



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 06/13/00
AGENDA ITEM 6
WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Public Hearing for the Review of the Operating Budget for the City of Hayward and the Redevelopment Agency Budget for the Fiscal Year 2000-2001, the 2000-2001 Master Fee Schedule, the 2000-2001 Gann Appropriation Limit and the Five Year Capital Improvement program 2000-2001 through 2004-05

RECOMMENDATION:

It is recommended that the City Council:

1. Conduct a public hearing on the 2000-2001 Operating Budget, the 2000-2001 Redevelopment Agency budget, both as contained in the City of Hayward Operating Budget, 1999-2001, the 2000-2001 Master Fee Schedule and the Five Year Capital Improvement Program, 2000-2001 through 2004-2005.
2. Direct staff to prepare the necessary resolutions to implement Council budget decisions for Council consideration and formal action on June 20, 2000.

BACKGROUND:

In June of 1999 the City Council adopted, for the first time in more than a decade, a two-year operating budget. Council implemented a two-year budget with several objectives in mind. One objective was to extend the planning process over a two-year period. In addition, Council anticipated that significant operating efficiencies would be gained by developing a two-year plan. The approach envisioned that Departments would address only significant changes for the second year. For example, if a revenue source were going to be substantially less than projected, then adjustments would be presented to Council. Further, if Council were to approve a new program or objective, then that action would not necessitate issuing a new budget document. Instead any changes authorized by Council would become an addendum to the two-year budget document.

Staff believes that, overall, the two-year budget has been successful. Considerable time and effort went into the development of the two-year budget by both staff and Council. Clearly, taking a "longer-term look" has benefited the budget process. As a result a considerable amount of resources have been saved by not having to develop a traditional budget for 2000-2001. For example, staff estimates that the City has saved approximately 6,200 hours, which equates to almost 3 full-time employees, by not having to prepare a full budget in the second year. This figure is based on approximations made by

the departments and also includes estimated hours Council and staff devote to budget preparation, as well as various groups' budget review meetings.

As was discussed with Council at the time the two-year budget was adopted, Council must formally adopt the second year as required by the City Charter and to comply with certain grant requirements. In addition, staff indicated that only significant adjustments would be brought to Council for approval for the second year. Based on these guidelines staff presented to Council at a Budget Work Session, on June 6, 2000 certain recommended adjustments to the 2000-2001 Proposed Budget.

At the Council Budget Work Session Council received staff's report and recommended changes. Council indicated no additional adjustments. Following tonight's public hearing the budget will be presented to Council on June 20, 2000 for adoption.

The adjustments which staff is proposing to the 2000-2001 budget are discussed below.

A. General Fund

There are several attachments to this report. Two of these attachments pertain to the General Fund, Attachment A and Attachment B. Attachment A presents revenue and expenditure information for the General Fund. Attachment B presents a summary of recommended budget adjustments for 2000-2001. With respect to Attachment A, the first column presents the 1999-2000 Budget as originally adopted by Council, including any adjustments authorized by Council during the year, but updated to reflect staff's most recent revenue estimates. The second column consists of the 2000-2001 Proposed budget as approved by Council in the 1999-2001 Operating Budget. The third column is the 2000-2001 Recommended Budget. This is the budget which staff is recommending to Council for formal adoption for 2000-2001. The 2000-2001 Recommended Budget reflects certain changes with regard to revenues and expenditures.

Before discussing the specific changes, it may be useful to give an overview of estimated results for the current year as well as the new one. For 1999-2000 the news continues to be good. Revenues and Transfers to the General Fund are estimated to be \$76.2 million. Expenditures and Transfers Out for the year are estimated at \$75.6 million, which results in a projected surplus of about \$600,000. Staff is recommending that this surplus, for the most part, be set side for the Equipment Management Fund.

More specifically, during the Budget Work Sessions for the 1999-2001 Budget staff noted that one area that would benefit from additional funding is the City's Equipment Management Fund. Staff further commented that if results for 1999-2000 would support additional funding, then staff would make such a recommendation. This fund, along with other City funds, saw cutbacks during the early 1990's as a result of the recession. The Equipment Management Fund was able to keep costs down during this period by deferring some equipment replacement. However, this is a short-term strategy only and at some point the deferred replacements must be "made up". Based on estimated results for 1999-2000 staff is recommending a supplemental transfer to the Equipment Management Fund of \$500,000 to accelerate equipment replacement. After setting aside a \$500,000 reserve for the Equipment Management Fund, staff estimates the undesignated fund balance will grow by about \$50,000 for 1999-2000.

The 2000-01 recommended Budget reflects the continuing healthy economy and predicts a surplus of

approximately \$466,000. The increased surplus takes into account revised revenue estimates for 2000-01 and also provides for increased expenditures.

□ Revenues

General Fund revenues come from several sources. The two main sources are Sales Tax and Property Tax. However, there are other important revenue sources for the General Fund, such as the Real Property Transfer Tax and the Supplemental Building Construction and Improvement Tax.

Sales Tax. Sales Tax revenue continues to grow. Third quarter sales tax income was particularly strong, yielding the single largest quarterly increase in several years. Based on this information staff is revising estimated revenues for 1999-2000 to \$27.9 million as compared to the original estimate of \$27 million. While staff is raising the base to be used for the revised 2000-01 revenue estimate, staff does not recommend changing the growth factor for 2000-01, which is 4%. Given recent economic news, which indicates a cooling off of the economy, staff believes that the original growth estimate is still appropriate. However, applying the growth factor to the new base results in a revenue estimate of approximately \$29.0 million which is an increase of about \$1.0 million over the original budget for 2000-01.

