



CITY OF
HAYWARD
HEART OF THE BAY

May 22, 2009

Honorable Mayor and City Council:

I am presenting modifications to the second year of a two-year budget. The budget you approved last year continues to represent major changes in the organization's structure, financial planning, and how we align resources for service delivery to our community.

This year has presented unique challenges, requiring us to continually revise and update our approach to achieving ongoing financial stability for the organization. This has been accomplished by focusing intensely on the health of our local economy and the impacts of a severe state and national recession that have rippled through every sector of our economy.

ORGANIZATIONAL CHANGE: A NEW WAY OF DOING BUSINESS

This budget document incorporates the organizational changes implemented last year and also includes additional significant changes, consistent with City Council priorities:

- The budget brings a focus on outcomes, including specific matrices that relate departmental outcomes to Council priorities and initiatives. This budget serves as a policy document that articulates objectives and expected outcomes from meeting those objectives, rather than focusing on spending. Service delivery outcomes have been updated for FY 2010.
- Departmental reorganizations are reflected within the budget structure. Key service delivery program areas have been realigned to more effectively deliver service to the community. The changes implemented last year include the shift of various programs to form the Department of Maintenance Services, the Department of Library & Neighborhood Services, and the Department of Technology Services, which has become a stand-alone department rather than being under the City Manager's Office.
- During the past year, we also restructured the Community and Economic Development Department by creating a much more focused Department of Development Services, comprised of planning and building services. The Redevelopment Agency, Housing, and Economic Development programs are all now assigned to the City Manager's Office.
- Internal service funds are included along with their commensurate charges for service back to the operating departments in order to identify the true costs of providing services. This will aid in our continuing efforts to identify service provision costs and more

effectively manage these costs. Our internal charging structure continues to be refined in this updated budget.

INITIATIVES IMPLEMENTED DESPITE ECONOMIC CHALLENGES

In January 2009, the City Council renewed their commitment to the Council Priorities developed last year, which include:

- ❖ Crime and Public Safety
- ❖ Community Cleanliness
- ❖ Organizational Health
- ❖ Land Use and Sustainability
- ❖ Fiscal Stability

The budget describes how each department will support these Council Priorities and lists the services delivery outcomes that are scheduled in FY 2010 work plans. During the current year significant progress has been made on the Council Priorities. Accomplishments during the current year, are outlined in the FY 2009 Departmental Performance for each area of City services. Departmental Management Achievement Plans (MAPS) are directly aligned to Council's priorities to focus our limited resources.

Some of the City-wide accomplishments include the implementation of the three initiatives introduced last year: the Neighborhood Services Initiative, the Fiscal Stability Initiative, and the Organizational Change Initiative. Each initiative outlines six to eight elements or objectives describing action plans for each initiative. These initiatives have helped the organization prepare for and manage the future to avoid the "crisis-reaction-crisis" syndrome. These initiatives articulate and activate Council's vision in a strategic manner. The Council Priorities and Initiatives are located in the budget document directly after the Table of Contents.

FISCAL STABILITY INITIATIVE

As part of the Fiscal Stability Initiative, the following financial management tools were implemented to strengthen the City's ability to manage the current economic crisis, and to better anticipate and absorb or "flatten" the negative effects of future economic fluctuations:

- Began long-range, 10-year financial planning. [*Element 2*]
- Provided a budget that does not rely on the use of designated reserves, but rather begins to systematically develop and sustain these reserves at levels in line with Council policy and in response to City obligations. [*Element 1*]
- Established internal service funds to operate and maintain internal operations, including vehicles, buildings, and technology. [*Element 3*]
- Established an integrated Ten-Year Capital Improvement Program (CIP) beginning in FY 2010 that is presented with the overall City budget, and which includes projected operating costs that are included in the Ten-Year Financial Plans approved by Council. [*Element 4*]
- Completed a comprehensive fee study to reach Council's 100% cost recovery policy for non-general services. [*Element 6*]

City Reserves: The Fiscal Stability Initiative includes the adoption of critical fiscal policies that were approved by Council last June. These policies include criteria for achieving a balanced budget each year and setting goals for strengthening the City's reserves for unforeseen circumstances, capital replacements, and long-term liabilities. Staff has focused on reserve preservation during the past eighteen months.

Economic Development: Due to the negative impact of the economy on our ability to deliver services to the community, it is critical that the organization continue to look for opportunities to expand our industrial, retail, and commercial economic bases. To further this effort, an Economic Development Manager is starting in June to focus our Economic Development efforts, revisit our Economic Development Strategic Plan, work on Hayward's "branding" efforts, develop a "Buy Hayward First" program, and serve as an ombudsman for business applicants within our development process to expedite and facilitate commercial applications that support our business community. The Economic Development Manager will report directly to the City Manager to provide direct leadership, accountability, and priority on Economic Development programming.

In addition, we are in the process of conducting a process analysis audit of our current planning and building permit/development review process. Having a predictable, reliable, and efficient process will help those who want to do business in Hayward do so as smoothly and timely as possible. Our "open for business" sign needs to be polished up and displayed proudly. Improving the reception prospective businesses receive from the City is a key element of building such a reputation.

