



CITY OF
HAYWARD
HEART OF THE BAY

SPECIAL CITY COUNCIL AGENDA
JUNE 9, 2015

MAYOR BARBARA HALLIDAY
MAYOR PRO TEMPORE GREG JONES
COUNCIL MEMBER FRANCISCO ZERMEÑO
COUNCIL MEMBER MARVIN PEIXOTO
COUNCIL MEMBER AL MENDALL
COUNCIL MEMBER SARA LAMNIN
COUNCIL MEMBER ELISA MÁRQUEZ

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SPECIAL CITY COUNCIL MEETING FOR JUNE 9, 2015
777 B STREET, HAYWARD, CA 94541
WWW.HAYWARD-CA.GOV

Conference Room 2B – 5:30 PM

1. CITY COUNCIL REPORTS, REFERRALS, AND FUTURE AGENDA ITEMS;
PUBLIC COMMENTS
 2. CLOSED SESSION
 3. Conference with Labor Negotiators
Pursuant to Government Code 54957.6
 - Lead Negotiators: City Manager David; City Attorney Lawson; Assistant City Manager McAdoo; Finance Director Vesely; Public Works-Engineering & Transportation Director Fakhrai; Human Resources Director Collins; Senior Human Resources Analyst Lopez; Assistant City Attorney Vashi; Community and Media Relations Officer Holland; Jack Hughes, Liebert Cassidy and WhitmoreUnder Negotiation: All Groups
 4. Public Employment
Pursuant to Government Code 54957
 - Performance Evaluation
 - City Manager
 - City Attorney
 - City Clerk
 5. Adjourn to City Council meeting
-

SPECIAL CITY COUNCIL MEETING
Council Chambers – 7:00 PM

CALL TO ORDER Pledge of Allegiance Mayor Halliday

ROLL CALL

CLOSED SESSION ANNOUNCEMENT

PRESENTATION Certificate of Appointment to Poet Laureate – Bruce Roberts

PUBLIC COMMENTS

The Public Comment section provides an opportunity to address the City Council on items not listed on the agenda or Work Session or Information Items. The Council welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Council is prohibited by State law from discussing items not listed on the agenda, your item will be taken under consideration and may be referred to staff.

ACTION ITEMS: *(The Council will permit comment as each item is called for the Consent Calendar, Public Hearings, and Legislative Business. In the case of the Consent Calendar, a specific item will need to be pulled by a Council Member in order for the Council to discuss the item or to permit public comment on the item. Please notify the City Clerk any time before the Consent Calendar is voted on by Council if you wish to speak on a Consent Item.)*

CONSENT

1. Approval of Minutes of the City Council Meeting on May 26, 2015
[Draft Minutes](#)
 2. Resignation of Mr. Rich LaPlante from the Keep Hayward Clean and Green Task Force
[Staff Report](#)
[Attachment I Resolution](#)
[Attachment II Resignation Letter](#)
 3. Adoption of a Resolution Authorizing the City Manager to Negotiate and Execute an Amendment to the Agreement with CSG Consultants, Inc., for Development Review Services in the Planning Division for an Amount not to Exceed \$130,000
[Staff Report](#)
[Attachment I](#)
-

NON-ACTION ITEMS: *(Work Session and Informational Staff Presentation items are non-action items. Although the Council may discuss or direct staff to follow up on these items, no formal action will be taken. Any formal action will be placed on the agenda at a subsequent meeting in the action sections of the agenda.)*

WORK SESSION

4. Benefit Liabilities Status & Funding Plan (Report from Director of Finance Vesely)
[Staff Report](#)
[Attachment I](#)

June 9, 2015



5. Proposed FY 2016 Financial Policies (Report from Director of Finance Vesely)

[Staff Report](#)
[Attachment I](#)

CITY MANAGER'S COMMENTS

An oral report from the City Manager on upcoming activities, events, or other items of general interest to Council and the Public.

COUNCIL REPORTS, REFERRALS, AND FUTURE AGENDA ITEMS

Oral reports from Council Members on their activities, referrals to staff, and suggestions for future agenda items.

ADJOURNMENT

NEXT REGULAR MEETING – 7:00 PM, Tuesday, June 16, 2015

PUBLIC COMMENT RULES: *The Mayor may, at the beginning of the hearing, limit testimony to three (3) minutes per individual and five (5) minutes per an individual representing a group of citizens or organization. Speakers will be asked for their name before speaking and are expected to honor the allotted time. Speaker Cards are available from the City Clerk at the meeting.*

PLEASE TAKE NOTICE *that if you file a lawsuit challenging any final decision on any public hearing or legislative business item listed in this agenda, the issues in the lawsuit may be limited to the issues that were raised at the City's public hearing or presented in writing to the City Clerk at or before the public hearing.*

PLEASE TAKE FURTHER NOTICE *that the City Council has adopted Resolution No. 87-181 C.S., which imposes the 90 day deadline set forth in Code of Civil Procedure section 1094.6 for filing of any lawsuit challenging final action on an agenda item which is subject to Code of Civil Procedure section 1094.5.*

******Materials related to an item on the agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4th Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website. Written comments submitted to the Council in connection with agenda items will be posted on the City's website. All Council Meetings are broadcast simultaneously on the website and on Cable Channel 15, KHRT. ******

June 9, 2015



Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400 or TDD (510) 247-3340.

Please visit us on:



June 9, 2015





**MINUTES OF THE CITY COUNCIL MEETING
OF THE CITY OF HAYWARD
City Council Chambers
777 B Street, Hayward, CA 94541
Tuesday, May 26, 2015, 7:00 p.m.**

The City Council meeting was called to order by Mayor Halliday at 7:00 p.m., followed by the Pledge of Allegiance led by Council Member Zermeño.

ROLL CALL

Present: COUNCIL MEMBERS Zermeño, Mendall, Jones, Peixoto, Lamnin,
Márquez
MAYOR Halliday
Absent: None

COUNCIL REPORTS, REFERRALS, AND FUTURE AGENDA ITEMS

Council Member Zermeño requested that staff provide the Council with an update regarding the letters addressed to the Council in support of Strategic Materials, Inc.

Mayor Halliday requested that staff provide an update on the issue addressed in the letter from Mr. Sherman Lewis regarding a path from Hillcrest Avenue to Hayward Boulevard.

CLOSED SESSION ANNOUNCEMENT

City Attorney Lawson announced that the Council met in closed session regarding two items: 1) conference with labor negotiators pursuant to Government Code 54957.6 regarding all groups; and 2) conference with property negotiators pursuant to Government Code 54956 regarding Tennyson/Ruus Multiservice Center – 680 West Tennyson Road, Hayward. There was no reportable action.

PUBLIC COMMENTS

Mr. John Super, Hayward resident, spoke about the twenty-five percent water reduction requirement and inquired about the water usage requirements for new developments.

Mr. Habteab Amanuel, Hayward resident, said apartment units owned by large companies raise rents without upgrading units and urged the City to look into this matter.

Mr. Jim Drake, Hayward resident, referred to a newspaper article about water and also shared that the water bill had changed and provided a different unit of measurement.

Ms. Cheryl Penick, Hayward resident and SEIU Local 1021 member, requested that the City include on the City's SEIU 1021 Negotiations Update: 5-28-15 Proposal webpage a column reflecting pre-imposition dollar amounts and rename the column from "current" to "imposed."

Council Member Márquez requested that Legislative Business Item No. 9 be heard before Legislative Business Item No. 8 because she had to recuse from discussing and voting on Item No. 8. There was Council consensus to move Item No. 9 before Item No. 8.

CONSENT

Consent Item No. 3 was removed for clarification.

1. USEPA Grant Funds for the Hayward Youth-Based Trash Capture, Reduction, and Watershed Education Project – Adoption of Resolution Approving Receipt of the Grant

Staff report submitted by Water Pollution Control Administrator Wilfong, dated May 26, 2015, was filed.

It was moved by Council Member Márquez, seconded by Council Member Mendall, and carried unanimously, to adopt the following:

Resolution 15-077, “Resolution Supporting a Grant from the United States Environmental Protection Agency Region IX to the City of Hayward for Implementation of a Youth-Based Trash Capture, Reduction, and Watershed Education Project”

2. Filing Nuisance Abatement/Municipal Code Liens with the County Recorder’s Office for Non-Abatable Code Violations

Staff report submitted by Code Enforcement Supervisor Espitia, dated May 26, 2015, was filed.

It was moved by Council Member Márquez, seconded by Council Member Mendall, and carried unanimously, to adopt the following:

Resolution 15-078, “Resolution Confirming the Report and Non-Abatable Code Violations and Penalties Lien List Associated with the Code Enforcement Division Community Preservation/Rental Housing Program”

3. Fire Stations 1-6 and Fire Training Center Improvement Project – Authorization for the City Manager to Execute Professional Services Agreements for Final Design Services and for Project Management Services, and Appropriation of Funds

Staff report submitted by Assistant City Engineer Owusu, dated May 26, 2015, was filed.

It was moved by Council Member Lamnin, seconded by Council Member Zermeño, and carried unanimously, to adopt the following:



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Resolution 15-080, “Resolution Authorizing the City Manager to Negotiate and Execute a Professional Services Agreement with Ross Drulis Cusenberry Architecture for Final Design Services for the Fire Stations 1-6 and Fire Training Center Improvement Project”

Resolution 15-081, “Resolution Authorizing the City Manager to Negotiate and Execute a Professional Services Agreement with Kitchell for Project Management Services for the Fire Stations 1-6 and Fire Training Center Improvement Project”

Resolution 15-082, “Resolution Amending Resolution 14-098, As Amended, the Budget Resolution for Capital Improvement Projects for Fiscal Year 2015, Relating to an Appropriation of Funds from the Measure C Capital Projects Fund (Fund 101) for the Fire Stations 1-6 and Fire Training Center Improvement Project, Project No. 07474”

4. Authorization for City Manager to Execute a Master Lease-Purchase Agreement with Holman Capital for the Lease-Purchase of a Fire Apparatus totaling \$1,475,935

Staff report submitted by Deputy Director of Finance Claussen, dated May 26, 2015, was filed.

