

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, December 5, 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 18-150](#) Approval of Minutes from October 17, 2018 Budget and Finance Committee Meeting

 Attachments: [Attachment I Draft Minutes October 17, 2018](#)
2. [RPT 18-195](#) Transmittal of the Comprehensive Annual Financial Report for the Year Ended June 30, 2018; and of the Memorandum on Internal Control and Required Communications

 Attachments: [Attachment I Staff Report](#)
3. [RPT 18-192](#) Introduction and Overview of Hayward Community Foundation Concept

 Attachments: [Community Foundation Concept](#)
4. [RPT 18-196](#) Update of General Fund Long Range Financial Model

 Attachments: [Attachment I Staff Report](#)
 [Attachment II General Fund Long Range Financial Model Update](#)
 [Attachment III Updated Revenue & Expenditure Assumptions](#)
5. FY 2020 Budget Process Plan and Development Calendar (Oral Presentation)
6. [RPT 18-194](#) 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, JANUARY 30, 2019



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777 B Street
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File #: MIN 18-150

DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Approval of Minutes from October 17, 2018 Budget and Finance Committee Meeting

RECOMMENDATION

That the Committee approves the meeting minutes from October 17, 2018.

SUMMARY

Staff recommends that the Committee reviews and approves the October 17, 2018 Budget and Finance Committee meeting minutes.

ATTACHMENTS

Attachment I Minutes for October 17, 2018 Budget and Finance Committee Meeting



COUNCIL BUDGET & FINANCE COMMITTEE MEETING
Meeting Minutes of October 21, 2018

Call to Order: 4:02 pm

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

Members Absent: N/A

Staff: Kelly McAdoo, Maria Hurtado, Dustin Claussen, Nicole Gonzales, and Monica Davis

Guests: Monique Spyke, PFM Asset Management
Izac Chyou, PFM Asset Management

Public Comments: No public comments.

1. Approval of Meeting Minutes from September 19, 2018

Action: Unanimous approval as submitted.

2. Investment Portfolio Review and FY 2019 Statement of Investment Policy Update
(Oral Presentation)

- Oral presentation by Managing Director and Senior Managing Consultant from PFM Asset Management on FY 2017-18 Year-End Portfolio, and review of the proposed changes to the Statement of Investment Policy.

Action: The Committee received and discussed the presentation, and approved the proposed changes to the Statement of Investment Policy.

3. FY 2019 Meeting Schedule & Work Plan

Action: The Committee reviewed the FY 2019 Meeting Schedule & Work Plan. No changes were requested by the Committee.

4. Future Agenda Items: None.

Committee Members/Staff Announcements and Referrals: None.

Adjournment: The meeting was adjourned at 4:52 pm



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File #: RPT 18-195

DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Transmittal of the Comprehensive Annual Financial Report for the Year Ended June 30, 2018; and of the Memorandum on Internal Control and Required Communications

RECOMMENDATION

That the Committee receives the Comprehensive Annual Financial Report (CAFR) and recommends that City Council accepts and files the Memorandum on Internal Control and Required Communications for the fiscal year ended June 30, 2018. The reports will be made available prior to the meeting.

SUMMARY

This report provides information regarding the FY 2018 Comprehensive Annual Financial Report and the Memorandum on Internal Control and Required Communications. Staff is pleased that, as in years past, there were no significant findings. The ability to report that the City's financial statements continue to earn a "clean opinion" is a positive statement about the City's financial management and oversight.

ATTACHMENTS

None



DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT: Transmittal of the Comprehensive Annual Financial Report for the Year Ended June 30, 2018 and of the Memorandum on Internal Control and Required Communications

RECOMMENDATION

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SUMMARY

This report provides information regarding the FY 2018 Comprehensive Annual Financial Report and the Memorandum on Internal Control and Required Communications. Staff is pleased that, as in years past, there were no significant findings. The ability to report that the City's financial statements continue to earn a "clean opinion" is a positive statement about the City's financial management and oversight.

BACKGROUND

The City's independent external auditor, Maze and Associates, has completed its audit of the City's financial records for the fiscal year ended June 30, 2018. Maze was selected as the City's independent external audit firm in early 2011 after a thorough proposal review process. Maze and Associates has over thirty-two years of municipal auditing experience with more than 200 government agencies. In addition to the audited financial statements, the auditors have completed and provided the required Memorandum on Internal Control and Required Communications. The City's Comprehensive Annual Financial Report (CAFR) represents all funds of the City, including the General Fund, Water, Sewer, Airport, and all other enterprise and special revenue funds.

Auditing standards require auditors to formally communicate the results directly to the agency's governing body. The purpose being to establish direct and effective two-way communication with the Council and staff, to convey audit matters, the scope of work, difficulties, adjustments to financial statements, or any possible disagreements with management.

