

# **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, May 20, 2020**

**5:00 PM**

**Remote Participation**

**Council Budget and Finance Committee**

This meeting is being conducted utilizing teleconferencing and electronic means consistent with State of California Executive Order No. 29-20 dated March 17, 2020, and Alameda County Health Officer Order No. 20-10 dated April 29, 2020, regarding the COVID-19 pandemic.

How to submit written Public Comment:

Send an email to [Crissy.Mello@hayward-ca.gov](mailto:Crissy.Mello@hayward-ca.gov) by 2:00 p.m. the day of the meeting. Please identify the Agenda Item Number in the subject line of your email. Emails will be compiled into one file, distributed to the Council Budget and Finance Committee and City staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda. <https://hayward.legistar.com/Calendar.aspx>

When submitting written comments, indicate in the email if you want your comment read into the record. Requests will be allowed provided the reading will not exceed three (3) minutes consistent with the time limit for speakers at Council Committee meetings. Email comments will become part of the record of Council Committee meetings. The Chair can limit the time for reading written comments.

## **CALL TO ORDER**

## **ROLL CALL**

## **PUBLIC COMMENTS:**

*Limited Only to Items on the Agenda and Submitted in Writing Prior to the Meeting.*

## **APPROVAL OF MINUTES**

1. [MIN 20-053](#) Approval of the February 19, 2020 Budget and Finance Committee Meeting Minutes

**Attachments:** [Attachment I February 19, 2020 Budget and Finance Committee Meeting Minutes](#)

## **REPORTS/ACTION ITEMS**

2. [RPT 20-054](#) Potential Recovery Scenarios Post COVID-19

**Attachments:** [Attachment I Staff Report](#)

3. [RPT 20-055](#) FY 2021 Budget Process Update

**Attachments:** [Attachment I FY 2021 Budget Process Calendar](#)

4. [RPT 20-056](#) Review FY 2020 Agenda Planning Calendar

**Attachments:** [Attachment I FY 2020 Agenda Planning Calendar](#)

**FUTURE AGENDA ITEMS**

**COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS**

**ADJOURNMENT**

Next Meeting - 5:00 P.M. Wednesday, June 17, 2020

The City of Hayward's Open Data Portal was designed to allow the public to explore, visualize, and download publicly accessible data. The Open Data Portal allows a clear view of the City's financial performance. Access to the portal may be found at <https://haywardca.opengov.com/>



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**File #:** MIN 20-053

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**DATE:** May 20, 2020

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Approval of the February 19, 2020 Budget and Finance Committee Meeting Minutes

**RECOMMENDATION**

That the Budget and Finance Committee approves the February 19, 2020 Budget and Finance Committee meeting minutes.

**SUMMARY**

Staff recommends that the Committee reviews and approves the February 19, 2020 Budget and Finance Committee meeting minutes.

**ATTACHMENTS**

Attachment I February 19, 2020 Budget and Finance Committee Meeting Minutes

**COUNCIL BUDGET & FINANCE COMMITTEE MEETING**  
**Meeting Minutes of February 19, 2020**

**Call to Order:** 5:00 pm

**Members Present:** Councilmember Lamnin and Councilmember Wahab

**Members Absent:** Mayor Halliday

**Staff:** Maria Hurtado, Dustin Claussen, Nicole Gonzales, Nicholas Mullins, Robin Young

**Public Comments:** No public comments.

1. Approval of Meeting Minutes from January 15, 2020

*Action: A motion was made by Councilmember Lamnin to approve the minutes of January 15, 2020. Unanimous approval as submitted.*

2. Receive an Update on the Patient Protection and Affordable Care Act (ACA) and Impacts to the City of Hayward

- Deputy Director of Human Resources Robin Young presented the Committee with an update regarding the Affordable Care Act.
- In response to Councilmember Wahab's inquiry on employer impacts, Deputy Director of Human Resources provided the pros and cons of the Cadillac Tax.

*Action: Committee received the presentation.*

3. FY 2020 Mid-Year Review & General Fund Long Range Financial Model Update

- Director Claussen presented the Committee with a review of the FY 2020 Mid-Year report and an update to the General Fund Long Range Financial Model.
- In response to Councilmember Lamnin's inquiry, Director Claussen provided clarification surrounding budget requests for a MOU Review in Human Resources and Finance, EBRCS final payment, and police patrol vehicle accidents.
- Councilmember Lamnin suggested working on a potential partnership with Downtown Streets Team for outreach and abatement of Route 238 properties.

