



SPECIAL CITY COUNCIL MEETING
777 B Street, Hayward, CA 94541
Conference Room 2A

<https://hayward.zoom.us/j/89593148306?pwd=b7el9TdYj49D73xAEsQhvux800oUaS.1>
Saturday, February 28, 2026, 9:00 a.m.

The Special City Council meeting was called to order by Mayor Salinas at 9:00 a.m. in Conference Room 2A.

Pledge of Allegiance: Council Member Zermeño

ROLL CALL

Present: COUNCIL MEMBERS Andrews, Bonilla Jr., Goldstein, Roche, Syrop, Zermeño
MAYOR Salinas
Absent: NONE

PUBLIC COMMENTS

Theresa Rezendes reviewed the projected Fiscal Year 2026-2027 budget deficit and asked the City Council to consider potential approaches to address the shortfall, including temporary salary reductions with future adjustments.

TJ with Hayward Concerned Citizens recommended the City stop spending on consulting fees and borrowing from Measure C funds to balance the budget, requested a list of City staff positions and potential service reductions to understand how departments may respond moving forward, and opposed the idea of eliminating jail operations due to the potential impact on police officers.

WORK SESSION

1. Budget Work Session: Review Five-Year Forecast and Status of Hayward's Financial Situation, and Provide Direction Regarding Recommended Approach for Fiscal Year 2026-27 Budget and Beyond (Report from City Manager Ott) **WS 26-005**

Staff report submitted by Assistant City Manager Thomas, Finance Director Hilbrants, Acting Deputy Finance Director Barnes, Senior Management Analyst Mullins, and Management Analyst Hatfield, dated February 28, 2026, was filed.

City Manager Ott provided introductory remarks for the work session, detailed what caused Hayward's fiscal challenges, and explained the impact on core services to date. Assistant City Manager Thomas provided an overview of the Strategic Roadmap priorities, highlighted ranked Fiscal Year 2026 strategic projects, and reminded all about the resident satisfaction survey. City Manager Ott provided an overview of key budget lessons learned, which included adhering to finance best practices, improving transparency and accountability, practicing strong leadership at all levels, and engaging financially constrained labor

negotiations and contracts. Finance Director Hilbrants provided an overview of how the City closed the budget gap in 2026, which included workforce reduction, use of fund balances and concession bargaining, and other cost saving measures.

Discussion ensued among members of the City Council and City staff regarding: status and use of the OPEB (Other Post-Employment Benefits) Trust Fund; approaches to allocating one-time funding toward one-time projects; budgeting overtime and tracking salary savings; core and discretionary services; and the American Rescue Plan Act (ARPA) funds as an opportunity to respond to community needs.

Members of the City Council offered the following recommendation: continue providing the City Council with monthly budget reports; distinguish core from discretionary services and prioritize them based on the Resident Satisfaction Survey and Hayward's Strategic Priorities; explore partnerships and grant opportunities; be mindful of response time for permit review and inspections having economic growth in mind; be cautious of eliminating services, such as the jail, which could impact crime trends; consider providing ten-year budget projections; continue innovating and using existing tools to deliver core services to the community; continue real-time expenditure tracking and establish clear guidelines to support informed decision-making such as property acquisitions, while incorporating lessons learned into concrete action items.

Senior Management Analyst Mullins and City Manager Ott provided an overview of a five-year baseline financial forecast which included revenue assumptions, expense assumptions, and Cost-of-living adjustments (COLAS). Finance Director Hilbrants provided an overview of the \$30 million deficit, and approaches to Measure C spending and building back the reserve.

Discussion ensued among members of the City Council and City staff regarding revenue projections, increase in CalPERS (California Public Employees' Retirement System) retirement costs, compensation contraction, overtime control and benchmark, frozen position assessment, recommended Measure C spending, forecasted revenues, and available funds for future capital projects. There was consensus to prioritize Measure K funding at a subsequent work session; look into benchmarking and consider adjusting the compensation philosophy in future negotiations.

Real Property Manager Irvin provided an overview of the City real estate strategy for 2026-2027, including properties targeted for year one – City Center, Cinema Place, and C Street & Main Street, and presented an estimated timeline for the potential sale of these properties.

Discussion ensued among members of the City Council and City staff about the decision to buy the movie theater in an effort to revitalize downtown and boost the economy.

The City Council took a break at 10:37 a.m. and Mayor Salinas reconvened the budget work session at 10:48 a.m.

