

CITY OF HAYWARD



BUDGET IN BRIEF



FISCAL YEAR 2016

FROM THE CITY MANAGER

As a result of prudent and difficult policy decisions, support from the City's dedicated employees and the Hayward community, and assistance from a recovering economy, the City of Hayward is better positioned than it has been in recent years to continue to provide quality services and begin to invest for our future. It is with welcome but cautious optimism that I respectfully submit the City Manager's Proposed Fiscal Year (FY) 2016 Operating Budget.

The bold steps taken over the last several years by Council have substantially decreased the \$30 million General Fund deficit originally projected in 2011. This budget is balanced without the assumed use of General Fund Reserve for the first time in many years. However, this is a precarious balance and relies somewhat on one-time adjustments to cash flow. We begin to see the return of a structural deficit in FY 2017 – currently projected at \$3.6 million that grows in future years absent additional budget balancing measures. Achieving progress during this recent time of fiscal adversity is a testament to the grit and dedication of City employees and City Council.

Hayward is seeing positive economic improvement in many of its key General Fund revenues, such as Property Tax, Sales Tax and building related fees. At the same time, we continue to experience an astronomical rise in employee benefit costs, particularly pension and health-care costs. Additionally, the City must allocate its limited resources to address needed staffing and deferred infrastructure and capital needs.

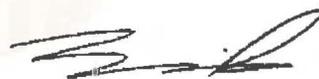
The City of Hayward has long prided itself in being a lean, efficient, and nimble organization, making the most of the resources entrusted to us. The prolonged recession has forced the organization to make hard choices about which services will be provided to the community, and

how best to provide them. While the FY 2016 Proposed Budget presents a balanced budget plan, the City must still resolve the remaining structural operating budget gap and maintain a long-term successful funding plan for the City's unfunded liabilities and capital needs.

I look forward to FY 2016 as we make more progress toward fiscal stability as well as constantly improving quality services to Hayward citizens. Hayward is a wonderful community and municipal organization that understands the value of culture, race, and lifestyle diversity. Despite our differences through these difficult times, most of us have entered the discourse and decision-making processes with respect for each other and civility in our conversations. These things have immense value beyond common measurement. Thank you for the honor and the privilege of being your City Manager and serving such a community.

"We are incredibly thankful to the voters of Hayward. Measure A has allowed us to maintain public safety and other critical City services, and Measure C is helping us build critical facilities and organizational capacity for the future."