Property Tax. Property tax revenue is revised upward to \$15 million for 2000-01. This represents an increase of approximately \$700,000 (or about 5%) over the revised mid-year estimate for 1999-00. Based on data received from the County in April of this year, the estimate for property tax revenue for 1999-00 was increased to \$14.2 million. Then, based on the information received from the County as mentioned above, staff increased the growth factor for 2000-2001. Originally, a growth factor of 3% was used to estimate property tax revenue for 2000-2001. However, in light of the County's information, staff believes that a growth factor of 5% is more appropriate. Applying a growth factor of 5% to the revised revenue estimate for 1999-2000 results in the \$15 million estimate now being recommended to Council. The Bay Area and Hayward's active real estate markets continue to fuel assessed valuation, which is the basis for property tax revenue.

Other Revenues. Several other revenue sources are estimated to increase for the 2000-2001 budget. More specifically, the Real Property Transfer Tax is increased to \$3.7 million and the Motor Vehicle In-Lieu Tax is increased to \$6 million. These budgets are revised to reflect increases that are tied directly to the 1999-00 budget increases that were discussed at mid-year. Other revenues showing increases in budget for 2000-01 are Franchise Fees which are increased to \$4.5 million, Grants, POST Reimbursement and other revenues, which are increased to \$2.3 million, and Fees and Charges which are increased to \$1.9 million. These increases are based on revised budget estimates for 1999-00 and increased intergovernmental reimbursements.

The next revenue category to show a major change is the Supplemental Building Construction and Improvement Tax. This revenue has shown steady growth over the past few years with 1996-97 posting \$1.2 million, 1997-98, \$1.5 million, and 1998-99, \$2.8 million. However, currently, this revenue is not keeping pace with the budget. At this time staff is estimating this revenue at \$1.7 million for 1999-00. The reduction in revenue when compared to 1998-99 is primarily due to the completion of certain large residential projects in 1998-99 that will not occur in 1999-00, such as Twin Bridges. The budget for 2000-01 is \$2 million, a moderate increase over the estimated actual for 1999-00.

Other revenue categories that did not keep pace with budget, but show a general increase over actual

revenues when compared to prior year, are Construction Permits and Miscellaneous Revenues. These budgets were reduced by about \$200,000 for Construction Permits and a like amount for Miscellaneous Revenues.

□ Expenditures

Changes in expenditures are limited to a few areas, as described below.

Employee Services. Employee services are estimated at \$61.6 million. This represents an increase of \$2 million over the 2000-01 Proposed budget. Employee services have been affected, for the most part, by two factors: pay rate increases implemented in accord with current labor agreements and the difference in PERS retirement rates paid by the City. Fortunately, the earnings PERS has had in its investments resulted in a reduction in rates. This savings in payments to PERS helps to offset any pay rate increases. The new employee services figure reflects known pay rate increases, as well as estimated pay rate increases for groups that are currently negotiating or will soon be negotiating. Finally, as explained more fully in Attachment B, staff is recommending the addition of certain positions for 2000-2001.

Supplies and Services and Maintenance and Utilities. There are several minor changes recommended for these two categories and include both additions and reductions to expenditure appropriations. The single largest item is a correction to the Supplies and Services budget. More specifically, when preparing the 1999-2001 two-year budget, staff omitted from the 2000-2001 budget a continuing level of support, which was included in the 1999-2000 budget, for the Home Page program of \$40,000. In addition to this continuing funding level, the City's Council Technology Application Committee (CTAC) approved a motion to come forward to the full City Council requesting additional funds for 2000-2001. The CTAC at its May 10, 2000 meeting discussed the need for additional funding for Home Page development and Webmaster support. The CTAC agreed that an additional appropriation of \$50,000 would be sufficient and recommended this addition to the budget. The City Council reviewed this information at its June 6, 2000 Work Session. The 2000-2001 Recommended Budget contains funding for both items.

B. Master Fee Schedule

At its June 6, 2000 Work Session, Council reviewed and discussed a report on the Master Fee Schedule for 2000-2001 and indicated that staff's recommendations were satisfactory. Attachment C reflects the recommended changes. Any changes that Council may wish to make as a result of the public hearing will be incorporated into the Master Fee Schedule and reflected in the June 20, 2000 agenda report.

C. Five Year Capital Improvement Program

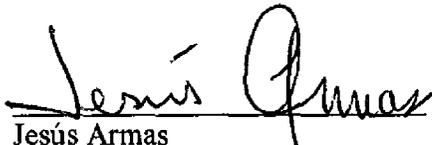
At its May 23, 2000 Council Work Session the Council received the Five Year Capital Improvement Program (CIP) budget. Council reviewed the CIP and there were no changes. The CIP document has been made available to the Council and is on file with the City Clerk. The Planning Commission has also reviewed the CIP and confirmed that the CIP is consistent with the City's General Plan. However, at the Work Session Council did request additional information regarding the traffic signal priority list.

Attachment D contains this information. In addition, attached for reference is a copy of the transmittal letter found in the CIP budget.

