



**DATE:** June 2, 2026

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

**FROM:** Director of Finance

**SUBJECT:** Fiscal Year (FY) 2026-27 Operating Budget and Capital Improvement Program Public Hearing and Adoption: Public Hearing for the Proposed FY 2026-27 Operating Budgets for the City of Hayward, Hayward Redevelopment Successor Agency, and Hayward Housing Authority; Adoption of Resolutions Approving (1) the FY 2026-27 Operating Budgets and Appropriations for FY 2026-27 and Authorizing Actions for the FY 2025-26 Operating Budget; (2) the FY 2027-36 Capital Improvement Program and Appropriations for FY 2026-27; (3) the Hayward Redevelopment Successor Agency Budget for FY 2026-27; and (4) the Hayward Housing Authority Budget for FY 2026-27

## **RECOMMENDATION**

That the City Council considers the Proposed FY 2026-27 Operating Budgets of the City, Capital Improvement Program (CIP), Redevelopment Successor Agency, and Housing Authority; conducts a Public Hearing on each; and adopts resolutions approving:

- (1) The FY 2026-27 Operating Budgets and appropriations for FY 2026-27 and actions for FY 2025-26 Operating Budget;
- (2) The FY 2027-36 Capital Improvement Program appropriations for FY 2026-27;
- (3) The Hayward Redevelopment Successor Agency Budget; and
- (4) The Hayward Housing Authority Budget.

## **SUMMARY**

This item is a public hearing for the adoption of the Proposed FY 2026-27 Operating Budgets and FY 2027-36 CIP appropriations for FY 2026-27 as well as actions associated with the FY 2025-26 budget. Should there be no needed actions following public testimony or Council direction, staff recommends that City Council adopt resolutions to approve the Operating and CIP Budgets, as well as separate resolutions for the Hayward Redevelopment Successor Agency as Redevelopment Successor Agency Board of Directors and the Hayward Housing Authority as Housing Authority Board of Directors.

## BACKGROUND

### Budget Context: FY 2025-26 Budget

A year ago, in June 2025, Council adopted a General Fund budget for FY 2025-26 that included an assumed \$8.9 million deficit and reflected a \$30 million fund balance. At that time, Council directed staff to identify solutions to balance the FY 2025-26 budget. In August, staff reported that due to overstated revenues and overspending in FY 2024-25, the fund balance in the General Fund had been reduced to near zero.

In November 2025, staff presented an updated forecast for FY 2025-26 reflecting a \$26.4 million deficit in the General Fund. In response, Council authorized the City Manager to take actions to reduce that deficit to zero. The budget deficit was eliminated through a combination of activities including the use of Measure C funding, use of OPEB Trust funding, transfers from other funds such as Information Technology and Worker's Compensation Internal Service Funds, employee concessions, layoffs, and department savings on services and supplies. This adjustment also included funding for a contribution to the Russell City Redress Fund.

### Key Factors Driving the City's Fiscal Challenges

- **Declining Real Estate Market:** This caused a decline in market related tax revenues which stagnated at less than 1% on average per year over the last three years and failed to match increasing benefit costs which increased by 40% over the last three years.
- **Rising Personnel Costs:** CalPERS pension rates, retiree health obligations, and negotiated Cost of Living Adjustments (COLAs) continue to outpace revenue growth. Also, the City entered into labor contracts misaligned with market and fiscal realities.
- **American Rescue Plan Act (ARPA) Expiration:** The City increased staffing and programs over the past five years dependent on one-time ARPA and grant funding.
- **Lack of Adherence to Financial Best Practices:** This includes maintaining realistic financial projections, budgeting accurately for overtime, contract increases, and leave payouts, and using salary savings as a "crutch."
- **Leadership Transitions:** Experienced leadership transitions and dilution of authority and responsibility at the same time.