*Action: The Committee received the presentation.*

4. Review FY 2020 Agenda Planning Calendar

- Director Claussen presented the Committee with the report.

*Action: The Committee received the report. No changes were noted.*

5. Future Agenda Items: None.

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

**Adjournment:** The meeting was adjourned at 5:32pm



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**File #:** RPT 20-054

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**DATE:** May 20, 2020

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Potential Recovery Scenarios Post COVID-19

**RECOMMENDATION**

That the Budget and Finance Committee reviews and provides comment on this report.

**SUMMARY**

This report provides an overview of four potential recovery scenarios post COVID-19. The four recovery scenarios outlined in this report may act as a guide for policy decisions over the next several months.

**ATTACHMENTS**

Attachment I      Staff Report



**DATE:** May 20, 2020

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT:** Potential Recovery Scenarios Post COVID-19

## **RECOMMENDATION**

That the Council Budget and Finance Committee reviews and provides comment on this report.

## **SUMMARY**

This report provides an overview of four potential recovery scenarios post COVID-19. The four recovery scenarios outlined in this report may act as a guide for policy decisions over the next several months.

## **BACKGROUND**

On March 4, 2020, the Governor of California declared a State of Emergency due to the COVID-19 pandemic. On March 11, 2020, the City Manager declared a Local Emergency in the City of Hayward, which was affirmed by Resolution of the Hayward City Council on March 17, 2020.

Since the declaration of a Local Emergency, Council have been provided with several updates on the City's projected cash flow through the end of FY 2020. In addition to the City's cash flow projections, Council was provided with FY 2021 General Fund budget projections. Due to COVID-19, the City is projecting a significant reduction to several revenue streams. The projected reduction in revenues has widened the structural budget gap in FY 2021. During the April work session, Council provided staff with direction to narrow the projected structural budget gap.

## **DISCUSSION**

With the unexpected onset of COVID-19, the City of Hayward, like most governmental agencies, is projected to experience both short-term and long-term financial implications resulting in significant fiscal challenges. Staff has committed to provide updates to Council regarding the financial implications of COVID-19, which include regular updates on the City's

revenue projections. While this report is informational only, it provides an overview of potential recovery scenarios that could assist in guiding policy decisions over the next 18-24 months.

In partnership, Government Finance Officers Association (GFOA) and ResourceX, a fiscal analytics software firm, prepared a presentation of several potential recovery scenarios to assist agencies with addressing strategies for short-term survival and long-term transformation. The presentation was distributed by the International City/County Management Association (ICMA).

The presentation provides an overview of four likely scenarios for a post-COVID-19 recovery. The four scenarios are named according to the shape of potential city revenues when graphed over time, and are as follows:

### **Short-Term Scenarios**

**“v” Shaped:** A downturn with relatively shallow impacts, accompanied by a recovery that begins immediately after the initial crisis, but extends over more than one year.





**“Deep V” Shaped:** A deep, rapid downturn followed by an equally steep return to normal revenue levels. A Deep V scenario could reduce an agency’s revenue by as much as half, but only for a short time, in as little as a single year.



### Short-Term Recovery Strategies

Strategies for v- and deep V-shaped recoveries focus on “short term survival, bridging the gap, and buying time.” These strategies emphasize quick actions that allow the agency to continue operations, while allowing time to gather more information and plan for potential long-term effects.

