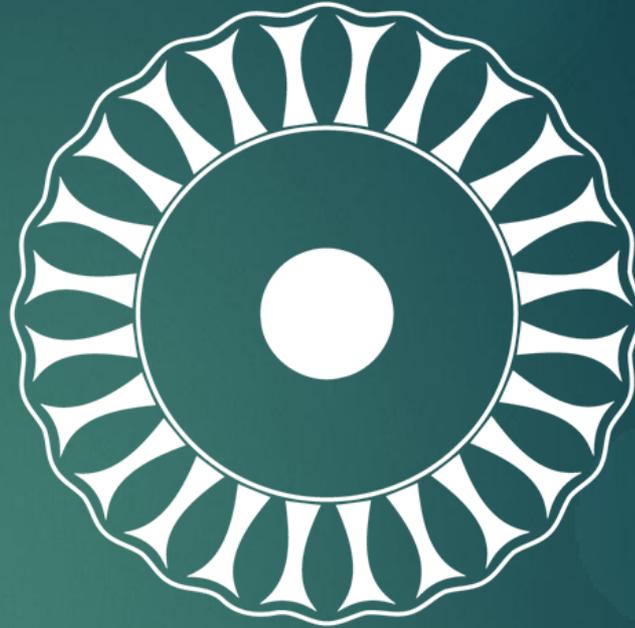


# City of Hayward

FY 2015 PROPOSED ANNUAL  
OPERATING BUDGET



Fran David, City Manager  
Tracy Vesely, Director of Finance  
**May 13, 2014**



# PROGRESS THROUGH ADVERSITY

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WHERE WE'VE BEEN

WHERE WE'RE GOING

WHAT WE MUST OVERCOME

# Presentation Topics



- ▶ No action tonight – presentation of proposed budget
- ▶ The Budget Message
- ▶ Overview FY 2015 budget
- ▶ The General Fund & forecast
- ▶ Key budget influences
- ▶ Next Steps

# The Message



- ▶ Extended fiscal crisis
- ▶ Council has taken bold action last several years
- ▶ \$30M projected gap (2011) to \$4.5M (2015)
- ▶ Balanced budget through use of Reserves (\$4.5M)
- ▶ Budget provides some critical staffing resources
- ▶ Maintains high service levels – Council priorities
- ▶ Last year recommending use of the Reserves
- ▶ FY 2016 & FY 2017 must close the gap

# Budget Overview



- ▶ Economy is recovering, but expenses continue to grow
- ▶ Key revenues improving: Property Tax & Sales Tax
- ▶ Employee benefit costs rising (CalPERS, OPEB liability, medical)
- ▶ General Fund Deficit persists = \$4.5M in FY 2015
- ▶ Use of Reserve of \$4.5M in FY 2015
  - ▶ Can not continue to use Reserve to balance future budgets
- ▶ Continue to work toward fiscal stability

# Total City Budget

(expenditures)



<i>in 1,000's</i>	<b>FY 2014 Adopted</b>	<b>FY 2015 Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$127,482	\$132,748	\$5,266	4.1%
Other Funds	\$121,728	\$123,317	\$1,589	1.3%
<b>Total</b>	<b>\$249,210</b>	<b>\$256,065</b>	<b>\$6,855</b>	<b>2.8%</b>

