



CITY OF
HAYWARD
HEART OF THE BAY

**COUNCIL BUDGET AND
FINANCE COMMITTEE**

NOVEMBER 17, 2014

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CITY COUNCIL BUDGET AND FINANCE COMMITTEE MEETING
November 17, 2014
ROOM: 4A, City Hall
TIME: 4:00PM

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS: *(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda. The Committee 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 Committee 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.)*

1. Approval Minutes of October 30, 2014
[Minutes](#)
2. Review Preliminary FY 2014 General Fund Year-End Results
[Staff Report](#)
3. Review Measure C Funding
[Staff Report](#)
[Attachment I](#)

FUTURE AGENDA ITEMS

4. Review FY 2015 Meeting Schedule
[Meeting Schedule](#)

COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS

ADJOURNMENT

NEXT REGULAR MEETING – DECEMBER 18, 2014, 4:30PM, ROOM 4A

****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. ****

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans Disabilities Act of 1990. Individuals must request the accommodation at least 48 hours in advance of the meeting by contacting the Assistant City Manager at (510) 583-4300 or TDD (510) 247-3340.

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[HTTP://WWW.HAYWARD-CA.GOV](http://www.hayward-ca.gov)

November 17, 2014





CITY COUNCIL BUDGET & FINANCE COMMITTEE MEETING

Meeting Minutes of October 30, 2014

Call to Order: 4:35pm

Members Present: Mayor Halliday, Councilmembers Jones and Lamnin

Staff: Fran David, Kelly McAdoo, Tracy Vesely, Dustin Claussen, Sean Reinhart, Frank Holland

Guests: Councilmember Mendall; Bryan Godbe, Godbe Research

Public Comments: None

-
1. Committee reviewed the meeting minutes for the September 24, 2014 City Council Budget & Finance Committee meeting. *Action: unanimous approval*
 2. The Committee received a presentation by Bryan Godbe of Godbe Research on the 2014 Resident Satisfaction Survey Results. *No Action was taken.*
 3. The Committee reviewed the draft FY 2015 meeting schedule. *No Action was taken.*

Committee Members/Staff Announcements and Referrals: None.

Adjournment: The meeting was adjourned at 5:35 pm



DATE: November 17, 2014
TO: Council Budget & Finance Committee Members
FROM: Director of Finance
SUBJECT: FY 2014 Preliminary Year-End General Fund Review

RECOMMENDATION

No action required. Staff is requesting that the Committee reviews and comments on this report.

BACKGROUND

The Finance Department is currently working with the City's outside auditor to develop and finalize the financial statements for the period ending June 30, 2014 (FY 2014). The full results of the audit and the FY 2014 Comprehensive Annual Financial Report (CAFR) are currently scheduled to be presented to City Council in early 2015. This report contains preliminary year-end results for the General Fund that will likely be somewhat modified through the audit process.

The City Council adopted the FY 2014 budget on June 25, 2013, initially projecting a General Fund gap (and use of the General Fund Reserve) of \$2.58 million. This projection was modified over the course of the fiscal year, with a second quarter (mid-year) projected gap of \$3.46 million as presented to City Council on March 25, 2014. Current FY 2014 results indicate that the General Fund will end with a negative balance (or gap) of \$143,000 (refer to Table 1).

The primary cause for this change from previous projections is due to one-time revenue, staffing expense savings and deferred expenditures. If the one-time revenue outlined in the discussion below (\$1.04 million) is removed, the FY 2014 year-end balance would show a deficit of approximately \$1.18 million; in addition, if the deferred expenditures had occurred as planned (i.e., in FY 2014), this deficit would be \$2.25 million.

This updated year-end result means the City only needs to spend \$143,000 from its General Fund Reserve funds to balance FY 2014. However, the City continues to face future year deficits – largely caused by growing expenditures. As adopted by City Council on June 24, 2014, the General Fund Ten-Year Plan projects a deficit in FY 2015 of \$5.06 million – which grows in future years. Staff is currently reviewing the General Fund Ten-Year Plan assumptions for FY 2015 and beyond based on FY 2014 results and may recommend adjusted revenue and expenditure projections as part of the FY 2015 Mid-Year Review.