ORGANIZATIONAL CHANGE INITIATIVE

As part of the Organizational Change Initiative, the following actions were taken to increase the health of the organization, and to take us to a new level in creating a culture of effectiveness and efficiency, crucial to our ability to serve the community and maximize resources.

- Further departmental reorganizations were implemented including transitioning the Community and Economic Development Department to Development Services (Planning, and Building) with Redevelopment Agency and Economic Development moving to the City Manager's Office. These changes bring greater focus to certain services and enhance our service delivery as well as efficiency. *[Element 4]*
- Accountability was strengthened through implementation of the Management Achieving Performance (MAPS) system, aligning management's goals directly to Council priorities. *[Element 3]*
- The Innovations Task Force evaluated over 300 suggestions/ideas from employees and implemented many of them to save dollars and validate employee contributions to our improvement culture. *[Element 2]*
- Two additional task forces will be launched in FY 2010 to continue change efforts and highlight our commitment to improving customer service. *[Elements 1 & 5]*
- Employee evaluations are emphasized and various personnel policies will continue to be reviewed and updated. *[Element 6]*

- The budget document outlines service delivery outcomes consistent with Council priorities. Further development of performance measures to be pursued with FY 2011 budget process. *[Element 7]*

As mentioned previously, staff embarked on implementing the organizational change initiative, which included several departmental reorganizations over the past year, to facilitate needed change to the organization's culture. The organization still has work to do internally before we can provide superior services to our external customers in a manner consistent with community expectations and standards. We have been shifting the focus of the organization to be able to respond to our changing demands for service; for example, implementation of a Citywide constituent response management system (CRM) to better capture, track, and respond to requests of community members.

We also identified the need to increase accountability within the organization. The Management Achieving Performance System (MAPS) has been implemented for all department heads and managers. This performance planning and evaluation system is designed to link departmental goals to Council's priorities and initiatives, as well as link interdepartmental efforts to further outcomes.

Employee task forces, similar to the Innovations Task Force that is already underway, will work on developing an organization Mission, Ambitions, and Values statement. Another task force will focus on Customer Service to redefine our views on who our customers are and how we can serve them better. Our goal is to launch these task forces in FY 2010.

NEIGHBORHOOD SERVICES INITIATIVE

In support of the Neighborhood Services Initiative, a number of elements have been implemented or are in process. Unfortunately, a number of goals have been put on hold due to budget issues, but as resources become available, we will work toward implementation.

- The reorganization of code enforcement and social services to the new Department of Library and Neighborhood Services has proven very successful. Due to the departure of the Department Director, a temporary reorganization has been put into place, shifting code enforcement to Maintenance Services and neighborhood programs to the City Manager's Office. The establishment of the Maintenance Services Department has proven very effective in meeting our aggressive clean up goals. *[Element 1]*
- Council adopted a more integrated approach to code enforcement through a consolidate ordinance and strengthened administrative citation process. *[Element 2]*
- The City Attorney's Office has been an active partner in taking a much more aggressive stance on abatement and other quality of life issues for our residents. *[Element 3]*
- The Neighborhood Partnership Program has taken its first steps toward a standardized model. Staff will be completing soon a strategic plan for our NPP that will outline program expectations. *[Element 6]*
- The Police Department Strategic Plan was adopted by Council and District Policing was introduced with the opening of Northern and Southern district offices. *[Future Element]*

We have made some significant progress in connecting with our customers, particularly in our neighborhoods, but more, much more, needs to be done in this area. Even while we face significant financial challenges in our General Fund, we must find ways to provide resources to strengthen our neighborhood services programming. This focus will move the community much faster in its efforts to improve livability, making Hayward more attractive for the private investment required to strengthen our local economy.

Associated with neighborhood livability, are our efforts to improve the physical appearance of neighborhoods and commercial corridors: if it looks like nobody cares, nobody will, and conditions quickly decline. An area that is cared for is less apt to deteriorate and tends to attract investment. We need to be facilitators at one end of the spectrum in helping those who will partner with us and enforcers on the other end of the spectrum when voluntary compliance fails.

Improved Neighborhood Response: The new Maintenance Services, and Library and Neighborhood Services structure, identified above will assist the organization to better respond to neighborhood concerns related to quality of life issues e.g., cleanliness, landscaping, repaired streets and sidewalks, traffic mitigation, and to public safety concerns. We have had to put ambitious plans to expand our programming aside due to financial constraints. However, when resources do become available, we hope to increase code enforcement activities, with emphasis on neighborhoods and critical corridors within the City.

Consistent with Council's priorities related to neighborhoods and cleanliness, we had originally planned to build a new team dedicated to commercial corridors. This, too, has been put on hold due to our fiscal condition.

The Hayward Police Department strategic plan, adopted by Council this past year, brings a more community oriented approach to policing, with an emphasis on improved presence in the neighborhoods and a geographic orientation toward service delivery. This will improve connections between the department and residents, as well as increase accountability among staff. A specific program to address chronic "problem properties" within the community has been developed; Synchronized, Multi-Agency, Safe Housing, (SMASH) and will receive continuous support organization-wide for more sustainable impact.

