



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 Police Officers' Association Modifying Cost of Living Adjustment Increases and Extending Previous Shift Change Agreements; 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 Police Officers' Association (HPOA) modifying the Cost-of-Living Adjustment (COLA) increases in fiscal years 2026-27; 2027-28; and 2028-29 to create salary savings through the term of the current contract.

SUMMARY

The City of Hayward is facing a budget deficit and is taking measures to reduce costs. The City and HPOA met and conferred in good faith and reached tentative modifying scheduled COLA increases for all HPOA represented classifications. Under the current Memorandum of Understanding, the COLA increases are scheduled for a minimum of five percent (5%) and maximum of seven percent (7%) in the pay periods including January 1, 2027, and January 1, 2028; and based on salary survey in the pay period containing January 1, 2029. The parties agree to modify the COLA increase to four and one-half percent (4.5%) in the pay periods including January 1, 2027, and January 1, 2028; and to limit the COLA increase to a minimum of two percent (2%) and maximum of three percent (3%) in the pay period containing January 1, 2029. In addition, the parties agree to extend a previously agreed-upon side letter regarding shift changes, originally set to expire on December 31, 2026; now extended through December 31, 2027. If approved, the proposed agreement would result in new General Fund savings of approximately \$1.4 million for FY 2026-27 for a total of \$2.4 million in FY 2026-27 and a total of \$5.6 million for the term of the contract.

FISCAL IMPACT

The proposed agreement, including the previously agreed-upon side letter regarding shift changes, results in an estimated salary and overtime savings to the General Fund of:

- \$1 million in fiscal year 2025-26 from overtime reductions
- \$2.4 million in fiscal year 2026-27 (\$2 million in overtime reductions and \$400,000 in COLA modifications), including \$1.4 million in new cost savings
- \$1.8 million in fiscal year 2027-28 (\$1 million in overtime reductions and \$800,000 in COLA modifications)
- \$400,000 in fiscal year 2028-29 in COLA modifications

These savings represent a projected total savings of approximately \$5.6 million for the term of the contract, including current savings from FY 2025-26.

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 approximately 90% of the General Fund budget.

In accordance with the Memorandum of Understanding (MOU) between the City and HPOA, there are scheduled COLA increases due for all HPOA represented employees the pay periods containing January 1, 2027; January 1, 2028; and January 1, 2029.

Furthermore, in an effort to mitigate overtime expenses within the City's Police Department, in calendar year 2025, the parties entered into a side letter agreement to modify the work shifts for HPOA represented staff. The side letter is effective for calendar year 2026.

DISCUSSION

In partnership with the City to help address the current financial situation, HPOA and the City entered into a tentative agreement which was subsequently ratified by HPOA's membership on April 13, 2026. The tentative agreement reduces the scheduled COLA increases, for all classifications in fiscal years 2026-27; 2027-28; and 2028-29; to create structural salary savings to the General Fund through the term of the current contract.

In addition, the side letter of agreement for shift changes signed by the parties on December 31, 2025, will be extended from December 31, 2026 through December 31, 2027 to continue projected savings in overtime costs.

The City acknowledges and appreciates the collaborative engagement of HPOA 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

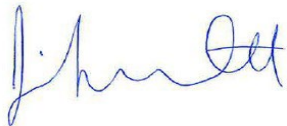
This agenda item is an operational item and does not relate to one of the Council's Strategic Initiatives.

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".

Jennifer Ott, City Manager