DISCUSSION

Preliminary Year-end FY 2014 Revenue Performance (refer to Table 1)

The initial revenue projections for FY 2014 were appropriately conservative, given the volatile economy and the rapid loss of General Fund revenues in the preceding years. Fortunately, as the fiscal year progressed, the City began seeing increased revenues from an improving local economy and staff provided quarterly budget updates with recommended adjustments to FY 2014 revenues as part of the FY 2014 Mid-Year review.

Overall General Fund revenues improved over second quarter projections by \$297,000 or .2%. While many revenues reflect minor variances over projections (positive and negative), several revenue categories ended the year with more significant variances, some one-time in nature, as discussed below.

Property Tax – Preliminary results indicate that property tax revenues ended the year \$1.74 million less (-4.3%) than revised projections as presented during the FY 2014 Mid-Year review.

- 1) Secured Property Tax revenues. The year-end actuals compared to revised projections resulted in revenues of \$1.9 million less than expected. FY 2014 mid-year adjustments increased recurring revenue projections by \$1.34 million over those adopted in the budget based on anticipated improved real estate market activity. Although valuations and new development activity are indeed increasing, the anticipated resulting revenue increase projected in mid-year adjustments did not materialize.
- 2) Real Property Tax Trust Fund (RPTTF) – former Redevelopment Agency distribution. The RPTTF represents reallocated property tax increment previously allocated to the former Hayward Redevelopment Agency. With the dissolution of the agency, tax increment funds are now redistributed to all taxing entities in the County, including the City of Hayward. As the RDA dissolution process continues, the RPTTF distributions should begin to stabilize in FY 2015, as many of the one-time dissolution adjustments will conclude (e.g. audits, property disposition, asset transfers, etc.). Anticipated annual, recurring RPTTF funds (annual pass-through and redistribution funds) were adjusted to \$838,000 for FY 2014. The year ended with total RPTTF funds of \$1.04 million – about \$198,000 more than projected. Until the dissolution process ends, these are somewhat unpredictable revenues. A majority of these funds are allocated to funding the Economic Development budget, consistent with the Economic Development Strategic Plan as adopted by City Council.

In addition to recurring RPTTF revenues, the dissolution process has involved a number of transactions resulting in one-time revenues. As projected, FY 2014 received about \$1.04 million in one-time revenues –attributed to redistributions of property tax as part of the county-wide redevelopment agency dissolution. These one-time RDA related funds, pursuant to Council policy are to be used for one-time expenses. The mid-year expenditure adjustments allocated this \$1 million in one-time revenues toward one-time economic development-related expenses that would otherwise have been funded through former redevelopment funds.

Sales & Use Tax – Sales tax ended the year fairly close to original projections (no adjustments were made at mid-year) with revenues exceeding projections by \$519,999 (1.7%).

It should also be noted that Measure C revenues are not reflected in these projections as no revenue from Measure C will be received by the City before January of 2015.

Utility Users Tax (UUT) – UUT ended the year \$762,000 (5.1%) above original projections. While the UUT projections have been fairly stable these past couple of years, the new Russell City Energy Center (RCEC) generated limited UUT from internal utility usage (electricity) that staff had not originally anticipated. Staff is currently engaged in discussions with RCEC to determine what the most likely future UUT revenue will be from all of RCEC’s operations.

Franchise Fees – FY 2014 ended with \$428,000 (-4.3%) in lower revenues than anticipated. This revenue category is comprised of franchise fees assessed on utilities doing business within City limits (e.g., refuse, gas, electricity, cable, etc.) and is assessed as a percentage of gross receipts. The City has seen a moderate decline in overall franchise revenues – largely attributed to an adjustment in water and sewer franchise revenues. Other utilities (gas & electricity) partially offset this reduction.

Real Property Transfer Tax (RPTT) – Given improved market conditions, staff increased projections from \$4.5 million to \$5 million as part of the FY 2014 mid-year review. The year ended with total revenues of \$4.88 million, \$121,000 (-2.4%) short of revised projections. While property values have increased, the turn-over rate, or “churn” of residential properties has slowed down: RPTT is based on a combination of real estate values and quantity of sales. Real Property Transfer Tax is a very volatile revenue source and is directly subject to market fluctuations. The high-point of this revenue was in FY 2006, when the City received \$10 million in transfer tax revenues.

