



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 Hayward Association of Management Employees Deferring the Cost of Living Adjustment Increase Due the Pay Period Including 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 Hayward Association of Management Employees (HAME) 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. Under the current agreement, HAME represented employees are due a COLA increase effective with the pay period including July 1, 2026. The City and HAME met and conferred in good faith and reached tentative agreement in which HAME represented employees will defer the COLA increase for all HAME represented classifications that are not entirely funded through enterprise funds. The COLA increase initially scheduled at the start of fiscal year 2026-27 will be deferred to the end of fiscal year 2026-27; effective at the beginning of the pay period that includes June 30, 2027. If approved, the proposed agreement would result in City savings of approximately \$465,000 in fiscal year 2026-27. As part of this agreement, the City agrees not to exercise its right to layoff employees in the HAME bargaining unit beginning upon ratification of the tentative agreement by HAME through and including June 30, 2027.

FISCAL IMPACT

The proposed agreement includes a projected savings of \$465,000 to the City 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 HAME, there is a scheduled COLA increase due for all HAME represented employees the pay period containing July 1, 2026.

DISCUSSION

In partnership with the City to help address the current financial situation, HAME and the City entered into a tentative agreement which was subsequently ratified by HAME's membership on April 3, 2026. The tentative agreement defers the scheduled COLA increases, for all classifications that are not entirely funded through enterprise funds, to the pay period including June 30, 2027; creating a full fiscal years' worth of salary savings from the bargaining unit. In addition, the agreement provides layoff protection for HAME represented employees from April 3, 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, HAME may elect to accept the terms of that agreement rather than the terms reflected in the tentative agreement between the City and HAME.

The City acknowledges and appreciates the collaborative engagement of HAME 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

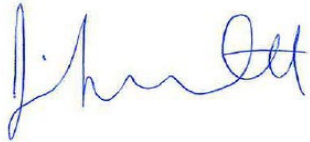
This agenda item is an operational item and does not relate to one of the Council's Strategic Initiatives.

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:

A handwritten signature in blue ink, appearing to read "Jennifer Ott". The signature is fluid and cursive, with the first name "Jennifer" written in a larger, more prominent script than the last name "Ott".

Jennifer Ott, City Manager