Establishing Neighborhood Partnerships: Neighborhood partnerships have been forged to varying degrees with Fairway Park, Schafer Park, Eden Gardens, Mt. Eden/Palma Ceia-West, and other neighborhood areas. We have many other neighborhoods awaiting the same level of attention and interaction. Staff, in concert with the Mayor and Council, has developed the beginnings of a "neighborhood partnership model" to enhance communication with our neighborhoods so that they are active partners in maintaining community livability standards and independence. This will become an even stronger programmatic focus in the next two years. Staff is working on a neighborhood services strategic plan to better identify long-term program elements and resource needs.

Public Art: A program was launched this past year with very limited resources. This has included the implementation of the utility box art program on B Street, storefront art in empty storefronts on B. Street, and mural installation.

Last year, I proposed that the City establish a defined “public art” program to assist in defining and branding the City, and to create additional ambiance and character in the City, starting in the downtown. An allocation of \$90,000 to initiate this program was set aside in the first year from the RDA budget, and will continue into the second year. In the future, staff will also be developing recommendations regarding requirements to include public art in capital and commercial projects to support public art efforts and improve aesthetics in the community.

THE BAD NEWS: ECONOMIC RECESSION CONTINUES

The broader meltdown of the economy over the last nine months due to the credit crisis, softening of the housing market, reassessments of real estate, and reduced consumer confidence has been much broader and deeper than most anyone had predicted. In February 2009, we presented Council with a revised budget picture that decreased our revenue projections by \$7.5 million during the current fiscal year. To address this shortfall, we implemented employee furloughs, additional employee savings measures developed by bargaining units, departmental cost cutting, and transferred certain assets to Utilities Funds. We expect to end the fiscal year with little or no use of reserves, except for the reserve set aside for retirements. This is a significant accomplishment; Council and the organization should be very proud of the fiscal management over the past eighteen months that has preserved our limited \$15 million reserve funds. A complete summary of General Fund revenue, including prior year comparative data is included in the budget on page 39 of the Financial Summary section of the budget. Below are included the most significant revenues.

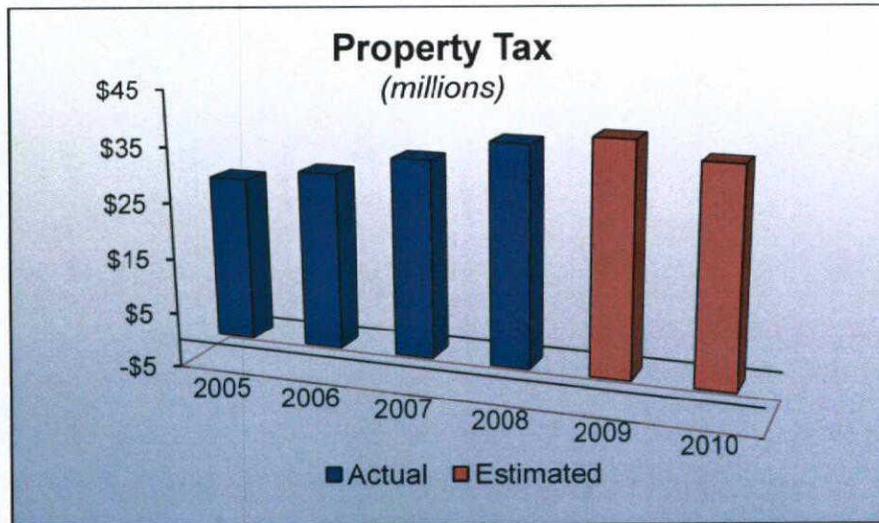
PROJECTED REVENUES FOR FY 2010

Property Tax:

FY 2009 Estimated Actual:	\$40.1 million
FY 2010 Original Projection:	\$42.3 million
FY 2010 Revised Budget:	\$37.2 million
Variance:	↓(\$5.1 million)

Since the adoption of Proposition 13 in 1978, real property has generally been taxed based on its value in 1976 (it’s “base year”) with increases for inflation limited to 2% per year. When a property is sold, transferred, or subjected to most other changes in ownership, the property is reassessed at the sales price recorded through the transaction. Newly constructed property is also assessed at sales price when sold. The value of property that does not change ownership is adjusted upwards each assessment year to reflect inflation as measured by the California Consumer Price Index, but not in excess of 2% annually.

Three major events have affected the valuation of property for property tax purposes in Alameda County: (1) Like many County Assessor’s throughout California, the Alameda County Assessor adjusted the value of over 65,000 homes in the County to reflect their decreased value in this deflated housing market; (2) many commercial properties sought reassessment based on their declining value as well; and (3) as properties entered foreclosure and were resold as a distressed property, the value of that property based on sale price dropped dramatically, thereby also dramatically reducing the resulting property tax for years to come.



