



DATE: May 22, 2018

TO: Mayor and City Council
Redevelopment Successor Agency Board of Directors
Housing Authority Board of Directors

FROM: Director of Finance

SUBJECT Public Hearing for the Proposed FY 2019 Operating Budgets for the City of Hayward, Hayward Redevelopment Successor Agency, and Hayward Housing Authority; and FY 2019 Capital Improvement Program Budget; and Approval of the FY 2019 Operating Budgets and Appropriations for FY 2019; Approval of the FY 2019 Capital Improvement Program Budget and Appropriations for FY 2019; Approval of the Hayward Redevelopment Successor Agency Budget; and Approval of the Hayward Housing Authority Budget

RECOMMENDATION

That the Council considers the Proposed FY 2019 Operating Budgets of the City, Redevelopment Successor Agency, Housing Authority and Capital Improvement Program (CIP) Budget; conducts a Public Hearing on each; and adopts each of the above-mentioned documents should there be no further action needed based on public testimony or at Council's request.

SUMMARY

The Council will conduct a public hearing for the adoption of the Proposed FY 2019 Operating Budgets; and FY 2019 Capital Improvement Program Budget. Should there be no needed actions resulting from public testimony or Council direction, Council will consider adoption of the FY 2019 Operating Budgets, and FY 2019 Capital Improvement Program Budget.

BACKGROUND

The City Manager presented the Proposed FY 2019 Operating Budget to City Council on April 17, 2018. The operating budget is comprised of different funding sources, with the General Fund representing the largest single fund for which the City Council has the most discretion. The total City expenditure budget for the Proposed FY 2019 Annual Budget as presented on April 17, 2018, was \$318.5 million, with a General Fund budget of \$165.2 million.

Since April 17th, Council held two additional budget work sessions (April 28th and May 15th)

to further discuss the proposed budget. These work sessions included presentations, Council discussions, and a time for public input on the following:

- The City's FY 2019 overall operating budget
- Department/Program budgets and operations
- Proposed CIP budget
- City's benefit liabilities
- Strategies for closing the FY 2019 budget gap

Following these work sessions, changes to the FY 2019 Proposed Operating and CIP Budgets are recommended as detailed in this report. This meeting has been noticed as a public hearing on the FY 2019 Proposed Operating and CIP budgets and is another opportunity to receive public input. Upon closure of the public hearing, Council will provide any additional comments and direction to staff and, should there be no public testimony or Council directed changes to the FY 2019 Proposed Operating and CIP budgets, both documents will be considered for adoption upon the closing of the Public Hearing. Should there be public testimony and/or direction from the Council that requires changes to either the FY 2019 Operating or CIP budgets, the public hearing will be closed, and the FY 2019 Proposed Operating and CIP budgets will be presented for adoption on May 29, 2018.

DISCUSSION

The Proposed FY 2019 Operating Budget and CIP documents provide the foundation for the budget discussions. Through discussions at the various budget work sessions/meetings, recommended adjustments to the proposed budget are incorporated in this report, which contains a summary of the changes to date, and the impacts to the General Fund and other revenue funds.

This FY 2019 Operating Budget recommends the use of \$3.0 million of General Fund Reserves, \$2.5 Million less than was originally proposed. At the May 15th Council meeting, staff proposed expenditure reductions and cost saving measures that reduce the originally proposed \$5.5 million use of General Fund reserves. The City will continue to review existing programs and expenditures, evaluate and search out new revenue opportunities, and develop prudent financial strategies to address the structural budget deficit.

The tables below illustrate a comparison between the Proposed FY 2019 Budget presented on April 17, 2018 and the proposed FY 2019 Budget after the proposed expenditure reductions and cost saving measures from the May 22, 2018 meeting were incorporated.

Table 1 – Citywide Expenditure Budget

<i>in the 1,000's</i>	FY 2018 Adopted	FY 2019 Proposed 4/17/18	FY 2019 Proposed 5/22/18	Change from 4/17/18	\$ Change from FY 2018	% Change from FY 2018
General Fund	151,562	165,219	162,790	(2,428)	11,228	7.4%
All Other Funds	135,938	153,316	152,473	(843)	16,535	12.2%
Total City Budget	287,500	318,535	315,264	(3,271)	27,764	9.7%

The significant changes for General Fund and All Other Funds include the following:

General Fund:

1. Reduce General Fund personnel expenses in the Fire Department due to negotiated labor savings (minus \$822,000)
2. Reduce the General Fund Allocation to Fleet Replacement Internal Service Fund (ISF) (minus \$1.0M)
3. Prepay the PERS ARC (minus \$850,000)
4. Implement a 3-Month hiring deferral of non-sworn vacant positions (minus \$322,000)
5. Increase the General Fund Allocation to Information Technology Capital Replacement (plus \$472,000)
6. Increase various operating budgets (plus \$94,000)