It was moved by Council Member Márquez, seconded by Council Member Mendall, and carried unanimously, to adopt the following:

Resolution 15-079, “A Resolution of the City Council of the City of Hayward, Authorizing the City Manager to Negotiate and Execute an Equipment Lease-Purchase Agreement and an Escrow Agreement for the Acquisition of New Fire Apparatus”

WORK SESSION

5. Review of Council Priorities and Proposed Performance Measures for FY2016

Staff report submitted by Finance Director Vesely, dated May 26, 2015, was filed.

City Manager David provided a synopsis of the report.

There was general Council consensus to add “Thriving” as a fourth Council Priority; with Council Member Zermeño preferring “Economy” as a fourth priority noting the City should be seen as a City of opportunity and economic growth.

Council Members offered the following suggestions for factors and metrics related to the Thriving Priority: consider adding an “Opportunity” factor; consider a youth-focused approach; highlight initiatives that support economic development; place more emphasis on technology; include the Executive Airport; consider metrics from the General Plan; consider “life cycle development” instead of the “family-focused development” factor; incorporate business friendly and creative economy; consider moving the “Open Spaces and Recreational Opportunities” under the Thriving Priority; consider how the senior and youth are treated; consider arts as a factor; and highlight the City’s efforts in partnering with the City’s educational institutions to promote Hayward.

There was general agreement with the factors and metrics related to the Safe Priority with a few suggestions for this priority: include an approach related to gangs; consider metrics from the General Plan; consider bicycle and pedestrian safety; reconsider “Engagement and Partnership” and “Public Health and Welfare” as factors; place more emphasis on using technology and utilizing current free platforms; include a factor that addresses crime and rates for solving crimes; include traffic safety and levels of service; consider the Complete Streets Policy as a guiding document; include increase lighting in public places; include metrics related to Access Hayward; include disaster preparedness as a factor; and include metrics related to claims and litigations.

There was general agreement with the factors and metrics related to the Clean Priority with a suggestion for including metrics related to Access Hayward.

There was general agreement with the factors and metrics related to the Green Priority with a couple of suggestions for this priority: consider moving the “Innovative Land Use” under the Thriving Priority; consider metrics related to Open Space; include information related to electric vehicles and gas emissions; include metrics related to Access Hayward; and include homeowner drought resistant landscaping.

6. Presentation of Proposed FY 2016 Operating Budget

Staff report submitted by Director of Finance Vesely and Assistant City Manager McAdoo, dated May 26, 2015, was filed.

City Manager David announced the report and introduced Finance Director Vesely who provided a synopsis of the report. It was noted that subsequent budget meetings would be held on May 30, June 2, June 16 and June 23, 2015.

Council Members recommended having an opportunity to address the following topics at the May 30 work session or at subsequent sessions prior to the public hearing of the budget, currently scheduled for June 16, 2015: in-depth discussion of budget policies; General Fund Ten-Year Plan; further discussion on the performance factors and Council Priorities; unfunded liabilities; a general overview of Retiree Medical Other Post-Employment Benefits (OPEB) and the Annual Required Contribution (ARC); redevelopment clawback provisions by the State; have department directors



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present strengths, weaknesses, opportunities and threats within each department; approaches to improve employees' morale while maintaining public service; cost saving measures by employees and the organization and future potential savings.

PUBLIC HEARING

7. Resolution of Formation to Create Community Facilities District (CFD No. 3) Intended to Finance Police and Fire Protection Services in the South Hayward BART Area; Resolution Calling Special Landowner Election; Resolution Declaring Election Results; and Introducing an Ordinance to Levy a Special Tax within the Community Facilities District (CFD No. 3)

Staff report submitted by Director of Finance Vesely, dated May 26, 2015, was filed.

Mayor Halliday noted the hearing was for Community Facilities District No. 3 (South Hayward BART TOD Project) and its purpose was to inquire into the formation of the District and the levy of special taxes from municipal services in the District. Mayor Halliday added that any property owners or registered voters in the District who wished to file a written protest should file that with the City Clerk.

Mayor Halliday opened the hearing at 8:20 p.m.

Director of Finance Vesely provided a synopsis of the report. Ms. Vesely noted that Section 3 of Attachment III- Resolution Calling Special Landowner Election for Community Facilities District was corrected to reflect May 26, 2015, as the date of the election.

There being no protests received, Mayor Halliday closed the hearing at 8:24 p.m.

In response to Council Member Peixoto, staff addressed the tax rates for market-rate properties and for affordable properties.

In response to Council Member Márquez, staff noted that there was not a mechanism for tracking expenditures once the developments were formed.

It was moved by Council Member Jones, seconded by Council Member Zermeño, and carried unanimously, to adopt the following:

Resolution 15-083, "Resolution of Formation of Community Facilities District"

Resolution 15-084, "Resolution Calling Special Landowner Election for Community Facilities District"

Mayor Halliday asked the City Clerk to announce the results of the property owner vote. City Clerk Lens announced the City received two official ballots: one from Amcal and one from Eden Housing. The ballots contained three votes for Amcal and two votes for Eden Housing. Therefore, there were five votes in favor of the ballot measure, which was unanimous vote.

Mayor Halliday noted there were at least two-thirds of the property owner votes in favor of the levy of the special taxes and the establishment of the appropriation limits.

It was moved by Council Member Peixoto, seconded by Council Member Zermeño, and carried unanimously, to adopt the following:

Resolution 15-085, “Resolution Declaring Results of Special Landowner Election and Directing Recording of Notice of Special Tax Lien”

Introduction of Ordinance 15-__, “Ordinance of the City of Hayward Levying Special Tax Within Community Facilities District”

LEGISLATIVE BUSINESS

At the request of Council Member Márquez and with consensus of the Council, Legislative Business Item No. 9 was heard before Item No. 8.

Council Member Márquez disclosed she would not be participating on Legislative Business Item No. 8 because her family owns a business in close proximity to the proposed library and she left the Council Chambers at 8:41 p.m.

8. 21st Century Library and Community Learning Center and Heritage Plaza Arboretum Construction Project: Approval of Plans and Specifications and Call for Bids

Staff report submitted by Director of Public Works-Engineering and Transportation Fakhrai and Director of Library and Community Services Reinhart, dated May 26, 2015, was filed.

Public Works Engineering and Transportation Director Fakhrai and Library and Community Services Director Reinhart provided a synopsis of the report.

Discussion ensued among Council Members and City staff related to LEED Platinum certification and savings on operating cost; additional Community Workforce Agreement (CWA) cost; additional photovoltaic (PV) cells installed on the garage roof; art reflective of the diversity of the community; rainwater catchment; additional \$2,000,000 for additional services during the final design and construction phase; requirement for bathroom availability for public events; transferring funds from savings of buildings with PV cells to Measure C to pay off the \$1.4 million.

Council Member Zermeño favored not demolishing the existing main library, but keeping it as an art



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and cultural center and targeting funds that would be used to demolish the building for library hours on Sundays.

Mayor Halliday opened the public hearing at 9:15 p.m.

Mr. Chuck Horner, Hayward resident, recommended adding public bathrooms at the corner of D Street and Mission Boulevard, and shared that street lights were needed between the Hayward Veterans Memorial and the former City Hall.

Mr. Michael Wallace, President of the Hayward Arts Council, urged the Council to reconsider the plan to demolish the existing library and consider it for an art and cultural center.

Ms. Marcy Timberman, Hayward resident, submitted a letter for the record, noted the Planning Commission recommended adding public restrooms to the Heritage Plaza; noted that the subject of public bathrooms had not been discussed with the general public; and added there was a survey of 150 + signatures in support of bathrooms.

Mr. Armand Harris, Hayward resident, urged the Council to consider adding public restrooms to the plaza/park and referred to the letter submitted by Ms. Timberman.

Mr. John Super, Hayward resident, expressed support for maintaining the existing library; offered methods to heat and cool the building; and supported adding restrooms to the plaza.

Ms. Julie McKillop, Hayward resident, noted the Hayward's Downtown Merchants Association did not favor including public restrooms to the plaza, and urged the Council to approve the proposal without modification.

Mr. Brian Schott, Planning Commission member, did not support using additional funds for public bathrooms in the plaza and suggested using the funds for additional library Saturday hours, Sunday hours and holidays; and urged the Council to approve the staff report.

Ms. Lisa Brunner, Library Commission member, supported a minimum amount of public restrooms with the same hours as the park and favored an adequate place for the Hayward Arts Council to display artwork.

Mr. Ray Baker, Hayward business owner, urged retention of the existing library for cultural events and meetings; suggested separating any action about the existing library from the rest of the project; and noted there was not integration of the library services with the Hayward schools.

Ms. Iris Murillo, Library Commission member, noted that maintaining the existing library would involve retrofit/maintenance/security costs and the proposed plaza would offer a viable option to display artwork.

Ms. Betty Deforest, Hayward resident, noted that if public restrooms were not available at the plaza,

people would use the streets; and urged the Council to consider bathrooms.

Ms. Evelyn Cormier, Hayward resident, supported the proposed plaza; and noted that having the new library open additional hours and on Sundays would provide for restroom facilities that can be managed.

Mayor Halliday closed the public hearing at 9:51 p.m.

Council Member Mendall noted it would be more costly to renovate the existing library building than to renovate the proposed plaza and it would require additional funds to maintain it. Mr. Mendall favored finding a place for an art and cultural center and noted the plaza would be used for an array of events.