Transient Occupancy Tax – TOT improved over revised FY 2014 projections by \$218,000 (12.8%) and is a direct reflection of increased hotel activity and improved room rates attributed to an improved economy. Since the City is not seeing any significant improvements to its hotel market or the expansion of hotel beds, staff does not see this revenue stream continuing to grow at this rate.

Charges for Services – this revenue category includes a variety of police and fire fees, permits, and licenses; as well as building fees and permits. The overall increase of \$1.4 million (16.5%) is again a reflection of improved market activity beyond original projections. The valuation and scope of individual projects increased on average over what they have been in the past fiscal years.

Transfers In – Due to a reduction in FY 2014 Gas Tax revenues, the transfer from the Gas Tax Fund to the General Fund to fund streets maintenance was reduced by \$446,000.

Preliminary Year-end FY 2014 Expenditure Performance (refer to Table 1)

Overall General Fund expenditures improved over third quarter projections with savings of approximately \$3 million or -2.3%.

Net Staffing Expense – Overall salaries and benefits were under expended by \$1.7 million (-1.6%). Several factors contribute to this savings:

- large number of position vacancies through the organization
- hiring of new employees at lower than budgeted cost
- medical premium savings resulting from new employee cost sharing and a large number of employee plan changes (to lower costing plans)

Overtime expense totaled \$7.8 million and exceeded revised projections by \$831,000 (11.9%). This increase is due to the need to backfill vacant positions – largely in public safety to maintain minimum staffing levels. However, it should be noted that a portion of the Fire Department overtime expenses, about \$640,000, is related to mutual aid operations and is directly offset by reimbursement revenues received by the General Fund.

Non-personnel Expenses – this expenditure category realized savings of \$1.3 million (-4.6%). This is largely a one-time savings – with most costs being deferred to FY 2014 for pending contracts and appropriated grant funds not yet expended. These grant appropriations include FY 2014 mid-year appropriations for several Police Department grants totaling over \$466,000 that were not all expended in FY 2014 and will be rolled into FY 2015.

Increasing and Deferred Expenditures

The City continues to face rising operating costs, largely related to employee benefit costs. In addition, in order to achieve a balanced budget these past few years – even with the use of the General Fund Reserve – a number of essential expenses have been excluded from budget consideration (e.g., increased staffing in some essential program areas, funding for benefit liabilities, and funding for infrastructure improvements). The City is now at a critical juncture where these expenses can no longer be deferred and must be considered as part of the overall fiscal picture. Inclusion of these costs will negatively impact the bottom line in future years, requiring the continued need for recurring budget balancing measures.

NEXT STEPS

Staff will present a final FY 2014 Year-End review to City Council at the end of calendar year 2014 and a FY 2015 Mid-Year Review in February 2015.

Prepared and Recommended by: Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Table 1 – Preliminary FY 2014 General Fund Budget Summary