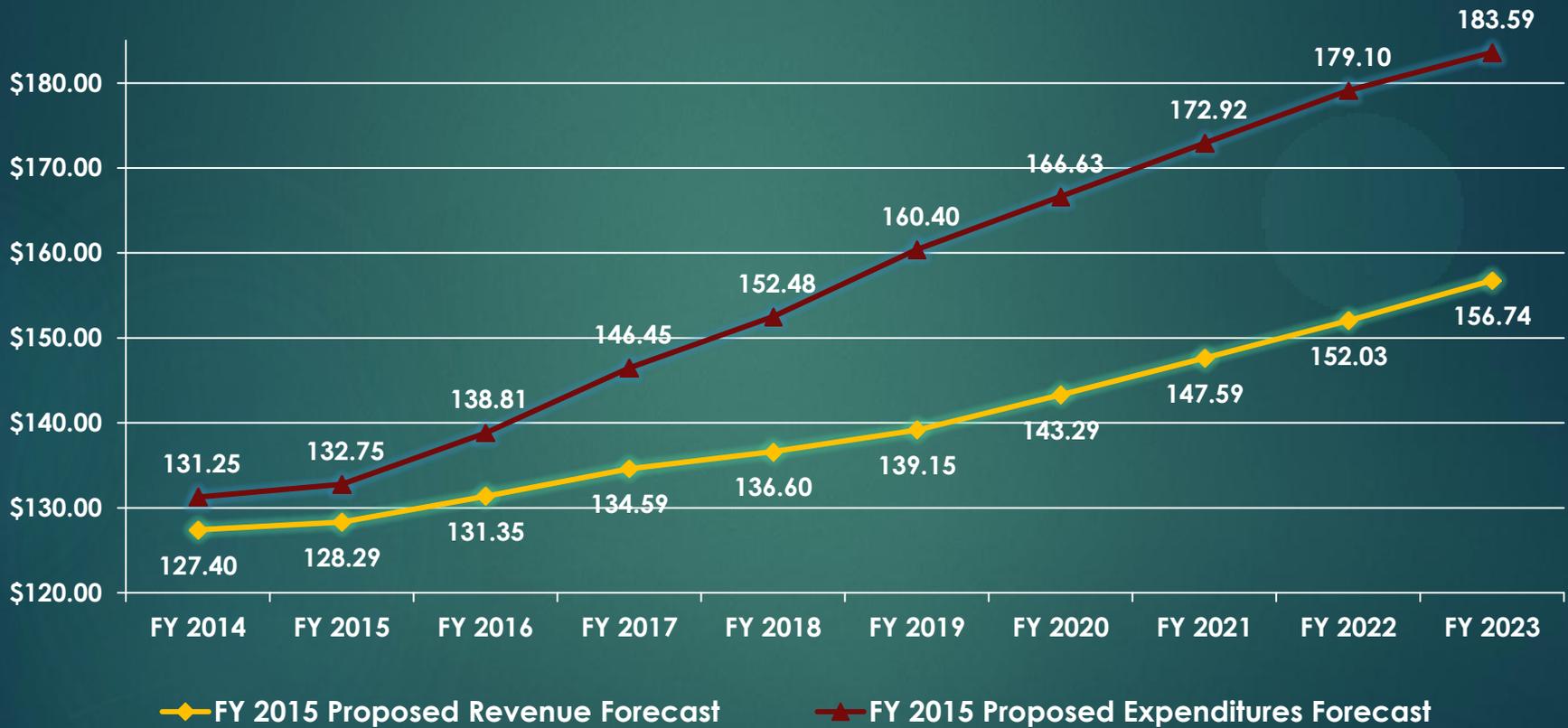
- ▶ General Fund Increase over FY 2014 Adopted of \$5.3M
- ▶ Total City budget growth of only 2.8%

# General Fund Forecast: The Gap



FY 2015 Gap = \$ 4.5M

FY 2023 Gap = \$26.8M



# Ten Year Plan Cost Drivers



- ▶ Loss of State Gas Tax Revenues
- ▶ Escalating CalPERS rates – increase almost 60% by FY 2023
- ▶ Retiree Medical minimum contribution (ARC) – partially funded
- ▶ Minimal wage growth assumptions
- ▶ Limited capital costs:
  - ▶ fleet
  - ▶ technology
  - ▶ streets maintenance
  - ▶ traffic impact fee study