Council Member Mendall offered a motion per staff recommendation and Council Member Peixoto seconded the motion.

Council Member Lamnin offered a friendly amendment that included two items: consider additional optional solar panels, and consider an optional bathroom with minimum safety standards. Ms. Lamnin strongly recommended that the Council be provided with plans and specifications for the proposed project when it comes back to the Council.

Council Member Mendall noted the estimated cost of \$1.4 million for additional PV panels was already included in the staff recommendation, and did not favor the friendly amendment for having public restrooms in the plaza.

Council Member Zermeño noted he would vote in support of the motion regrettably, and noted he strongly disagreed to demolish the existing library building.

Mayor Halliday noted she would support the motion because the project was approved by Hayward voters, but acknowledged that perhaps there was not enough consideration given to the plans for the plaza including the public restrooms. Mayor Halliday asked staff to schedule a work session related to public restrooms. Ms. Halliday noted that the proposed project was not final.

Council Member Zermeño offered a friendly amendment to retain the existing library building. Council Member Mendall did not accept the friendly amendment.

Discussion ensued about friendly amendments and substitute motions and the Council proceeded with the vote on the floor.

It was moved by Council Member Zermeño, seconded by Council Member Peixoto, and carried with the following vote, to adopt the resolution:



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City Council Chambers
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Tuesday, May 26, 2015, 7:00 p.m.**

AYES: Council Members Zermeño, Mendall, Jones, Peixoto
MAYOR Halliday
NOES: Council Member Lamnin
ABSENT: Council Member Márquez
ABSTAINED: None

Resolution 15-087, “Resolution Approving Plans and Specifications for the Hayward 21st Century Library and Community Learning Center and Heritage Plaza Arboretum Construction Project, Project No. 06992 and Call for Bids”

9. La Vista Quarry: Request to Amend Conditions of Approval No. 58 and No. 120 Related to Construction of Water System Improvements at the Garin Hills Site, and Authorization for the City Manager to Negotiate and Execute an Agreement for Reimbursement of Costs

Staff report submitted by Director of Utilities and Environmental Services Ameri, dated May 26, 2015, was filed.

Utilities and Environmental Services Director Ameri provided a synopsis of the report.

There being no public comments, Mayor Halliday opened and closed the public hearing at 8:38 p.m.

It was moved by Council Member Mendall, seconded by Council Member Márquez, and carried unanimously, to adopt the following:

Resolution 15-086, “Resolution Amending Condition of Approval No. 58 Pertaining to Construction of a Water Storage Reservoir and Pump Station Upgrades at the Garin Hills Site for Vesting Tentative Tract Map 7620, La Vista Quarry, and Condition No. 120 Adding a Requirement for Payment of Fees, and Authorizing the City Manager to Negotiate and Execute a Cost Reimbursement Agreement with La Vista, L.P.”

INFORMATION ITEMS

There were none.

CITY MANAGER’S COMMENTS

There were none.

COUNCIL REPORTS, REFERRALS, AND FUTURE AGENDA ITEMS

There were none.

ADJOURNMENT

Mayor Halliday adjourned the meeting at 10:12 p.m. in memory of Ms. Lynn Orne. Ms. Orne was affiliated with the Friends of the Library, was a Rotary member, was a supporter of Ruby's Place Emergency Shelter, and contributed to other projects in the community. Mayor Halliday asked staff to work with Orne's family and dedicate a tree in her memory.

APPROVED:

Barbara Halliday
Mayor, City of Hayward

ATTEST:

Miriam Lens
City Clerk, City of Hayward

DATE: June 9, 2015
TO: Mayor and City Council
FROM: City Clerk
SUBJECT: Resignation of Mr. Rich LaPlante from the Keep Hayward Clean and Green Task Force

RECOMMENDATION

That the City Council sadly accepts the resignation of Mr. Rich LaPlante from the Keep Hayward Clean and Green Task Force and reluctantly adopts a resolution accepting the resignation.

BACKGROUND

Mr. Rich LaPlante was among one of the first members of the Keep Hayward Clean and Green Task Force, and was appointed on June 19, 2007. He has been instrumental in assuring the long-term success of the entire KHCG-TF effort throughout the City.

His resignation becomes effective on August 31, 2015, per the attached resignation letter (Attachment II); and his vacated position will be filled as part of the annual appointment process for the City's Appointed Officials to Boards and Commissions.

Prepared and Recommended by: Miriam Lens, City Clerk

Approved by:



Fran David, City Manager

Attachments:

Attachment I	Resolution
Attachment II	Resignation Letter

HAYWARD CITY COUNCIL

RESOLUTION NO. 15-

Introduced by Council Member _____

RESOLUTION ACCEPTING THE RESIGNATION OF RICH LAPLANTE FROM THE KEEP HAYWARD CLEAN AND GREEN TASK FORCE

WHEREAS, Mr. Rich LaPlante was appointed to the Keep Hayward Clean and Green Task Force on June 19, 2007 and,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that the Council hereby accepts the resignations of Rich LaPlante from the Keep Hayward Clean and Green Task Force; and commends him for his civic service to the City,

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2015.

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

May 28, 2015

05/28/15 13:49 CLK

Mayor Halliday,

Eight years ago, I sat before you, Mayor Sweeney, and five other city councilmembers as an applicant for the Keep Hayward Clean and Green Task Force (KHCG). For some reason, you and the other members of the interview panel selected me to be a member of the task force. Today, you are the Mayor of Hayward and the only remaining councilmember from that group. And today, I am one of four task force members who remain from the group established in 2007.

When I was asked "Why are you here?" by Mayor Sweeney, I responded with three problems that required attention – (1) too many shopping carts on the streets of Hayward, (2) too much trash visible to the public, and (3) too much graffiti defacing too many buildings. After eight years as a member of the task force, those three problems have not been completely eradicated but much improvement has come to the city through the efforts of the task force to address these problems. During my interview, I assured councilmember Rodriguez that I was a "grunt" and not a "talking head" and that it was my intent to put action behind my words, to focus on the narrow definition of the terms "clean" and "green."

I believe, Mayor Halliday, that I have kept my word. For eight years, it has been my honor to participate in the cleanup efforts as a member of the Keep Hayward Clean and Green Task Force. Through a combination of effort from KHCG and a dedicated focus from the City of Hayward maintenance staff, our city is cleaner and greener than prior to 2007. It is now time for me to meet new challenges.

It is with a sense of pride that I inform you of my intent to resign from the Keep Hayward Clean and Green Task Force, effective August 31, 2015.

Thank you for the opportunity to serve my city,



Rich LaPlante
Member, Keep Hayward Clean & Green Task Force

DATE: June 9, 2015

TO: Mayor and City Council

FROM: Development Services Director

SUBJECT: Adoption of a Resolution Authorizing the City Manager to Negotiate and Execute an Amendment to the Agreement with CSG Consultants, Inc., for Development Review Services in the Planning Division for an amount not to exceed \$130,000.

RECOMMENDATION

That the Council adopts the attached resolution authorizing the City Manager to negotiate and execute a contract for professional services with CSG Consultants, Inc., (CSG) in an amount not to exceed \$130,000, to perform the duties of the vacant Development Review Specialist position in the Planning Division of the Development Services Department through December 31, 2015. The total contract amount will not exceed \$130,000.

BACKGROUND

The Development Services Department employs a Development Review Engineer and Development Review Specialist within the Planning Division. These positions are responsible for providing support at Hayward's One Stop Permit Center related to engineering inquiries, as well as lead the processing of all applications for tentative subdivision maps, lot line adjustments, lot mergers and lot splits, and associated encroachment permits. The Development Review Specialist position became vacant effective April 3, 2015, and the City's long-time Development Review Engineer resigned effective April 27, 2015. Given that both of these positions are currently vacant, it is critical that an alternative method for providing these services is utilized while the City recruits for these positions.

DISCUSSION

On May 18th, the City entered into an Agreement with CSG Consultants Inc. (CSG), to provide Development Review Services, for an amount up to \$25,000. CSG provided three qualified candidates for consideration. Babak Kaderi was selected to handle the responsibilities of Development Review Specialist at a rate of \$145 per hour.

The Development Review Section of the Planning Division is unique, in that it requires engineering knowledge and capabilities within the Planning Division, whose primary function is to process tentative subdivision maps, which often occurs simultaneously with Planning applications. The

positions within the Development Review Section require the ability to coordinate with the Public Works Department, as well as other City departments, related to processing such maps, as well as performing other related engineering functions and providing support at the Permit Center. The ability to extend the Agreement with CSG will allow staff to develop the best approach, and allow time, for recruiting qualified candidates for both the Development Review Specialist and Development Review Engineer positions.

ECONOMIC IMPACT

Having such positions is critical to ensuring continued timely processing of tentative subdivision map and related applications, which is a component of the City’s business-friendly review processes.

FISCAL IMPACT

All costs for this professional services agreement will be offset by salary vacancy savings in the Development Services Department, and will be covered within the approved budget.

PUBLIC CONTACT

No public contact has occurred associated with this action.

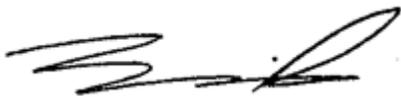
NEXT STEPS

If the Council approves this resolution, staff will execute a contract amendment.

Prepared by: Jade Kim, Administrative Analyst I

Recommended by: David Rizk, AICP, Development Services Director

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Draft Resolution

HAYWARD CITY COUNCIL

RESOLUTION NO. 15-

Introduced by Council Member _____

RESOLUTION AUTHORIZING AN AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH CSG CONSULTANTS, INC., FOR DEVELOPMENT REVIEW SERVICES, IN AN AMOUNT NOT TO EXCEED \$130,000.