Sincerely,



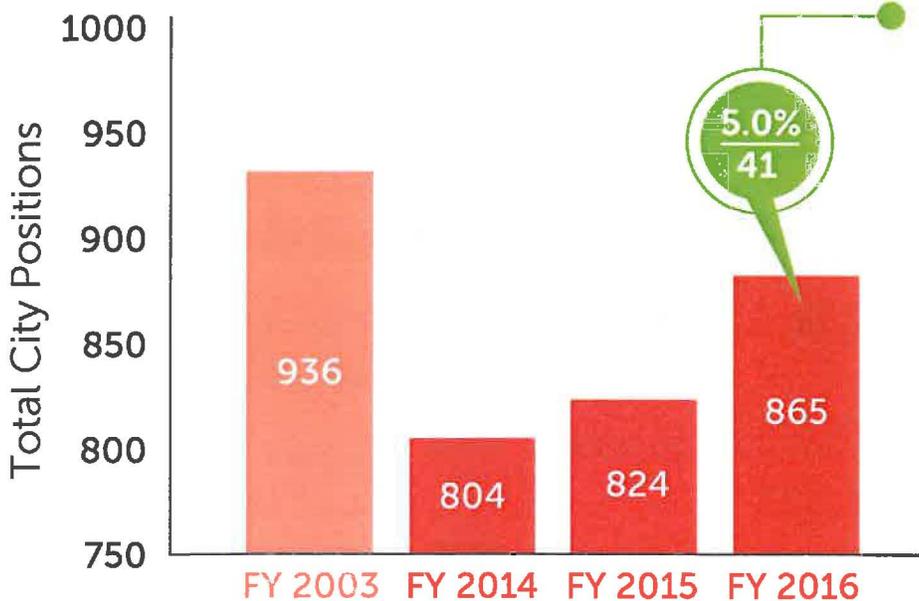
Fran David
City Manager
ICMA-CM



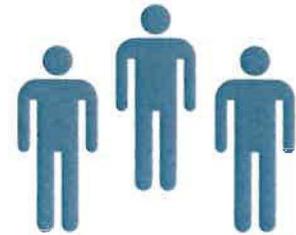
CITY COUNCIL PRIORITIES



STAFFING SUMMARY



2016
5% increase
41 more positions

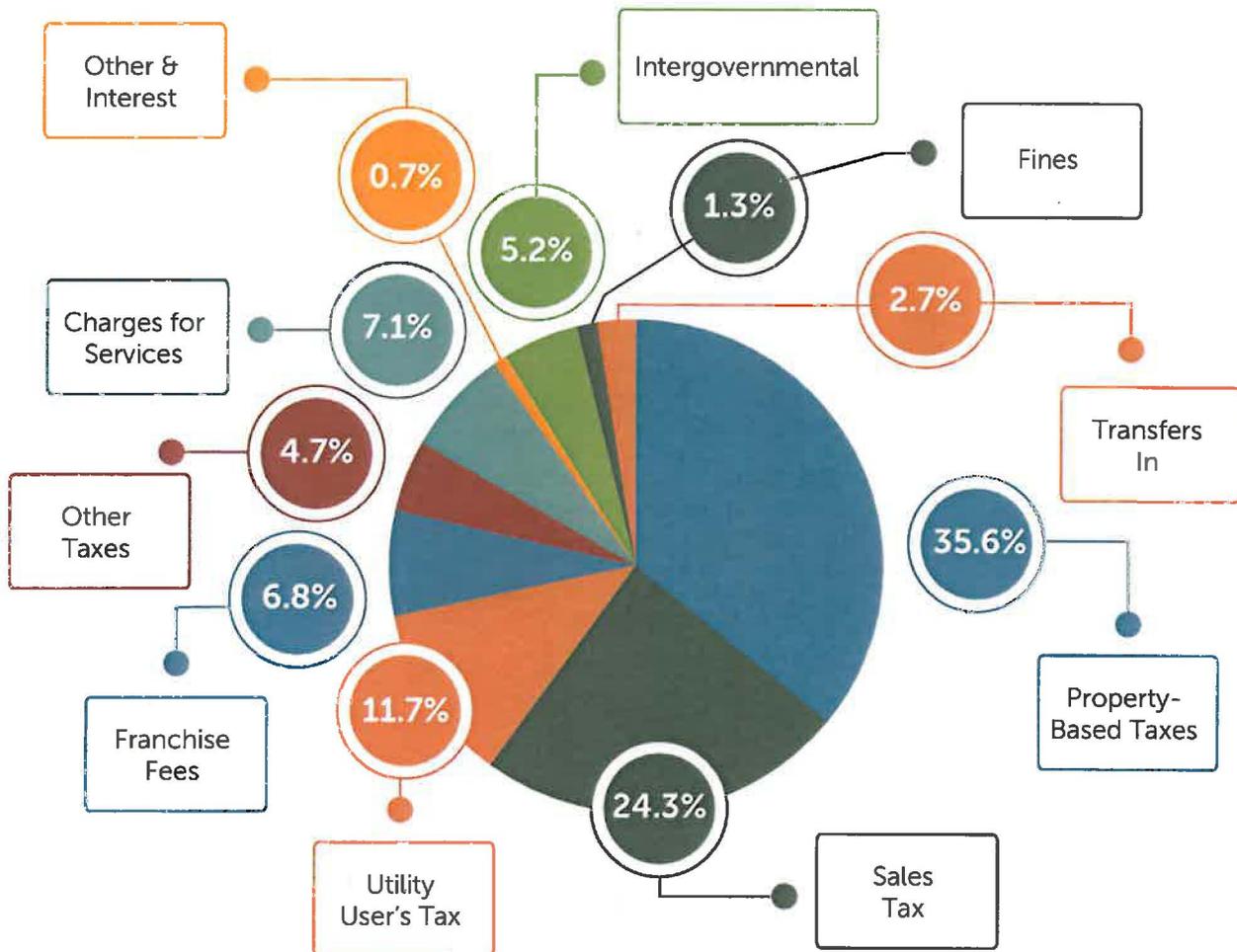


After reaching a high point in total citywide personnel in 2003, staffing resources have shrunk dramatically despite ever-increasing demands and service level expectations.

GENERAL FUND REVENUES BY SOURCE

FY 2016 General Fund Proposed Revenues/Resources

\$140.4 million



HOW TO GET INVOLVED

The Proposed FY 2016 Budget is available at hayward-ca.gov. The budget process includes a series of City Council meetings that provide the public with multiple opportunities to speak on budget issues.