# Ten Year Plan Cost Drivers



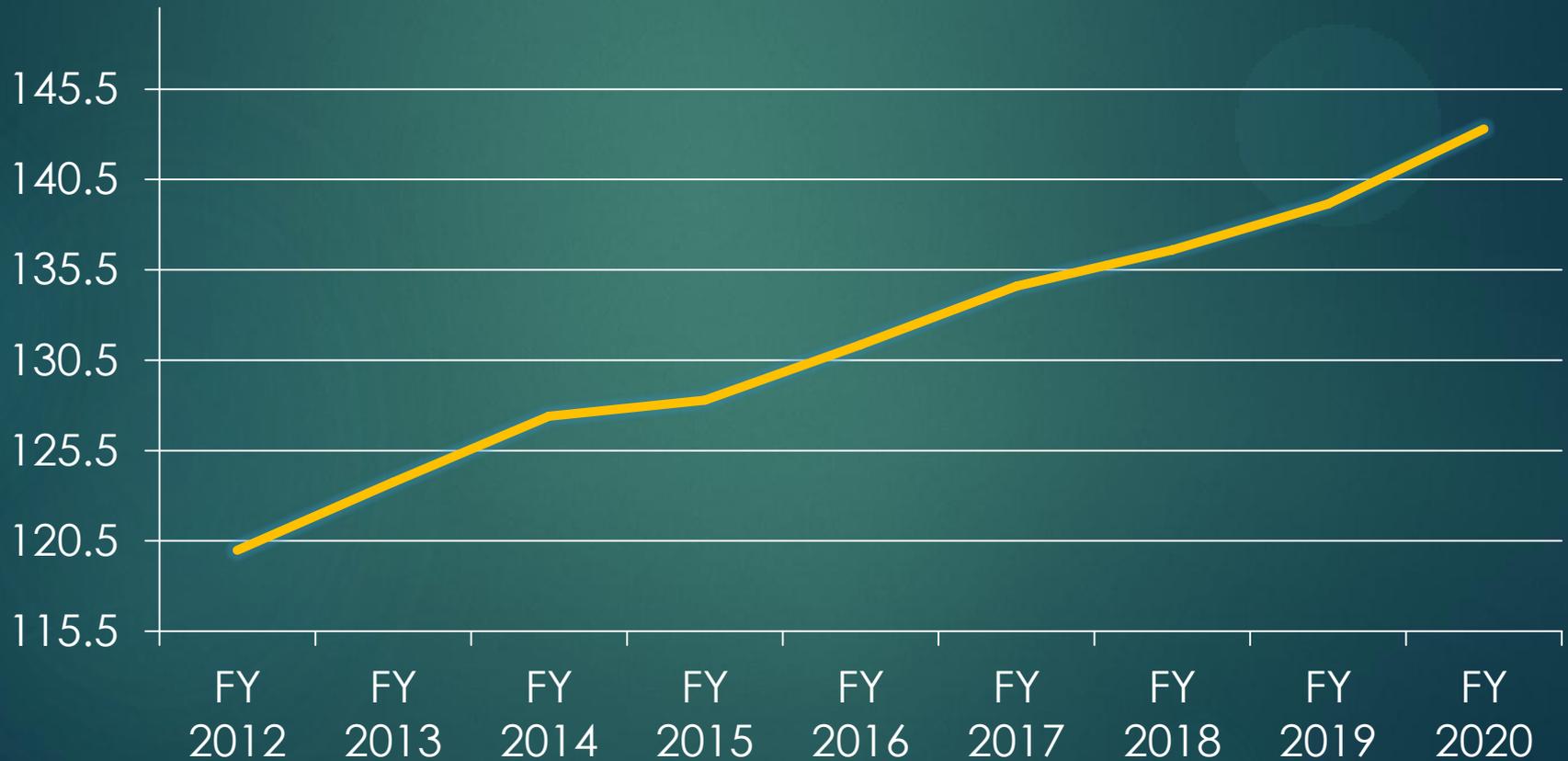
## MANY CRITICAL COSTS NOT INCLUDED IN BUDGET

- ▶ Full funding of OPEB annual required contribution (ARC)
  - ▶ Fund the ARC by FY 2017
- ▶ \$1M cost in FY 2019 due to Affordable Care Act “Cadillac tax”
- ▶ Over \$510M in unfunded capital/infrastructure needs
- ▶ Funding for critical resources to meet increasing demands