DISCUSSION

Comprehensive Annual Financial Report – Staff is pleased to report that, as in previous years, the auditor's opinion on the financial statements for fiscal year 2018 is without exception and is unmodified (formerly referred to as "unqualified"). That is, the auditor's report is not restricted (modified) in any manner, nor does it take exception with any of the information contained in the City's financial statements. While a modification (known before as a qualification) or exception is not necessarily detrimental, the ability to report that the City's financial statements continue to earn a "clean opinion" is a positive statement about the City's financial management and oversight.

Staff plans to submit the fiscal year 2018 CAFR to the Government Finance Officers Association (GFOA) award program, which is a prestigious national award recognizing conformance with the highest standards for preparation of local government financial reports. The City of Hayward has received this award for the last thirty-one consecutive years.

Communication Letters from Auditors – The Required Communications letter is intended to identify any communication issues and present new accounting standards pronouncements that may affect the audit. The auditor did not report any difficulties in performing the audit or any disagreements with management.

The second letter presented to management is the Memorandum on Internal Control. This letter has two major objectives: (1) to advise the governing body or City Council of any significant deficiencies or material weaknesses in the City's systems of internal financial controls; and (2) to communicate to the Council any opportunities for improved controls or efficiencies that the auditors noted during their audit. This letter may also advise the Council of upcoming accounting regulations, which may affect the City's financial records. Staff's responses to the auditor's comments and recommendations are noted in the Letter.

FY 2018 Finding

There were no significant audit findings.

FY 2017 Finding

There were no significant audit findings.

STRATEGIC INITIATIVES

This agenda item is a routine operational item that does not relate to any of the Strategic Initiatives.

FISCAL IMPACT

There is no direct fiscal impact resulting from the approval of the annual audit.

PUBLIC CONTACT

On September 19, 2018, Maze & Associates presented to the Council Budget and Finance Committee an overview of the fiscal year 2018 audit process and the role of the external auditor.

NEXT STEPS

The FY 2018 CAFR and accompanying documents will be presented to City Council on February 5, 2019 for adoption.

Prepared by and Recommended by: Dustin Claussen, Director of Finance

Approved by:



Kelly McAdoo, City Manager



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File #: RPT 18-192

DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: City Manager

SUBJECT

Introduction and Overview of Hayward Community Foundation Concept

RECOMMENDATION

That the Council Budget and Finance Committee reviews this report and provides feedback and guidance on the formation of a Hayward Community Foundation.

SUMMARY

Staff began exploring the concept of a Hayward Community Foundation as a result of the first round of the Commercial Cannabis Permit Program. As a requirement under this program, the City Council required each would-be commercial cannabis operator to describe the planned community benefits they would provide. Through the creation of a Hayward Community Foundation, these entities would be able to provide community benefit through donations or support to the Foundation, which would then handle the distribution of community benefit contributions.

This report details the staff recommendation of creating an Affiliate Fund with the East Bay Community Foundation to begin the process of establishing a Hayward Community Foundation.

ATTACHMENTS

Attachment I Staff Report



DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: City Manager

SUBJECT: Introduction and Overview of Hayward Community Foundation Concept

RECOMMENDATION

That the Council Budget and Finance Committee reviews this report and provides feedback and guidance on the formation of a Hayward Community Foundation.

SUMMARY

Staff began exploring the concept of a Hayward Community Foundation as a result of the first round of the Commercial Cannabis Permit Program. As a requirement under this program, the City Council required each would-be commercial cannabis operator to describe the planned community benefits they would provide. Through the creation of a Hayward Community Foundation, these entities would be able to provide community benefit through donations or support to the Foundation, which would then handle the distribution of community benefit contributions.

This report details the staff recommendation of creating an Affiliate Fund with the East Bay Community Foundation to begin the process of establishing a Hayward Community Foundation.

BACKGROUND

Community Foundations are non-profit organizations that utilize philanthropic contributions and grants to fund or provide support to local communities and their local non-profit organizations. Funding for these foundations can come in many forms, whether through individual contributions, bequests, or through corporate or foundation-based grants. Community Foundations provide value to local communities through grant making or facilitating the collective pooling of resources to reduce the overhead costs of running a non-profit organization.

Staff began exploring the concept of a Hayward Community Foundation as a result of the first round of the Commercial Cannabis Permit Program. As a requirement under this program, the City Council required each would-be commercial cannabis operator to describe the planned community benefits they would provide. Cash payments to local area non-profits was one of the most articulated community benefits. However, leaving this distribution of donations up

to the discretion of cannabis operators may not be in the best interest of the community, as they may direct funds to non-profit organizations that do not address the most pressing needs of the community. Through creating a Hayward Community Foundation (HCF), these entities would be able to provide community benefit through donations or support to the HCF, which would then handle the distribution of community benefit contributions.

Additionally, a future HCF could assist local area non-profits by reducing their overhead and operating costs through the creation of individual funds.

DISCUSSION

Establishing a community foundation is a labor-intensive endeavor, one that requires specialized knowledge in fundraising, grant making, and non-profit (501c3) financial regulations and reporting requirements. These activities will require dedicated community members to help develop and scale a sustainable community foundation.