WHERE:

City Council Chambers
City Hall, 777 B Street
Hayward CA 94541

Dates are subject to change, please refer to the City's website, hayward-ca.gov

WHEN:



Budget Work Session:
Capital Improvement Program Budget

Budget Work Session:
Operating Budget

Recommended FY 2016 and FY 2017
Water and Sewer Service Rates

Wednesday



Council Budget & Finance
Committee, FY 2016 budget update
& budget policies review

Tuesday



Public Hearing: FY 2016 Proposed
Operating & CIP budgets

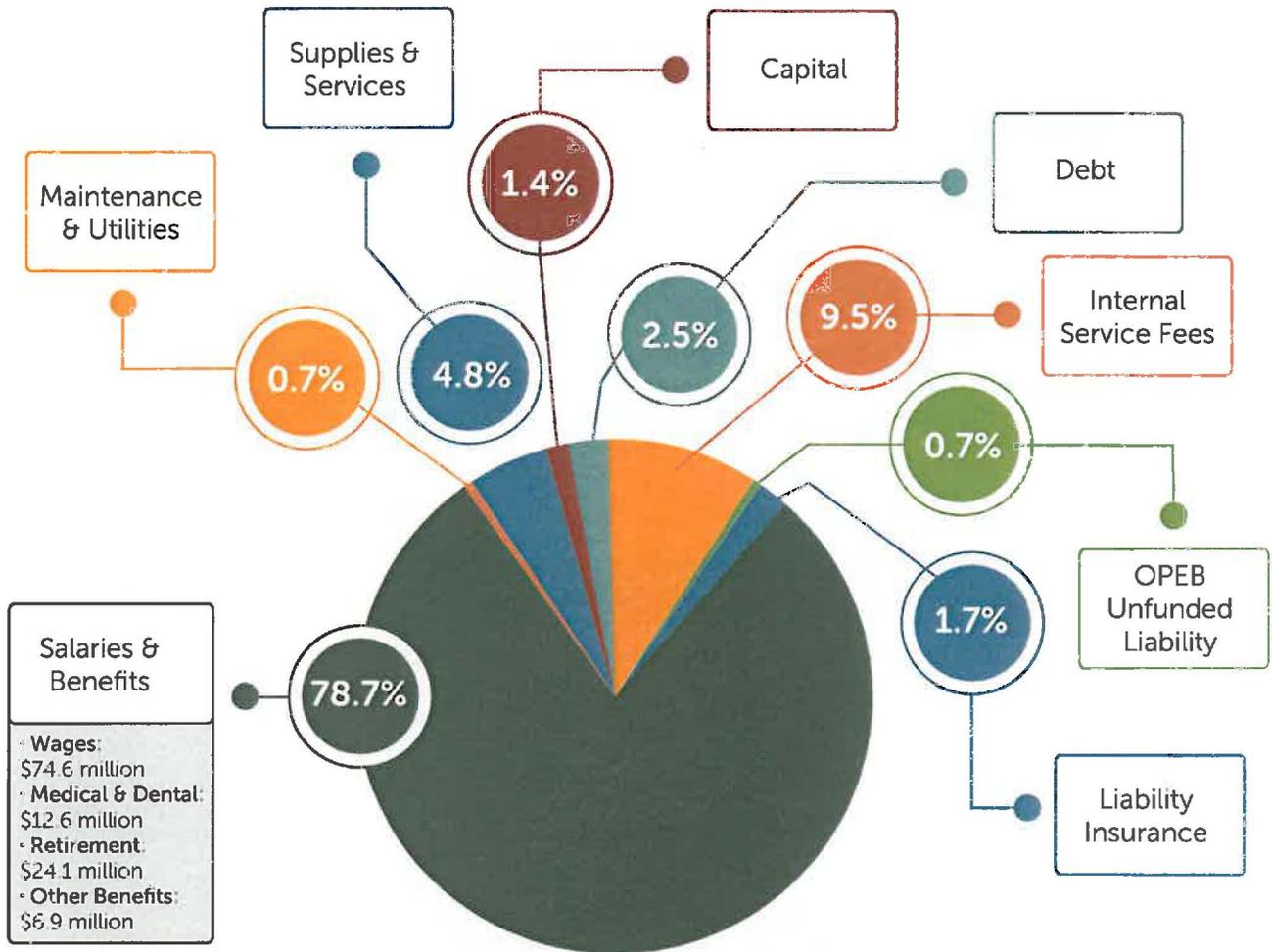
Tuesday



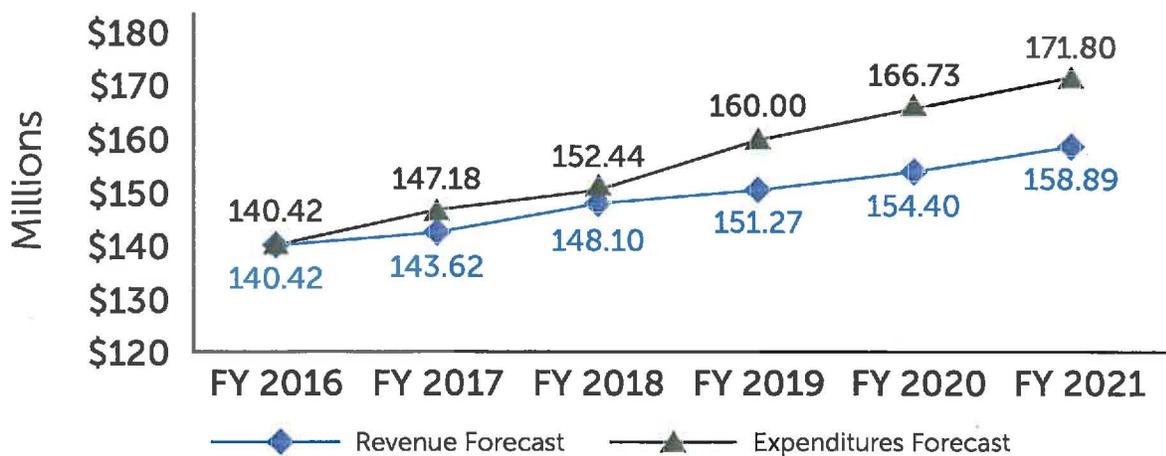
Adoption of FY 2016 Operating
& CIP budgets

GENERAL FUND EXPENDITURES SUMMARY

FY 2016
General Fund Expenditures by Category



GENERAL FUND FORECAST



CHALLENGES AHEAD

RISING PENSION COSTS

Pension costs account for 9% of the City's total budget (15% of the General Fund budget)– and growing each year. These costs represent one of the City's most significant budget pressures.

HEALTHCARE COSTS

Employee health care benefits have increased rapidly over the years. Although many employee groups now share in the cost of their valuable benefit packages, costs continue to escalate significantly.

RETIRE MEDICAL (OPEB)

The City's unfunded retiree medical benefit liability is \$75 million, only 1.11% of which is currently funded. This benefit is primarily funded on a pay-as-you-go basis. Although the City Council is working toward a more proactive funding plan, it is not yet able to pay the annual required contribution (ARC).

AFFORDABLE CARE ACT (ACA)

The total impacts of the Affordable Care Act are still somewhat unknown, however, the City does anticipate having to pay the "Cadillac Tax" in FY 2018 (about \$1.3 million). This is a 40% excise tax.

CAPITAL NEEDS

The FY 2016 Capital Improvement Program reflects "Identified Capital Needs" totaling almost \$304 million for which funding is undetermined.