		A	B	C	D	E
	FY 2013 Year-End	FY 2014 Adopted	FY 2014 Mid-Year	FY 2014 Year-End	Change \$ (C-B)	Change % (C/b)
Revenue						
Property Tax - recurring	36,561	37,491	38,835	36,898	(1,937)	-5.0%
RPTTF Pass-Thru & Annual	650	650	838	1,036	198	23.6%
Property Tax - one-time	1,970	0	1,037	1,037	0	0.0%
Property Tax Total	39,181	38,141	40,710	38,971	(1,739)	-4.3%
Sales Tax	28,534	30,500	30,500	31,019	519	1.7%
UUT	14,940	15,000	15,000	15,762	762	5.1%
Franchise Fees	9,688	9,917	9,917	9,489	(428)	-4.3%
Property Transfer Tax	4,596	4,500	5,000	4,879	(121)	-2.4%
Business License Tax	2,493	2,711	2,711	2,614	(97)	-3.6%
Transient Occupancy Tax	1,679	1,460	1,700	1,918	218	12.8%
Emergency Facilities Tax	1,870	1,809	1,879	1,694	(185)	-9.8%
Charges for Services	7,844	8,836	8,696	10,132	1,436	16.5%
Other Revenue	174	2,711	224	583	359	160.3%
Intergovernmental	5,365	3,341	6,880	6,771	(109)	-1.6%
Fines and Forfeitures	2,913	1,869	2,249	2,218	(31)	-1.4%
Interest and Rents	400	264	404	563	159	39.4%
Total Revenue	119,677	121,059	125,870	126,613	743	0.6%
Transfers in	4,064	3,844	3,844	3,398	(446)	-11.6%
Total Revenue/Resources	123,741	124,903	129,714	130,011	297	0.2%
Expenditures						
Salary	62,986	65,323	65,570	63,649	(1,921)	-2.9%
Overtime	6,879	5,384	7,000	7,831	831	11.9%
Wages Subtotal	69,865	70,707	72,570	71,480	(1,090)	-1.5%
Medical & Dental	10,083	12,067	12,067	10,090	(1,977)	-16.4%
Retiree Medical (pay-go)	2,321	2,348	2,348	2,349	1	0.0%
Worker's Compensation	5,189	4,980	4,980	5,275	295	5.9%
Other Benefits	1,030	1,676	1,676	1,378	(298)	-17.8%
Retirement (CalPERS)	15,143	16,046	16,046	14,736	(1,310)	-8.2%
Benefits Subtotal	33,766	37,117	37,117	33,828	(3,289)	-8.9%
Assumed Vacancy Savings	-	(1,650)	(1,800)	-	1,800	-100.0%
Assumed Add'l Labor Savings	-	(1,114)	(750)	-	750	-100.0%
Interdepartmental (ID) Charges	(5,399)	(5,315)	(5,315)	(5,120)	195	-3.7%
OPEB Liability Contribution*	-	847	1,847	1,978	131	7.1%
Workers' Comp. Liability Contr.*	310	510	510	310	(200)	-39.2%
Net Staffing Expense	98,542	101,102	104,179	102,476	(1,703)	-1.6%
Maintenance & Utilities	908	1,018	1,018	871	(147)	-14.4%
Supplies & Services	6,184	6,396	7,818	6,521	(1,297)	-16.6%
Internal Service Fees	9,300	9,409	9,409	9,367	(42)	-0.4%
Debt Service*	2,822	2,809	2,809	2,809	0	0.0%
Liability Insurance*	2,537	2,621	2,621	2,621	0	0.0%
Capital Funding*	3,174	4,126	5,324	5,489	165	3.1%
Non-Personnel Expenses Subtotal	24,925	26,379	28,999	27,678	(1,321)	-4.6%
Total Expenditures	123,467	127,481	133,177	130,154	(3,023)	-2.3%
Subtotal Surplus/(Shortfall)	274	(2,578)	(3,463)	(143)	3,320	
*Transfers Out of General Fund Total	8,843	10,913	13,111	13,207	96	

(1) Property Tax revenue as displayed in Column C includes \$1M of one-time revenues

(2) Expenditures as reflected in Column C includes the deferral of about \$1.3M in expenditures to FY 2014

and does not include fully funding the Annual Required Contribution to the City's Retiree Medical program (gap of \$3M)



DATE: November 17, 2014

TO: Council Budget & Finance Committee Members

FROM: Assistant City Manager
Director of Finance

SUBJECT: Measure C – Preliminary Funding Recommendations

RECOMMENDATION

No action required. Staff is requesting that the Committee reviews and comments on this report.

BACKGROUND

During the June 3, 2014 municipal election, the voters of the City of Hayward passed a ballot measure (Measure C) to increase the City's Transaction and Use (sales) Tax by half a percent for twenty years. This half cent increase became effective October 1, 2014, bringing Hayward's Sales & Use Tax to 9.5%. This is a general tax that is considered discretionary in nature. Staff estimates that the new sales tax will generate approximately \$10 million annually in locally controlled revenue that can be allocated by the City Council and will remain in place for a period of twenty years.

The City Council, as well as the ballot language, established a number of spending priorities for these funds. Attachment I outlines the key funding priorities for the Measure C funds as identified when the Council voted to place the measure on the ballot in March 2014. These priorities include a mix of capital projects and funding allocations toward operating services. The Measure C revenues will be used to fund debt service for the new Library and Community Learning Center, fire station retrofits and improvements, and a new fire training center. Of the \$10 million in annual revenue, staff estimates that debt service payments will total approximately \$5.4 million annually. The remaining \$4.6 million is to be allocated between police services, maintenance services, and street repairs.