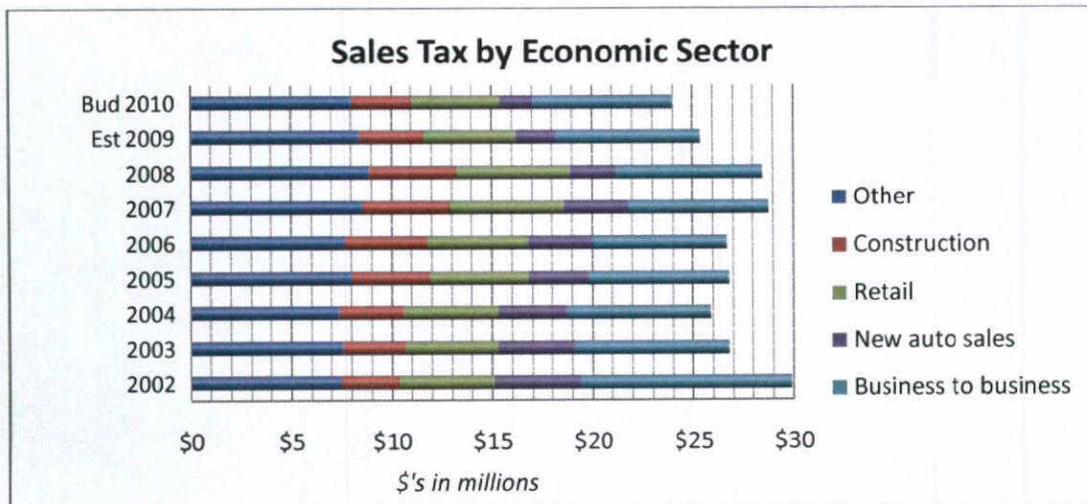
While the assessed value of property in Alameda County dropped precipitously and quickly, it is likely that it will take several years for assessed values to regain much of these losses. It is also unlikely that we will see property values at the same high levels as occurred in the last few years prior to this sharp decline we are now experiencing. Therefore, expecting to return to the previous levels of property tax revenue anytime soon is unrealistic.

Based on these unprecedented declines staff adjusted estimates for property tax revenue for FY 2010 to reflect an expected 5.5% decline from FY 2009. After receiving preliminary news from Alameda County Assessor's Office earlier this month, staff adjusted the FY 2010 projection to reflect a 9% decline in property tax revenues. Property taxes are the greatest source of revenue to the City's General Fund. Historically, property taxes in Hayward have grown at 11% per year.

Sales Tax:

FY 2009 Estimated Actual:	\$25.4 million
FY 2010 Original Budget:	\$29.6 million
FY 2010 Revised Budget:	\$24.0 million
Variance	↓(\$5.6 million)

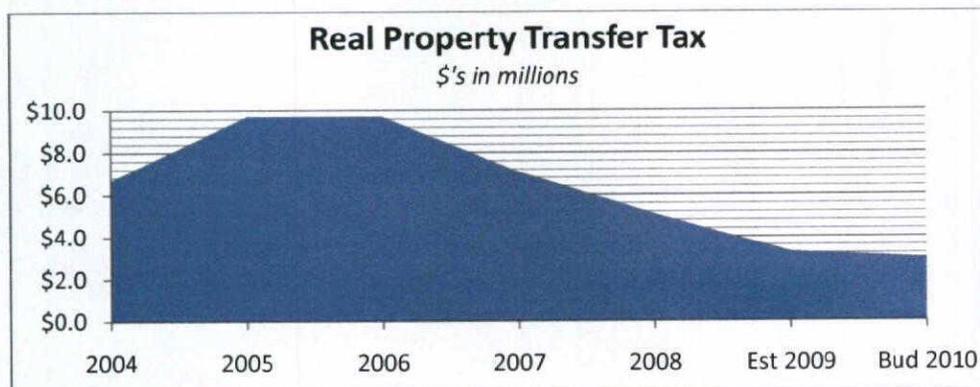
Sales tax comprises about 26% of our General Fund budget and is particularly susceptible to economic downturns such as the current 18-month long recession here in California. Staff's original FY 2009 budget projected no growth in sales tax revenue. However during the current fiscal year, revenues have declined 11% from last year. Based on the consumer confidence and spending outlook, the FY 2010 budget projects an additional decline of 5.5%, which will reduce this revenue by another \$1.4 million.



