and each is weighed with a different level of significance dependent on the rating agencies view of importance.

When a rating is released, it is done so coupled with what is known as an “outlook”. An outlook is the rating agency’s opinion regarding the likely direction of an issuer’s rating in the extended future. Rating outlooks fall into a few categories: Positive, Negative, Stable, and Developing (contingent upon an event).

In May 2018, the City received a rating from Moody’s which upheld its previous overall credit rating, but changed the City’s outlook to negative. This indicates that the City remains creditworthy but Moody’s cited the projected use of General Fund reserves as shown in the City’s long range financial forecast and large unfunded pension and OPEB related liabilities as factors for the change in outlook.

The City has taken many steps over the past ten years to correct the structural imbalance in the City’s General Fund. These steps have included additional employee contributions to benefit costs, new revenues, adjusted fees to more fully recover service costs, expenditure reductions, and others. Recently, the City undertook a comprehensive review of our ten year financial forecast in partnership with Management Partners. This review culminated in a work session with the City Council on October 14, 2017, where the Council reviewed the model and developed a five year action plan with associated strategies for balancing the General Fund budget while fully funding the required annual OPEB and PERS contributions. More recently, the City has been able to secure new agreements with some of the employee labor unions that have resulted in savings over what the financial forecast projected, further shoring up the City’s financial stability. The City will need to continue to explore a number of strategies in order to stabilize our financial picture and reassure credit agencies that the City’s outlook should be considered stable and/or positive.

## NEXT STEPS

Finance Department staff will continue to work to improve the City’s financial standing and improve the credit worthiness and rating. While there is not a current timeline for a public

debt offering, undoubtedly in time the need will arise and it is of the utmost importance that the City have the ability to do so at the highest possible credit rating achievable.

Prepared & 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.

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Kelly McAdoo, City Manager



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**File #:** RPT 18-100

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**DATE:** June 20, 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.

**SUMMARY**

Staff recommends that the Committee reviews and comments on the FY 2018 Budget and Finance Committee schedule and work plan.

**ATTACHMENTS**

Attachment I      Meeting Schedule & Work Plan



**COUNCIL BUDGET AND FINANCE COMMITTEE**  
**FY 2018 Meeting Schedule & Workplan**  
**June 20, 2018**

**Meeting Location:** 777 B STREET - CITY HALL - 4<sup>TH</sup> FLOOR CONFERENCE ROOM 4A  
 HAYWARD, CALIFORNIA

**Meeting Time:** 4:00 P. M.

**Meeting Dates:** The Council Budget & Finance Committee generally meet monthly on the 3<sup>rd</sup> 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
<del>November 15, 2017</del> 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
<del>December 20, 2017</del> January 10, 2018	Presentation of FY 2017 Audit Home Assistance Purchase Program for Employees
<del>January 17, 2018</del> 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
<del>February 21, 2018</del> 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	Measure C Staffing at Police Department Annual Review of City Issued Debt Annual City Benefit Liabilities and Funding Plan Review
April 18, 2018	FY 2019 Budget process update CalPERS Update
May 16, 2018	Review of Research Scope for Survey of Hayward Voters Employee Home Loan Survey Results Oakland Public Banking Feasibility Review
June 20, 2018	Measure C Annual Report Review of Credit Status & Implications FY 2019 Budget Process Debrief
July 18, 2018	TBD

**Non-scheduled future agenda topics:**

- Performance Measurement
- Affordable Care Act – Health Care Exchange
- Hayward Community Foundation
- Oakland Public Banking Feasibility Review



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**File #:** RPT 18-103

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**DATE:** June 20, 2018

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

FY 2019 Meeting Schedule & Work Plan

**RECOMMENDATION**

That the Committee receives and comments on the FY 2019 Council Budget and Finance Committee Meeting Schedule & Work Plan.

**SUMMARY**

Staff recommends that the Committee reviews and comments on the FY 2019 Council Budget and Finance Committee Meeting Schedule & Work Plan.

**ATTACHMENTS**

Attachment I      Meeting Schedule & Work Plan





**COUNCIL BUDGET AND FINANCE COMMITTEE**  
**FY 2019 Meeting Schedule & Workplan**  
**June 20, 2018**

**Meeting Location:** 777 B STREET - CITY HALL - 4<sup>TH</sup> FLOOR CONFERENCE ROOM 4A  
HAYWARD, CALIFORNIA

**Meeting Time:** 4:00 P. M.

**Meeting Dates:** The Council Budget & Finance Committee generally meet monthly on the 3<sup>rd</sup> 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 19, 2018	FY 2018 Annual Audit Process (Oral Presentation by External Auditor) CalPERS UAL Funding Options
October 17, 2018	Investment Portfolio Update (External Investment Manager) FY 2019 Statement of Investment Policy Review and Delegation of Authority
November 21, 2018 needs to be rescheduled- holiday closure week	FY 2020 Budget Process Plan and Development Calendar
December 19, 2018	Presentation of FY 2018 Audit
January 16, 2019 (needs to be rescheduled to end of month)	Discussion of FY 2020 Budget Process and Work Session Framework FY 2019 Mid-Year Review & General Fund Long Range Financial Model Update
February 20, 2019	FY 2020 Proposed Budget Discussion Discussion on Mayor & City Council Department Budget
March 20, 2019	Annual Review of City Issued Debt Annual City Benefit Liabilities and Funding Plan Review
April 17, 2019	FY 2020 Budget process update
May 15, 2019	TBD
June 19, 2019	Measure C Annual Report FY 2020 Budget Process Debrief
July 17, 2019	TBD

**Non-scheduled future agenda topics:**

- Performance Measurement
- Affordable Care Act – Health Care Exchange
- Hayward Community Foundation
- Oakland Public Banking Feasibility Review