#### “v” Shaped recovery strategies:

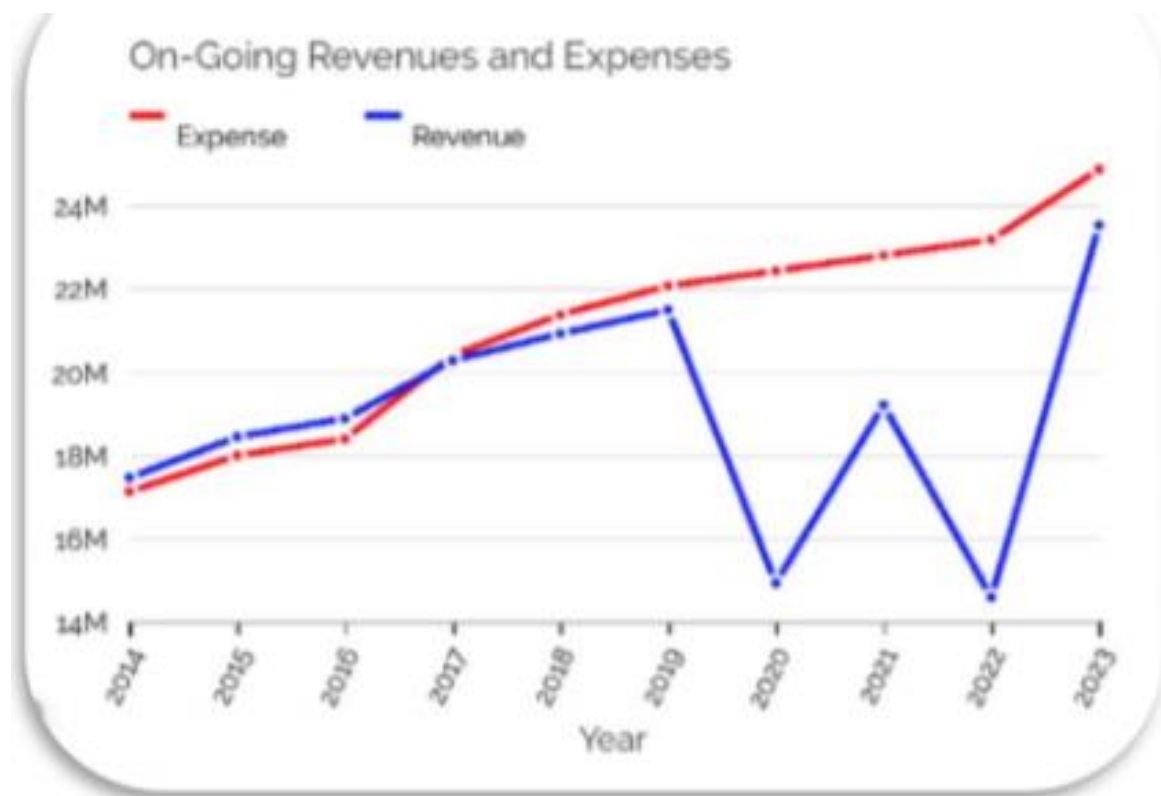
- Reduce personnel costs, including instituting hiring freezes for low-priority programs and positions; consider offering “golden handshake” retirement incentives; or negotiating temporary suspension of pay increases.
- Reduce operating costs by identifying expenses where actuals have exceeded budgeted expenses, then working with departments to understand and reduce those variances.
- Reduce capital costs by suspending or deferring planned capital improvement program (CIP) projects.
- Improve short-term cash balance by leveraging non-General Fund Reserves; existing supplies and equipment inventories; and reducing or deferring supplies and services expenses.