Real Property Transfer Tax:

FY 2009 Estimated Actual:	\$3.3 million
FY 2010 Original Estimate:	\$5.0 million
FY 2010 Revised Budget:	\$3.0 million
Variance	↓(\$2.0 million)

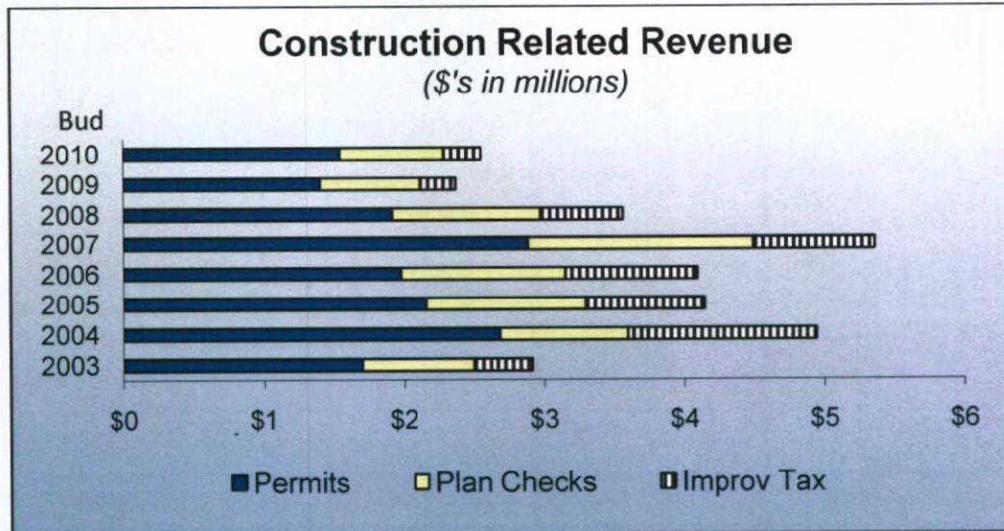
Real Property Transfer Tax (RPTT) is dependent on a healthy real estate market. As such, it has suffered significant decreases over the past two years, and continues to decline from a high of \$9.7 million in FY 2006. At mid-year staff reduced the budget from \$4.8 million to \$3.3 million for the current year, a reduction of \$1.5 million. This revenue source, which was almost 9% of General Fund revenues, now has dropped to about 3% of General Fund revenues. Staff is projecting an additional decline of \$300,000 in FY 2010. This year-over-year decline is not as severe as had originally been projected, but still represents an additional 10% decline in this revenue source. In my view, if and when this revenue stream strengthens again, excess revenues over current levels should be allocated for either capital expenditures (one-time) or for augmenting the City's depleted reserves.



Construction Revenues:

FY 2009 Estimated Actual:	\$2.4 million
FY 2010 Original Budget:	\$3.1 million
FY 2010 Revised Budget:	\$2.5 million
Variance	↓(\$600,000)

Due to decreased construction and development activity, revenue projections for planning and building services for FY 2009 were reduced by \$650,000, or the equivalent of about 22% at mid-year. While the City recently adopted a cost recovery policy which increased fees, most planning applications are for smaller projects, generating much smaller fees. A number of staff reductions that occurred this year were in the Development Services Department to reduce costs in this operation in recognition of the revenue declines. Staff expects to see some minor growth in construction related revenue in FY 2010, but this will be somewhat dependent on the recovery of overall development activities within the City.



Franchise Fees:

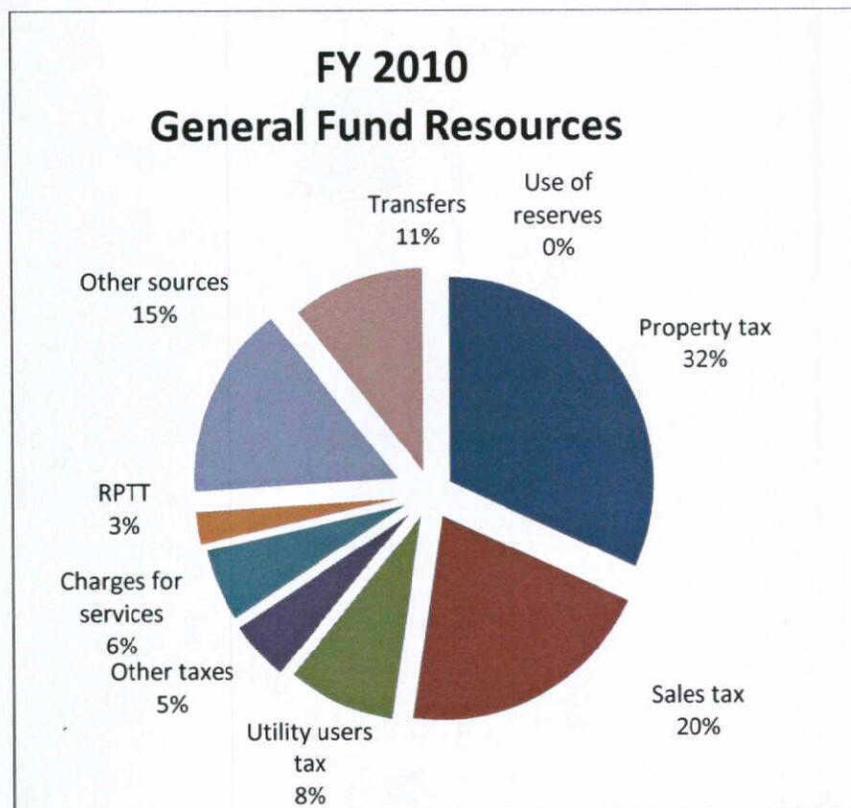
FY 2009 Estimated Actual:	\$8.6 million
FY 2010 Original Budget:	\$9.4 million
FY 2010 Revised Budget:	\$9.1 million
Variance	↓(\$300,000)

Current year revenues from solid waste management franchise fees have declined by almost \$100,000 from last year, due to overall slowdown of business and construction accounts. At mid-year staff reduced the FY 2009 budget projections by \$300,000 because of the loss in revenue from franchising companies, such as Waste Management, which is experiencing the same impacts as other businesses: delinquent payments, lost revenue due to foreclosures, reduction in commercial accounts, and loss of business due to very little construction occurring. However, next year franchise revenue is expected to increase by 6% based on a projected increase of business activity and increased rates on franchise services.