FREQUENTLY ASKED QUESTIONS

Q What is a "Fiscal Year (FY)" and when does it begin and end?

A A fiscal year is a standard period for calculating financial statements. The City's fiscal year begins on July 1 and ends June 30 the following year.

Q What is the total City Budget, and how much of it is discretionary?

A The total proposed City expenditure budget for FY 2016 is \$280 million. The discretionary General Fund budget is \$140.4 million.

Q What are the largest sources of revenue to the City's General Fund?

A Property Taxes account for 31%, Sales Tax accounts for 24.3%, and Utility User Taxes account for 11.7% providing 67% of all General Fund Revenues (approximately \$93.8 million of the \$140.4 million General Fund Revenue budget).

Q What is the Purpose of the General Fund Reserve?

A The reserve is one-time funding that is intended for emergency needs (such as a catastrophic natural or financial disaster). It also provides some flexibility to address one-time priority programs, smooth out economic swings, and to buffer the loss of state and federal funds. The current balance is \$19.7 million (14%). The goal is 20%.

Q Why can't we use resources other than the General Fund to pay for priority services such as fire, police, parks, and libraries?

A Enterprise, special revenue and assessment funds are legally restricted from use for general purpose expenditures.

Q How much will the City generate from Measure C, and how are those dollars being tracked?

A The City began receiving allocations of the Measure C Transaction and Use (sales) Tax effective January 1, 2015. FY 2016 revenues from Measure C are estimated at approximately \$10 million. As previously approved by Council as part of the FY 2015 mid-year authorization, staff established a new fund within the General Fund to allow for easy tracking of the revenues and expenses associated with Measure C (Fund 101).