### **“Deep V” Shaped recovery strategies:**

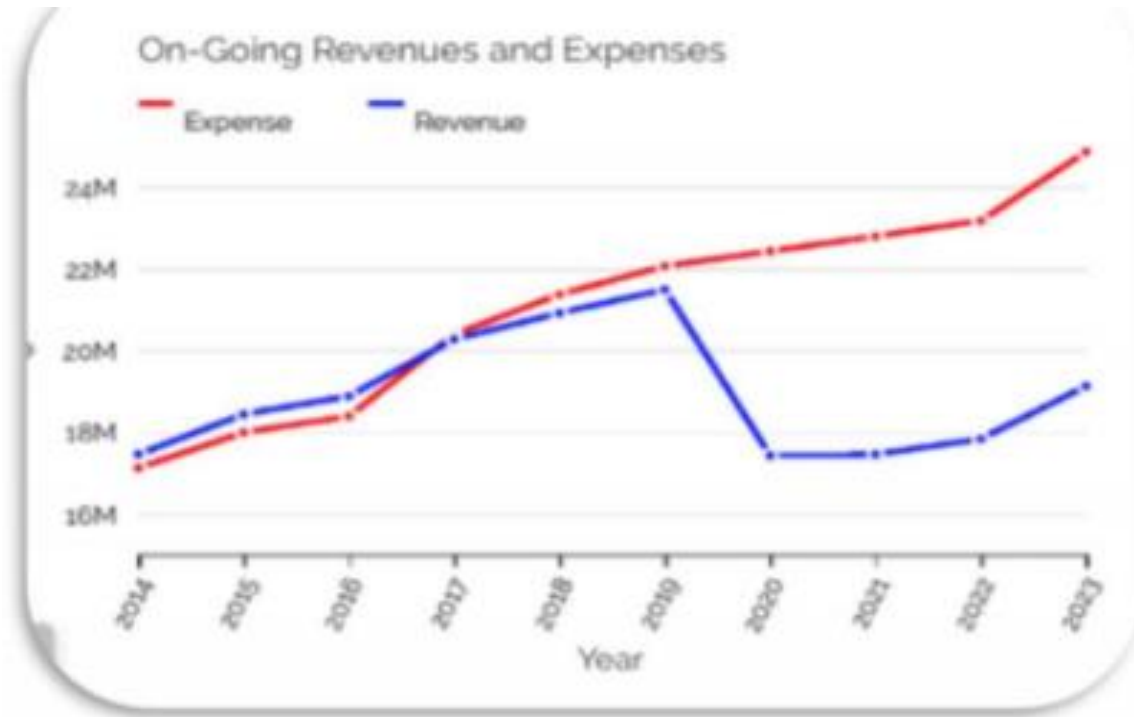
- Implement the strategies associated with a v scenario, as well as:
- Ensure that internal support expenditures are properly distributed by reviewing and updating departments’ internal service fund charges and/or cost allocations. For the general fund, services that may be reimbursed through cost allocation could include services provided by the Human Resources department or City Attorney’s Office to departments or programs funded by special revenue or enterprise funds.
- Further reduce operating expenditures by reducing service levels, temporarily suspending low-priority programs, centralizing or consolidating services, or partnering with outside agencies or organizations to deliver services more efficiently.
- Further reduce personnel costs by working with labor units to institute furlough programs or temporary salary and benefits decreases.

### **Longer Term Recovery Scenarios**

**“W” Shaped:** Like a Deep V recovery, a W recovery begins with a rapid downturn followed by an equally rapid recovery. However, in a W shaped recovery, a second wave of COVID-19 infections, such as in the fall of the same year, produces another rapid downturn before agency revenue has returned to normal levels.



**“L” Shaped:** An L recovery is defined not by the depth of the initial downturn, but by the difficulty and length of the recovery. In an L scenario, underlying economic factors such as unemployment, credit slowdowns, or inflation delay a return to normal revenue levels for several years.



The presentation further classifies these scenarios in terms of a general strategic approach. Both the v and Deep V recovery scenarios are considered short-term, with responses focused on temporary strategies for closing the gap between revenue and expenses. The W and L recovery scenarios are considered long-term and require strategies that change operations to lower costs and build resiliency over several fiscal years. In general, strategies build on each other as the downturn deepens or the recovery is extended, so that an L recovery scenario could be addressed using the v, Deep V, and W strategies as well as strategies tailored to a slow, multi-year recovery.

### Long-Term Strategies

Strategies for W- and L-shaped recoveries focus on “programmatic strategies for long-term transformation.” Given the extended recovery period, it is necessary for agencies to make structural changes to revenue and expenditures to ensure long-term resiliency. These changes would require program resource and delivery data that goes beyond budget line-items and ties expenditures to program effectiveness. Necessary data would include cost per hour or per service delivered under current program designs, potential costs for delivering services at reduced levels, and evaluation of relative importance of activities to agency operations and the community. These strategies emphasize reallocation or reduction of resources, increased efficiency, and generation of new revenues.

### **“W” Shaped recovery strategies:**

- Implement the strategies associated with the v and Deep V scenarios, as well as:
- Temporary service level decreases or suspensions based on program prioritization. Examples include instituting longer turnaround times for building permits or FOIA requests to reduce necessary staffing levels; or pauses in delivery of services such as passport processing or youth programs.
- Identify and implement potential program efficiencies, such as paperwork reduction or new technologies. Efficiencies requiring one-time expenditures should be considered if they result in long-term cost savings.
- Generate new revenues both by applying for any available grant or philanthropic funding, as well as rebalancing service fees to better reflect the cost of service delivery.