WHEREAS, City of Hayward Development Services Department employs a Development Review Engineer, and Development Review Specialist within the Planning Division; and

WHEREAS, both of these positions are currently vacant,; and

WHEREAS, an Agreement with CSG Consultants Inc., was executed on May ____, 2015, to provide development review services to the City of Hayward for an amount not to exceed \$25,000; and

WHEREAS, staff is researching the position titles, specifications and salary rates utilized by other cities to handle these responsibilities; and

WHEREAS, the ability to extend the Agreement with CSG will allow staff time to develop the best approach for recruiting qualified candidates for both the Development Review Specialist and Development Review Engineer positions.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Hayward, hereby authorizes the City Manager to negotiate and execute an amendment to the City’s Agreement with CSG Consultants Inc., increasing the budget amount by \$105,000 for a total contract amount not to exceed \$130,000, and extend the term of the agreement no later than December 31, 2015.

IN COUNCIL, HAYWARD, CALIFORNIA, _____, 2015

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

DATE: June 9, 2015
TO: Mayor and City Council
FROM: Director of Finance
SUBJECT: Benefit Liabilities Status and Funding Plan

RECOMMENDATION

That Council reviews and considers adopting the benefit liabilities finding plan as part of the FY 2016 Adopted Budget.

BACKGROUND

Each year, the Council Budget and Finance Committee (CBFC) and City Council consider the funding status of the City's benefit liabilities. On April 16, 2015, staff provided the CBFC with a comprehensive report on the City's benefit liabilities and proposed funding policies for these liabilities (Attachment I). This April 16 report should be considered in conjunction with this report.

Staff provided a copy of this report to City Council during its Special Council Work Session on May 30, 2015. In addition, the City Manager's Proposed FY 2016 Operating Budget that was presented to City Council on May 26, 2015 includes a summary of the City's Benefit Liabilities and Funding Status (pages 15-17).

During its June 3, 2015 meeting, the CBFC again considered the City's benefit liabilities and proposed funding policies. The recommendations from the Committee have been incorporated herein.

DISCUSSION

The City's benefit liabilities present some of the most significant budget challenges the City faces and are key cost drivers of the City's General Fund Ten-Year Plan. City Council has been prudent and forward-thinking in its review and funding of these liabilities. As part of the FY 2016 budget process, Council will again review the status of the City's benefit liabilities and formally adopt a funding plan and any related policies concerning these liabilities.

Ultimately, the policies adopted by City Council will be incorporated into the City's budget-related Financial Policies. Below is a summary of the proposed benefit liabilities policies.

Overarching Benefit Liability Funding Policy

1. The Council Manager will incorporate in each proposed operating budget funding toward the City's benefit liabilities as appropriate and fiscally prudent; and the City Council will review and incorporate some level of this recommended funding in its adopted budget as appropriate and fiscally prudent.
2. All allocations toward funding benefit liabilities shall be attributed to the appropriate City revenue funds (e.g., General Fund, Enterprise Funds, etc.).
3. Upon receipt of any one-time funds – beyond funds needed to maintain the City's desired service levels and supporting operating expenditures – Council should review the City's benefit liabilities and assess whether some or all of the one-time money should be used to pay down one or more of the benefit unfunded actuarial liabilities (UAL) before expending the funds in other areas, with the Retiree Medical UAL having first priority.
4. The City Manager will constantly seek to identify innovative methods of reducing the City's benefit liabilities to achieve long-term fiscal stability.

California Public Employee Retirement System (CalPERS)¹

1. Pursuant to the CalPERS rate structure, the City is currently paying its Annual Required Contribution (ARC) – and shall continue to do so.
2. Council will strive to attain an 80% funding level of its CalPERS benefit liabilities.

Retiree Medical (Other Post Employment Benefit - OPEB)

1. Council will strive to attain full funding of the ARC.
2. Council will strive toward attaining an 80% funding level of its OPEB benefit liability.

Workers Compensation²

1. Council will strive to attain an 80% funding level of its Workers' Compensation benefit liability.

Accrued Leave

1. The City Manager will continue actively managing employee's leave balances below established caps to prevent excessive accumulation of leave and increased liabilities.

¹Although a prepayment to pay down the City's CalPERS liability will reduce the City's unfunded actuarial liability and save money in the long-term, it will have little impact on current costs. Given other competing financial priorities, it may be difficult to justify allocating additional funding toward the CalPERS liability, especially in the absence of any short-term benefit of doing so, but that decision should be made thoughtfully and within the over-arching philosophy of reducing all unfunded liabilities to a financially prudent level.

² The City has implemented a funding plan through the current Workers' Compensation rate structure (rates include element toward UAL) to gradually bring the level of plan funding to 80%.

ECONOMIC & FISCAL IMPACT

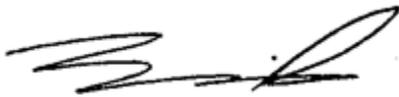
While there is no direct fiscal impact related to the recommendation to adopt this benefit liability funding plan and related policies, these policies provide a critical framework for the fiscal decisions made by the City Council and help the City toward achieving its goal of fiscal sustainability.

PUBLIC CONTACT

The proposed benefit liability funding plan was considered by the Council Budget & Finance Committee on April 16, 2015. A discussion of benefit liabilities was presented to the City Council on May 26, 2015 as part of the Proposed FY 2016 Operating Budget, and again during the Special Council Budget Work Session on May 30, 2015. The financial policies were further discussed by the Council Budget & Finance Committee on June 3, 2015 – and all feedback and recommendations are included herein.

Prepared and Recommended by: Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Attachment: April 16, 2015 Council Budget & Financing Committee Report:
Annual City Benefit Liabilities and Funding Plan Review



DATE: April 16, 2015
TO: Council Budget & Finance Committee Members
FROM: Director of Finance
SUBJECT: Annual City Benefit Liabilities and Funding Plan Review

RECOMMENDATION

That the Committee reviews and comments on this report and provides guidance regarding funding the City’s benefit liabilities.

BACKGROUND

The City of Hayward, like all cities and municipal agencies, manages unfunded benefit liabilities as part of its financial picture. Effective 2013, staff has provided the Council Budget & Finance Committee with a report that summarizes the City’s benefit liabilities. This report serves as the third annual review of benefit liabilities – and addresses the funding of the City’s benefit liabilities.

The City’s four benefit liabilities include:

1. California Public Employees’ Retirement System (CalPERS)
2. Workers’ Compensation (self-funded)
3. Other Post-Employment Benefits (OPEB) – Retiree Medical Benefits
4. Accrued Leave Payouts

Unfunded liabilities are defined as identifiable obligations of an organization for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately and simultaneously due. Generally, an organization operates based on policies that attempt to find a responsible balance between funding some identified portion of each of those obligations, the associated risk that the unfunded portion of the obligations presents to the organization, and responsible and realistic management of the organization’s cash.

Achieving this careful balance is considered the practical and responsible approach since payment demands of these obligations rarely, if ever, occur simultaneously. The alternative would be to fund the obligations at the 100% level causing an unreasonable portion of the City’s cash to be reserved and making it unavailable for funding on-going City services and operations.

DISCUSSION

The City actively manages its benefit liabilities and completes actuarial valuations for all benefit liabilities with the exception of accrued leave payouts. These valuations consider the economic, demographic, and historical compositions of the benefit programs and establish amounts that the City should set aside each year to fund its benefit-related financial obligations. In today's economic climate, it is critical that the City continue to manage its liabilities to ensure long-term fiscal stability. Actuarial valuations identify the Annual Required Contribution (ARC) an agency should make toward the funding of the benefit. This is essentially the minimum funding amount that should be responsibly made by any organization. The ARC is generally comprised of two elements: a portion of funding for current costs (sometimes referred to as "pay go") and a portion of funding for future costs (the Unfunded Actuarial Liability or UAL).

As bond rating agencies review the City's debt, they actively consider the level of the City's unfunded benefit liabilities and the economic pressure this places on the City. Failure to meet the minimum recommended funding levels or implement a long-term plan to pay down the future liabilities could have a negative impact on future bond ratings – with a possible resultant increase in the cost of borrowing should the City seek to incur new debt.

Table 1 provides a summary of the City's benefit liabilities and current levels of funding. Each of these benefit liabilities is unique in its structure and the degree of funding varies depending on the benefit.

Table 1: Summary of Benefit Liabilities (in millions)

<i>(in millions)</i>	Actuarial Valuation Date	Accrued Liability	Value of Assets	Funded Ratio	Unfunded Liability (1)	Unfunded Ratio
CalPERS Police Safety Plan	6/30/2013	\$ 292.71	\$ 188.82	64.51%	\$ 103.89	35.49%
CalPERS Fire Safety Plan	6/30/2013	\$ 225.82	\$ 153.34	67.90%	\$ 72.48	32.10%
CalPERS Miscellaneous Plan	6/30/2013	\$ 357.28	\$ 246.51	69.00%	\$ 110.77	31.00%
Total CalPERS		\$ 875.81	\$ 588.67	67.21%	\$ 287.14	32.79%
OPEB - Retiree Medical Police Officers	6/30/2013	\$ 43.37	\$ -	0.00%	\$ 43.37	100.00%
OPEB - Retiree Medical Firefighters	6/30/2013	\$ 12.82	\$ 0.76	5.96%	\$ 12.06	94.04%
OPEB - Retiree Medical Miscellaneous	6/30/2013	\$ 19.60	\$ 0.08	0.38%	\$ 19.53	99.62%
Total OPEB-Retiree Medical		\$ 75.80	\$ 0.84	1.11%	\$ 74.96	98.89%
Workers' Compensation	6/20/2014	\$ 16.54	\$ 7.26	43.89%	\$ 9.28	56.11%
Accrued Leave Payouts (1)	6/30/2014	\$ 7.23	\$ -	0.00%	\$ 7.23	100.00%
Total		\$ 975.38	\$ 596.77	61.18%	\$ 378.61	38.82%

(1) Accrued Leave Payouts - no actuarial valuation

Acceptable or Best Practice levels of funding vary by liability type. In general, an appropriate range of funding would be 75% - 80%.