City Manager Ott announced the next section and introduced Management Analyst Perez who provided an overview of Hayward's business license tax structure and introduced Matt



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Newman with Blue Sky Consulting Group. Matt Newman gave an overview of how Hayward compares with other jurisdictions, provided business tax scenarios, gave a comparison of neighboring jurisdictions, and shared staff's recommendation for the Match Neighbor Scenario, which would result in approximately 3.4 times more revenue or an additional \$8.8 million on new General Fund revenue.

Communications and Marketing Officer Finnie added the City engaged FM3 Research to help prepare a survey of represented sample of likely voters regarding the business license tax modernization which included the method, cost of poll, ballot question, structure and proposed timeline.

Discussion ensued among members of the City Council and City staff regarding the Match Neighbor Scenario (minimize increases to small businesses and increases rates on larger businesses resulting in approximately 3.4 times more revenue or an additional \$8.8 million of new General Fund revenue) and the 7x Revenue Scenario (raised 7x more revenue increasing rates across all categories with the potential of adversely impacting Hayward's competitiveness); increase the tax rate by bracket; and split polling.

Members of the City Council offered the following recommendations and thoughts: explore the Match Neighbor Scenario; revise the ballot language to include concrete wording that demonstrates value to the community; explore creating a fourth tax rate bracket (\$15 to \$25 million); consider split polling to provide the City Council with the authority to set a higher rate (7x Revenue Scenario) and flexibility regarding when to implement it; update the ballot language (e.g., restore services (library)... first time since 1978); do not exempt residential landlords with only 1-3 units; consider a higher minimum tax rate for vacant properties to activate spaces; ensure the ballot question addresses the benefit to the city; consult with the City of Richmond to review their approach and outcome under the 7x revenue scenario; expressed concern regarding the retail sales tax category due to the continued shift from in-store retail to online shopping; evaluate the Professional Services Tax category as more businesses in the sector continue to open; show sensitivity toward restaurants impacted by sidewalk vending, hotel services affected by the recent tax increase, ad contractors experiencing a slowdown in commercial development; continue to evaluate the landlord exemption; include Union City in the comparison of neighboring jurisdictions; expressed general agreement with the Match Neighbor Scenario, except for the Grocery and Residential Unit category increase, as the increase would likely be passed on to the community; consider poll language that explains how the tax revenue would benefit residents and businesses, with a focus on modernization and infrastructure improvements such as roads; consider survey and poll language that is business-and-resident-friendly, using terms such as "modernization"; and explore a split-sample poll to determine voter support for different tax scenarios.

City Manager Ott summarized the City Council feedback indicating the City Council supports a business license tax proposal, with most members supporting matching neighboring jurisdictions' rates rather than a 7x increase; they agree to conduct split polling to gauge public support for different scenarios, while deciding not to exempt any property owners from the tax; they request changes to the ballot language to better explain how the tax revenue would benefit businesses and residents, with a focus on modernization and services; and added that staff would return on April 7, 2026, with a more detailed proposal after incorporating the City Council's feedback.

City Council took a recess at 11:52 a.m. and Mayor Salinas reconvened the budget work session at 12:15 p.m.

Further discussion ensued among members of the City Council and there was agreement to proceed within the Match Neighbor Scenario rate and give direction to staff to conduct additional outreach to the business community.

Revenue Manager Barnes provided an overview of likely new/update review options including updates to User Fee Schedule and Cost Recovery Fees, new data centers, and use of Measure C, OPEB Trust and CDBG funds; spoke about uncertain/in progress options which included Utility User Tax (UUT) from streaming companies, additional cannabis revenue, updates to internal cost allocations, illegal cannabis grow fines and grants.

City Manager Ott provided an overview of new/updated revenue options related to the Emergency Medical Service (EMS) responder fee and short-term rental ban enforcement; did not recommend Mello-Ross Community Facilities District (CFD) and enhanced infrastructure financing district as revenue options at this time; and spoke about economic development efforts.

Discussion ensued among members of the City Council and City staff about the EMS responder fee and short-term rental ban enforcement, potential revenue, enforcement cost, and staff involvement.

Members of the City Council supported a pilot program for short-term rental enforcement focused on single-family homes; suggested exploring the option of having the third-party software company send compliance notices and incorporating associated costs into a property fee for non-compliant cases; and questioned the administrative burden and cost of implementing the new software for rental enforcement, requesting more detailed economic impact analysis before approval.

Members of the City Council noted that while the EMS responder fee was presented as a promising revenue source, they expressed uncertainty about its practicality and administrative burden; suggested exploring billing options through ambulance companies and insurance providers; and emphasized the need for further analysis of implementation costs and staff time before proceeding.