To assist in the formation of the Hayward Community Foundation, staff recommends pursuing a conservative approach to ensure that the Foundation will successfully launch. This approach consists of developing an agency fund or community affiliate fund or “incubating” with another local foundation. “Incubating” provides access to staff, knowledge, and expertise along with the organizational structure to manage assets and meet regulatory requirements. Furthermore, “incubating” can be done at a cost less than hiring full-time staff, resulting in more assets being leveraged to further growth in the fund and local grant making.

Staff researched several community foundations including the Silicon Valley Community Foundation, Greater Horizons—Greater Kansas City Community Foundation, and the East Bay Community Foundation to identify a place to incubate the HCF. Staff recommends pursuing a Community Affiliate Fund with the East Bay Community Foundation (EBCF), as they have local knowledge of the area and have provided similar, “incubation” services for newer community foundations like the Richmond Community Foundation, the Berkeley Community Fund, and the Rodeo-Crockett Community Foundation.

Proposed Community Affiliate Agreement

The proposed Community Affiliate Agreement (Agreement) provides the HCF with the ability to create one or more funds to finance charitable activities within the City with the purpose of pursuing the broader East Bay Community Foundation mission of leveraging community assets to advance a “Just East Bay –Where all communities have supports in place not only to survive, but to thrive.”

Under the agreement, all fund assets would be property of the EBCF in its corporate capacity. The HCF would appoint a “distribution committee” to consult, advise, and make recommendations for distributions from the Foundation’s various funds. When the distribution committee is confident the HCF can sustain itself on its own, they may elect to transfer their assets out of the EBCF and into the independently established HCF.

The EBCF will assist the new foundation with a variety of program services that provide a framework to evaluate community needs, grant making policies and procedures, process payments, and track or assist in the tracking of grants made by the Hayward Community Foundation. The EBCF will also hold, manage, invest, and reinvest the assets in the fund for a designated fee.

The agreement provides for additional services such as assistance with the review and evaluation of grant proposals, participation in development meetings with prospective donors, and assistance with marketing activities.

Jeri Boomgaarden, Managing Director of Donor Services & Senior Development Officer from the EBCF, will be present at this meeting to answer any questions.

ECONOMIC IMPACT

Community Foundations provide an avenue to capture and direct charitable giving activities to a given City. By directing these streams of funding toward non-profit organizations or other social programs, the foundation can help catalyze community prosperity through grants to various individuals, community groups, and organizations. Furthermore, non-profit Community Foundations provide corporations and individuals access to tax advantages like the federal charitable giving tax deductions.

FISCAL IMPACT

Under the proposed agreement, the EBCF would charge the initial funds for investment expenses, administrative fees, and any custom service fees. The EBCF estimates the following ranges for investment expenses on an investment pool basis:

Table 1: EBCF Investment Pool Annual Expense Rates

Cash Pool	0.15% to 0.25%
Short-Term Pool	0.40% to 0.60%
Intermediate-Term Pool	0.60% to 0.90%
Environmental, Social Governance Pool	0.60%
Long-Term Pool	0.70% to 1.10%

Administrative fees for a fund under \$5 million will be 1% or \$500, whichever is greater.

There is no fiscal impact to the City currently. The initial HCF assets shall come from those approved commercial cannabis operators who indicated they would donate portions of their proceeds for community benefit purposes. However, the Council at its discretion, may wish to provide additional general fund funding to assist in the initial activities of the HCF.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities strategic initiative. The purpose of the Complete Communities initiatives is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. Specifically, this item supports the following goal and objectives:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

NEXT STEPS

Following discussion, staff will address any comments or questions and return to the full Council for discussion and direction on this item.

Prepared & Recommended by: John Stefanski, Management Analyst II

Approved by:



Kelly McAdoo, City Manager



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File #: RPT 18-196

DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Update of General Fund Long Range Financial Model

RECOMMENDATION

That the Council Budget and Finance Committee receives an update and provides comments on the City's General Fund Long Range Financial Model.

SUMMARY

This report provides an update of the City's General Fund Long Range Financial Model (Financial Forecast Model). Staff requests that the Committee reviews and provides feedback prior to presenting this update to the City Council in January 2019. The update includes the latest revenue and expenditure projections and shows the impact to the City's long-term financial outlook.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	General Fund Long Range Financial Model- Update
Attachment III	Updated Revenue & Expenditure Assumptions



DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT: Update on General Fund Long Range Financial Model

RECOMMENDATION

That the Council Budget and Finance Committee receives an update and provides comments on the City's General Fund Long Range Financial Model.

SUMMARY

This report provides an update of the City's General Fund Long Range Financial Model (Financial Forecast Model). Staff requests that the Committee reviews and provides feedback prior to presenting this update to the City Council in January 2019. This update includes the latest revenue and expenditure projections and shows the impact to the City's long-term financial outlook.