All Other Funds:

1. Delete 1.0 FTE - Economic Development Manager - Special Projects (minus \$213,000)
2. Prepayment of PERS ARC (minus \$630,000)

Table 2 – Citywide Revenue Projections

<i>in the 1,000's</i>	FY 2018 Adopted	FY 2019 Proposed 4/17/18	FY 2019 Proposed 5/22/18	Change from 4/17/18	\$ Change from FY 2018	% Change from FY 2018
General Fund	149,087	159,748	159,748	-	10,661	7.2%
All Other Funds	144,331	153,807	153,807	-	9,476	6.6%
Total City Revenue	293,418	313,555	313,555	-	20,137	6.9%

There is no change to the citywide revenue budget since the proposed FY 2019 Operating Budget was presented to Council on April 17.

Table 3 - Citywide Staffing

	FY 2018 Adopted	FY 2019 Proposed 4/17/18	FY 2019 Proposed 5/22/18	% Change from FY 2018
General Fund	654.50	664.10	664.10	1.5%
All Other Funds	226.30	231.20	230.20	1.7%
Total City Budget	880.80	895.30	894.30	1.5%

The total number of staff is reduced by 1.0 FTE. During the FY 2017 mid-year process, Council approved the addition of a second Economic Development Manager (Special Projects) to oversee the disposition of the Route 238 property disposition. In FY 2018, the City entered into a contractual agreement for professional services to perform the necessary role to manage the 238-property disposition. Council approved this professional services contract separately; therefore, this vacant position has been eliminated, as there is no longer the need for adding a position.

Capital Improvement Program (CIP) FY 2019 – FY 2028

On April 25, 2018, the Council Infrastructure Committee reviewed and discussed the proposed FY 2019 CIP budget. On May 10, 2018, the Planning Commission held a public hearing and found the document in conformance with the General Plan. On May 1, 2018, the Council reviewed and discussed the FY 2019 CIP budget during a work session.

The FY 2019 CIP appropriations total approximately \$81.6 million, and a projected total programming of \$501 million for the period of FY 2019 through FY 2028.

FISCAL IMPACT

Table 4 below summarizes the FY 2019 Citywide Operating & CIP expenditure budgets.

Table 4 – Summary of Citywide Operating & CIP Budgets

City of Hayward Budget	FY 2019
City Funds	
General Fund	162,790,311
Measure C Fund	18,236,152
Special Revenue Funds (excluding Agency Funds)	10,168,534
Debt Service Funds (excluding Agency debt service)	9,458,087
Enterprise Funds	79,017,081
Internal Service Funds	30,894,098
	310,564,262
City of Hayward Budget	FY 2019
Agency Funds	
Hayward Successor Redevelopment Agency Operating Fund	4,499,711
Housing Authority Fund	199,682
	4,699,394
Total City Operating Budget	315,263,656
Total CIP Budget	81,551,064

PUBLIC CONTACT

The Proposed FY 2019 Operating Budget was reviewed in public meetings by City Council over the last couple of months. A public notice was published in The Daily Review on May 11 and May 18, 2018 announcing the date, time, location, and subject matter of this public hearing. A notice advising residents about the Planning Commission's public hearing on the CIP was published in The Daily Review newspaper more than the requisite ten days in advance.

The FY 2019 Proposed Operating Budget is currently available for public review in the City Clerk's Office at City Hall, at the Main Library and the Weekes Library Branch, and on the City's website at: <https://www.hayward-ca.gov/sites/default/files/Proposed%20FY%202019%20-%20Final%20-%20Copy.pdf>

A schedule of the FY 2019 Proposed Operating Budget work sessions is available for public information on the City's website at: <https://www.hayward-ca.gov/services/city-services/review-city-budget-and-finance-reports>

The FY 2019 Capital Improvement Program Budget is currently available for public review in the City Clerk's Office at City Hall and on the City's website at: <https://www.hayward-ca.gov/sites/default/files/pdf/Recommended%20Book%20for%20Council%20052218.pdf>

NEXT STEPS

If Council adopts the FY 2019 Operating Budget and Capital Improvement Program (CIP) Budget this evening, staff will take the appropriate steps to effectuate the adoption.

Prepared by: Nicole Gonzales, Budget Officer

Recommended by: Dustin Claussen, Director of Finance

Approved by:



Kelly McAadoo, City Manager