A staff team has been meeting monthly to develop the recommendations around Measure C implementation and how the funds for services should be utilized. In addition, there will be funds available during FY2015 prior to the issuance of debt for the capital projects, providing early resources that could be allocated during this fiscal year. The staff team has also been developing recommendations for the use of these additional funds in FY2015.

DISCUSSION

This report outlines draft expenditure plans for the Measure C funds dedicated to Police Services, Maintenance Services, Street Repairs, and the FY2015 funds for consideration and comment by the Council Budget & Finance Committee.

Police Services: The spending priorities for Measure C funds identified \$2,000,000 in annual funds to be utilized for additional police services. The Chief and her Command staff have developed a spending plan that will free up time currently spent by sworn officers on administrative duties, allowing for more officer time on the streets. In addition, the Chief is proposing to add services that will greatly enhance the public's customer service experience with the Police Department. The proposed annual spending plan includes the following:

- | | |
|--|---|
| • Addition of Police Officer/Homeless Liaison | \$205,000 |
| • Addition of 2 nd FT Downtown Officer/make Bike Patrol permanent | \$205,000 |
| • Certified Latent Fingerprint examiner and equipment | \$150,000 (staff position)
\$100,000 (equipment) |
| • Addition of Crime Analyst position | \$185,000 |
| • Dispatch Center: addition of dispatcher/call taker/supervisor positions | \$800,000-1,000,000 |
| Total | \$1,645,000-1,845,000 |

Homeless Liaison Officer: According to recent estimates, Hayward has a population of approximately 100 chronically homeless individuals. The community has struggled with problematic behaviors and conditions related to the homeless population, including but not limited to aggressive panhandling, illegal camping, drunkenness, substance abuse, littering, assaults, theft, and general disorderly conduct. This activity places a significant burden on the Police Department, and results in hundreds of hours of staff time per month. These calls for service are routinely addressed by an already overburdened patrol staff, or by our district officers; neither of which have adequate staffing to devote to chronic homeless issues. Making things more difficult is that a significant portion of the homeless population also suffers from existing disabilities related to mental illness and/or substance abuse. Although both public and privately funded resources exist, the homeless population currently exceeds the resources of these services.

This new officer would serve as a department resource on assistance programs available to the homeless population and would develop training for Police Department personnel. The officer would also coordinate clean-up activities related to personal property of homeless individuals, ensuring that appropriate laws and procedures are followed, and would serve as a liaison to any collaborative effort aimed at homelessness throughout the County. The creation of this position will reduce significant service demands currently placed on our patrol and district officers, allowing them time to address other public safety matters. This will also allow the Police Department to develop more effective partnerships with the community and bridge the existing gap between the Police Department and related social programs aimed at reducing and managing homelessness and its negative impacts on the Hayward community.

Downtown Officer: The Downtown Policing position has been in effect for decades, dating back to the early 1970s. Throughout the 1980s and 1990s, the position was staffed by two full-time police officers, dedicated to the Downtown District. Due to economic restraints, and other Council priorities, these efforts were reduced to one full time police officer. However, over the past year, the Downtown District has experienced significant growth with the addition of several restaurants and shops, resulting in both increased population and service demands. In an effort to address the increased service demands, over the past six months, the Police Department temporarily assigned a full-time patrol officer to augment the existing Downtown police officer, creating a two officer unit. This project has resulted in overwhelming success, and has received tremendous support from the Downtown community. By adding the second officer, the two have become a self-sufficient bicycle unit, significantly reducing the need for patrol to provide assistance for investigations or officer safety related matters.

This pilot program has allowed the two officers to remain readily available to the patrons, business community, and residents that live and frequent the district. As a result, these officers have focused on existing chronic issues, such as, drug and alcohol related crimes, illegal gambling, street robberies, and a host of other public nuisances impacting the safety of the Downtown. Their added presence alone has provided a significant increase in the perception of safety in the Downtown District, which has been evident by the overwhelming feedback the Department has received from the community stakeholders, since this pilot program was implemented. The Department is proposing to create an additional full time police officer position in the Special Operations Division assigned to the Downtown District. This would allow the Department to return the temporarily assigned officer position back to patrol, while continuing to maintain a higher level of service Downtown.