BACKGROUND

For several years, the City utilized a General Fund Ten-Year Plan Model previously developed in-house as a tool to understand the long-range financial implications of policy decisions. In early 2017, the City engaged Management Partners to develop a more comprehensive and agile financial model, which was presented to Council during a special work session in October 2017¹. That October presentation included a demonstration of the capabilities of the Financial Forecast Model, as well as Council participation in discussing a variety of hypothetical scenarios to illustrate the long-term fiscal implications. This Financial Forecast Model was again used to simulate the long-term financial forecast using the latest revenue and expenditure figures.

DISCUSSION

The proposed FY 2019 Operating Budget projected the use of \$5.5 million from the General Fund reserve to present a balanced budget. Implementation of one-time expenditure reduction and cost saving measures reduced the projected use of General Fund reserve by \$2.5 million. At the time of budget adoption, the Financial Forecast Model projected the

¹ City of Hayward City Council Meeting on October 17, 2017
<https://hayward.legistar.com/MeetingDetail.aspx?ID=568550&GUID=6855A6D8-73F8-422D-8F2B-D5E1FE091927&Options=info&Search=>

City's General Fund reserve levels would fall below the City's 20% policy level to 11.4% in FY 2020, and depletion of the City's General Fund reserve by FY 2022. Table 1 provides a summary of the previous FY 2019 Operating Budget General Fund projected fund balance through FY 2023, for background.

TABLE 1: FY 2019 GENERAL FUND FIVE-YEAR FORECAST ENDING FUND BALANCE PROJECTIONS (JULY 2018 PROJECTIONS)

GENERAL FUND FORECAST - FY 2019					
ADOPTED in thousands	FY 2019 Year 1	FY 2020 Year 2	FY 2021 Year 3	FY 2022 Year 4	FY 2023 Year 5
Revenues	\$159,748	\$162,798	\$166,525	\$172,813	\$179,454
Expenditures	162,790	170,074	179,193	188,805	194,780
Net Change in Reserve - Surplus / (Shortfall)	(3,042)	(7,276)	(12,668)	(15,991)	(15,326)
Beginning Balance	\$29,713	\$26,670	\$19,394	\$6,726	(\$9,265)
Net Change in Reserve - Surplus / (Shortfall)	(3,042)	(7,276)	(12,668)	(15,991)	(15,326)
Ending Balance	\$26,670	\$19,394	\$6,726	(\$9,265)	(\$24,591)
Target to maintain 20% GF Reserves in Operating Expenses	\$32,558	\$34,015	\$35,839	\$37,761	\$38,956
General Fund Reserve Level as % of Total Expenses	16.4%	11.4%	3.8%	-4.9%	-12.6%
Amount Above or (Below) Target 20%	(\$5,888)	(\$14,621)	(\$29,113)	(\$47,026)	(\$63,547)
Percentage Above or (Below) Target 20%	(18.1%)	(43.0%)	(81.2%)	(124.5%)	(163.1%)

Projected Impacts of Recent Changes to Financial Forecast:

In October 2017, City Council held a Fiscal Sustainability work session, where staff unveiled the updated Financial Forecast Model, and Council discussed various options in four categories to address the City's structural budget deficit, which included (1) revenue generating options, (2) cost shifting options, (3) expenditure control options, and (4) changes in provision of services that Council could implement to assist in closing the City's long-term structural budget gap. During that discussion, Council directed staff to primarily focus on one of the revenue generating options (placing a measure on the ballot to increase the City's Real Property Transfer Tax (RPTT)) and on continuing to partner with employees on cost sharing opportunities. On July 17, 2018, Council approved a resolution calling for a municipal election for an increase to the RPTT.² In November 2018, voters passed Measure T from its original rate of \$4.50 per \$1,000 of property value to \$8.50 per \$1,000 of property value. The RPTT is expected to generate an additional \$7.2 million annually, for total annual General Fund revenue of approximately \$15 million.

² City of Hayward City Council Meeting on July 17, 2018

<https://hayward.legistar.com/LegislationDetail.aspx?ID=3553050&GUID=5504B467-533C-4C23-9243-448F969C92EB&Options=&Search=>

In addition to the successful passage of Measure T this fall, the Council adopted labor agreements with all of employee labor groups resulting in equitable benefits for both the City and employees.

Table 2 below provides an update to the General Fund Five-Year Forecast that includes the adopted employee labor agreements and the increase in projected RPTT revenue, as well as, the latest projected revenue and expenditure calculations.

