

COUNCIL REFERRAL MEMORANDUM



To: Mayor and City Council of Hayward

Date: 10/13/20 Council

From: Member Aisha Wahab

Referral: **Item for Discussion Regarding the Prioritization of Staff & City Services by Funding Hayward's Debt & Invest in Economic Development Through Cannabis Tax Revenue**

The City of Hayward's (COH) economy and services have been negatively impacted due to the Coronavirus or COVID-19. City services are performed by hardworking Hayward employees (*police officers, firefighters, maintenance workers, clerical staff, engineers, and many others*). City staff have made serious concessions (*furloughs, foregoing the Cost of Living Adjustments (COLAs), hiring freezes, reductions to services and supplies, layoffs, and more*) with the potential to make further concessions. In order to avoid further cuts to staff or services the City of Hayward must prioritize paying down debt. The particular debt that must be prioritized is the considerable growth in employee benefit costs, particularly pension and post-employment healthcare costs, while addressing staffing to manage increasing workloads and emerging needs in our community. The opportunity presents itself through the revenue generated from the Cannabis Tax, currently in its infancy as the City has only 1 retail business open in Downtown Hayward. Before this revenue is utilized for any other need, the City can prioritize the longstanding debt as a way to finally get ahead for good.

In an effort to avoid another tax to the residents of Hayward, and to fulfill a contractual promise made to each employee who has worked hard to serve the city, we must prioritize paying off the City's debt.

Referral Request:

It is recommended that the City of Hayward consider the following (not limited to):

Prioritize the Revenue Generated by the 7% Cannabis Tax (max 15%) to Pay Down City Debt & Invest In Economic Development

- 1% of the tax is already allocated for the Community Engagement Fund
- The remaining 6% tax (*can fluctuate as the Ballot Measure describes - 15% max*) will be prioritized as follows:
 - **A minimum of 1/3 of the funds generated by the Cannabis tax should be directed to the unfunded liabilities/OPEB.**
 - A maximum of up to 70% of revenue generated, if possible (*if General Fund Reserve is at the required level*)
 - **A minimum of 1/3 of the funds generated by the Cannabis tax should be directed to the General Reserve.**
 - If the General Fund Reserve is at the required policy level (20% today) of the General Funds, 1% will still be added to the General Reserve Fund.
 - The remainder should have the consideration between paying down the debt further and investing in the City's Economic Development efforts (*staff, marketing, events, investment in projects, one-time loans to new businesses, etc. – the focus must be to improve the City of Hayward's economy*)
 - *This needs to be measurable for all of Hayward, not just Downtown Hayward*
 - **The remaining balance (1/3) of the funds generated by the Cannabis tax may be directed per Council discretion.**

Debt Consideration: Retirement Annual Cost (annual cost: \$40.9 million), Workers' Compensation (annual cost: \$8.7 million), Retiree Medical – OPEB (annual cost: \$3.5 million "pay go"), etc. (*figures taken from FY21 Budget page 63/420*)

Timeline: As soon as possible, in conjunction with efforts building Cannabis enterprises in the City.

Stakeholders: All City of Hayward Union Groups, Alameda Labor Council, Relevant Stakeholders

Prepared & Submitted By:

Aisha Wahab, M.B.A.

Hayward City Council Member

For Reference:

CITYWIDE BUDGET OVERVIEW

Table 7: Summary of Benefit Liabilities

(in millions)	Actuarial Valuation Date	Accrued Liability	Value of Assets	Funded Ratio	Unfunded Liability	Unfunded Ratio
CalPERS Police Safety Plan	6/30/2018	\$ 406.28	\$ 243.85	60.0%	\$ 162.43	40.0%
CalPERS Fire Safety Plan	6/30/2018	\$ 306.09	\$ 187.17	61.2%	\$ 118.92	38.9%
CalPERS Miscellaneous Plan	6/30/2018	\$ 473.97	\$ 305.87	64.5%	\$ 168.10	35.5%
Total Cal PERS		\$ 1,186.34	\$ 736.89	62.1%	\$ 449.45	37.9%
OPEB - Retiree Medical Police Officers	6/30/2017	\$ 33.64	\$ 2.01	6.0%	\$ 31.63	94.0%
OPEB - Retiree Medical Firefighters	6/30/2017	\$ 15.24	\$ 1.40	9.2%	\$ 13.84	90.8%
OPEB - Retiree Medical Miscellaneous	6/30/2017	\$ 20.21	\$ 2.05	10.1%	\$ 18.16	89.9%
Total OPEB-Retiree Medical		\$ 69.09	\$ 5.46	7.9%	\$ 63.63	92.1%
Workers' Compensation	6/30/2019	\$ 18.86	\$ 18.48	98.0%	\$ 0.38	2.0%
Accrued Leave Payouts	6/30/2019	8.35	0.00	0.0%	\$ 8.35	100.0%
TOTAL		\$ 1,282.64	\$ 760.83	59.3%	\$ 521.81	40.7%

Retirement Annual cost (annual cost: \$40.9 million) - The City is fully meeting its annual required contribution (ARC) amounts based on the CalPERS premium rates. Given the new CalPERS "smoothing" methodology, the long-term intent is to fund the City's liability over the 30-year amortization period.

City Budget Link:

<https://www.hayward-ca.gov/sites/default/files/documents/FY-2021-Adopted-Operating-Budget.pdf>

Date: 10/5/20
To: Mayor and City Council of Hayward & City Manager McAdoo
Regarding: Support of the Referral Regarding the Prioritization of Staff & City Services by
Funding Hayward's Debt & Invest in Economic Development Through Cannabis
Tax Revenue

We support Council Member Aisha Wahab's referral to support City workers and services. We believe that this proposal is critical to the financial stability of the city now, and in the future.

We support the proposal:

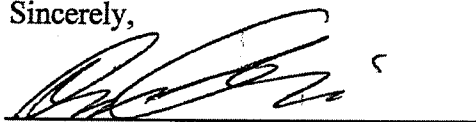
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 - This needs to be measurable for all of Hayward, not just Downtown Hayward
- **The remaining balance (1/3) of the funds generated by the Cannabis tax may be directed per Council discretion.**

This is a proactive solution to the City's past debt (\$40 million) that has yet to be paid in full and protects the City's future by freeing funds for emerging needs.

We trust you to support this initiative and by doing so, you are prioritizing Hayward employees and resident services.

Sincerely,



NAME: Andrew Ghali
TITLE: Union President
ORG. Hayward Firefighters L1909



NAME: RICARDO FLORES
TITLE: UNION PRESIDENT
ORG. HAYWARD POLICE OFFICERS' ASSOCIATION



ALAMEDA LABOR COUNCIL AFL-CIO

Send all correspondence to:

Executive Secretary-Treasurer

Elizabeth Ortega-Toro, CWA 39521

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Yvonne Williams, ATU 192

1st Vice President

Martha Kuhl, CNA

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Gary Jimenez, SEIU 1021

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Calvin Johnson, SEIU 2015

Ben Kim, IAFF 689

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Omar Sabeh, IATSE 107

Ché Timmons, UA 342

Cindy Zecher, CSEA 27

Trustees

Howard Egerman, AFGE 3172

Linda Stanley, FORUM

Kat Bedford, AFSCME 3299

Sergeant at Arms

Nathaniel Arnold, ATU 192

Date: 10/15/20

To: Mayor and City Council of Hayward & City Manager McAdoo

Regarding: Support of the Referral **Regarding the Prioritization of Staff & City Services by Funding Hayward's Debt & Invest in Economic Development Through Cannabis Tax Revenue**

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Sincerely,

Elizabeth Ortega-Toro

Executive Secretary-Treasurer