Latent Fingerprint Examiner: Approximately fifteen years ago, the Department had an in-house Fingerprint Examiner, which greatly enhanced the efficiency and effectiveness of the Investigations Unit in carrying out its responsibilities. Since the elimination of that position, the Department has tried a variety of options to meet the service needs, including contracting with other agencies or retired personnel. The end result is a very significant backlog in fingerprints that have not been analyzed, which has caused delays for the Investigations Unit in being able to solve cases (both new and cold), and analyzing crime trends. In addition, the Department has been attempting for the past several years to acquire equipment that would allow for the processing of fingerprints in house instead of having to travel to Oakland to wait in line to utilize a “general use” machine available there. However, the acquisition of this equipment has been delayed for a variety of reasons. The addition of the in-house examiner as well as the purchase of necessary equipment would significantly increase the efficiency and effectiveness of the Department in solving crimes and would allow officers to be more effective in carrying out their duties.

Crime Analyst Position: With the addition of new technologies and data sources in the Police Department, the need for more analytical support capacity in the Department has significantly increased. Currently, the Department has one Crime Analyst, which means that many analytical responsibilities fall onto sworn officers, taking away time they could be spending on more direct patrol or customer service responsibilities. The addition of a new Crime Analyst position will provide more capacity for crime and intelligence analysis, allowing for smarter and more efficient Department resource use. The Police Department expert on cell phone forensics and search warrants specific to cell phones is a dedicated sworn police officer position within the

Vice Unit, which has a personnel rotation every three to five years. The addition of a civilian Crime and Intelligence Analyst position would provide a permanent, technical and analytical function to supplant the current police officer position, allowing this officer to return to more direct Vice Unit duties. It would be more cost effective to train and maintain the technical skills and knowledge of a civilian permanent position and allow the sworn officer assigned to the Vice Unit to focus on that unit's primary responsibilities of Homeland Security, Human Trafficking, massage parlor regulation, and illegal gambling.

The Vice Unit consists of a Sergeant and two officers. Freeing up the time of one of those officers would have a significant impact on the Unit's ability to address vice-related issues. Additionally, the Crime and Intelligence Analyst position would enhance the current Crime Analysis Unit and work to bridge the intelligence gap between the Criminal Investigations Division and the other divisions of the Police Department, enhancing the Intelligence-Led Policing model currently utilized by the Department.

Dispatch Staffing: In 2013, the Department hired a consultant to evaluate call volumes and staffing levels in the 911 Dispatch Center. This evaluation also included an assessment of data from other like-sized agencies. During the 2013 calendar year, 6,775 hours of overtime were needed in the Dispatch Center to cover required shifts. This resulted in an approximate cost to the City of \$336,000. In calendar year 2012, the Center handled approximately 260,000 incoming calls with a total staffing level of 24 employees (1 Manager, 4 Supervisors, and 19 Dispatchers). For comparative purposes, the City of Roseville, has the same authorized staffing level (24 employees) but handled only 156,000 incoming calls. This equates to 13,700 annual calls per dispatcher in Hayward and 7,800 calls per dispatcher in Roseville. In the staffing study, the consultant indicated concerns about the adequacy of Dispatch Center staffing following the review and comparison of Hayward's data with other agencies. There are obviously many nuances when comparing Dispatch Center data, but the recent study clearly demonstrated a staffing need and customer service impact given the current call volumes.

The Dispatch Center is the first contact many community members have with the Hayward Police and Fire Departments and is a critical element in the effective allocation of police and fire resources throughout the City. The resource monitoring function of dispatchers is also a critical element in officer safety. In recent community meetings, there have been concerns about excessive wait times when members of the public have called 911 or the Police non-emergency line. The Dispatch Center staffing study, at the low end, recommended the addition of eleven new dispatcher positions and one supervisor position. In reviewing this recommendation, HPD evaluated the option of creating a call-taker position, which would still provide much needed assistance in handling incoming call volumes, but at a much reduced cost. It would also create a career training pipeline for the Dispatcher position. The preferred recommendation is to add some combination of Call Taker and Dispatcher positions and one supervisor position to the Dispatch Center.