California Public Employee Retirement System (CalPERS)

Current Annual cost: \$26.2 million

Unfunded Liability: \$287.1 million

Benefit Summary -- CalPERS is a defined benefit pension plan funded by a combination of employee contributions that are set by statute. Employer contributions fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. The City's retirement benefit plans represent its largest benefit liability and CalPERS retirement rates continue to be one of the most significant citywide budgetary pressures. This same budgetary stress is felt by the State of California and the over 2,000 public entities statewide that contract with the California Public Employees' Retirement System (CalPERS) for pension benefits. When CalPERS performs its actuarial analysis, it uses data from two years prior; for example, the employer rates for Fiscal Year 2016 are based on data as of June 30, 2013. The City contracts with an outside actuary (John Bartel & Associates) to review the City's rates each year, advise on the funded status of the plans, and project employer rates for future years.

The City contributes to three plans: Police Safety Plan, Fire Safety Plan, and Miscellaneous Employee Plan (all non-sworn employees). All full-time and part-time benefited employees are required to participate in CalPERS. The three plans are independent of one another with different contract plan amendments negotiated over the years through the collective bargaining process. Assets and liabilities of each plan are segregated with no cross subsidization from one plan to another.

CalPERS Retirement Rates – The cost of the retirement plans is broken into Employee Contribution rates (fixed) and Employer Contribution rates (variable). Both rates are a percent of payroll. The Employee Contribution is fixed and is based on the pension plan formula (generally 9% for public safety plans and 7% or 8% for miscellaneous plans). The Public Employees' Pension Reform Act of 2013 (PEPRA) introduced new benefit formulas effective January 1, 2013 that affect new employees to the City that have not previously been part of the CalPERS system. While there is little immediate financial benefit to the City with this "two-tiered" system, the long-term benefit of lower retiree costs is significant.

There are two employee groups (sworn police and sworn fire employees) that actually contribute beyond the Employee Contribution portion (9% for these two groups) and pay a portion of the Employer Contribution: 6% for sworn police and 6% for sworn fire personnel. This is a significant benefit cost-sharing effort. The Employer rates displayed in Table 2 represent the full Employer cost as assessed by CalPERS, and do not reflect these cost-sharing agreements, as these agreements do not affect the overall cost of CalPERS, only who pays what share.

Over the last several years, the CalPERS Board of Administration has considered and adopted several rate methodology changes that directly impact the retirement rates that cities pay (employer contribution rates). Each of these changes is effective in different fiscal years, with varying phase-in schedules. While these changes significantly increase our current retirement costs, they are intended to stabilize the CalPERS plans for long-term sustainability, actually help the cities in the long-run, and should have been implemented long ago by CalPERS.

1. March 2012 Change (effective FY 2014, two-year phase-in through FY 2015)

In March 2012, the CalPERS Board took action to reduce the assumed rate of investment return from 7.75 percent to 7.5 percent. The employer rate impact from this action was effective FY 2014, with a two-year phase-in, and a full rate impact by FY 2015. The actual rate impact resulting from this change was originally estimated to range from 2.4% - 4.6% of payroll.

2. April 2013 Change (effective FY 2016, five-year phase-in through FY 2020)

On April 17, 2013, the CalPERS Board adopted significant rate methodology changes that directly impact employer rates starting in FY 2016. The impact of these changes will commence in FY 2016 and be phased in over five years, with the full impact by FY 2020. The anticipated rate impact resulting from this change is approximately 2% - 5% of payroll by FY 2020. These actuarial changes are designed to boost funding levels and make employer rates more predictable in the long-run:

- ✓ Shorter smoothing period¹ and shorter amortization period for gains/losses
- ✓ Closed instead of rolling thirty-year amortization
- ✓ Use market value of assets to determine rates²

For FY 2016, these changes equate to an almost a \$2 million increase to the General Fund over FY 2015 PERS costs. Table 2 provides a summary of rates and cost impacts.

3. February 2014 Change (effective FY 2017, five-year phase-in through FY 2021)

On February 18, 2014, the CalPERS Board adopted additional rate methodology changes. While the Board voted to retain its current long-term assumed rate of return at 7.5 percent, they did adopt actuarial changes to assumed mortality rates. The new mortality assumptions will cost local agencies an average of 6-9% of payroll for safety classifications and 3-5% of payroll for miscellaneous employees by year five of the phase-in (FY 2021). Some municipal officials believe these estimates may be low because of the continued decline in the local government workforce in many cities, reducing the number of active employees contributing to CalPERS.

The most recent actuarial valuations provided to the City of Hayward by CalPERS in November 2014 (actuarials dated October 2014) reflect the final rates for FY 2016 and incorporate all of the

¹ “Smoothing” and “Closed vs. Rolling Amortization” go hand in hand. Smoothing refers to the method by CalPERS plans to address the unpredictability of investment income and the impact that unpredictability has on employer rates. The revised “smoothing” plan determines the rate increase needed to reach a funding level of 100% in 30 years, phase in the rate increase over five years, and then to maintain those rates as steadily as possible or even lower them. In the past, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with the actual gains and losses experienced by the investment pool paid for over a rolling 30-year period. With the current change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly a five-year period.

² CalPERS has traditionally used the actuarial value of their investments in their financial calculations and rate projections (i.e., the investment assets fluctuate in value from one day to the next, so the administrators calculate an average value for the assets, over a given period of time, or the “actuarial value”). In accordance with new FY 2015 GASB provisions, CalPERS will only use “market value,” which is using the actual value of the investment assets as determined by the market and adjusting the value up or down accordingly.

adopted changes to date, which result in FY 2016 rates increasing over FY 2015 rates by 2.4% - 3.25% of payroll and growing each fiscal year through 2021. See estimated impacts to Hayward's rates below in Table 2.

Purpose of Adopted Methodology Changes

While the revised methods are designed to create a sustainable CalPERS plan by improving funding levels and reducing the overall funding-level risk, the cumulative changes result in a significant increase in Hayward's employer contribution rates starting in FY 2014 through FY 2021; and in the very long-term (absent additional assumption changes), result in stabilized employer rates.

Estimated Rate Impacts

The new valuations the City received in November 2014 reflect rate projections that include the actions taken by the CalPERS Board in March 2012, April 2013, and February 2014. Table 2 provides a detailed summary of our revised CalPERS employer rates based on the October 2014 valuation. These changes will result in cost increases over the FY 2016 Adopted General Fund Ten-Year Plan of \$1.8 million, and continues to increase each year until stabilizing in FY 2021 – by which time rates for Miscellaneous, Police, and Fire are estimated to be 29.6%, 54.7%, and 48.6% of payroll, respectively. Impacts of any future Board actions and resultant rate increases are not included in this summary, and it is quite possible the CalPERS Board may take additional rate-impacting actions to achieve long-term sustainability of the retirement program.

Table 2: CalPERS Rate Comparison, Growth & Impacts

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Miscellaneous								
CalPERS 10/2014 Valuation	19.70%	22.1%	24.47%	26.00%	27.20%	28.40%	29.60%	29.60%
Change over prior year		2.36%	2.41%	1.53%	1.20%	1.20%	1.20%	0.00%
Police								
CalPERS 10/2014 Valuation	35.19%	39.80%	42.40%	46.40%	49.10%	51.80%	54.60%	54.70%
Change over prior year		4.61%	2.60%	4.00%	2.70%	2.70%	2.80%	0.10%
Fire								
CalPERS 10/2014 Valuation	33.40%	37.15%	40.40%	42.80%	44.70%	46.60%	48.60%	48.60%
Change over prior year		3.75%	3.25%	2.40%	1.90%	1.90%	2.00%	0.00%
Estimated Annual GF Impact of Rate Increases	1% of payroll (FY 2015)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Miscellaneous	269,000	634,840	648,290	411,570	322,800	322,800	322,800	-
Police	240,000	1,106,400	624,000	960,000	648,000	648,000	672,000	24,000
Fire	163,000	611,250	529,750	391,200	309,700	309,700	326,000	-
	672,000	2,352,490	1,802,040	1,762,770	1,280,500	1,280,500	1,320,800	24,000

Table 2 provides a summary of rate increases since 2014. Rates for FY 2014 – FY 2016 are actual assessed rates, and FY 2017 – FY 2021 are estimates as provided by CalPERS. CalPERS rates are assessed as a percentage of payroll – and the increases reflected in Table 2 demonstrate the percentage increase of payroll. Another way to summarize the increase in CalPERS rates is to look at the year-over-year percentage increase. Using the chart above, the average growth increase in rates from FY 2015 to FY 2021 is about 50%. The estimated budget impacts to the General Fund are intended to provide a general understanding of the rate impacts; however, these are conservative numbers that do not account for future payroll growth – only CalPERS rate

growth – as the 1% percent of payroll multiplier is set at the FY 2015 level and does not grow each year.

Funding Status & Plan

The City is fully meeting its annual required contribution (ARC) amounts based on the CalPERS premium rates. Given the new CalPERS “smoothing” methodology, the long-term intent is to fund the City’s liability over the 30-year amortization period.

As part of the long-term policy discussion on unfunded liabilities, the Council should consider the advantages and disadvantages of paying additional premium towards the unfunded portion of the City’s liability. However, although a prepayment to pay down the City’s liability will reduce the City’s unfunded liability and save money in the long-term, it will have little to no impact on current costs. Given other competing financial priorities, it may be difficult to justify allocating additional funding toward the CalPERS liability at this time, especially in the absence of any short-term benefit of doing so.