Summary

As stated, the purpose of the public hearing is to provide an opportunity for the Council to receive testimony from the public on the recommended budgets and the 2000-2001 Gann Appropriation Limit, Attachment E. As the Council will recall, the Gann Limit, or State Proposition 4 approved by California voters in November 1979, places limits on the amount of revenue that can be spent by government agencies. The limit is based on actual appropriations during the 1978-79 fiscal year (base year) and is increased each year using population and inflation growth factors. The City's recommended annual budget has been far below the limit each year and that is the case for 2000-2001.

The success of implementing a two-year budget is apparent as the proposed budget entertains only a few changes and has resulted in significant savings of City resources. Finally, the revised proposed 2000-01 budget presents a balanced plan of revenue and expenditures. It is requested that Council hold a public hearing on the budget and direct staff to return with the necessary authorizing resolutions reflecting any changes indicated by Council.


Jesús Armas
City Manager

- Attachment A: Financial Overview – General Fund Revenues and Expenditures
- Attachment B: Summary of 2000-01 Major Budget Adjustments
- Attachment C: Master Fee Schedule Information
- Attachment D: CIP Information
- Attachment E: Gann Limit Information

ATTACHMENT A

**CITY OF HAYWARD
GENERAL FUND -- 2000-2001**

	1999-2000 ESTIMATED BUDGET	2000-2001 PROPOSED BUDGET	2000-2001 RECOMMENDED BUDGET
ESTIMATED REVENUES			
TAXES	\$ 51,650,000	\$ 52,091,000	\$ 54,019,000
FRANCHISES	4,438,750	4,196,000	4,477,600
LICENSES & PERMITS	2,396,050	2,245,050	2,013,050
INTEREST & RENTS	474,000	457,000	457,000
FINES AND FORFEITURES	780,000	460,000	460,000
FROM OTHER AGENCIES	7,955,672	7,361,594	8,386,186
FEES & SVC CHARGES	1,876,704	1,895,220	1,933,313
OTHER	2,458,466	2,380,387	2,179,239
	<u>72,029,642</u>	<u>71,086,251</u>	<u>73,925,388</u>
TRANSFERS TO GENERAL FUND			
TOTAL-DETAIL ON NEXT PAGE	4,050,831	3,996,010	3,996,010
DOWNTOWN REVITALIZATION RESERVE	100,000		
1999-00 RESERVE FOR EQUIPMENT MANAGEMENT FUND			500,000
1998-99 RESERVE FOR WEEKES BR.		500,000	500,000
		<u>500,000</u>	<u>500,000</u>
TOTAL FUNDS AVAILABLE	<u>\$ 76,180,473</u>	<u>\$ 75,582,261</u>	<u>\$ 78,921,398</u>
EXPENDITURES			
EMPLOYEE SERVICES	\$ 57,085,882	\$ 59,564,117	\$ 61,564,633
MAINT. & UTILITIES	3,687,060	3,659,567	3,661,701
SUPPLIES & SERVICES	8,901,843	8,076,567	8,156,386
CAPITAL EXPENSE	1,184,977	601,650	731,650
NET INTERDEPT. CHRGS (CREDITS)	(2,769,599)	(2,809,301)	(2,758,900)
	<u>68,090,163</u>	<u>69,092,600</u>	<u>71,355,470</u>
TRANSFERS FROM GENERAL FUND			
TOTAL-DETAIL ON NEXT PAGE	<u>7,534,856</u>	<u>6,450,252</u>	<u>7,100,252</u>
TOTAL FUNDS REQUIRED	<u>75,625,019</u>	<u>75,542,852</u>	<u>78,455,722</u>
EXCESS REVENUE (EXPENDITURE)	555,454	39,409	465,676
BEGINNING FUND BALANCE	<u>14,539,673</u>	<u>14,595,127</u>	<u>14,595,127</u>
SUBTOTAL	15,095,127	14,634,536	15,060,803
LESS RESERVES USED 1999-2001, Equipment Mgmt Fund	<u>500,000</u>		
FUND BALANCE AVAILABLE	<u>\$ 14,595,127</u>	<u>\$ 14,634,536</u>	<u>\$ 15,060,803</u>

CITY OF HAYWARD

TRANSFERS TO GENERAL FUND	1999-2000 ESTIMATED BUDGET	2000-2001 PROPOSED BUDGET	2000-2001 RECOMMENDED BUDGET
Cost Allocation	\$ 2,065,401	\$ 2,065,401	\$ 2,065,401
Trsf. From Special Gas Tax	1,202,000	1,214,000	1,214,000
Citizens for Public Safety Grant	280,500	279,000	279,000
Golf Course--Park-In-Lieu	150,000	150,000	150,000
Law Enforcement Block Grant	352,930	287,609	287,609
	\$ 4,050,831	\$ 3,996,010	\$ 3,996,010

TRANSFERS TO OTHER FUNDS

Transfer to Capital Projects	\$ 860,000	\$ 860,000	\$ 860,000
Liability Insurance Cost Allocation	811,006	835,336	835,336
Trsf. To Centennial Hall Fund	297,000	269,000	269,000
Capital Trsf to Transp. Sys Imp	350,000	350,000	500,000
Capital Trsf to Street Lighting	320,000	320,000	320,000
Capital Trsf. To Water (IAD LOAN)	71,000	71,000	71,000
Capital Trsf. To Equip. Mgmt.	370,000	190,000	690,000
Debt Service Transfers	3,055,850	3,054,916	3,054,916
Weekes Library Branch Transfer		500,000	500,000
Downtown Side Walk District	100,000		
Permit Surcharge Project Transfer	300,000		
Transfer to PERS Reserve	1,000,000		
	\$ 7,534,856	\$ 6,450,252	\$ 7,100,252