Licenses and User Fees:

FY 2009 Estimated Actual:	\$3.9 million
FY 2010 Original Budget:	\$3.6 million
FY 2010 Revised Budget:	\$4.2 million
Variance	↑\$600,000

In support of Council's adopted fiscal policy related to cost recovery, staff brought forward a set of new fees and fee structure that accurately reflected the costs of various services. This has increased expected revenues in this area and reduced the amounts which the general fund has been subsidizing. Staff is expecting a slight year-over-year increase in FY 2010 revenues consistent with previous recommendations to move to 100% cost recovery for next fiscal year.



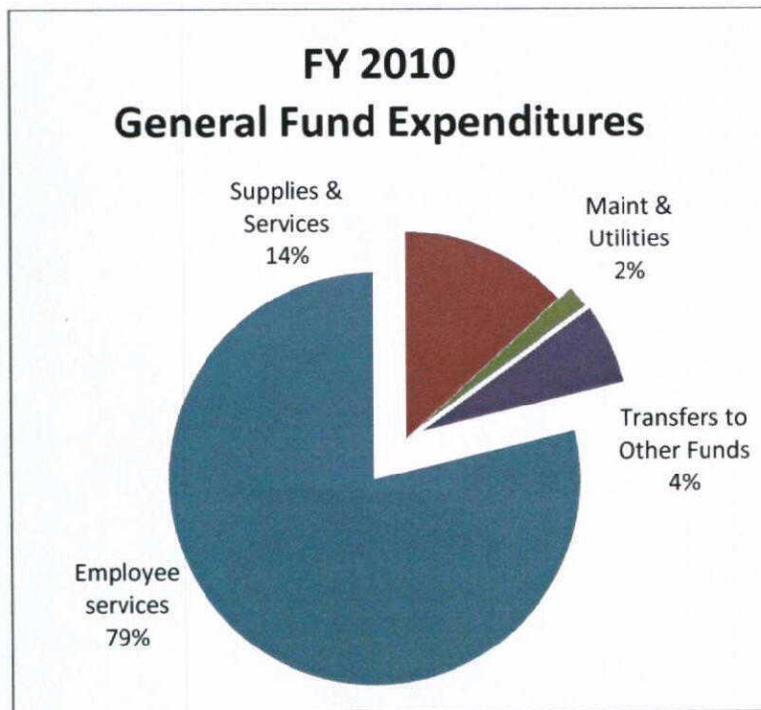
The chart above reflects the components of the \$116.9 million General Fund resources budgeted for FY 2010. Property Tax and Sales Tax are the two major revenues that have been most affected by the economic recession. These two revenues sources making up 52% percent of the total General Fund resources. The total General Fund revenue in the Revised FY 2010 Budget is \$2.6 million less than the original budget presented last year, which also includes \$10 million of new revenue for the recently approved Utility Users Tax.

GENERAL FUND RESOURCES

<i>(\$'s in millions)</i>	FY 2010 Original Budget	FY 2010 Revised Budget	Variance	% of General Fund
Property Tax	\$42.3	\$37.2	(\$5.1)	32%
Sales Tax	\$29.6	\$24.0	(\$5.6)	20%
Real Property Transfer Tax	\$5.0	\$3.0	(\$2.0)	3%
Construction Related Revenue	\$3.1	\$2.5	(\$0.6)	2%
Franchise Fees	\$9.4	\$9.1	(\$0.3)	8%
Licenses and User Fees	\$3.6	\$4.2	\$0.6	4%
All Other Revenue	\$14.1	\$14.5	\$0.4	12%
Sub-total	\$107.1	\$94.5	(\$12.6)	
			(originally projected deficit)	
Voter approved Utility Users Tax	\$0	\$10	\$10	9%
Total Revenue	\$107.1	\$104.5	(\$2.6)	
Transfers from Other Sources	\$12	\$12.4	\$0.4	10%
Total Resources	\$119.1	\$116.9	(\$2.2)	100%

THE CHALLENGES OF FUNDING CITY SERVICES

This is an extraordinary economic time. Continuing to fund the essential services of the City is a priority, but in order to be fiscally responsible, we have cut costs in several areas, which does affect the delivery of services to the community. The majority of the General Fund expenditures are designated for employee services, which is not surprising since the City is a service organization. The chart below reflects the make-up of the General Fund expenditures.