### Tracking Actuals for Revenue and Expenses

Over the past year, staff has closely tracked actuals for revenue and expenses, with a particular focus on salaries and benefits. Based on these actuals, staff has adjusted the FY 2025-26 budget projections to ensure it will be balanced at the close of the fiscal year, including:

- (1) Downward adjustments to revenue projections of \$2.3 million compared to February projections to reflect actual receipts, and
- (2) Further adjustments to salary and benefits resulting from better understanding of special pays and adjustments for payroll cycles. These adjustments were offset by

increasing transfers into the General Fund from other funds, such as Worker's Compensation and Information Technology Internal Service Funds.

With these adjustments, the FY 2025-26 General Fund budget will remain in balance with total expenses currently estimated at \$241 million. Staff will continue to track actuals and further updates may be required. Staff has planned for this possibility, and, subject to adoption of the attached resolution, will increase transfers if required to end FY 2025-26 with revenues balanced to expenses.

Even with COLAs of 3.5% in miscellaneous units and increases to retirement and medical costs, staff anticipates a reduction of approximately \$6 million in General Fund expenditures compared to FY 2024-25. Staff anticipates using approximately \$25 million in short-term or one-time sources to balance the FY 2025-26 budget. Around, September, 2026 after the year-end close process, staff will present a Budget Year End Report to specify all actions taken to balance the FY 2025-26 General Fund Operating Budget.

### **Preparation for the FY 2026-27 Budget**

In preparation for the FY 2026-27 budget, the City Council held the following meetings:

- A [work session](#) on February 28, 2026 to consider the City's five-year forecast and options to balance this and future budgets.
- A [CIP budget work session](#) for FY 2026-27 on May 5, 2026.
- A [work session](#) to review the proposed FY 2026-27 operating budget on May 12, 2026. The proposed operating budget was posted to the [City's website](#) on May 8, 2026.

Following these work sessions and follow-up meetings with departments and the Council Budget and Finance Committee, staff has incorporated changes to the proposed budget. These changes are detailed in the discussion section below.

## **DISCUSSION**

### **Public Hearing**

This meeting has been noticed as a public hearing for the Proposed Operating and CIP budgets for Fiscal Year 2026-27 and is another opportunity to receive public input. Upon closure of the public hearing, Council will provide any additional comments and direction to staff. Should there be no need for changes after public testimony or Council direction, staff recommends that both documents 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 2026-27 Operating or CIP budgets, the public hearing will be closed, and the Proposed FY 2026-27 Operating and CIP budgets will be presented for adoption on June 16, 2026.

## **Operating Budget**

Hayward's operating budget is comprised of different funding sources, with the General Fund representing the largest single fund for which the Council has the most discretion. As proposed on to Council on May 12, the total City expenditure budget for the Proposed FY 2026-27 Annual Budget was \$445 million and \$507.6 million when transfers are included, with a General Fund budget of \$248.6 million. Since that time, staff has updated the total budget to be \$504.2 million, with a General Fund Budget of \$249.1 million.

The Proposed FY 2026-27 Operating Budget is balanced but requires use of \$30.29 million in one-time or short-term funds, consisting of the items below.

- \$10 million: Measure C;
- \$4.95 million: Transfer from Worker's Compensation Fund (total transfer of \$6 million to allocate refunds to all funds that contributed to Worker's Compensation Fund);
- \$3 million: Transfer from OPEB Trust (funds held by CalPERS and allowed for reimbursement of OPEB payments that took place during the same fiscal year). This amount will appear as a revenue as these funds are held outside of the City in a CERBT Trust;
- \$5.33 million: Transfer from OPEB funds held by the City and not yet transferred to the OPEB Trust (total transfer of \$6 million to allocate refunds to all funds that contributed to OPEB Fund);
- \$1.01 million: One-time transfer of savings from the Information Technology Internal Service Fund (total transfer of \$1.29 to allocate refunds to all funds that contributed to Information Technology Internal Services Fund);
- \$5.5 million: Recovery / reimbursement of grant funds that have been held in other funds for projects completed in prior years, funded by General Fund, and not transferred;
- \$500,000: One time use of Community Development Block Grant funds for eligible expenditures.