TABLE 2: DECEMBER 2018 UPDATED GENERAL FUND FIVE-YEAR PROJECTIONS

GENERAL FUND FORECAST - UPDATED in thousands	FY 2019 Year 1	FY 2020 Year 2	FY 2021 Year 3	FY 2022 Year 4	FY 2023 Year 5
Revenues	\$164,357	\$169,796	\$173,160	\$179,325	\$185,446
Expenditures	163,805	168,098	178,634	188,298	194,336
Net Change in Reserve - Surplus / (Shortfall)	552	1,698	(5,474)	(8,974)	(8,890)
Beginning Balance	\$32,385	\$32,937	\$34,635	\$29,161	\$20,187
Net Change in Reserve - Surplus / (Shortfall)	552	1,698	(5,474)	(8,974)	(8,890)
Ending Balance	\$32,937	\$34,635	\$29,161	\$20,187	\$11,297
Target to maintain 20% GF Reserves in Operating Expenses	\$32,761	\$33,620	\$35,727	\$37,660	\$38,867
General Fund Reserve Level as % of Total Expenses	20.1%	20.6%	16.3%	10.7%	5.8%
Amount Above or (Below) Target 20%	\$176	\$1,015	(\$6,566)	(\$17,472)	(\$27,570)
Percentage Above or (Below) Target 20%	0.5%	3.0%	(18.4%)	(46.4%)	(70.9%)

Long-Term Financial Outlook

The updated Financial Forecast Model (Attachment II) provides a view of the City's long-term outlook. A continued challenge is rising CalPERS rates and unfunded accrued liabilities that have a significant impact on the projected expenditures in future years.

Attachment III highlights key revenue and expenditure assumptions included in this updated Financial Forecast Model. For example, revenue projections in this updated five-year forecast include the additional \$7.2 million RPTT revenue anticipated with the passage of Measure T. The sales tax projections include a contraction in two fiscal years, one for the known departure of a top tax payer and the other for a recession scenario. The change for this revenue source ranges -2.2% to 4.4% in the fiscal years presented. For years after FY 2023, sales tax is calculated at 2.5% growth annually for subsequent years. The Cannabis Tax revenue is projected at \$750K in FY 2019, \$1M in FY 2020, \$1.25M in FY 2021 and 2% growth in subsequent years. Property tax projections include an assumed recession in 2020. Annual growth ranges from 0.03% in the projected recession year to 5.25%. Please note that the projected property tax revenue does not include increases to property tax expected from future developments. As the Committee is aware, in an effort to address the challenges

surrounding affordable housing and homelessness on October 2, 2018, the City Council authorized the appropriation and allocation of \$28.6 million of the City's Affordable Housing Funds.³ In addition, the development of the former Route 238 CalTrans properties will also result in additional property tax revenues. These policy decisions are expected to have a positive impact on the property tax revenue projections moving forward. Staff does plan to adjust the expected property tax revenue from future developments when the timing of these property transactions and value of the properties become clearer. It is expected that these future developments will increase the property tax revenue projections significantly.

Please also note that these revenue projections do not include one-time revenue, such as expected proceeds from future 238 property sales or the prior period Utility Users Tax payments, both of which are being held in separate accounts.

Staff is currently updating the City's cost allocation plan and completing a Fleet Utilization study to analyze the need for equipment and vehicles currently owned and maintained by the City. These two efforts are expected to reduce expenses slightly.

Proposed strategies and updates to the Financial Forecast Model will be provided to Council on an ongoing basis for their continued policy leadership in helping to ensure fiscal sustainability for the City while ensuring the highest level of service availability to the Hayward community.

Unfunded liabilities

TABLE 3: SUMMARY OF BENEFIT LIABILITIES (IN MILLIONS)

(in millions)	Actuarial Valuation Date	Accrued Liability	Value of Assets	Funded Ratio	Unfunded Liability (1)	Unfunded Ratio
CalPERS Police Safety Plan	6/30/2017	\$ 374.86	\$ 229.86	61.3%	\$ 145.00	38.7%
CalPERS Fire Safety Plan	6/30/2017	\$ 288.16	\$ 179.08	62.1%	\$ 109.07	37.9%
CalPERS Miscellaneous Plan	6/30/2017	\$ 440.24	\$ 290.12	65.9%	\$ 149.95	34.1%
Total Cal PERS		\$ 1,103.26	\$ 699.06	63.1%	\$ 404.02	36.9%
OPEB - Retiree Medical Police Officers	6/30/2017	\$ 33.64	\$ 2.02	6.0%	\$ 31.62	94.0%
OPEB - Retiree Medical Fightfigters	6/30/2017	\$ 15.24	\$ 0.92	6.0%	\$ 14.32	94.0%
OPEB - Retiree Medical Miscellaneous	6/30/2017	\$ 20.21	\$ 1.21	6.0%	\$ 19.00	94.0%
Total OPEB-Retiree Medical		\$ 69.09	\$ 4.15	6.0%	\$ 64.94	94.0%
Workers' Compensation	6/30/2017	\$ 16.64	\$ 8.63	51.9%	\$ 8.01	48.1%
Accrued Leave Payouts (1)	6/30/2017	7.89	0	0.0%	\$ 7.89	100%
TOTAL		\$ 1,196.87	\$ 711.84	59.5%	\$ 484.85	40.5%

As shown in Table 3 above, the City still has significant unfunded benefit liabilities that need to be addressed. The CalPERS retirement total unfunded accrued liability (UAL) is \$404 million, or 63.1% funded status. The City also faces challenges in funding its Other Post-

³ City of Hayward City Council Meeting on October 2, 2018

<https://hayward.legistar.com/LegislationDetail.aspx?ID=3690553&GUID=0F826B7B-CA03-44E1-AB73-06C8790A7D69&Options=&Search=>

Employment Benefits (OPEB) liabilities. According to the most recent actuarial report (for plan year 2017), the City's unfunded OPEB liability is \$64.9 million, or 6% funded status.