ATTACHMENT A,

**City of Hayward
General Fund
Budgeted Fund Balances - 1999-2000 and 2000-2001**

RESERVED FOR:

	1999-2000 ESTIMATED BUDGET	2000-2001 PROPOSED BUDGET	2000-2001 RECOMMENDED BUDGET
Encumbrances	\$ 4,455,000	\$ 4,545,000	\$ 4,545,000
PERS Reserve	1,000,000	1,000,000	1,000,000
Inventory	100,000	100,000	100,000
Advances	1,400,000	1,400,000	1,400,000
	<u>6,955,000</u>	<u>7,045,000</u>	<u>7,045,000</u>

DESIGNATED FOR:

Economic Uncertainty	5,000,000	5,000,000	5,000,000
Liquidity	2,500,000	2,500,000	2,500,000
Undesignated	640,127	89,536	515,803
	<u>8,140,127</u>	<u>7,589,536</u>	<u>8,015,803</u>
Fund Balance	15,095,127	14,634,536	15,060,803
Less Amounts to be Used 2000-2001 Equipment Management Fund Transfer	500,000	-	-
Fund Balance Available	<u>\$ 14,595,127</u>	<u>\$ 14,634,536</u>	<u>\$ 15,060,803</u>

GENERAL FUND REVENUE BY SOURCE

	1999-2000 ESTIMATED BUDGET	2000-2001 PROPOSED BUDGET	2000-2001 RECOMMENDED BUDGET
TAXES			
PROPERTY TAXES	\$ 14,250,000	\$ 13,627,000	\$ 14,962,000
SALES TAXES	27,900,000	28,064,000	29,016,000
BUSINESS TAX	1,500,000	1,500,000	1,500,000
REAL PROPERTY TRANSFER TAX	3,500,000	2,900,000	3,741,000
TRANSIENT OCCUPANCY TAX	1,200,000	1,200,000	1,200,000
SUPPLEMENTAL IMPROVEMENT TAX	1,700,000	3,200,000	2,000,000
EMERGENCY FACILITIES TAX	1,600,000	1,600,000	1,600,000
SUBTOTAL	51,650,000	52,091,000	54,019,000
FRANCHISES			
OAKLAND SCAVENGER	1,709,600	1,650,000	1,709,600
CABLE TV FRANCHISE	731,250	650,000	731,000
PG& E	731,900	690,000	731,000
WATER & SEWER FUND FRANCHISE	1,260,000	1,200,000	1,300,000
METRICOM	6,000	6,000	6,000
SUBTOTAL	4,438,750	4,196,000	4,477,600
LICENSES & PERMITS			
CONSTRUCTION PERMITS	1,754,000	1,600,000	1,368,000
HAZARDOUS PERMITS	370,000	370,000	370,000
OTHER	272,050	275,050	275,050
SUBTOTAL	2,396,050	2,245,050	2,013,050
INTEREST & RENTS			
INTEREST EARNED	474,000	457,000	457,000
SUBTOTAL	474,000	457,000	457,000
FINES & FORFEITURES			
LIBRARY FINES & FEES	60,000	60,000	60,000
OTHER	720,000	400,000	400,000
SUBTOTAL	780,000	460,000	460,000

GENERAL FUND REVENUE BY SOURCE

	1999-2000 ESTIMATED BUDGET	2000-2001 PROPOSED BUDGET	2000-2001 RECOMMENDED BUDGET
FROM OTHER AGENCIES			
MOTOR VEHICLE IN-LIEU	6,175,000	5,410,590	6,022,715
POST REIMBURSEMENT	60,000	60,000	60,000
GRANTS	753,816	508,816	315,983
OTHER	966,856	1,382,188	1,987,488
SUBTOTAL	7,955,672	7,361,594	8,386,186
FEES & SERVICE CHARGES			
POLICE CHARGES	516,440	531,920	531,920
PLAN CHECKING FEES	497,200	497,200	605,293
FIRE SERVICE FEES	145,000	145,000	145,000
WEED ABATEMENT COLLECTIONS	175,000	175,000	175,000
RENTAL UNIT ORDINANCE	42,900	42,900	42,900
APT. HOUSE INSPECTIONS	178,000	178,000	178,000
OTHER	322,164	325,200	255,200
SUBTOTAL	1,876,704	1,895,220	1,933,313
OTHER REVENUE			
WORKERS COMP. INS. FUND	600,000	618,000	618,000
OTHER	1,858,466	1,762,387	1,561,239
SUBTOTAL	2,458,466	2,380,387	2,179,239
TOTAL	\$ 72,029,642	\$ 71,086,251	\$ 73,925,388

SUMMARY OF 2000-2001 MAJOR BUDGET ADJUSTMENTS

GENERAL FUND

□ Employee Services Category:

Addition of one Permit Technician to staff the Permit Center.

This position is added for one year to address the increased demand for services related to development activity and to support the implementation of the new permit processing computer tracking system. The cost of this position, with benefits, is approximately \$74,000 per year. Related development revenue should offset most of, if not all of this cost.

Addition of Three Animal Care Attendants.