# General Fund Revenue Growth



FY 2015 GROWTH OVER FY 2014 ADOPTED = \$3.4M



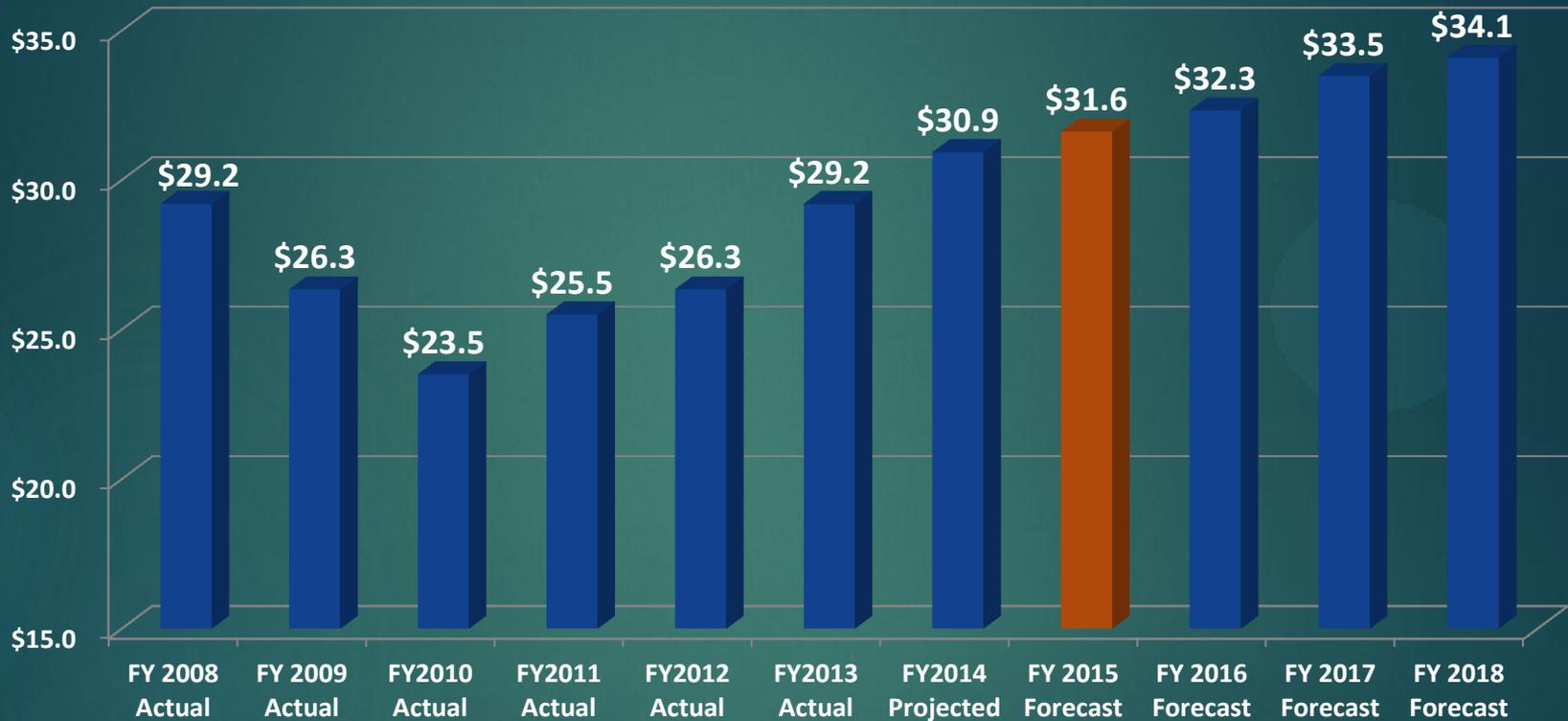
# Property Tax Projections



*\*FY 2013 includes \$1.9M one-time revenue \*FY 2014 includes \$1.2M one-time revenue*