### **“L” Shaped recovery strategies:**

- Implement the strategies associated with the v, Deep V, and W scenarios, as well as:
- Investigate opportunities for providing contract services to neighboring agencies. Contracts should be considered for services where the City has special expertise, resources, or is otherwise well-positioned to leverage economies of scale.
- Where appropriate, discontinue in-house delivery of services and contract with another agency, such as the County, a local district, or a neighboring city for delivery of those services.
- Explore opportunities for merging programs with other regional agencies, for example creating a jointly funded sanitation district.

While we continue to move through uncharted territory, the overview of the four likely recovery scenarios is a resource that can prepare the City for what is potentially to come in the next several months. The strategies identified under each potential recovery scenario could assist the City in its efforts to react to the economic uncertainties we are currently facing and could guide policy decisions impacting both the City’s short-term and long-term fiscal sustainability. Staff will continue to review and analyze the City’s revenue projections and provide regular updates to Council on the City’s fiscal situation.

### **ECONOMIC IMPACT**

While this report is predicated on providing economic based scenarios, it is intended to provide information only and has no specific economic impact.

### **FISCAL IMPACT**

This report is intended to offer information only, and thus results in no direct fiscal impact.

## **STRATEGIC ROADMAP**

This agenda item is related to the economic recovery of the resulting economic recession as a result of the COVID-19 Pandemic and does not relate to any of the six priorities outlined in the Council's Strategic Roadmap.

## **PUBLIC CONTACT**

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

## **NEXT STEPS**

Staff will continue to monitor City revenue projections and financial implications from COVID-19. Staff will provide regular updates to Council on the City's long-term financial outlook.

*Prepared by:* Rick Rivera, Management Analyst I  
Nicole Gonzales, Deputy Director of Finance

*Recommended by:* Dustin Claussen, Director of Finance

Approved by:

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

Kelly McAdoo, City Manager



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**File #:** RPT 20-055

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**DATE:** May 20, 2020

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

FY 2021 Budget Process Update

**RECOMMENDATION**

That the Committee receives a presentation on the updated FY 2021 Budget Process.

**SUMMARY**

This item is a review of the FY 2021 Budget Process, including changes to the FY 2021 Budget Calendar.

**ATTACHMENTS**

Attachment I FY 2021 Budget Process Calendar

| Key Dates  | Actions  |
|--|--|
| FY 2021 Annual Operating Budget & CIP Budget                         |  |
| <b>November 2019</b>   |  |
| 15   | CIP instructions and guidelines issued to departments  |
| <b>December 2019</b>   |  |
| 3  | <b>Present FY 2021 Budget Process and Calendar (CBFC)</b>  |
| 13-14  | Initial CIP Budget Review Meetings w/PW Director and Dept. Directors   |
| <b>January 2020</b>  |  |
| 10   | CIP Project Proposals Due to Public Works Department in OpenGov Budget Builder   |
| 15   | FY 2021 Operating budget development instructions issued to departments  |
| 15   | <b>Discuss FY 2021 Budget Process &amp; Work Session Framework (CBFC)</b>  |
| 21   | FY 2021 Master Fee Schedule - begin staff review   |
| <b>February 2020</b>   |  |
| Early February   | Strategic Roadmap Coordination Meeting   |
| 7  | Department budget and Updated Department Narratives & Baseline Organization Charts, including proposed changes to Organization Charts submittals due Finance in OpenGov Budget Builder |
| 7  | Internal Service Fund (ISF) Budget & Rates due to Finance  |
| 7  | Enterprise & Special Revenue Funds Summaries due to Finance  |
| 10-14  | CIP Screening Committee for GF funds - Fire, PD, MSD, IT. Attendees to include ACM, Finance Director, Fire Chief, PD Chief, PW Director, MSD Director, IT Director                     |
| 18-21  | CIP Screening Committee for U&ES, Airport and PW. Attendees to include ACM, Finance Director, U&ES Director, PW Director, PW Managers  |
| 21   | FY 2021 Master Fee Schedule - Changes Due to Finance   |
| 17-21  | Initial operating budget review meetings with department budget liaisons prior to CM/ACM meetings  |
| <b>March 2020</b>  |  |
| 3-10   | Initial operating budget meetings with CM, ACM, Departments & Finance  |
| 13   | Updated department narratives due to Finance in OpenGov Budget Builder   |
| 13   | All final department budget information due to Finance in OpenGov Budget Builder   |
| 13   | ISF, Enterprise & Special Revenue Funds Summaries & Multi-Year Forecasts Finalized (via OpenGov)   |
| 16   | OpenGov will be advanced to Proposed -- Department will no longer be able to make edits  |
| <b>April 2020</b>  |  |
| 1  | Begin FY 2021 GANN Limit calculations  |
| 2  | Presentation of draft CIP to City Manager & ACM  |
| 7  | <b>City Council Work Session - Community Agency Funding: CDBG, Social Services, and Arts/Music*</b>  |
| 14   | <b>City Council - Draft Recommended CIP Budget published on City website</b>   |
| 22*  | <b>Council Infrastructure Committee - Draft Recommended CIP Review</b>   |
| 27-30  | <del>Department Saturday Worksession Presentation Walk-Throughs with CM*</del>   |
| 28   | <b>City Council Public Hearing - Community Agency Funding: CDBG, Social Services, and Arts/Music*</b>  |
| <b>May 2020</b>  |  |
| 14   | Planning Commission - FY 2021-2030 CIP Budget  |
| 19   | <b>City Council to adopt FY 2021 Master Fee Schedule</b>   |
| 20   | <b>Council Budget and Finance Committee</b>  |
| 22   | <b>Department reductions and proposals due back to Finance</b>   |
| <b>June 2020</b>   |  |
| 2  | <b>FY 2021 Proposed Operating Budget Document Delivered to Council (Available Online)</b>  |
| 16   | <b>City Council Operating &amp; CIP Budget Work Session #1</b>   |
| 23 or 30   | <b>City Council Public Hearing &amp; Adoption - Operating and Capital budgets</b>  |
| 23 or 30   | <b>City Council to adopt FY 2021 GANN Appropriations Limit</b>   |
| 30   | <b>City Council Adopt Operating and Capital Budgets (if not approved on 6/23)</b>  |
| <b>Items in bold include City Council or a Council Sub-Committee</b> |  |
| <b>*TBD</b>  |  |
| Orange Shading = FY 2021 CIP Budget Calendar                         |  |
| Blue Shading = FY 2021 Operating Budget Calendar                     |  |
| <b>RED FONT = PROPOSED DATE CHANGES</b>                              |  |