Three new Animal Attendant positions are being requested for the Animal Shelter. The City recently entered into a contract to provide animal shelter services to the City of San Leandro. Revenues from this contract will fund two of the new positions. The third new position will be funded from grant revenues and the deletion of a ½ time Police Records Clerk. As a result of the City of San Leandro contract, grant funding and the position reduction, there will be no net additional cost to the General Fund for the new positions.

Addition of Administrative Analyst Position/Deletion of Purchasing Assistant Position.

An Administrative Analyst position is requested for the Finance and Internal Services Department. This new position will support the Building Management and Finance and Administration divisions, including the Budget function. In addition, the Department is recommending the deletion of a Purchasing Assistant position as the result of reorganization. The net result of these recommendations is no net additional cost to the General Fund.

□ Capital Expense

Self-Contained Breathing Apparatus.

Staff is recommending that this category be increased by \$130,000. The additional funding will be used to purchase self-contained breathing apparatus for the Fire Department. This equipment was scheduled for replacement over a three-year period. However, by augmenting funds already budgeted staff will be able to realize cost savings and replace equipment that has reached the end of its useful life.

OTHER FUNDS

□ **Water and Wastewater (sewer) Funds Master Plan Updates**

In reviewing the Five-Year Capital Improvement Program Budget for this year staff noted that two master plan updates were budgeted. One of the updates is for the Water Fund and the other is for the Wastewater Fund. Staff believes the updates should be budgeted in the respective operating budgets rather than the CIP Budget. Consequently, staff is recommending that the studies be removed from the Five-Year CIP and budgeted for in the operating funds. The Five Year CIP which was reviewed by Council at the May 23, 2000 Work Session reflects this change. The cost associated with the Water Fund study is \$90,000 and for the Wastewater Fund study \$165,000.

**CITY OF HAYWARD
MASTER FEE SCHEDULE INFORMATION—2000-2001**

ATTACHMENT C

The recommendations contained in this document have been developed pursuant to applicable Government Codes and the City's fee recovery policy. For ease of reference, the Summary of Proposed Changes, which follows, summarizes the proposed changes to the Master Fee Schedule.

With respect to the Summary of Proposed Changes, the Current Fee column of the schedule represents the amount adopted by Council. The Proposed Fee column is staff's recommendation. The Cost Recovery column is the total of direct and indirect costs of providing the service. The Other Agencies Column is an average of what the City of Oakland, City of San Leandro and City of Berkeley charge for a similar service.

Assessment District Fees. There are three fees that the City charges to assessment districts for administration services performed by the City. The Master Fee Schedule provides for an adjustment of these fees annually to reflect changes in the San Francisco Bay Area Consumer Price Index. The change for this year is 4.2%. The Summary of Proposed Changes, which follows, indicates the recommended changes.

Planning Inspection Fees. Currently, the City does not charge an inspection fee to recover costs associated with the on-site inspection of landscaping and irrigation installed in conjunction with an approved development project. The recommended new fees will provide for the recovery of these inspection costs and are noted in the Summary of Proposed Changes. Staff estimates that the proposed new fees, if adopted, will generate revenue of approximately \$26,000 per year.

SUMMARY OF PROPOSED CHANGES

Fee Description:	Current Fee:	Proposed Fee:	Cost Recovery:	Other Agencies
Assessment District Fees:				
Establishment Fee	\$2,420.00	\$2,522.00	N/A	N/A
Administration Fee	\$2,303.00	\$2,400.00	N/A	N/A
Bond Call Fee	\$ 232.00	\$ 242.00	N/A	N/A
Planning Inspection Fee:				
Residential Subdivisions and Multi-Family Development	New	\$ 162.00	\$ 162.00	\$85.00 per hour
Commercial/Industrial Development	New	\$ 108.00	\$ 108.00	\$85.00 per hour
Hillside Single-Family Dwellings	New	\$ 54.00	\$ 54.00	\$125.00
Miscellaneous	New	\$ 54.00	\$ 54.00	Various
Re-inspection	New	\$ 54.00	\$ 54.00	\$85.00 per hour

A complete copy of the current Master Fee Schedule is on file in the City Clerk's Office. The current Master Fee Schedule has all changes adopted by the Council during the current fiscal year, including cost of living adjustments to certain fees provided for by earlier Council action.



CITY OF
HAYWARD
 HEART OF THE BAY

April 27, 2000

Honorable Mayor and City Council:

This letter serves to transmit the Five-Year Capital Improvement Program (CIP) for your consideration. The City Council will review this document during a work session in late May 2000. Beforehand, both the Planning Commission and Council CIP Committee will have reviewed the document and developed their comments for your consideration.

As in previous years, it is suggested that in reviewing the document an overview of the program changes can best be gained by scanning the project changes and modifications section beginning on page 9. To get an overview by project categories, the expenditure summary and capital projects by category list, beginning on page 19, would be helpful. For a more detailed review, including project justifications, please refer to the project description and expenditures forms.

As an older and increasingly urban City, it comes as no surprise that Hayward has many challenges before it with regard to the condition of our public facilities, roads and sidewalks, as well as our public utilities. Obviously, the City's ability to attend to such facilities is dependent on the receipt and availability of sufficient revenues for these purposes. As you will observe during your review of this document, funds of a restricted and unrestricted nature are proposed to be earmarked to address many of the aforementioned needs. With regard to the unrestricted funds, the principal source of income is a transfer of funds from the general fund. Moreover, the ability to earmark general fund dollars is largely predicated on a healthy economy. Because the local economy has been and appears to continue to be healthy, this document reflects significant general fund transfers.