To address these challenges, staff is exploring ways to reduce the UAL to ultimately improve the City's balance sheet, decrease long-term payments, and increase benefit security for current and former employees. The options being explored are: 1) additional discretionary payments through a loan from an enterprise fund; 2) establishing a Section 115 Irrevocable Pension Trust; or 3) participation in CalPERS "Fresh Start" - re-amortizing the current UAL over a shorter period of time. On September 19, 2018, staff presented these options to the Council Budget and Finance Committee and will present to Council recommendations at a future date. For purposes of this discussion, staff did not include any potential savings as a result of the four funding options listed above until these are presented to Council and one is selected.

ECONOMIC IMPACT

There is no economic impact associated with this report as it is informational only.

FISCAL IMPACT

There is no fiscal impact associated with this report; however, staff will continue to refine and update the General Fund Long Range Financial Model as economic factors change.

PUBLIC CONTACT

The agenda for this item was posted in compliance with the California Brown Act.

NEXT STEPS

Staff will continue to update the Financial Forecast Model and provide regular updates to the Council as other strategies and options to help reduce the City's structural deficit are identified.

Prepared by: Nicole Gonzales, Budget Officer

Recommended by: Dustin Claussen, Director of Finance

Approved by:



Kelly McAdoo, City Manager

GENERAL FUND LONG RANGE FINANCIAL MODEL - UPDATE

SUMMARY FORECAST	Revised Budget	Actual	Revised Budget	Actual	Revised Budget	Actual	Revised Budget	Actual	Adopted Budget	Est. Actual	Adopted Budget	Adjusted Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
(\$ in Thousands)	2013-14	2013-14	2014-15	2014-15	2015-16	2015-16	2016-17	2016-17	2017-18	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Property Tax	\$40,710	\$38,971	\$40,830	\$42,128	\$43,573	\$44,159	\$47,734	\$47,196	\$48,112	\$51,236	\$53,267	\$53,267	\$55,904	\$56,068	\$58,988	\$62,058	\$65,237	\$67,825	\$69,944	\$72,683
Sales Tax	30,500	31,019	31,719	31,058	33,275	33,059	33,401	34,839	32,926	33,389	34,817	34,817	34,113	35,579	37,112	38,716	39,827	40,975	42,160	41,324
UUT	15,000	15,762	15,750	15,681	22,494	22,041	19,620	20,754	16,593	17,488	19,000	18,000	18,135	18,566	19,007	19,458	19,847	20,244	20,649	20,804
Other Taxes/Franchises	21,327	11,094	20,818	22,361	23,207	17,507	23,808	25,247	23,808	26,507	25,181	30,790	33,581	34,209	34,858	35,246	35,297	35,361	35,438	34,385
Permits & Fees	8,696	10,299	9,381	9,939	10,105	12,218	11,787	14,917	12,799	9,141	9,081	9,081	8,961	9,259	9,567	9,884	10,108	10,337	10,571	10,440
Other Revenue	13,601	23,407	13,322	14,211	15,702	25,043	15,091	15,609	14,849	20,640	18,401	18,402	19,102	19,479	19,793	20,082	20,378	20,672	21,039	21,454
Transfer In-Measure C		-		-		-		-		-	-	-	-	-	-	-	-	-	-	-
Total Revenues	129,834	130,551	131,820	135,378	148,356	154,026	151,441	158,561	149,087	158,401	159,748	164,357	169,796	173,160	179,325	185,446	190,694	195,414	199,801	201,089
Salaries/Wages	63,760	63,649	66,343	63,732	67,035	67,543	69,169	70,003	74,243	71,681	77,953	77,893	78,448	81,571	83,535	85,547	87,798	89,765	91,777	93,834