Without the long-range planning and spending cuts that have been implemented over the past two years, the City would have used all its General Fund reserves by the end of coming year. To avoid this unacceptable alternative, the organization has pulled together to meet the challenges. The major cost savings measures that have been implemented are described below:

Employee Savings: City employees rose to the challenge and agreed to cut salary expenses by implementing a two-week holiday furlough over the last two weeks of December 2008. This was the first time the City of Hayward implemented a furlough. It resulted in an estimated savings of \$600,000 in the General Fund and almost \$1 million overall across all funds.

For FY 2010, employee groups again stepped up and agreed to a 104-hour furlough, equivalent to about 5% of payroll, and sworn employees also made one-time concessions in pay that will result in approximately \$5 million savings next fiscal year from what was originally budgeted. This allows us to minimize other operational cuts next year to preserve reserves.

Cost Cutting: Staff has made every effort to anticipate and stay ahead of the severe decline in revenues. To address the most recent declines within the current fiscal year, we took the following immediate actions to further reduce expenditures:

- ✓ Comprehensive review of vehicle and other fleet assignments and equipment related costs.
- ✓ Evaluation of any possible capital equipment or land sales (one-time monies) that could help support the General Fund short-term.
- ✓ Continued restrictions on the purchase of non-mission critical supplies and services.
- ✓ Continued restriction on recruitment and hiring, with City Manager approval required prior to any hiring.

- ✓ Working with all departments to eliminate all non-minimum staffing required overtime.
- ✓ Development of contingency plans for reduced service levels in various departments.
- ✓ Mandatory holiday furloughs were implemented for certain bargaining groups that did not participate in previous concessions.

These savings measures are all in addition to the planned actions outlined at the beginning of the fiscal year, which included:

Employee Contributions: Hayward Fire Department IAFF, Local 1909, the Hayward Police Officer's Association, Fire Management, Police Management, and the unrepresented employees, including City Executives, answered the budget challenge by agreeing to lower future salary adjustments, saving the City \$14 million dollars, over the next four years. These savings will give the organization time to catch its breath and stop the deterioration of the budget over the short term. The savings total over \$2.5 million in the first year of the budget, and \$4 million in the second year of the budget.

Position Reductions: Approximately 50 positions were eliminated in October 2008 as part of reaching the established overall savings target for FY 2009. A commitment was made that no public safety sworn positions be reduced, and police and fire employees assisted us with that goal by agreeing to the above mentioned salary concessions.

In total, the original employee savings goals were \$6.5 million in FY 2009, and \$8.5 million in FY 2010. These goals have been met through negotiated salary reductions in combination with the elimination of positions vacated under the early retirement incentive program and layoffs.

Inter-fund Borrowing: As recommended in the FY 2009 budget, the General Fund borrowed \$5 million per year in FY 2009 and FY 2010, from the Housing fund to maintain service levels in the short term. We also implemented a loan agreement between the Redevelopment Agency (RDA) obligating housing set aside funds (current and/or future) as the basis for repayment to repay this loan when and if it is necessary in support of housing relocation/replacement agreements. Continued reliance on one-time money is not sustainable. The hope that the economy would return revenues to pre-recession levels has not been fulfilled, and the need for further budget reductions in FY 2011 is certain as this and other one-time funding sources expire.

Loan Repayment: The RDA has a long-term debt obligation to the General Fund due to previous borrowing from the General Fund by the Agency. This debt is in the range of \$13 million. During FY 2009, the Council modified the terms of the agreement to require the repayment of the debt to the General Fund, over the next 15 years, in the amount of \$800,000 per year.

In addition to the steps described above, the City has taken several steps to assure that not only do we close out FY 2009 as balanced as possible, but that we also continue to be diligent and conservative in our planning to assure that the structural deficit is eliminated in future years.

Measure A: Council took unanimous action to declare a fiscal emergency and place a Utility Users Tax (UUT) on the May 19, 2009 ballot in March. Because it appears the measure was successful, the budget presented in June will include estimated revenue from this new tax of \$10 million for FY 2010. We expect it to take 90-120 days to begin receiving revenues as the new tax is implemented. Annualized, we expect the UUT to generate approximately \$13 million per year. Due to this new revenue source, no additional significant budget reductions are being proposed for FY 2010.

Staff is recommending that any revenues in excess of expenditures in FY 2010 be placed in reserves, as we expect other revenue sources to continue to be strained by current economic conditions. The passage of Measure A is a milestone of commitment by the community to preserve key essential services and prevent further cuts in basic services, in particular in support of Council top priorities. Even with passage of Measure A, FY 2011 and beyond will present financial challenges, as one-time transfers and employee concessions will cease.

Other Challenges related to the State of California Budget Crisis

The State: Because Propositions 1A and 1B failed, all indications are that the State will invoke their borrowing abilities provided under state law, and retain approximately 8% of our various property taxes. In total, this would reduce our General Fund resources by another \$3.6 million in FY 2010. The State is required to repay the funds within three years, but if this is implemented, it creates a larger hole in the City's revenue picture for next year. Staff's current budget recommendations do not include the impacts of such a "take". It is likely that staff will recommend the use of reserves to make this payment to the State if invoked.

