



DATE: January 20, 2026

TO: Mayor and City Council

FROM: Finance Director

SUBJECT: City of Hayward Budget: Work Session to Receive a Budget Update and Information about City General Fund Revenue Sources

RECOMMENDATION

That the City Council:

1. Receive an update on the status of the adopted Fiscal Year (FY) 2025-26 General Fund Operating Budget; and
2. Receive information about the City's major general fund revenue sources.

SUMMARY

Staff will provide an update on the status of the FY 2025-26 General Fund Operating Budget and, in preparation for the February 28, 2026 Fiscal Sustainability Work Session, staff will provide information about general fund revenue sources.

BACKGROUND AND DISCUSSION

Preparation for Phase Two of the Budget Process

On November 18, 2025, the City Council authorized the City Manager to take steps to eliminate the FY 2025-26 budget deficit by January 31, 2026. Staff are on track to meet this deadline. Although these actions are anticipated to bring the FY 2025-26 budget into balance, many of these items are one-time in nature and will not address the longer term structural fiscal imbalance projected for subsequent fiscal years.

As a result, staff are preparing for Phase Two of this budget process to take additional actions to strengthen long-term stability and replenish reserves, including a long-term fiscal sustainability plan that will inform the creation of the FY 2026-27 budget. Staff's analysis and recommendations for the long-term plan will be presented at the full-day budget work session on Saturday, February 28, 2026.

Exploration of Business License Tax Measure

City staff have begun work to explore a possible measure to update the City's Business License Tax, which has not been updated in decades. As a first step, the City has secured a consultant

to review how the City's existing tax structure compares to neighboring jurisdictions and if the structure still makes sense considering today's economy. The consultant will be available at this work session to answer questions about this process.

Below is a tentative deadline for this process. The findings from the research phase will be presented at the February 28 budget work session. Staff will be in touch with the Chamber of Commerce before that meeting to collect feedback.

January & February 2026:

- Research: comparison to neighboring jurisdictions
- Initial stakeholder outreach
- Present findings on February 28, 2026

March & April 2026: If desired, polling & further stakeholder outreach

May 2026: Present poll results and evaluate a potential measure

June 23, 2026: Deadline for the City Council to pass a resolution to place a measure on the November ballot

Major Revenue Sources

In addition to discussing a potential business license tax measure, this work session will be focused on providing additional information about the City's major general fund revenue sources. In particular, the City's sales tax consultant will be available to answer questions about how sales tax is forecasted and regional trends. Staff will also provide background about how other general fund revenues are forecasted.

For context, Attachment II shows historic actuals for general fund revenue back to FY 2018.

NEXT STEPS

Based on Council input this evening, staff will prepare information, analysis and preliminary recommendations for further Council discussion at the February 28 budget work session.

Prepared by: DeAnna Hilbrants, Director of Finance

Approved by:

A handwritten signature in blue ink, appearing to read "J. Ott", is written over a horizontal line.

Jennifer Ott, City Manager