Summary: The total estimated annual cost of these staffing additions to the Police Department could be approximately \$1,545,000-1,745,000, depending on the final combination of positions added to the Communications Center. This leaves room for growth in the salary/benefit costs of these positions and may allow for additional equipment/capital investments in the early years of Measure C implementation. The numbers are rough estimates at this point and will be further refined as staff finalizes job descriptions, quantities, and salary ranges for the various positions.

The net result of these changes in essence adds four full-time officers back into patrol, either through the direct addition of a position or by freeing up officer time currently spent on administrative or other duties. The changes proposed at the Dispatch Center will also significantly enhance customer service provided to the Hayward community while also fostering a healthier and more effective workplace for our employees.

Maintenance Services: The spending priorities for Measure C funds identified \$500,000 in annual funds to be utilized for restoring Maintenance workers. The Measure C Maintenance Services Team will include five staff members who will proactively address trash, debris, and graffiti problems in and around historic “hot spot areas” and throughout the City. These teams will focus their efforts on main thoroughfares, in the downtown, and other areas identified by neighborhood groups, KHCG, and City staff as areas that exhibit a high concentration of trash, debris, or graffiti or require concentrated cleaning efforts. First and foremost, these crews will proactively and systematically clean the City, while also responding to Access Hayward requests.

A total of three Maintenance Workers will be restored and will be added to the Streets Division. Two members will proactively abate graffiti, while a third member will proactively abate and enforce Illegal Dumping through the Community Preservation and Improvement Ordinance and referrals through Access Hayward.

Two staff members will be added to the Landscape Division as well. This team will proactively remove litter from landscaped medians, planter areas, and other high traffic/litter areas.

Street Repairs: The City has 655 lane miles of street that we are responsible for maintaining in adequate condition. The overall City Pavement Condition Index is 66. The Council target PCI is 80. In order to reach the target goal, the City would have to spend approximately \$90 million to achieve that goal over two years and then \$14 million annually to maintain that level. Currently, the City spends approximately \$4 million annually on roadway repairs (pavement reconstruction and slurry seals) and this allows City staff to repair approximately 20 lane miles annually. These funds come from gas tax and Measure B and are woefully inadequate in achieving the City’s pavement condition goals.

The Measure C spending priorities identify \$1 million annually that would go towards street repairs. There are two options for the use of these funds. The first is to add this \$1 million to the annual allocation and repair an additional 5 lane miles annually. While these added funds would be beneficial, the community would not see a significant improvement in the quality of the City’s roads. This option does not raise the overall City PCI; it only slows the deterioration of City streets. The second option would be to issue debt in the first year of the Measure C program, fund a much larger roadway improvement program and then use the \$1 million to cover the annual debt service. This would allow the City to spend \$12 million in FY2016 & FY 2017 towards street improvements, bringing the City’s PCI to approximately 68. Staff recommends this second option and recommends allocating \$3 million of these funds to industrial streets and \$9 million to residential streets.

Use of FY 2015 Funds: The City will begin receiving allocations of the new Measure C revenues in January 2015 and estimates receiving between \$4-5 million for FY2015. Given the timing of the design of the capital projects and the timeline to hire new staff, staff does not anticipate needing to utilize all of these funds toward the identified priorities in FY2015. The full allocation towards the

priorities will likely begin in FY2016. The staff team has developed a list of recommendations for how these first year funds might be utilized:

• Repay Fire Station 7 Loan from Water Fund	\$3,200,000
• Early hire 5 Maintenance Workers (6 months of staff costs) and Buy Vehicles	\$500,000
• Allocate one-time Social Services capital funding for FY2016 funding process	\$200,000
• Capital/Technology Needs	\$500,000
• Economic Development Opportunity Fund	\$500,000
Total	\$4,900,000

FISCAL IMPACT

The ½ cent District Tax is estimated to generate about \$10 million per year. While this will likely grow relative to growth in the overall Sales Tax revenues, staff is basing its expenditure plan on a flat \$10 million/year to account for future economic downturn and to build contingency funds for projects. The City anticipates receiving the first allocations from the Board of Equalization in January 2015 – and is estimating prorated FY 2015 revenues of about \$4 -5 million. Expenditures and revenues for Measure C are not yet reflected in the FY 2015 budget or the Ten-year Plan since the Measure was passed after the budget was compiled. Staff intends to bring revenue and expenditure adjustments for FY 2015 to Council during the FY 2015 Mid-year Review.