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**File #:** RPT 20-056

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**DATE:** May 20, 2020

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Review FY 2020 Agenda Planning Calendar

**RECOMMENDATION**

That the Committee reviews and comments on the Council Budget and Finance Committee FY 2020 Agenda Planning Calendar.

**SUMMARY**

Staff recommends that the Committee reviews and comments on the FY 2020 Agenda Planning Calendar.

**ATTACHMENTS**

Attachment I      FY 2020 Agenda Planning Calendar





**COUNCIL BUDGET AND FINANCE COMMITTEE**  
**FY 2020 Agenda Planning Calendar**  
**May 20, 2020**

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

**Meeting Time:** 5:00 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)   |
|--|--|
| October 2, 2019                          | FY 2019 Annual Audit Process (Oral Presentation by External Auditor)<br>Investment Portfolio Review and FY 2020 Statement of Investment Policy Update (External Investment Manager)<br>Measure C Annual Report |
| November 20, 2019                        | canceled   |
| December 4, 2019                         | Presentation of FY 2019 Audit<br>Consideration of Revisions to Performance Measures  |
| January 15, 2020                         | Update of General Fund Long Range Financial Model<br>Employee Home Loan Program Update (Oral Presentation)   |
| February 19, 2020                        | Affordable Care Act<br>FY 2020 Mid-Year Review   |
| <del>March 18, 2020</del><br>(cancelled) | <del>Discussion on Mayor &amp; City Council FY 2021 Budget</del><br><del>FY 2021 Budget Process Update</del>   |
| <del>April 15, 2020</del><br>(cancelled) | <del>FY 2021 Proposed Budget Discussion (Oral Presentation)</del>  |
| May 20, 2020                             | FY 2021 Budget Process Update<br>Potential Recovery Scenarios Post COVID-19  |
| June 17, 2020                            | Review of Proposed FY 2021 Agenda Planning Calendar  |
| July 15, 2020                            | Measure C Annual Report<br>FY 2021 Budget Process Debrief (Oral Presentation)  |

**Non-scheduled future agenda topics:**

- Fleet Utilization Study
- Community Foundation Funding
- Public Banking Update
- Controlling Health Benefits Costs