Overtime	5,615	7,831	7,279	6,973	7,299	8,592	5,716	9,254	5,566	10,370	3,320	3,320	3,400	3,477	3,555	3,636	3,718	3,801	3,887	3,975
Retirement	16,014	14,736	18,265	18,008	21,222	20,675	23,687	23,021	23,600	23,366	28,147	28,147	30,951	34,863	37,940	40,499	42,250	43,737	44,710	45,707
Health/Other Benefits	13,018	11,468	13,296	12,241	14,017	12,196	14,418	12,437	14,581	12,341	14,280	14,280	15,025	15,854	16,711	17,617	18,578	19,589	20,658	21,790
Retiree Medical	2,345	4,327	2,242	4,308	2,810	2,810	2,846	2,847	3,794	2,794	5,020	5,020	5,879	7,838	9,798	10,197	10,615	10,976	11,336	11,759
Workers Comp	4,975	5,585	5,013	5,324	5,224	5,732	6,340	6,284	5,903	6,207	6,599	6,599	6,646	6,910	7,077	7,247	7,438	7,605	7,775	7,949
Interdept Charges	(5,315)	(5,120)	(5,179)	(3,731)	(5,019)	(4,450)	(4,513)	(4,015)	(4,602)	(5,155)	(4,361)	(4,361)	(4,466)	(4,567)	(4,670)	(4,775)	(4,883)	(4,993)	(5,105)	(5,221)
Vacancy Savings		-		-		-		-	(1,931)	-	(3,439)	(3,439)	(1,960)	(2,046)	(2,101)	(2,158)	(2,223)	(2,282)	(2,343)	(2,407)
Subtotal Personnel	100,412	102,476	107,258	106,855	112,587	113,098	117,663	119,831	121,154	121,604	127,519	127,459	133,922	143,900	151,846	157,809	163,291	168,199	172,695	177,386
Supplies & Services	9,007	8,502	12,273	10,767	11,574	9,559	12,618	10,113	9,269	11,050	10,084	11,158	10,285	10,491	10,701	10,915	11,133	11,356	11,583	11,815
Internal Service Fees	9,409	9,677	11,515	11,553	13,336	13,336	14,413	14,413	11,863	11,863	15,504	15,504	15,814	16,131	16,453	16,782	17,118	17,460	17,809	18,166
Debt Service	2,809	2,809	3,302	3,302	3,445	3,476	3,568	3,640	3,283	3,348	2,930	2,930	3,417	3,417	3,417	3,417	3,417	3,417	3,418	3,419
Capital Outlay/Projects	5,353	5,489	2,294	1,925	4,191	2,598	2,029	1,768	5,643	2,983	3,254	3,254	1,285	1,260	2,385	1,853	1,990	1,674	1,755	1,601
Economic Development	-	-	-	350	-	1,106	350	827	350	1,350	550	550	350	350	350	350	350	350	350	350
Insurance	2,621	2,621	2,385	2,385	2,385	2,338	4,389	4,389	350	2,907	2,950	2,950	3,024	3,085	3,147	3,209	3,274	3,339	3,406	3,474
Additions/(Reductions)		-		-		6,023		3,977		-	-	-	-	-	-	-	-	-	-	-
Subtotal O&M	29,199	29,098	31,769	30,281	34,931	38,436	37,367	39,126	30,408	33,501	35,272	36,346	34,176	34,733	36,453	36,527	37,282	37,596	38,321	38,824
Total Expense	129,612	131,574	139,027	137,136	147,519	151,534	155,030	158,957	151,562	155,105	162,790	163,805	168,098	178,634	188,298	194,336	200,573	205,795	211,016	216,210
Chng in Res-Surplus/(Shortfall)	222	(1,023)	(7,207)	(1,758)	837	2,492	(3,589)	(396)	(2,475)	3,296	(3,042)	552	1,698	(5,474)	(8,974)	(8,890)	(9,879)	(10,381)	(11,215)	(15,121)
UUT Set-asides/Adjustments		-		-		(6,023)		(3,977)		-	-	-	-	-	-	-	-	-	-	-
Beginning Balance		28,115		33,420		31,684		30,829	29,679	29,679	29,713	32,385	32,937	34,635	29,161	20,187	11,297	1,418	(8,963)	(20,178)
CAFR Adjustments								3,223		(590)										
Ending Balance		27,092		31,662		28,153		29,679	27,204	32,385	26,671	32,937	34,635	29,161	20,187	11,297	1,418	(8,963)	(20,178)	(35,299)
Balance as % of Total Expense		20.6%		23.1%		18.6%		18.7%		20.9%	16.4%	20.1%	20.6%	16.3%	10.7%	5.8%	0.7%	-4.4%	-9.6%	-16.3%
Balance at 20% of Expenses		26,315		27,427		30,307		31,791		31,021	32,558	32,761	33,620	35,727	37,660	38,867	40,115	41,159	42,203	43,242
Amt Above or (Below) 20%		777		4,235		(2,154)		(2,112)		1,364	(5,888)	176	1,016	(6,566)	(17,473)	(27,570)	(38,696)	(50,122)	(62,382)	(78,541)