I wish to draw your attention to a few projects reflected in this budget that are made possible as a result of general fund transfers. In 2000-01, new projects are included to remodel the Police Station Entrance and to relocate the Communications Center to a more appropriate part of the existing building. As noted last year, funds are included in the first and second year of this budget to complete the Emergency Operations Center on the second floor of the utilities building on Soto Road. Also as noted last year, the design of the Weekes Branch Library project is now underway with construction funding included in 2000-01. In support of citywide landscaping efforts, a new annual project is added to provide replacement trees and shrubs for our landscaped medians and a project has been added to bring our older irrigation systems up to code.

For the second consecutive year, the City has been successful in its submissions for TEA-21 grant funding, receiving another \$1.5 million for new projects in the Street System Improvements Fund, including Arterial Pavement Rehabilitation, Phase II. In addition, Hazard Elimination Safety Grant funding will allow the City to install additional traffic preemption devices identified by the Fire Department.

OFFICE OF THE CITY MANAGER

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As in the last two year's CIPs, this draft budget again makes the conservative assumption that the voters do not approve continuation of Measure B. The funding impact of Measure B not being reauthorized would amount to the absence of almost \$400,000 in 2001-02, and almost \$1,600,000 per year in 2002-03 and 2003-04. Without some other funding source for street rehabilitation, the City's street system will deteriorate significantly in the years beyond 2003-04.

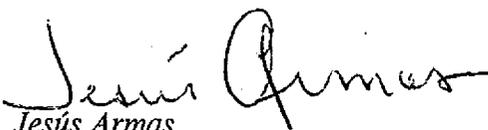
This five-year budget does assume continued revenue and transfers from the Route 238 Trust Fund in order to fund an annual sidewalk rehabilitation project. However, as requested by Council, staff is evaluating how to restructure the present program to eliminate the lottery system with its very high administration cost and to achieve a more comprehensive program that uses available funding more effectively. Details of the revised program will be discussed with Council prior to initiation of the next contract.

The ongoing Airport Master Planning effort has identified a number of capital projects necessary to meet future Airport demand. For planning purposes these projects have been included in later years of the CIP. These include projects such as runway paving and hangar construction, which are part of a new proposed Skywest Aeropark and preparations for new Executive Hangars. The Airport Master Plan, which has been reviewed by the Council's Airport Committee during its preparation, will be reviewed by the Council later this year.

A continuing area of concern raised by the Council during recent budget reviews relates to improvements to the City's public infrastructure. This is addressed through continued funding for major sewer and water system projects which were identified in the 1995 Sewer and Water Master Plans and Seismic Study. In order to finance these necessary repairs and improvements, the budget assumes a continuation in the rate of new development and resulting sewer connection charges and water facility fees. In the Water System Capital Improvement Fund, a total of \$3,200,000 in planned borrowing in 2000-01, and \$3,232,000 in borrowing in 2001-02 are necessary to finance the recently awarded 5.3 MG South Walpert Street Pump Station and 18" Transmission Main as well as the Hesperian Booster Pump Station. These projects are necessary to insure sufficient water pressure throughout the City water system as the City continues to develop. The two new pumping stations are important projects to meet future demand, and to continue infrastructure support of the City's economic development activities. In the Sewer System funds, significant new projects include a Second Fixed Film Reactor and a two-phased project to enclose the Chlorine Contact Channels at the Water Pollution Control Facility. Both of these projects are necessary in order to meet our present and future discharge requirements.

Finally, attached to this letter is a summary of the key assumptions (Attachment A) that were used in preparing the Five-Year CIP. The staff and I look forward to discussing projects and issues embodied in this capital plan.

Respectfully submitted,


Jesús Armas
City Manager

ATTACHMENT A

2000-2001 Five-Year Capital Improvement Program Working Assumptions

1. *Interest Rates:* *Rate of return on existing fund balances - 5.5% per year.
Projected interest rate on City borrowing, based on current market
information - 6.2% per year.*
2. *Construction Inflation Rate: 4% per year.*
3. *Measure B sales tax revenues available for City street maintenance projects have continued to increase as the overall economy has expanded. Anticipated revenue for the current year is \$788,000. Based on projections provided by the Alameda County Transportation Authority, \$820,000 is assumed in 2000-01, and \$640,000 through April 2002, when Measure B expires. Revenue projections for 2001-02 and beyond again assume no reauthorization of Measure B. This has a significant impact since, if Measure B is reauthorized, revenues are projected at \$1,600,000 per year in 2002-03 through 2004-05.*
4. *With the assumed absence of Measure B funds, there will be no Measure B funded pavement rehabilitation work in 2003-04 or 2004-05.*
5. *Monies received from Gas Tax have been escalated at about 1.5 percent per year through 2004-05, and transfers to the General Fund from the Gas Tax Fund to support eligible expenditures have been projected to increase at one percent per year.*
6. *Monies received from Proposition 111 (Gas Tax) have been escalated at 2 percent per year through 2004-05, based on historic results.*
7. *To fund various projects in the Capital Improvement Fund, General Fund transfers totaling \$1,540,000 are assumed over the next two years. Future transfers in the five-year program will be determined in two year blocks as part of the General Fund two-year budget cycle.*
8. *Although not shown as a specific project since PG&E will do the work, use of an estimated \$6,000,000 in Rule 20A monies allotted to the City will allow for completion of the undergrounding of utilities on Mission Boulevard from Sycamore Avenue to Arrowhead Way. Based on Rule 20A allocations to date, it is projected that this will use our allocation through the year 2002.*
9. *To partially offset operating costs for street maintenance and other eligible costs, transfer of Gas Tax Fund monies to the General Fund are assumed in the amount of \$1,214,000 in 2000-01, and increasing at one percent per year to \$1,264,000 in 2004-05.*
10. *To continue the Sidewalk Rehabilitation Program, transfers of \$240,000 in 2003-04 and 2004-05 are assumed from the Route 238 Trust Fund.*