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City Manager Ott summarized the City Council's feedback indicating the City Council prefers to put the EMS responder fee on hold for now while moving forward with the pilot short-term rental ban, which would be implemented through administrative processes rather than code enforcement.

City Manager Ott spoke about likely cost saving measures such as Navigation Center cost reduction, Fire Department non-sworn cost recovery, Police Department savings, maintaining workers' compensation annual transfer at Fiscal Year 2025-2026 funding levels and reducing Capital Improvement Plan (CIP) transfers; and spoke about uncertain cost saving measures including labor partnership, and additional 1-2% reduction in departmental costs.

Assistant City Manager Thomas spoke against cost saving measures that included the Navigation Center elimination and Hayward Evaluation and Response Teams (HEART) program and Case Management and Mental Health Team (LINK) program elimination. Information Technology Director Roush spoke about efficiency through technology including plan review pre-check, staff report and minute creation, drone as first responder, permit center virtual queue, and innovation assistance. City Manager Ott spoke about neutral departmental restructuring costs such as reduction in City Council meetings to two per month consistent with most cities in Alameda County and reduction in the number and/or frequency of Council Sustainability Committee, Council Economic Development Committee, and Council Public Safety Committee meetings.

Discussion ensued among members of the City Council and City staff regarding the frequency of City Council meetings, and reviewed proposed changes to Council Standing Committee meetings, including potentially consolidating or reducing the frequency of certain committees and having some presentations/recommendations go directly to the City Council.

Members of the City Council expressed agreement for neutral departmental restructuring costs; agreed to reduce City Council meetings to two per month, with the possibility of a third meeting for closed sessions if needed; expressed interest in finding a way to downsize and reduce costs associated with the jail; supported keeping the Navigation Center and HEART/LINK programs; and expressed support for using technology for plan check review as a first step understanding that residents would receive assistance of more knowledgeable individuals as needed.

City Manager Ott summarized the City Council's feedback indicating the City Council is amenable to the reduction of City Council meeting to two per month (1st and 3rd Tuesday) starting in April 2026, reducing the frequency of Council Economic Development Committee and Council Public Safety Committee meetings to quarterly meetings, and the reduction of Council Sustainability Committee meetings to two per year.

Finance Director Hilbrants and City Manager Ott offered a recommendation for the Fiscal Year 2026-2027 budget which included revenue and cost saving measures (transfer Measure C, transfer/use of OPEB Trust, use of CDBG funds, data center revenue, fee increases, cost reductions in Navigation Center, maintain Worker's Compensation transfer amount, public safety overtime reductions, Police Department savings, and reduction of CIP transfers), which would bring the deficit to \$5 million. City Manager Ott outlined two approaches to address the budget gap, an additional 1-2% reduction in departmental costs or pursuing concession bargaining with labor partners; and offered considerations for future budgets and other budget priorities (building reserves, prioritizing Measure C funding for capital projects, and restoring negative cash fund balances).

Discussion ensued among members of the City Council and City staff about the staff's recommended approach for the Fiscal Year 2026/2027 budget; Measure C funding; and the employee cost increase by department from Fiscal Year 2023 to Fiscal Year 2025.

Members of the City Council agreed with staff's recommended approach to using one-time funding, implementing cost savings measures, and pursuing structural, ongoing solutions; keeping reserves at 20%; taking into account lessons learned; recommended to be mindful of the rhetoric surrounding one-time Measure C funds, recognizing that the City will need to rely on these revenues for a number of years; recommended maintaining discipline and not feeling compelled to explore every proposed idea and focus on core services; suggested continuing to explore additional ideas to advance economic development; recommended to recapture sales tax leakage by understanding the factors driving consumers to shop outside the city and addressing those issues; and emphasized the importance of working collaboratively with labor partners to address the budget shortfall while minimizing job losses.

There was consensus to continue discussion related to general financial policies to the next budget work session.

City Manager Ott spoke about next steps including implementation of revenue, cost saving, efficiency and accountability measures based on the City Council feedback; noted plans to brief employees on budget updates, begin concession bargaining with labor groups, move forward with the sale of City properties, conduct Fiscal Year 2026-27 budget work sessions, seek approval of any concessions in May, and adopt the Fiscal Year 2026-27 budget in June.

City Manager Ott and Mayor Salinas thanked everyone who participated in organizing and attending the special work session.

ADJOURNMENT

Mayor Salinas adjourned the special City Council meeting at 2:25 p.m.

APPROVED

Mark Salinas
Mayor, City of Hayward



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ATTEST:

Miriam Lens
City Clerk, City of Hayward