Staff recommends that if one-time funds become available, the City Council can consider using these funds toward a liability payment to either CalPERS or another of the City’s benefit liabilities such as Retiree Medical.

Retiree Medical (OPEB)

Annual Required Contribution (ARC): \$7.7 million

Unfunded Liability: \$75 million

Components of OPEB \$7.7 million ARC:

\$2.7 million: FY 2016 Cost Current Retirees (“pay as you go”)

\$5.0 million: FY 2016 Unfunded Actuarial Liability

The retiree medical benefit represents the second largest benefit liability, and is the most underfunded of the City’s benefit liabilities. By City Council resolution – and as agreed to with some bargaining groups – the City provides certain health care benefits for employees who retire directly from the City with at least five years of City service (most bargaining groups require ten years of service) and who are vested in the California Public Employees Retirement System (CalPERS). The City participates in the CalPERS health care plan, which is governed under the California Public Employees Health and Medical Care Act (PEMCHA).

The City contributes a fixed dollar amount for retiree medical benefits for most bargaining units (all employees except sworn police employees hired before June 12, 2012), with amounts varying by employee bargaining group and coverage level as governed by PEMCHA. Benefits continue for surviving spouses in amounts as required by PEMCHA. As of June 30, 2013, approximately 525 retirees were eligible and were receiving retiree health care benefits from the City at an annual cost of about \$2.7 million, which is the “pay as you go” amount the City currently pays.

There are approximately 792 active employees that may be eligible to receive health care benefits upon retirement. This group of employees represents the number of eligible, current employees and it is the City’s current maximum exposure; it does not necessarily mean all of

these employees will either retire with the City or ultimately meet the requirements for receiving this benefit. Similar to the CalPERS retirement plan, the increased life longevity of retirees places a stress on the benefit. The updated actuarial valuation of our local Plan will consider these impacts within its analysis.

Funding Status & Plan

The current annual required contribution (ARC) was determined as part of a May 1, 2014 actuarial valuation by Cheiron, the City's OPEB Actuary. This valuation analysis considered benefits that are expected to be earned in the future as well as those already accrued, and is required by the Governmental Accounting Standards Board (GASB) to be completed every two years.

The City's OPEB unfunded actuarial accrued liability is amortized as a level percentage of projected payroll using a closed thirty-year amortization period that has twenty-four years remaining as of the latest valuation date. The minimum funding target is the Annual Required Contribution (ARC), currently estimated at \$7.6 million. The two components of the ARC are:

1. "pay as you go" payments to the current retirees (currently \$2.7 million)
2. amortized Unfunded Actuarial Liability (UAL) (\$5 million)

In the past, the City only funded the "pay as you go" portion of the plan. As of FY 2014, pursuant to City Council direction, the City began contributing toward the cost of the UAL both through direct City contributions, as well as employee contributions pursuant to some bargaining unit agreements. Payments for both components of the ARC are built into payroll to spread the cost appropriately across all City funding sources.

While the City is not fully funding the UAL (short by about \$2 million annually), the City has made great progress toward this goal. The City's Ten-Year General Fund Plan includes phasing this cost in until the full ARC is achieved in FY 2018.

Pursuant to the valuation, if the City fully funded the ARC, the City would pay for current costs and fund the future liability by the end of the amortization period. Because the City has not fully funded the ARC, the City will not meet this goal without additional funding allocations. City Council should consider additional funding toward the unfunded liability in future years as one-time funds become available. Staff recommends that City Council consider identifying a certain level of one-time funds to be allocated toward this liability.

Workers' Compensation

Current Annual Cost: \$4.6 million

Unfunded Liability: \$9.3 million

The City is self-funded for Workers' Compensation and began its program on July 1, 1975. While the City fully funds present day costs, it does not fully fund future liability. Of all the benefit liabilities, Workers' Compensation has the highest current funding level. Payments are made to the Workers' Compensation Self-Insurance Fund by transfers from all City funds through established rates assessed against payroll pursuant to classification type. The amount of payments made by the City into the Workers' Compensation Self Insurance Fund is determined by an actuarial analysis conducted by an outside actuary (Bickmore). These accruals represent estimates of amounts to

ultimately be paid for reported claims, past experience, recent claim settlement trends, and other information. Funds are available to pay claims and administrative costs of the program on a pay-as-you-go basis.

It is important to understand that payments on indemnity claims may be made over a very long period of years. Indemnity claims are those in which future medical care is projected to be needed for the injured worker and the cost is largely dependent on the type and severity of the injury, as well as whether or not the claimant is a sworn employee.

Funding Status & Plan

Pursuant to the current actuarial valuation conducted for the program, a funding status of 70% to 85% is recommended. Table 1 shows that the City is currently at about a 56% funding level. Staff recommends funding at the 80% level and beginning in FY 2013, implemented a plan to build the fund balance toward achieving that funding level. Workers' Compensation rates charged against live payroll include a component of cost (about \$1 million/year) toward unfunded liability. Once the 80% funding level is reached (about \$10 million in fund balance reserved for future liability) – the Workers' Compensation rates will be adjusted downward. Staff recommends that the City continue with this plan until the funding goal is reached.

Accrued Leave Payouts (Compensated Absences)

Current Annual Cost: varies

Unfunded Liability: \$7.2 million

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. The City records the cost of vacation and sick leave as "earned." Earned vacation and sick leave that is taken during the year is payable from the fund(s) to which the employee's salary or wage is charged. When an employee retires or otherwise leaves the City, vacation balances are paid out to the employee, and in some cases, some of the accumulated sick leave is also paid out (pursuant to bargaining unit agreements). These payouts are paid through a department's budget out of vacancy salary savings – and are not specifically budgeted for as a separate line item.

Funding Status & Plan

Staff has taken strong action to lower this liability during the past two years by managing employees to approved vacation caps. This has helped to prevent large accrued leave payouts to retiring or terminating employees. The total liability has reduced from the FY 2013 balance of \$8.6 million to the FY 2014 balance of \$7.2 million – a 16% reduction in liability. However, while progress has been made in this area, it has been a challenge to get all employees below the cap due to staffing shortages compounded by increasing workload.

Accrued Leave payouts are currently absorbed within each department's budget appropriation. In practice, the salary savings achieved through normal attrition and the vacancy created by the exiting employee cover the cost of these payouts. In general, departments have had enough salary savings to accommodate this cost.

A possibility to further fund this liability is to build a funding mechanism into payroll as a component of the fringe benefit rate (e.g., 1% of payroll for non-sworn and 2% of payroll for sworn positions). This would result in a budgeted increase to the City budget without offsetting budgetary decreases – about \$1.4 million to the General Fund. While this might provide a segregated funding

source that would prevent spikes to department payroll budgets for large payouts, it does increase the overall City payroll budget. Given the City’s fiscal challenges, it does not seem a prudent use of City resources at this time to add this cost. Staff recommends maintaining the current methodology of actively managing employee’s leave balances to lower the overall liability. This has been successful these past several years as demonstrated in Table 3:

Table 3: Accrued Leave Liability History

	Unfunded Liability	Change from prior Year
FY 2007	7,003,161	
FY 2008	7,685,961	682,800
FY 2009	7,477,214	(208,747)
FY 2010	9,250,970	1,773,756
FY 2011	10,497,994	1,247,024
FY 2012	10,701,569	203,575
FY 2013	8,589,354	(2,112,215)
FY 2014	7,230,041	(1,359,313)

SUMMARY of STAFF RECOMMENDATIONS

1. Council should formally adopt desired or “best practices” funding levels for each Unfunded Liability.
2. Upon receipt of any one-time funds, Council should review the City’s unfunded liabilities and assess whether some or all of the one-time money should be used to pay down one or more Unfunded Liabilities before expending the funds in other areas; including the advantages and disadvantages of each action weighed against the others.
3. CalPERS: Although a prepayment to pay down the City’s CalPERS liability will reduce the City’s unfunded liability and save money in the long-term, it will have little to no impact on current costs. However, Council should consider establishing a policy to gradually work at reducing this Unfunded Liability at least to a level within Council policy as described in #1 above. Given other competing financial priorities, it may be difficult to justify allocating additional funding toward the CalPERS liability, especially in the absence of any short-term benefit of doing so, but that decision should be made thoughtfully and within the overarching philosophy of reducing all unfunded liabilities to a financially prudent level.
4. OPEB: Council should continue the progress toward fully funding the ARC. Once that is accomplished, Council should consider additional funding toward the unfunded liability in future years as one-time funds become available to compensate for prior years of not funding the full ARC. Staff recommends that Council consider identifying a certain level of one-time funds be allocated toward this liability annually.
5. Workers Compensation: Staff recommends that Council continue with the current plan of reaching a funding status of 80%. Once the 80% funding level is reached (about \$10 million in fund balance reserved for future liability) – the Workers’ Compensation rates will be adjusted downward.

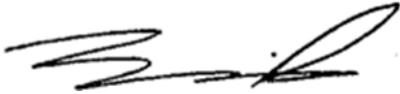
6. **Accrued Leave Payouts:** Staff requests Council's support to maintain the current methodology of funding accrued leave expenses; and continuing to actively manage employee's leave balances. In addition, staff intends to bring back to Council an analysis of the pros and cons of an employee vacation buy-back program. Such a program, while requiring the use of cash, has the potential to further reduce the Accrued Leave Liability, as well as to provide financial flexibility to cash-strapped employees and improve employee morale.

NEXT STEPS

Staff will continue to actively manage benefit liabilities and report annually to the Council Budget & Finance Committee and the City Council the funding status of these benefit liabilities, including bringing suggested policy actions to the Council for formal adoption.