Assumptions 2000-2001 (continued)

11. *The scheduled payback of the \$1,232,000 loan made by the Water Capital Improvement Fund to finance the preliminary design of the Industrial Assessment District (IAD) is assumed to occur in 2001-02. The repayment will be made by additional borrowing consolidated with other financing for the Hesperian Pump Station Project. Debt service on this additional borrowing will be an obligation of the General Fund.*
12. *Continuation of the \$350,000 per year transfer from the General Fund to the Transportation System Improvement Fund in 2000-01 through 2004-05 will provide funding for transportation projects. An additional \$150,000 will be transferred in 2000-01 in order to construct the Hesperian/Longwood Traffic Signal. Of course, construction of this signal is contingent on the Home Depot project moving forward.*
13. *An annual transfer of \$320,000 from the General Fund to the Street Lighting Fund based on savings from the purchase of the streetlight system is assumed to continue. The transfer will fund debt service through the year 2008, and fund the continuing need to purchase new and replacement lights when required for safety and security.*
14. *Planned transfers from the sewer and water operating funds to the capital funds allow critical capital projects identified in the Sewer and Water System Master Plans plus the Water and Sewer Seismic Study to be accomplished.*
15. *Short term (3-year payback) funding for needed water capital improvement projects is also generated by proposed interfund borrowing from the Water Maintenance and Operations Fund to the Water System Capital Improvement Fund.*
16. *Funding for Airport Capital Improvement Projects identified in the draft Airport Master Plan is provided by a \$1,500,000 increase in transfers from the Airport Operation Fund over last year's Five Year Program.*
17. *The Program reflects expected cash flow in future program years and Council appropriations carried forward in the current year.*

YEAR 2000 SIGNAL PRIORITY LIST, DATE PREPARED: 04/10/00, BY : ABUL HOSSAIN

RANK	INTERSECTION		99 PRI	NOTE	DIST	A LEG BOTH	B LEG ONE	SPEED A LEG	WAR MET	VOL PTS	ACC 1998	ACC 1997	ACC PTS	PED PTS	CORD PTS	TOTAL PTS
	A LEG	B LEG														
1	MISSION	HANCOCK	NA	A,C,D	1100	44918	1136	40	B	51.03	3	1	12	25	8	96.03
2	MISSION	ROUSSEAU	NA	C,B	750	35193	1481	40	B	52.12	1	4	15	15	4	86.12
3	W. TENNYSON	OLIVER	8	A,E,L	1200	12061	2156	35	A,B	41.61	1	0	3	25	9	78.61
4	HESPERIAN	OLIVER	NA		1490	23688	1664	35	B	39.42	0	1	3	25	11	78.42
5	HESPERIAN	CATALPA/TAHOE	6	F	1300	21477	2063	35	A,B	44.31	2	1	9	15	10	78.31
6	MISSION	BERRY	5	C	1280	41784	967	40	B	40.41	1	1	6	15	9	70.41
7	HUNTWOOD	SCHAFFER	NA	K	2700	6001	1315	30	E	14.20	1	1	6	25	23	68.20
8	HESPERIAN	CHABOT	12		500	33478	1326	35	B	44.39	1	1	6	5	2	57.39
9	W. WINTON	ALEXANDER/MACK	16		1900	21646	1218	35	B	26.36	1	2	9	5	16	56.36
10	INDUSTRIAL	TAYLOR	NA		1100	28016	1410	45	B	39.50	0	1	3	5	8	55.50
11	TENNYSON	HARVEY	11		400	26180	1354	25	B	35.45	1	0	3	15	1	54.45
12	SECOND	WALPERT	27	J,G	1200	11240	985	35	B	11.07	3	0	9	25	9	54.07
13	HARDER	BISHOP	14		200	24707	1086	35	B	26.83	0	2	6	15	0	47.83
14	INDUSTRIAL	HOPKINS	9		600	16547	1757	45	A,B	29.07	0	1	3	5	3	40.07
15	TENNYSON RD	PACIFIC AVE	NA		410	24521	1123	35	B	27.54	2	0	6	5	1	39.54
16	SECOND	CAMPUS	19	C	3200	6675	4762	25	X	63.57	0	0	0	5	23	91.57
17	MISSION	LAFAYETTE	7	C,I	3500	34551	1180	40	X	40.77	2	1	9	5	23	77.77
18	RULS	FOLSOM	NA		2400	6815	2408	25	X	32.82	1	0	3	15	21	71.82
19	MISSION	BLANCHE	NA	K,C	2000	31530	833	40	X	26.26	0	2	6	15	17	64.26
20	HESPERIAN	LONGWOOD/SKYWEST	20	A,F	2100	36625	756	35	X	27.69	1	0	3	15	18	63.69
21	SECOND	RUSSELL	18		350	10204	1685	25	X	24.07	1	2	9	25	0	58.07
22	HUNTWOOD	ZEPHYR	22		2000	8977	1311	30	X	16.48	3	0	9	15	17	57.48
23	W. WINTON	MOBILE HOME DWY	NA		750	43201	377	35	X	16.29	4	3	21	15	4	56.29
24	"D"	FIFTH	NA		1800	9577	1079	25	X	10.33	0	1	3	25	15	53.33
25	TENNYSON	DICKENS	15		500	32770	857	35	X	28.08	2	0	6	15	2	51.08
26	GRAND	MEEK	23		700	4710	1827	35	X	17.21	0	1	3	25	4	49.21
27	"B"	SIXTH	29		1100	17992	610	25	X	10.98	0	0	0	25	8	43.98
28	"B"	MONTGOMERY	26	H	400	6223	1165	25	X	11.60	1	0	3	25	1	40.60
29	HESPERIAN	MARIN	28		2200	36625	316	35	X	11.57	0	0	0	5	19	35.57
30	SANTA CLARA	OCIE	24		800	11120	763	25	X	8.48	1	0	3	15	5	31.48
31	HUNTWOOD	N.E.V./OLYMPIC	25		930	10945	275	25	X	3.01	1	0	3	15	6	27.01
32	HAYWARD	PARKSIDE	30		900	4768	120	35	X	0.57	0	1	3	5	6	14.57