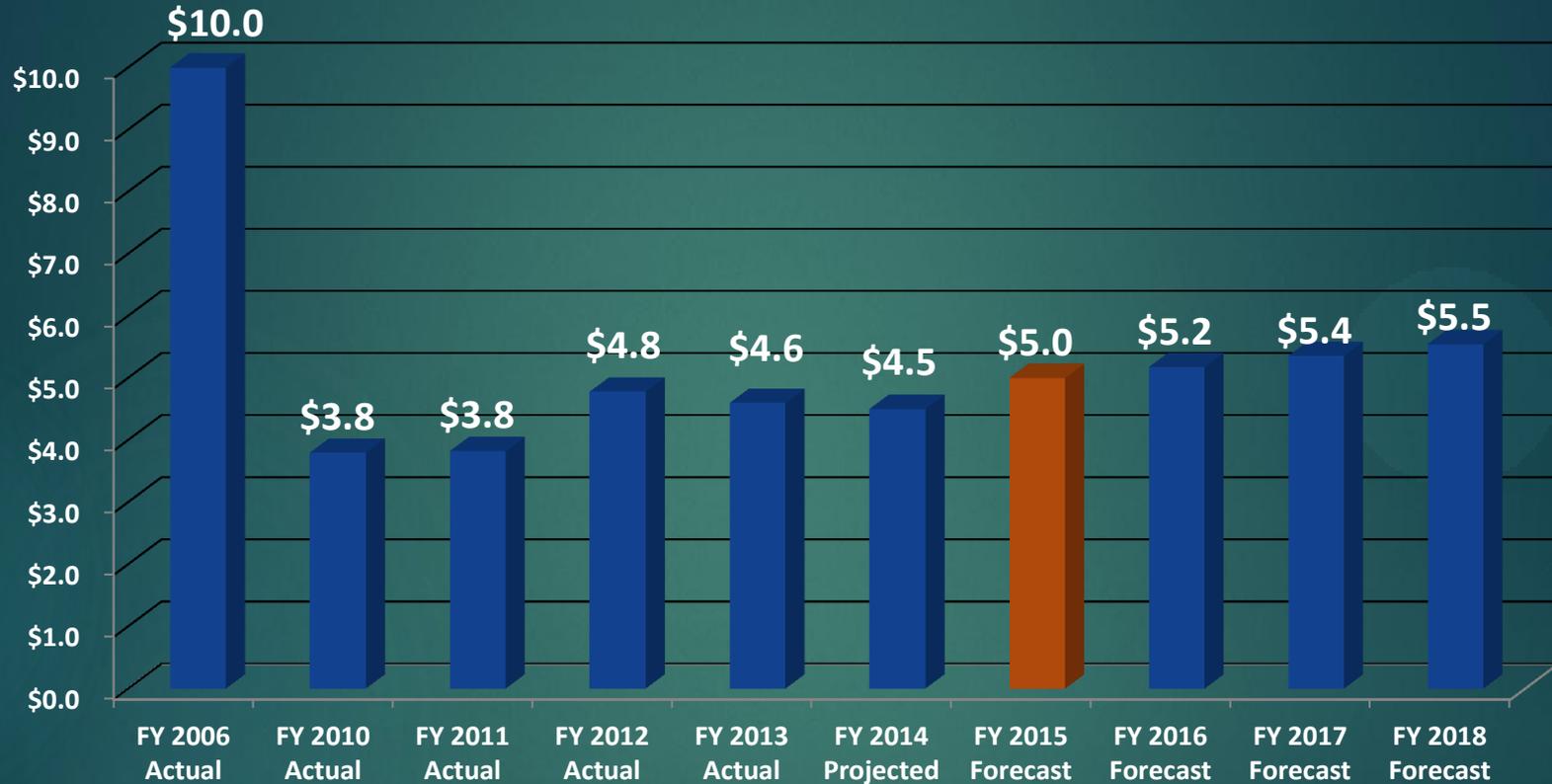
- ▶ FY 2015 projection increased by \$2.4M (6.2% over FY 2014)
- ▶ FY 2015 and future years growth at 3.5% - 4%

# Sales Tax Projections



- ▶ FY 2015 forecast reflects current trends and market
- ▶ Future years reflect modest 3-4% growth

# Property Transfer Tax Projections



- ▶ FY 2015 forecast reflects current trends and market
- ▶ Future years reflect modest 3.5% growth
- ▶ Volatile revenue tied to the real estate market

# General Fund Expenditure Growth



FY 2015 GROWTH OVER FY 2014 ADOPTED = \$5.3M



# Key FY 2015 General Fund Expenditure Increases

- ▶ PERS rates skyrocketing = \$2.3M
- ▶ Reduced Vacancy Savings = \$400K
- ▶ Increased OPEB = \$1.1M  
(\$4.5M out of \$6.5M)
- ▶ Increased Capital & Internal Service = \$3.0M

# Total City Staffing – 824.2 FTE

	FY 2014 Adopted	FY 2015 Proposed	# Change	% Change
General Fund	629.05	642.70	13.65	2.2%
Other Funds	174.50	181.50	7.0	4%
<b>Total</b>	<b>803.55</b>	<b>824.20</b>	<b>20.7</b>	<b>2.6%</b>

- ▶ FY 2003 (936.8 FTE) to FY 2014 (803.55 FTE) = 14% loss
- ▶ FY 2015 Budget restores some critical staffing
- ▶ Does not come close to full resource needs

# FY 2015 Budget Calendar



May 13, 2014: Proposed Budget

May 20, 2014: Work Session #1

May 27, 2014: Work Session #2

June 10, 2014: Work Session #3

June 17, 2014: Public hearing on operating budget

June 24, 2014: Adopt operating & CIP budgets



# Questions & Discussion