Prepared and Recommended by: Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager



DATE: June 9, 2015
TO: Mayor and City Council
FROM: Director of Finance
SUBJECT: Proposed FY 2016 Financial Policies

RECOMMENDATION

That Council reviews and considers adoption of the Proposed Financial Policies as part of the FY 2016 Adopted Budget.

BACKGROUND

The Proposed FY 2016 Operating Budget was presented to City Council on May 26, 2015. The budget document includes updated budget-related financial policies and several new policies for Council consideration (pages 298-306 of the budget document). An updated version of these policies are included as Attachment I. These policies are updated to reflect the recommendations of the Council Budget & Finance Committee following the Committee's review of the proposed financial policies during their June 3, 2015 meeting.

DISCUSSION

Below is a listing of key policies related to the citywide budget as included in the budget document. Many of these policies have been in operation for a number of years. It has been a while since City Council reviewed and updated these budget-related financial policies. This year, staff has updated the language of some of the existing policies and is introducing several new policies for consideration.

1. Balanced Budget Policy – UPDATED
2. Use of One-time Revenue for One-time Expenditures Policy – PROPOSED
3. Benefit Liabilities Funding Plan Policy – PROPOSED
4. Long Range Financial Forecasting Policy – existing
5. General Fund Reserve Policy – UPDATED
6. Investment Policy - existing
7. Debt Issuance and Management Policy - existing
8. Charges and Fees Policy - existing
9. Multi-Year Capital Improvement Program Plan Policy- existing
10. Internal Service Maintenance & Capital Replacement Policy - existing

Significant updates as recommended by the Council Budget & Finance Committee on June 3, 2015 are highlighted for easy reference and comparison to the older version currently included in the FY 2016 Proposed Operating Budget document.

ECONOMIC & FISCAL IMPACT

While there is no direct fiscal impact related to the recommendation to adopt these financial policies, these policies provide a critical framework for the fiscal decisions made by the City Council and help the City toward achieving its goal of fiscal sustainability.

PUBLIC CONTACT

The proposed financial policies were presented to the City Council on May 26, 2015 as part of the Proposed FY 2016 Operating Budget and again during the Special Council Budget Work Session on May 30, 2015. The financial policies were further discussed by the Council Budget & Finance Committee on June 3, 2015.

Prepared and Recommended by: Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Attachment I: FY 2016 Proposed Financial Policies

Attachment II: FY 2016 Proposed Operating Budget

http://www.hayward-ca.gov/CITY-GOVERNMENT/DEPARTMENTS/FINANCE/documents/2015/FY16_Proposed_Operating_Budget.pdf

PROPOSED FY 2016 FINANCIAL POLICIES

Overview of Financial Policies

The City Council's adopted financial policies establish the framework for the City's overall fiscal planning and management. They set forth decision-making guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City of Hayward's publicly adopted financial policies demonstrate the Council's commitment to sound financial management and fiscal integrity. Adherence to adopted financial policies promotes sound financial management, which leads to improvement in City bond ratings and lower cost of capital.

Below is a listing of key policies related to the citywide budget. Many of these policies have been in operation for a number of years. However, staff is updating some of these and introducing several new policies for Council's consideration during the FY 2016 budget process.

1. Balanced Budget Policy – UPDATED
2. Use of One-time Revenue for One-time Expenditures Policy – PROPOSED
3. Benefit Liabilities Funding Plan Policy – PROPOSED
4. Long Range Financial Forecasting Policy – existing
5. General Fund Reserve Policy – UPDATED
6. Investment Policy - existing
7. Debt Issuance and Management Policy - existing
8. Charges and Fees Policy - existing
9. Multi-Year Capital Improvement Program Plan Policy- existing
10. Internal Service Maintenance & Capital Replacement Policy - existing

Balanced Budget Policy

The City Manager must propose and City Council must adopt a balanced annual operating budget. A structurally balanced budget exists when recurring operating revenues equal or exceed recurring operating expenditures and there is no planned or actual use of reserve cash to cover any "negative gap" between the two. The following elements are considered when calculating a balanced budget:

1. Operating revenues and other resources (transfers in),
2. Operating expenditures, including transfers out,
3. One-time revenues should be carefully considered before being used to balance the operating budget,
4. Available fund balances may be used as a resource for non-recurring expenditures as approved by City Council, and
5. Capital Improvement Program budget funds are excluded, unless included as a transfer from the operating budget.

For a variety of reasons, true structural balance may not be possible. In such a case, using reserves to balance the budget may be considered but only in the context of a plan to return to structural balance, replenish fund balance, and ultimately remediate the negative impacts of any other short-term balancing actions that may be taken. The City shall conduct midterm budget reviews to review the budget and take any necessary action to bring the budget into balance.

PROPOSED FY 2016 FINANCIAL POLICIES

Use of One-Time Revenue for One-Time Expenditures - Proposed

One time revenues shall be considered for use toward one-time expenditures. While one-time revenues may occur over more than a single fiscal-year period (i.e. an allocation of one time funds over multiple fiscal years), they should not be used to support recurring operational expenses.

Below is a list, in priority order, of the appropriate uses of one-time revenues that City Council shall consider:

1. Payments toward unfunded benefit liabilities such as Retiree Medical (other post-employment benefits – OPEB); CalPERS retirement unfunded liability, Workers' Compensation unfunded liability; or reduction of accrued leave through pay off of leave balances
2. Restoration of depleted reserve balances
3. One-time capital improvements or economic development investments
4. Early debt retirement
5. Emergencies

Uses that increase ongoing operating expenditures should be carefully reviewed and avoided if at all possible. For example, capital expenditures that significantly increase ongoing operating expenses without a sustainable and offsetting long-term revenue plan should be avoided. Uses of one-time funds for reasons not mentioned above require explicit, public Council discussion and authorization.

Property Transfer Tax – Threshold for Recurring & One-time Revenue - Proposed

The Real Property Transfer Tax (Transfer Tax) rate set by the City of Hayward is \$4.50 per \$1,000 of the value of consideration paid for the documented sale of real property or any transfer of interest in real property. Property Transfer Tax revenue is volatile and is driven directly by the real estate market, based on the rate of property turn over and the sales price of said properties. The City has experienced dramatic swings in its Property Transfer Tax.

In order to best budget this general fund revenue, the City Council will establish a threshold for recurring revenues that support recurring City operations. Based on historical averages and the current economic climate, a baseline annual threshold of \$5 million is established to fund recurring City operations. Transfer Tax revenues received in excess of this amount should be considered one-time revenues and used in accordance with the City's policy on the Use of One-Time Revenue for One-Time Expenditures.

In FY2016, the City Manager shall propose and the City Council shall consider a possible increase to the City of Hayward's Property Transfer Tax rate as a prudent method to increase General Fund operating revenues.

PROPOSED FY 2016 FINANCIAL POLICIES

Benefit Liabilities Funding Plan & Policies - Proposed

Unfunded liabilities are defined as identifiable obligations of the City for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately and simultaneously due. The City's primary benefit liabilities include:

- California Public Employees' Retirement System (CalPERS)
- Other Post-Employment Benefits (OPEB) – Retiree Medical Benefits
- Workers' Compensation
- Accrued Leave Payouts

Council shall identify appropriate funding levels for each benefit liability considering the associated risk that the unfunded portion of the obligations present to the organization, timing of the liability's ultimate due date and realistic and responsible management of the organization's cash flows. The funding policies for each of these benefit liabilities is as follows:

Overarching Benefit Liability Funding Policy

1. The Council Manager will incorporate in each proposed operating budget funding toward the City's benefit liabilities as appropriate and fiscally prudent; and the City Council will review and incorporate some level of this recommended funding in its adopted budget as appropriate and fiscally prudent.
2. All allocations toward funding benefit liabilities shall be attributed to the appropriate City revenue funds (e.g., General Fund, Enterprise Funds, etc.).
3. Upon receipt of any one-time funds – beyond funds needed to maintain the City's desired service levels and supporting operating expenditures – Council should review the City's benefit liabilities and assess whether some or all of the one-time money should be used to pay down one or more of the benefit unfunded actuarial liabilities (UAL) before expending the funds in other areas, with the Retiree Medical UAL having first priority.
4. The City Manager will constantly seek to identify innovative methods of reducing the City's benefit liabilities to achieve long-term fiscal stability.

California Public Employee Retirement System (CalPERS)¹

1. Pursuant to the CalPERS rate structure, the City is currently paying its Annual Required Contribution (ARC) – and shall continue to do so.
2. Council will strive to attain an 80% funding level of its CalPERS benefit liabilities.

Retiree Medical (Other Post Employment Benefit - OPEB)

1. Council will strive to attain full funding of the ARC.

¹Although a prepayment to pay down the City's CalPERS liability will reduce the City's unfunded actuarial liability and save money in the long-term, it will have little impact on current costs. Given other competing financial priorities, it may be difficult to justify allocating additional funding toward the CalPERS liability, especially in the absence of any short-term benefit of doing so, but that decision should be made thoughtfully and within the over-arching philosophy of reducing all unfunded liabilities to a financially prudent level.

PROPOSED FY 2016 FINANCIAL POLICIES

- Council will strive toward attaining an 80% funding level of its OPEB benefit liability.

Workers Compensation²

- Council will strive to attain an 80% funding level of its Workers' Compensation benefit liability.

Accrued Leave

- The City Manager will continue actively managing employee's leave balances below established caps to prevent excessive accumulation of leave and increased liabilities.

