

# CITY OF HAYWARD

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

## Cover Memo

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**DATE:** June 21, 2016

**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 2017 Operating Budget for the City of Hayward, Hayward Redevelopment Successor Agency, and Hayward Housing Authority; and the FY 2017 Capital Improvement Program Budget

### **RECOMMENDATION**

That the Council consider the Proposed FY 2017 Operating Budget, and the FY 2017 Capital Improvement Program Budget, including changes made through the Council Work Session process; conducts a Public Hearing on each; and that following public testimony and in preparation for adoption on June 28, 2016, the Council and Agency Board Members further review and comment on the:

- Proposed FY 2017 Operating Budget
- Proposed FY 2017 Capital Improvement Program (CIP) Budget

### **BACKGROUND**

The City Manager presented the Proposed FY 2017 Operating Budget to City Council on May 3, 2016. The operating budget is comprised of a number of different funding sources, with the General Fund representing the single largest fund for which the City Council has the most discretion. The total City expenditure budget for the Proposed FY 2017 Annual Budget as presented on May 3, 2016, was \$286.1 million, with a General Fund budget of \$149.2 million.

Since May 3, Council has held three budget work sessions (May 21, May 24, and June 14) to further discuss the proposed budget. These work sessions included presentations, Council discussions, and a time for public input on

- the overall operating budget,
- department/program budgets and operations,
- the proposed CIP budget,
- Council priorities and program performance measures, and
- City's benefit liabilities and budget-related financial policies.

Following these work sessions, staff recommends several changes to the FY 2017 Proposed Operating

and CIP Budgets - as detailed in this report. Tonight’s meeting has been advertised as a public hearing on the 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 before adopting the operating and CIP budgets on June 28, 2016.

The changes from the May 3 submission of the FY 2017 Proposed Budget, as included in this report, result in a small decrease to General Fund expenditures.

**DISCUSSION**

The Proposed FY 2017 Operating Budget and CIP documents provide the foundation for the budget discussions. As the budget process has progressed, both City Council and staff have recommended some minor adjustments to the proposed budget. This report contains a summary of the key changes to date, and the resultant impacts to both the General Fund and other revenue funds for FY 2017. At this point, staff is not recommending any changes to the General Fund revenue projections.

Both Tables 1 and 2 compare the Proposed FY 2017 Budget presented on May 3, 2016 and tonight’s (June 21, 2016) revision - as well as a comparison to the FY 2016 Adopted Budget.

**Table 1 - Citywide Expenditure Budget Changes**

<i>in the 1,000's</i>	<b>FY 2016 Adopted</b>	<b>FY 2017 Proposed 5/21/16</b>	<b>FY 2017 Proposed 6/21/16</b>	<b>Change from 5/21/16</b>	<b>\$ Chang from FY 2016</b>	<b>% Chang from FY 2016</b>
General Fund	140,422	149,187	149,039	(148)	8,617	6.1%
All Other Funds	138,913	136,912	136,554	(358)	(2,359)	-1.7%
<b>Total City Budget</b>	<b>279,335</b>	<b>286,099</b>	<b>285,593</b>	<b>(506)</b>	<b>6,258</b>	<b>2.2%</b>

There are a minimal number of changes to the originally proposed budget for FY 2017. Several of the changes have no monetary impact. The remainder constitutes a slight overall reduction of expenditures in both the General Fund and All Other Funds. The changes from the originally proposed budget for FY 2017 are highlighted below.

1. City Council Priorities - Update “Thrive” Potential Performance Metrics.
2. General Fund Fund Transfers - Elimination of transfer out from General Fund to Fleet Management Replacement Fund (CIP). The expense is already incorporated into the Internal Service Fees (-\$200,000).
3. General Fund Fund Transfers - Reduce General Fund Transfers Out Expense for Sweeper Equipment Operator position and related expenditures (-\$200,000). The position has been moved from the Stormwater Fund to the General Fund as the revenues that fully offset the position are located in the General Fund.
4. City Manager Department - Correct South Hayward B.A.R.T. JPA “Other Department Operating

Costs” expenditure amount. Page correction only, no cost impact to total fund expenditures.

5. Development Services Department - Deletion of 1.0 FTE Development Review Engineer, addition of 1.0 FTE Senior Civil Engineer (no cost impact).
6. Maintenance Services Department - Relocate 1.0 FTE Sweeper Equipment Operator from the Stormwater Fund (-\$106,348) to the General Fund (+\$106,348). The revenues to offset the cost of the position are located in the General Fund.
7. Maintenance Services Department - Update to Landscape & Lighting and Maintenance Districts Operating Budget based on FY 2017 projections. Decrease in revenues by \$187,176; decrease in expenditures by \$287,190. Subsequent impacts to Payroll Allocations resulted in a decrease to the General Fund (-\$2,000), an increase to the Enterprise Funds (\$27,348) and an increase to the ISF Funds (\$7,700) in the Maintenance Services Department pages.
8. Police Department - Relocate 1.0 FTE Police Officer from Special Grants Division to Patrol Division (cost impact at division level, no cost impact at department level).
9. Utilities & Environmental Services Department - Addition of “Fund Transfer In from D/S Fire Stn #7 from Gen Fund” (\$137,741). This transfer reflects the repayment of a loan from the Water Operating Fund to the General Fund for Fire Station #7.
10. Utilities & Environmental Services Department - Eliminate Stormwater Fund Transfers In Revenue for Sweeper Equipment Operator position and related expenditures (-\$200,000).
11. Utilities & Environmental Services Department - Addition of “Fund Transfers In from DS CEC Loan” revenue (\$219,913). This transfer reflects the debt service transfer from the Sewer Improvement Fund to the Sewer Operating Fund.
12. General Employee Costs - An additional \$125,141 has not yet been incorporated into the FY 2017 budget. This amount stems from the recently completed independent salary survey required in the SEIU Local 1021 Memorandum of Understanding. The study was conducted under the joint funding of the City and the bargaining group. It covers the three years of the contract with a total amount of \$233,550, \$125,141 of which is in FY 2017. The salary study was completed too late to incorporate the financial impact into the proposed budget. This will be added in when the newly approved budget is loaded into the system at the start of the FY 2017.
13. Increased “Grants Expenditure” - There may be a potential increased “Grants” expenditure line item of \$10,000 for Eden I&R in the Library & Community Services Department budget. A complete report on work staff members from the City and Eden I&R have done since the last public discussion of this topic will come to Council on 6/28. Should Council direct that an additional \$10,000 should be allocated to Eden I&R, it will have to come from the General Fund Fund Balance (reserves).