Staff notes that, in addition to the structural issues in the General Fund, several other funds have negative cash balances. For FY 2026-27, staff focused on the General Fund and assuring that all other funds have sufficient revenues to match expenses in FY 2026-27 so that deficit fund balances do not grow. During the next Fiscal Year, staff will continue to develop strategies to fund General Fund reserves and resolve deficit fund balances, such as through identifying alternate funding sources, use of one-time funding, or incremental increases in transfers.

## **Operating Budget Revenue and Expenses**

The tables below illustrate the proposed FY 2026-27 Operating Budget revenue projections and proposed expenditure appropriations. Staff is using the most recent projections for the current year presented at the May 20, 2026 Council Budget and Finance Committee for comparison between FY 2025-26 and FY 2026-27.

**Table 1 – Citywide Revenue Projections**

<i>in 1,000's</i>	<b>FY2026 Updated (Projected as of 5/26)</b>	<b>FY2027 Proposed 5/12/26</b>	<b>FY2027 Proposed 6/2/26</b>	<b>Change from 5/12/26</b>	<b>\$ Change from FY26 Projected 5/26</b>	<b>% Change from FY26</b>
General Fund Ongoing Revenue	211,574	214,785	214,785	0	3,211	1.5%
General Fund Ongoing Transfers In	4,419	4,010	4,010	0	(409)	(9.2%)
General Fund <i>One- Time/Short-Term</i> Revenue and Transfers In	25,487	29,788	30,290	502	4,803	18.8%
<b>Total General Fund</b>	<b>241,480</b>	<b>248,583</b>	<b>249,085</b>	<b>502</b>	<b>7,605</b>	<b>3.2%</b>
All Other Funds	198,526	207,117	212,794	5,677	14,268	7.2%
<b>Total City Revenue and Transfers to General Fund</b>	<b>440,006</b>	<b>455,700</b>	<b>461,879</b>	<b>6,179</b>	<b>21,873</b>	<b>5.0%</b>

**Table 2 – Citywide Expenditure Budget**

<i>in 1,000's</i>	<b>FY2026 Updated (Projected as of 5/26)</b>	<b>FY2027 Proposed 5/12/26</b>	<b>FY2027 Proposed 6/2/26</b>	<b>Change from 5/12/26</b>	<b>\$ Change from FY26 Projected 5/26</b>	<b>% Change from FY26</b>
<b>General Fund</b>	<b>241,262</b>	<b>248,583</b>	<b>249,085</b>	<b>502</b>	<b>7,823</b>	<b>3.2%</b>
All Other Funds	199,059	228,748	227,839	(909)	28,780	14.5%
<i>One-Time/Short- Term</i> Transfers Out from Other Funds to General Fund	25,487	30,291	27,291	(3,000)	1,804	7.1%
<b>Total City Budget</b>	<b>465,808</b>	<b>507,622</b>	<b>504,215</b>	<b>(3,407)</b>	<b>38,407</b>	<b>8.2%</b>

The changes for General Fund and All Other Funds from the time that the proposed budget was provided to Council on May 8<sup>th</sup>, 2026 and reviewed at the May 12<sup>th</sup>, 2026 work session include the following:

**Adjustments to the Budget:**

1. Development Services Department – Increase \$465,000 in expenses: Correction to contract services to correct data entry error.
2. Finance Department – Increase \$37,000 in expenses: Correction to contract services to correct data entry error

3. Increase in Transfer from Fund 720 (Other Post Employment Benefits) to the General Fund to offset increased expenses.
4. Modification to Reimbursement from OPEB Trust to reflect as a revenue instead of as a transfer.

### **Additional Administrative Adjustments:**

Staff has made additional administrative adjustments, including:

1. Removal of working capital amounts as those are typically based on the prior year Annual Comprehensive Financial Report (ACFR) which is not yet complete.
2. Adjustment within department's total funding amounts that do not increase total appropriations except as specified above.
3. Changes to department organization charges to better reflect department vacancies, which are described further below.

