



DATE: April 21, 2026

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adopt a Resolution Approving a Side Letter of Agreement between the City of Hayward and the International Federation of Professional and Technical Engineers, Local 21 Deferring the Contracted Cost of Living Adjustment Increase Due the Pay Period Containing July 1, 2026, and Authorizing the City Manager to Execute the Agreement

RECOMMENDATION

That the City Council adopts a resolution (Attachment II) approving a Side Letter of Agreement (Attachment IV) between the City of Hayward and the International Federation of Professional and Technical Engineers, Local 21 (Local 21) deferring the cost of living adjustment (COLA) increase from the beginning of fiscal year 2026-27 to the end of fiscal year 2026-27 to create salary savings for the upcoming fiscal year.

SUMMARY

The City of Hayward is facing a budget deficit and is taking measures to reduce costs. The City and Local 21 met and conferred in good faith and reached tentative agreement. The Local 21 agreement includes a COLA increase effective with the pay period including July 1, 2026. Local 21 represented employees have agreed to defer the COLA increase for all Local 21 represented classifications that are not entirely funded through enterprise funds. The COLA increase is initially scheduled at the start of fiscal year 2026-27 and will be deferred to the end of fiscal year 2026-27; effective the beginning of the pay period including June 30, 2027. If approved, the proposed agreement would result in City savings of approximately \$427,000 in fiscal year 2026-27. As part of this agreement, the City agrees not to exercise its right to layoff employees in the Local 21 bargaining unit beginning upon ratification of the tentative agreement by Local 21 through and including June 30, 2027.

FISCAL IMPACT

The proposed agreement includes a projected savings of approximately \$427,000 in Fiscal Year 2026-27.

BACKGROUND

In response to the City's current financial state, the City implemented a number of cost saving measures, including but not limited to: a transfer of Measure C funds; a use of OPEB Trust fund balance; use of CDBG funds; update of master fee schedule; cost reductions and revenue offsets in the Navigation Center; maintaining the FY 2025-26 worker's compensation transfer amount into FY 2026-27 resulting in use of fund balance in the Worker's Compensation Fund; public safety overtime reductions; and other police department savings. Even after all these measures are assumed, the City still projects a funding gap that needs to be closed by either labor concessions or departmental cost reductions or a combination of both.

In addition, all bargaining groups in the City were asked for a concession equivalent to forgoing upcoming scheduled COLA increases. Cost savings contributed by bargaining groups are critical to the City's fiscal health as employee salaries and benefits costs make up over 90% of the General Fund budget.

In accordance with the Memorandum of Understanding (MOU) between the City and Local 21, there is a scheduled COLA increase due for all Local 21 represented employees the beginning of the pay period containing July 1, 2026.

DISCUSSION

In partnership with the City to help address the current financial situation, Local 21 and the City entered into a tentative agreement which was subsequently ratified by Local 21's membership on April 16, 2026. The tentative agreement defers the scheduled COLA increases, for all classifications that are not entirely funded through enterprise funds, to the beginning of the pay period including June 30, 2027; creating a full fiscal years' worth of General Fund salary savings from the bargaining unit. In addition, the agreement provides layoff protection for Local 21 represented employees from April 16, 2026, through and including June 30, 2027. The agreement includes a clause for concession parity; should another represented, non-safety unit agree to concession terms that 1) include layoff protections, and 2) result in less savings for the City as a percentage of that other bargaining unit's total base wages, the City will notify Local 21 in writing of the terms of that agreement and Local 21 may elect to accept the terms of the agreement rather than the terms reflected here.

The City acknowledges and appreciates the collaborative engagement of Local 21 in agreeing to these concessions despite being in a closed contract period. This partnership reflects a shared commitment to addressing the organization's fiscal challenges and maintaining service continuity for the community.

STRATEGIC INITIATIVES

This agenda item is an operational item and does not relate to one of the Council's Strategic Initiatives.

NEXT STEPS

Staff will finalize the documents and obtain necessary review by the City Attorney and respective approval by the City Manager to execute them. The Human Resources Department will work with the Finance Department to implement these changes.

Prepared and Recommended by: Ian Tecson, Director of Human Resources

Approved by:



Jennifer Ott, City Manager