Table 2 summarizes total proposed staffing. The revised total citywide staffing is 874.8 for FY 2017 - a total increase of 10.6 FTE (1.23%) over the FY 2016 Adopted Budget.

Of the 1.3 FTE increase in the General Fund and subsequent decrease in All Other Funds, 1.0 FTE is for the Sweeper Equipment Operator position that was originally proposed to be housed in the Stormwater Fund and funded by a transfer from the General Fund. It has been decided to house the position in the fund where the revenue source for the position exists. The additional 0.3 FTE is due to reallocation of employee time charged to the Landscape & Lighting Districts and Maintenance Districts funds after receipt of the updated budget for those funds.

Even with these staffing additions in FY 2017, overall city staffing remains significantly reduced from prior year highs (e.g., FY 2003 total staffing was 936.8 FTE).

**Table 2 - Citywide Position Changes**

	<b>FY 2016 Adopted</b>	<b>FY 2017 Proposed 5/21/16</b>	<b>FY 2017 Adopted 6/21/16</b>	<b>Change from 5/21/16</b>	<b>\$ Change from FY 2016</b>	<b>% Change from FY 2016</b>
General Fund	646.70	649.90	651.20	1.30	4.50	0.7%
All Other Funds	217.50	224.90	223.60	(1.30)	6.10	2.8%
<b>Total City Budget</b>	<b>864.20</b>	<b>874.80</b>	<b>874.80</b>	<b>0.00</b>	<b>10.60</b>	<b>1.2%</b>

**Capital Improvement Program (CIP) FY 2017 - FY 2026**

The City’s capital improvement program budget has followed a similar review and public process as the operating budget. On May 4, the Council Budget & Finance Committee reviewed and discussed the proposed FY 2017 CIP budget. On May 24 during the Council Budget Work Session, Council reviewed and discussed the FY 2017 CIP budget; and on May 26, the Planning Commission held a public hearing and found the document in conformance with the General Plan.

The CIP for FY 2017 totals approximately \$195 million with a total of about \$518 million budgeted through FY 2026.

Minor changes made to CIP Funds since the May 24 Council Budget Work Session are as follows:

1. Fund 405 - Capital Projects (Governmental) - Additional \$100,000 added to Project 07452 Fire Special Operations; to purchase equipment needed for the upcoming fire season.
2. Fund 405 - Capital Projects (Governmental) - Mutual Aid Reimbursement for FY 2016 was increased by \$138,000 to accurately reflect revenues and cover the increased purchase for Project 07452 Fire Special Operations.
3. Fund 611 - Move Project 07544 Storm Water Trash Capture Device Phase II and corresponding grant funding from FY 2017 to FY 2018.

Staff has prepared a document in response to questions and areas of emphasis brought up by members of Council in the budget work sessions held on May 21, May 24, and June 14, which questions have not

previously been addressed or discussed in prior meetings: See Attachment I. These topics are not listed in any particular order of occurrence or priority. The information has been prepared as a response to some of Council's expressed interests, concerns, and/or suggestions during the budget discussions. It is not intended that each response be detailed and complete, but rather simply to give Council some basic information and a clear indication that staff has been listening. The responses may evolve as staff tackles each area in greater details and with more focus. Staff invites comment and any additional clarity on Council's concerns where needed.

## **FISCAL IMPACT**

The above items reflect the changes received to date for the City of Hayward's Proposed Operating Budget for Fiscal Year 2017 - with Table 1 (on page 2) summarizing the expenditure changes to the City's General, Special Revenue, and Enterprise Funds should all proposed changes be approved.

## **PUBLIC CONTACT**

The Proposed FY 2017 Operating Budget has been discussed by City Council over the last couple of months. A public notice was published in The Daily Review on June 11 and June 18, 2016 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 2017 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 Branch, and on the City's website at:

<http://www.hayward-ca.gov/sites/default/files/Proposed%20FY%202017.pdf>

A schedule of the FY 2017 Proposed Operating Budget work sessions is available for public information on the City's website at:

<http://www.hayward-ca.gov/services/city-services/review-city-budget-and-finance-reports>

The FY 2017 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:

<http://www.hayward-ca.gov/sites/default/files/Recommended%20%20FY17-%20FY26%>

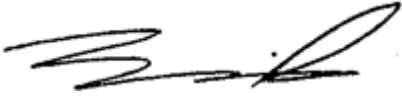
## **NEXT STEPS**

Council's direction from this Public Hearing will be incorporated into the operating and CIP budgets and will be reflected in the resolutions prepared for formal budget adoption at the City Council meeting of June 28, 2016.

Prepared by: Nan Barton, Budget Officer

*Recommended by:* Dustin Claussen, Director of Finance (Acting)

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Responses to Council Queries