### **Budget Updates / Staff Authority**

The proposed resolution includes the following:

1. Authorization to appropriate amounts for expenditure as reflected in Exhibit A to the resolution (Attachment I).
2. Authorization to make transfers from one fund to another which are specified in Exhibit B to the resolution.
3. Authorization to distribute the appropriations and transfers to the various accounts of the City in accordance with Exhibit A and B to the resolution, generally accepted accounting principles, and where consistent with the purposes and objectives as outlined in the approved budget.
4. Authorization to appropriate any monies received during FY 2026-27 as a consequence of a gift, donation, or grant application approved by the City Council for the purposes for which the gift, donation, or grant has been approved and subject to City grant policies. Such appropriation includes authorization for the City Manager to expend such monies and for the Director of Finance to increase revenues and appropriations and make payments therefore in accordance with the terms and conditions and for the purposes of the grant.
5. Authorization to increase revenues and appropriations and make payments where a direct external funding source (such as deposit from developer or payment from outside agency) is available for an unanticipated expenditure.
6. Authorization for City Manager to execute any contract for professional services included in the annual budget that will cost less than \$100,000. Any contract that will cost more than \$100,000 shall be executed by the City Manager only upon approval of the contract by the City Council given at a meeting of the City Council.
7. Authorization to bind and prepay all coverage and to negotiate and execute all documents necessary to obtain the insurance, third party administration services, loss fund stabilization and defense of claims budgeted for in the Liability Insurance Fund.
8. Authorization for the City Manager and/or City Attorney to represent the City on the board of the Exclusive Risk Management Authority of California (ERMA) and take any

and all actions necessary or appropriate to advance the City's interests in connection with risk management services and procuring of insurance coverage.

9. Authorization for the Director of Finance to take actions required to comply with GASB 31 (Unrealized investment gains and losses) including to make such entries as are required to the City's financial records and to make such changes to the budget as are required by GASB 31. This is a typical year-end entry which may modify investment earnings based on market value at the end of the period.
10. For Fiscal Year 2025-26 only, authorize the City Manager to reduce expenditure appropriations for General Fund departments and to increase appropriations and modify transfers to/from the General Fund or other funds for Fiscal Year 2025-26 such that the budget is balanced and revenues including transfers exceed or equal budgeted appropriations including transfers and a contribution to the Russell City Redress Fund. Staff will return to Council around September 2026 with a Budget Year-End Report for Fiscal Year 2025-26 outlining all actions taken to balance the Fiscal Year 2025-26 Budget.

## **Staffing**

During FY 2026, staffing in the General Fund was reduced over 10%. In order to provide departments with time to adjust to new staffing levels, instead of deleting positions, departments were budgeted for a specified set of positions.

Most vacancies in the General Fund or funds supported by the General Fund have been added to a vacancy management list. These vacancies are unbudgeted and cannot be filled unless the department has an alternate vacancy to swap onto the list. As new vacancies occur through retirement or other separation, staff recommends that the City Manager is authorized to allow departments to fill those vacancies using the positions on that vacancy management list or alternate positions, if recommended by the department head and approved by the City Manager.

In a few cases, vacant positions have been authorized to hire in the General Fund and funds requiring support from the General Fund. Generally, the cost of these positions authorized for hire will be offset by revenue recovery either through fees or charge out to funds other than the general fund.

The attached resolution includes authorization for City Manager to authorize alternate positions, including positions not on the current position list organization chart for the department, provided such position is listed on the current City of Hayward Salary Plan for All Classifications and there is sufficient funding for such position. This permits departments to quickly transition as new opportunities for efficiencies are identified.

A Citywide staffing summary is shown in Table 3 below.