The large infrastructure projects will require financing, with Measure C funding the related debt service. Staff anticipates initiating financing sometime in early 2015.

NEXT STEPS

Staff will present the recommendations stemming from this meeting to City Council on December 2 and as part of the FY 2015 Mid-Year Review in February 2015.

Prepared and Recommended by: Tracy Vesely, Director of Finance
Kelly McAdoo, Assistant City Manager

Approved by:



Fran David, City Manager

Attachments:

Attachment I: Measure C Funding Priorities

**Possible Funding Priorities for Sales Tax Measure
(based on \$10M in annual revenue)**

Capital Projects/Restoration of Services	Annual Debt Service Payment¹ or Annual Cost
Additional Police Services (Cost per officer: \$200,000/year)	\$2,000,000 (annual cost)
Library & Community Learning Center (Total unfunded cost: \$50,000,000)	\$3,990,000 (annual debt service)
Other Fire Station Retrofits/ Improvements (Total cost: \$10,000,000)	\$798,000 (annual debt service)
New Fire Station #6 Training Center (Total cost: \$8,200,000)	\$654,400 (annual debt service)
Street Repairs² (2 miles of overlay and 4 miles of slurry seal)	\$1,000,000 ³ (TBD)
Restoring 5 Maintenance Workers (Cost per worker: \$100,000/year)	\$500,000 (annual cost)
Total Annual Cost	\$8,942,400
Contingency	\$1,057,600
Total Committed Annual Revenue	\$10,000,000

^[1] Annual debt service payment based on 20-year amortization of bond funding

^[2] Current annual gas tax/Measure B funding for overlay/slurry seal = \$4 million

^[3] There may be efficiencies to be gained by issuing debt to allow for a larger number of streets to be repaired in the first few years after the revenue measure passes. Staff will evaluate these options if the measure is approved by the voters.



**COUNCIL BUDGET AND FINANCE COMMITTEE
 FY 2015 MEETING SCHEDULE (tentative)
 November 17, 2014**

Meeting Location: 777 B STREET - CITY HALL - 4TH FLOOR CONFERENCE ROOM 4B
 HAYWARD, CALIFORNIA

Meeting Time: 4:30 P. M.

Meeting Dates: The Council Budget and Finance Committee generally meet monthly on the fourth Wednesday of the month, except for August, due to City Council Break. Special meetings will be scheduled as determined necessary by the Committee or the City Manager.

DATE	SUGGESTED TOPICS (subject to change)
July 23, 2014	FY 2014 annual audit process (external auditor)
September 24, 2014	Investment portfolio update (external investment manager) FY 2015 Statement of Investment Policy review Discuss upcoming budget process (one-year or two-year)
October 30, 2014	Community Survey review
November 17, 2014	FY 2014 Year-end General Fund financial status Measure C Funding Review
December 8, 2014	FY 2016 & FY 2017 tentative budget process calendar Draft FY 2015 First Quarter & General Fund Ten-Year Plan review Purchasing Policies Review
January 21, 2015	FY 2014 CAFR review (external auditor) General Fund Ten-Year Plan review Preliminary FY 2015 Mid-year review
February 25, 2015	Budget policies review Enterprise Resource Planning (ERP) Implementation Update
March 25, 2015	FY 2016 & FY 2017 budget process update Annual debt & benefit liabilities review (funding & risk mgmt.)
April 22, 2015	FY 2015 3 rd Quarter review Preview of FY 2016 CIP budget & Ten-Year CIP Preview of FY 2016 & FY 2017 Biennial Operating Budget
May 27, 2015	FY 2016 & FY 2017 budget update
June 24, 2015	FY 2016 & FY 2017 budget debrief

Non-scheduled future agenda topics:

- Master Fee Study Update
- Measure A Renewal
- Affordable Care Act Update
- Community Facilities District Formation Review