GENERAL FUND LONG RANGE MODEL REVENUE & EXPENDITURE ASSUMPTIONS

REVENUE ASSUMPTIONS

- Property Tax – Projections based on information provided by HdL Coren & Cone. Projections includes an assumed recession in 2020. Annual growth ranges from 0.03% in the projected recession year to 5.25%. For context the City saw an increase of 6.35% in assessed valuation in FY 2017. Unsecured Property Tax – 1% annual growth, these taxes are not tied to property and therefore market value is not a factor. Projections also include RPTTF (RDA Redistribution of funds).
- Sales Tax – Projections based on information provided by MuniServices. The sales tax shows contraction in 2 fiscal years, one for the known departure of a top tax payer and the other for a recession scenario ranging from -2.1% in FY 2020, 4.35% in FY 2021, 4.37% in FY 2022, 4.38% in FY 2023. With an assumption of 2.5% growth annually for years information not provided.
- Utility Users Tax (UUT) - 2.0% growth annually.
- Cannabis Tax Revenue – Projected at \$750K in FY 2019, \$1M in FY 2020, \$1.25M in FY 2021 and 2% growth in subsequent years.
- Other Taxes - 2.0% growth annually.
- RPTT – New voter-passed rate increased to \$8.50 per \$1000 property value.
- Franchise Fees - 2.0% growth annually.
- Construction Related Permits/Fees - 2.0% growth annually.
- Public Safety Fees/Services and Residential Rental Inspections - 2.0% growth annually.
- Licenses & Permits - 3.0% growth annually.
- Fairview Fire Protection District- 2.0% growth annually.
- Intergovernmental Revenue - 2.0% growth annually.
- Fines & Forfeitures -2.0% growth annually.
- Parking Citations-In House - 2.0% growth annually.
- Interest and Rental - 2.0% growth annually.
- Does not include use of one-time funds (e.g. proceeds from 238 sales, UUT prior period receipts)

EXPENDITURE ASSUMPTIONS

NOTE: The Model as presented assumes no increase in budgeted FTE.

- Salary Increases – Based on negotiated contracts through FY 2021 for Miscellaneous groups and FY 2024 for Police & Fire. All salary increases in subsequent years are projected at 2% annually.
- Merit/Turnover Rate – Ranges from .25% to 1.42% in FY2019 and FY2020, with .25% annual growth in out years.
- PERS Employer Contribution - Projections based on actuarial. Misc. Plan ranges from 27.14% to 35.54%. Fire Plan ranges from 45.21% to 60.96%. Police Plan ranges from 50.27% to 65.25%.
- PERS Cost Share; Employee Contributions towards Employer Rate – Clerical/Maintenance bargaining units – 4.5% through FY2020, and an increase to 5% in FY2021. Public Safety bargaining units – 6.0%. HAME/Local 21/Unrep-Non-Exempt/Unrep-Exempt/Mayor & City Council – 3.0%. Unrep Dept. Heads/Appointed – 5.0%.
- Medical – 6.0% annual growth.
- Dental - 2.0% annual growth.
- Vision - 3.0% growth every three years.
- Works Compensation – 2.5% annual growth.
- Medicare – 2.0% annual growth.
- Retiree Medical* – Misc & Fire Plans – 0% growth due to fixed cap. Police Plan – 6.0% annual growth, additional contributions to ARC of \$2M in FY2019, \$2.6M in FY2020, \$4.4M in FY2021, \$6.2M in FY2022, and \$6.4M in FY2023, fully funding the ARC in \$6.4M.
- Maintenance & Utilities – 2.0% annual growth.
- Services & Supplies – 2.0% annual growth.
- Internal Service Fees – 2.0% annual growth.

* The City's Police & Fire groups agreed through negotiations to voluntarily contribute 1% towards funding the retiree medical ARC beginning in FY 2019.



CITY OF HAYWARD

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

File #: RPT 18-194

DATE: December 5, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

FY 2019 Meeting Schedule & Work Plan

RECOMMENDATION

That the Committee reviews 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 Budget and Finance Committee schedule and work plan.

ATTACHMENTS

Attachment I Meeting Schedule & Work Plan



COUNCIL BUDGET AND FINANCE COMMITTEE
FY 2019 Meeting Schedule & Workplan
December 5, 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 19, 2018	FY 2018 Annual Audit Process (Oral Presentation by External Auditor) CalPERS UAL Funding Options
October 17, 2018	Investment Portfolio Update and FY 2019 Statement of Investment Policy Review (External Investment Manager)
November 21, 2018 Canceled	
December 5, 2018	Presentation of FY 2018 Audit Introduction and Overview of Hayward Community Foundation Concept Update of General Fund Long Range Financial Model FY 2020 Budget Process Plan and Development Calendar (Oral Presentation)
January 30, 2019	Employee Home Loan Program 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	Discussion on Mayor & City Council Department Budget
March 20, 2019	FY 2020 Proposed Budget Discussion Annual Review of City Issued Debt Use of One-time Funds
April 17, 2019	FY 2020 Budget process update
May 15, 2019	Annual City Benefit Liabilities and Funding Plan Review
June 19, 2019	Measure C Annual Report FY 2020 Budget Process Debrief
July 17, 2019	Performance Measurement

Non-scheduled future agenda topics:

- Affordable Care Act – Health Care Exchange
- Fleet Utilization Study