**Table 3 - Citywide Staffing**

	<b>FY 2026 Adopted</b>	<b>FY2027 Proposed 5/12/26</b>	<b>FY2027 Proposed 6/2/2026</b>	<b>Managed Vacancies</b>	<b>% Vacancy</b>
General Fund	700.90	700.60	700.60	80	11.4%
All Other Funds	255.40	255.40	255.40	5	2.1%
<b>Total City Budget</b>	<b>956.30</b>	<b>956.00</b>	<b>956.00</b>	<b>85</b>	<b>8.9%</b>

**Hayward Redevelopment Successor Agency Budget**

Acting as the Governing Board of the Successor agency for the Redevelopment Agency of the City of Hayward, staff recommends that the City Council adopt a resolution (Attachment III) authorizing and approving the budget for the Redevelopment Successor Agency of the City of Hayward for FY 2026-27 and adopting appropriations.

**Hayward Housing Authority Budget**

Acting as the Hayward Housing Authority Board of Directors, staff recommends that the City Council adopt a resolution (Attachment IV) authorizing and approving the budget for the Hayward Housing Authority for FY 2026-27 and adopting appropriations.

**Fiscal Year 2027-36 Capital Improvement Program and Budget Appropriations for FY 2026-27**

The proposed FY 2026-27 CIP appropriations total approximately \$265 million, and a projected total programming of \$1.3 billion for the 2027-36 CIP. Staff recommends that the City Council adopt the resolution attached as Attachment V approving Capital Improvement Program budget appropriations for FY 2026-27 and associated revenues and expenditures. The Recommended FY27 – FY36 CIP can be found at [Capital Improvement Program | City of Hayward - Official website](#) and features an online format. More information about navigating the new CIP format can be found via this link.

## FISCAL IMPACT

Table 4 below summarizes the FY 2026-27 Citywide Operating & CIP expenditure budgets.

**Table 4 – Summary of Citywide Operating & CIP Budgets**

<b>City of Hayward Budget</b>	<b>FY 2026 - 27</b>
<b>City Funds</b>	
General Fund	249,085
Measure C Fund	25,027
Special Revenue Funds	25,358
Debt Service Funds	8,021
Enterprise Funds	129,674
Internal Service Funds	62,294
	<b>499,459</b>
<b>Agency Funds</b>	
Hayward Successor Redevelopment Agency Operating Fund	4,468
Housing Authority Fund	257
Hayward Shoreline JPA	31
	<b>4,756</b>
<b>Total City Operating Budget</b>	<b>504,215</b>
<b>Total CIP Budget</b>	<b>264,134,265</b>

## PUBLIC CONTACT

The City Council received a Five-Year Forecast at a Fiscal Sustainability Workshop on February, 28, 2026. Since that time, staff has refined the budget numbers especially associated with salary and benefit costs. A City Council work session regarding the FY 2026-27 Operating budget was held on May 12, 2026. Changes since the May 12, 2026 work session are summarized in this report.

The Proposed FY 2026-27 Operating Budget is currently available to the public by contacting the City Clerk's Office at [cityclerk@hayward-ca.gov](mailto:cityclerk@hayward-ca.gov) or (510) 583-4400, and on the City's website at: <https://hayward-ca.gov/your-government/documents/budget-documents>

State law requires that the Planning Commission review the Recommended CIP to ensure consistency with the City's adopted General Plan. The Recommended 2027-36 CIP was presented to the Planning Commission at their April 9, 2026, meeting, and with six members present, the Commission unanimously found that the Recommended 2027-36 CIP is consistent with the City's 2040 General Plan

The 2027-36 CIP is currently available to the public by contacting the City Clerk's Office at [cityclerk@hayward-ca.gov](mailto:cityclerk@hayward-ca.gov) or (510) 583-4400, and on the City's website at: <https://www.hayward-ca.gov/your-government/documents/capital-improvement-program>

## **NEXT STEPS**

If Council adopts the FY 2026-27 Operating Budget, Redevelopment Successor Agency Budget, Hayward Housing Authority Budget, and Capital Improvement Program Budget appropriations for FY 2026-27 at this public hearing, staff will take the appropriate steps to effectuate the adoption and execution.

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*Recommended by:* DeAnna Hilbrants, Director of Finance

Approved by:



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Jennifer Ott, City Manager