Long Range Financial Forecasting Policy

Hayward's budget will include a long range financial forecast of operating revenues and expenditures of the General Fund and other key operating funds. The forecast will extend to ten years for the General Fund and Capital Improvement Program, and five–ten years for other key operating funds (e.g., enterprise, internal service and special revenue funds), including the budget period. The forecast, along with its underlying assumptions and methodology, will be clearly stated and made available to participants during the budget process. It will also be included in the final budget document. The forecast shall include a spendable fund balance calculation and any difference from established reserve levels.

General Fund Reserve Policy - Updated

The City Council will establish and maintain adequate financial reserve levels. Reserves are one-time funding intended for emergency needs (such as a catastrophic natural or financial disaster). Reserves also provide some flexibility to address one-time priority programs, smooth out economic swings, and to buffer the loss of state and federal funds. When revenues fail to meet the normal operating requirements of essential public services, or expenditures temporarily exceed revenues, upon the recommendation of the City Manager and the authorization of the City Council, reserves may be used in accordance with the standards set forth herein.

Reserve goals are as follows:

Name	Minimum	Basis
General Fund	Goal of at least 25% of budgeted General Fund operating expenditures, including transfers out	To create a reserve that will allow the City to continue providing acceptable service levels during emergencies and economic downturns while maintaining adequate liquidity to make all payments without short term borrowing.

² The City has implemented a funding plan through the current Workers' Compensation rate structure (rates include element toward UAL) to gradually bring the level of plan funding to 80%.

PROPOSED FY 2016 FINANCIAL POLICIES

Council expects that the annual budget presented by the City Manager will include a recommendation for the amounts to be appropriated to these Reserves.

In times of economic downturn, if revenues are insufficient to meet the normal operating requirements of essential services, funds contained in the Reserve may be used if authorized by the City Council, based on the following principles:

- 1) Staffing levels in essential services shall be temporarily maintained, in order to avoid or reduce the necessity for immediate lay-offs: only in extreme conditions will reserves be used to balance the operational budget for more than two years;
- 2) The City Manager has taken and/or recommended to Council all reasonable and available expenditure reduction measures including, but not limited to:
 - a) Implementing a hiring freeze for positions as appropriate to maintain essential services to the public;
 - b) Assuring that user fees and services charges have been fully utilized for those services for which they were collected;
- 3) The level of the Reserve shall be restored in a timely manner as economic recovery occurs, consistent with the maintenance of essential services:
- 4) "Essential services", "appropriate levels" of such services, and "extreme conditions" will be determined from time to time by the City Council upon the recommendation of the City Manager.

Investment Policy

The City of Hayward incorporates a prudent and systematic investment process and investment related activities are formalized in the Annual Statement of Investment Policy. The primary objectives of the policy, in priority order, are: safety, liquidity, and yield. City policy requires diversification of the investment portfolio, in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of securities. An Investment Advisory Committee is appointed by the City Manager to oversee the City's investment program and assure it is consistent with the investment policy as approved by the City Council. The committee meets quarterly to monitor portfolio performance and consider changes in strategy and investment policy. The policy is approved annually by the City Council at a public meeting. The Director of Finance provides periodic reporting to the Committee and to City Council on the status of City cash and investments.

Debt Issuance and Management Policy

The City of Hayward has developed a comprehensive debt management policy. The following parameters are to be considered before debt issuance:

1. The purposes for which debt may be issued shall be approved by City Council.
2. Legal debt limitations or limitations established by policy, including limitations on the pledge of the issuer's general credit, shall be calculated.
 - o The City is bound by a provision in state law limiting indebtedness for California cities to 15% of the assessed value of all real and personal property of the city. This statutory limitation applies to bonded indebtedness of the City payable from the proceeds of taxes levied on property.

PROPOSED FY 2016 FINANCIAL POLICIES

3. Types of debt permitted to be issued are:
 - short-term and long-term debt
 - general obligation and revenue debt
 - capital and variable rate debt
 - lease-backed debt, such as certificates of participation
 - special obligation debt such as assessment district debt
 - pension obligation bonds
 - conduit issues
 - State Revolving Loan Funds and Pools
 - inter-fund borrowing
 - taxable and non-taxable debt
4. Prior to the issuance of any debt, the funding source for the debt service must be identified and designated. The level of debt to which the Council obligates the City is managed within available resources and represents a minimal cost to general taxpayers.
5. Except in extreme conditions as defined by City Council, the issuance of new debt in and by itself shall not jeopardize or lower the City's bond ratings.
6. To the extent possible, the issuance of new debt occurs when resources are made available by the retirement of an existing obligation. By managing the timing of new debt, current City operations are not affected.
7. Method of selecting outside finance professionals shall be consistent with the City's procurement practices.
8. The City shall comply with federal tax law provisions, such as arbitrage requirements.
9. The City shall not engage as a fiscal agent for agencies that are not directly affiliated with the City of Hayward.

In order to be an effective management tool, the parameters of the debt issuance and management must be compatible with the City's goals pertaining to the capital improvement program and budget, the long-term financial plans, and the operating budget. Debt parameters should strike an appropriate balance between establishing limits on the debt program and providing sufficient flexibility to respond to unforeseen circumstances and new opportunities. Finally, the Director of Finance should consider debt parameters on a given issuance, and the debt program should be continuously monitored to ensure that it is in compliance with these parameters.

Charges and Fees Policy

The City of Hayward supports the use of charges and fees as a method of funding governmental services. The following policy is established regarding the charge and fee setting process:

1. Hayward intends to recover the full cost of providing goods and services as appropriate. Circumstances where a charge or fee is set at less than 100 percent of full cost must be considered and approved by City Council.
2. Charges and fees will be reviewed annually and updated based on factors such as the impact of inflation, cost of service increases, the adequacy of the coverage of costs, and current competitive rates.
3. There shall be a direct relationship between the amount paid and the level and cost of the service received.

PROPOSED FY 2016 FINANCIAL POLICIES

4. Information on charges and fees will be made available to the public both before and after adoption.
5. The use of service charges and fees as a source of funding service levels is especially appropriate under the following circumstances:
 - a. The service is similar to services provided through the private sector.
 - b. Other private or public sector alternatives exist for the delivery of the services.
 - c. Expedited or unusual handling or service is requested by the person or entity paying the fee.
 - d. The service is regulatory in nature and voluntary compliance is not expected to be the primary method of detecting failure to meet regulatory requirements. Building permit, plan checks, and subdivision review fees for large projects would fall into this category.
6. The following general concepts will be used in developing and implementing service charges and fees:
 - a. Fees structures must comply with current law (such as Proposition 26) – and revenues should be reasonable and not exceed the total cost of providing the service.
 - b. Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs, and organization-wide support costs such as accounting, personnel, data processing, vehicle maintenance and insurance.
 - c. The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection and increase the transparency of how the fees are calculated.
 - d. Where possible, accommodations should be made and rates set for seniors and low income residents.

Multi-Year Capital Improvement Program Plan Policy

The City Manager will prepare and recommend, and the City Council will adopt, a comprehensive ten-year capital improvement program (CIP) plan to ensure effective management of capital assets. A prudent multi-year capital improvement plan identifies and prioritizes expected needs based on the City's General Plan, replacement plans, and other needs; establishes project scope and cost; details estimated amounts of funding from various sources; and projects future operating and maintenance costs. The capital plan should identify present and future service needs that require capital infrastructure or equipment, including:

1. Capital assets that require repair, maintenance, or replacement that, if not addressed, will result in higher costs in future years
2. Infrastructure improvements needed to support new development or redevelopment
3. Projects with revenue-generating potential
4. Time-sensitive investments for projects that take advantage of economic or other opportunities to achieve Council goals or further the progress of the community.
5. Improvements or resources that support economic development
6. Changes in community needs
7. New policies, such as those related to sustainability and energy efficiency

The full extent of project costs should be determined when developing the multi-year capital improvement plan. Cost issues to consider include the following:

1. The scope and timing of a planned project should be well defined in the early stages of the planning process

PROPOSED FY 2016 FINANCIAL POLICIES

2. Identify and use the most appropriate approaches, including outside assistance, when estimating project costs and potential revenues
3. For projects programmed beyond the first year of the plan, staff should adjust cost projections based on anticipated inflation
4. The ongoing operating costs associated with each project should be quantified, and the sources of funding for those costs should be identified
5. A clear estimate of all major components required to implement a project should be outlined, including land acquisition needs, design, construction, contingency and post-construction costs
6. Recognize the non-financial impacts of the project (e.g., environmental) on the community.

Internal Service Maintenance & Capital Replacement Policy

The City of Hayward maintains internal service funds for facilities, fleet, and technology. These funds create a system for planning, budgeting, and periodic assessment of capital maintenance/replacement needs. The following actions are considered in these assessments:

1. Develop and maintain a complete inventory of all capital assets and related cost.
2. Perform periodic measurement of the physical condition of all existing capital assets including estimated remaining useful life of assets.
3. Establish condition/functional performance standards to be maintained for each category/component of capital assets. Use these standards and a current condition assessment as a basis for multi-year capital planning and annual budget funding allocations for capital asset maintenance and replacement.
4. Develop financing policies for capital maintenance/replacement that encourage a high priority for those capital programs whose goal is maintaining the quality of existing assets.
5. Allocate sufficient funds in the ten-year capital improvement plan and annual operating budgets for routine maintenance, repair, and replacement of capital assets in order to extend the useful life of these assets and promote a high level of performance throughout the target period.
6. Periodically, report on long-lived capital assets, including:
 - o Condition ratings jurisdiction-wide
 - o Condition ratings by geographical area, asset class, and other relevant factors
 - o Indirect condition data (e.g., work orders, repeat repairs)
 - o Replacement life cycle(s) by asset type
 - o Year-to-Year changes in net asset value
 - o Actual expenditures and performance data on capital maintenance compared to budgeted expenditures performance data (e.g., budgeted improvements compared to actual)