TO BE INSTALLED:

- HESPERIAN @ ALDENGATE (CONSTRUCTION NEARING COMPLETION)
- CLAWITER @ BREAKWATER (DESIGN CONTRACT AWARDED, SPLIT COST W/CALTRANS)
- HAYWARD @ CIVIC (TO BE CONSTRUCTED W/WALPERT RIDGE DEVELOPMENT) NOTE G
- MISSION @ GARIN (TO BE CONSTRUCTED W/MISSION BL SPOT WIDENING PROJECT)
- MISSION @ LA VISTA QUARRY DWY (TO BE CONSTRUCTED BY DE SILVA GROUP)
- HUNTWOOD @ SANDOVAL (TO BE CONSTRUCTED WITH CORRIDOR MGMT GRANT)
- WHIPPLE @ WIEGMAN (TO BE CONSTRUCTED WITH CORRIDOR MGMT GRANT)
- CLAWITER @ NATIONAL (TO BE CONSTRUCTED WITH CORRIDOR MGMT GRANT)
- CLAWITER @ AMERICAN (TO BE CONSTRUCTED WITH CORRIDOR MGMT GRANT)
- CLAWITER @ WEST (TO BE CONSTRUCTED WITH CORRIDOR MGMT GRANT)
- HESPERIAN @ SUEIRO (TO BE CONSTRUCTED BY HOME DEPOT)

INSTALLED SINCE 1999 LIST:

- INDUSTRIAL PKWY @ DIXON (CONSTRUCTED WITH THE TWIN BRIDGES DEVELOPMENT)
- MISSION @ ARROWHEAD (CONSTRUCTED WITH THE TWIN BRIDGES DEVELOPMENT)
- "B" @ 7TH (CONSTRUCTED WITH THE "B" STREET REHAB. PROJECT)

WARRANT:

- A: WARRANT NO. 1 - MINIMUM VEHICULAR VOLUME
- B: WARRANT NO. 2 - INTERRUPTION OF CONTINUOUS TRAFFIC
- C: WARRANT NO. 3 - ACCIDENT EXPERIENCE
- D: WARRANT NO. 4 - COMBINATION OF WARRANTS
- E: WARRANT NO. 5 - SCHOOL PROTECTION WARRANTS
- X: DOES NOT MEET WARRANTS FOR SIGNAL INSTALLATION

NOTES: NOTES:

- A: PROGRAMMED IN FY 00/01
- B: PROGRAMMED IN FY 03/04
- C: POSSIBLE PARTICIPATION BY OTHER AGENCY
- D: POSSIBLE DEVELOPER PARTICIPATION
- E: PROPOSED IN GLEN EDEN N.P.
- F: PROPOSED IN LONGWOOD/WINTON-GROVE N.P.
- G: PROPOSED IN MISSION-FOOTHILLS N.P.
- H: PROPOSED IN NORTH HAYWARD N.P.
- I: PROPOSED IN FAIRWAY PARK N.P.
- J: SCHOOL FLASHING BEACON INSTALLED AS INTERIM
- K: PROPOSED FOR FUNDING UNDER 'SAFE ROUTES TO SCHOOLS' PROGRAM
- L: HAZARD ELIMINATION SAFETY FUNDED

**CITY OF HAYWARD
2000-01 GANN APPROPRIATION LIMIT**

As the result of calculations performed based on applicable state law and the recommended 2000-01 operating and capital budgets for the City of Hayward, the City's 2000-01 Gann Appropriation Limit is

\$147,187,717

The appropriations subject to the Gann Limit total

\$54,866,298

For 2000-01, the City of Hayward is thus under the Gann Appropriation Limit by

\$92,321,419

The material documenting the manner in which the Appropriation Limit was calculated is available from the Director of Finance and Internal Services.