FEDERAL ECONOMIC STIMULUS DOLLARS

In support of Council's stated priorities and to augment our limited local funds, the City has been pursuing all available and relevant Federal stimulus grant funding provided by the American Recovery and Reinvestment Act (ARRA), and expects to receive grants in the areas of transportation, community development block grants, police services, energy efficiency, and energy conservation. Grants being pursued include the following:

- Police: Byrne Competitive Grant - submitted 5 separate applications for a total of \$3.9 million for 21 non-sworn positions.
- Police: COPS Hiring Grant 2009 – applied for 9 entry level police officer positions totaling over \$4 million dollars over 3 years.
- Fire: Firefighters Assistance Grants – for replacement and upgrade of emergency radios ranging from \$125-300k.
- Fire: Grant funding for safety equipment, including defibrillator and "LUCAS" device.
- Fire: Station 7 construction grant for \$6.5-7.5 million.
- Library: Broadband Technology Opportunities Program (BTOP)- new public access computers and hi-def videoconferencing equipment at Hayward Public Library to "expand capacity" estimated to be between \$10,000 to \$35,000.
- Public Works: Local Streets and Roads – Seeking regional ARRA funding through MTC for rehabilitation of pavement on certain arterial streets. Originally approved funding of

\$2.037 million and recently received authorization for additional \$450,000 in funding, for a total of approximately \$2.5 million.

- Development Services: Energy Efficiency and Conservation Block Grants. The City will receive \$1,361,900, which will primarily be used to fund initial implementation of the Climate Action Plan with approximately \$300,000 earmarked for a revolving loan program to fund energy efficiency upgrades in local businesses, \$80,000 to support Stopwaste.org's Green Packages program.
- City Manager's Office: Emergency Shelter Grant Program for Homelessness Prevention Funding. The City requested \$703,342 to be spent over 3 years.
- City Manager's Office: Community Development Block Grant Program for CDBG-R Funding to be used in the minor home repair program, the small business revolving loan program, and renovations at Weekes Park. The City requested \$460,000 for one year of funding.
- City Manager's Office: Exploring the Federally funded Summer Youth Employment Program as a "community partner", as these program grants go to not-for-profit organizations. The City is exploring placing participants into internship slots in different areas of City services.
- City Manager's Office: Neighborhood Stabilization Program which provides funds that can be used to mitigate the effect on foreclosures on neighborhoods. The City is expecting to receive \$1, 554,489, to be used to acquire, rehabilitate and sell foreclosed homes in a specified "target" area of high foreclosure incidence in the South Hayward area.

CONTINUING NEED FOR FISCAL PRUDENCE

The overall economic picture is not expected to improve quickly. It is predicted that the economic recovery will not be noticeable for another twelve to eighteen months. The goal continues to be to minimize the impact of the budget challenges on the community, while ensuring we continue to deliver needed services

The success of Measure A was a watershed event for our community. Our obligation is greater than ever to ensure prudent fiscal management. While the significance of the additional revenues cannot be overstated, it is only a partial solution to our financial challenges. As illustrated in the General Fund 10-year plan, our originally projected \$18 million deficit in FY 2011 has been reduced to \$5 million. Next year's draft two-year budget will require further expenditure reductions in FY 2011 and FY 2012 unless the economy improves significantly next fiscal year. We will need to continue to work with our employee groups to find ways to reduce costs, improve revenues, and innovate. A selective hiring freeze will continue through FY 2010 as we monitor our revenue picture and the overall economy. We are by no means "out of the woods" regarding our fiscal condition.

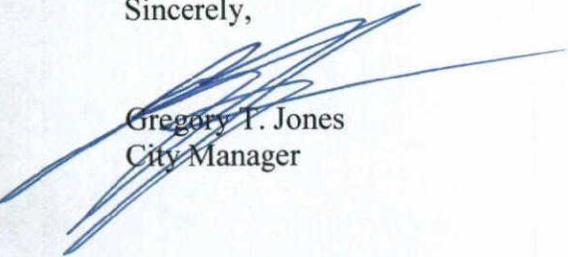
Additionally, as we consider future budgets, further funding for replacement needs (fleet, technology, facilities) and long term financial obligations (healthcare, retirement, employment contracts) will need to be more thoroughly addressed.

I believe as the economy recovers, the City will be well positioned to take on these challenges in a reasonable and sustainable way.

TRANSMITTAL AND THANKS

A great deal of work and organizational commitment has gone into developing this budget for presentation to you. I want to thank the employees who willingly contributed their salary increases back to the City; the staff members, who have put in long hours to work out the complex details of this budget package; and the entire organization for their commitment to the continuation of service delivery to the Hayward community. I particularly want to thank Fran David, Assistant City Manager; Debra Auker, Finance Director; Budget Administrator, Denise Blohm; and the entire Finance Department for their tireless work in pulling the document together from basic numbers to the completed budget book you see before you.

Sincerely,



Gregory T. Jones
City Manager