



CITY OF  
**HAYWARD**  
HEART OF THE BAY

**COUNCIL BUDGET AND  
FINANCE COMMITTEE**

**JUNE 3, 2015**

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**CITY COUNCIL BUDGET & FINANCE COMMITTEE MEETING**

**June 03, 2015**

**ROOM: 4A, City Hall**

**TIME: 4:30 PM**

**CALL TO ORDER**

**ROLL CALL**

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**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.)*

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1. Approval of Minutes of May 13, 2015

[Minutes](#)

2. General Discussion of Proposed FY 2016 Annual Operating Budget (*oral presentation*)

3. Review of Financial Policies

[Staff Report](#)  
[Policies](#)

4. Review of Benefit Liabilities Funding Plan

[Staff Report](#)

**FUTURE AGENDA ITEMS**

5. FY 2015 Meeting Schedule and Work Plan

[Schedule and Plan](#)

6. Other items as may be identified by members

**COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS**

**ADJOURNMENT**

**NEXT REGULAR MEETING – JULY 1, 2015, 4:30PM, ROOM 4A**

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*\*\*\*Materials related to an item on the agenda submitted to the Council Committee after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4<sup>th</sup> Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website. \*\*\**

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*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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CITY HALL, 777 B STREET, HAYWARD, CA 94541  
[HTTP://WWW.HAYWARD-CA.GOV](http://www.hayward-ca.gov)

AUGUST 2, 2011






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## CITY COUNCIL BUDGET & FINANCE COMMITTEE MEETING

### Meeting Minutes of May 13, 2015

**Call to Order:** 4:04 pm

**Members Present:** Mayor Halliday, Councilmembers Jones and Lamnin

**Staff:** Fran David, Kelly McAdoo, Tracy Vesely, Morad Fakhrai,  
Dustin Claussen, Karyn Neklason

**Guests:** Cheryl Penick (IFPTE Local 21)

**Public Comments:** None

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1. Committee reviewed the revised meeting minutes for the April 16, 2015 City Council Budget & Finance Committee meeting. *Action: unanimous approval*
  2. The Committee received a presentation by City staff regarding the Proposed FY 2016 Capital Improvement Program (CIP) & Ten-Year CIP. *No Action was taken. Committee members recommended that further discussion occur with City Council regarding streets funding and a review of traffic patterns of the Loop.*
  3. The Committee received a brief presentation from City staff on the status of the FY 2016 Proposed Operating Budget. *No Action was taken. Committee members commented on the need for a review of budget policies.*
  4. The Committee discussed the FY 2016 budget development process. *No action was taken. Committee members did express that the departmental presentations scheduled for May 30, 2015 should be concise and focus on key changes proposed for FY 2016.*
  5. The Committee received but did not comment on FY 2015 meeting schedule. *No action was taken.*

**Committee Members/Staff Announcements and Referrals:** None.

**Adjournment:** The meeting was adjourned at 5:52 pm



**DATE:** June 3, 2015  
**TO:** Council Budget & Finance Committee Members  
**FROM:** Director of Finance  
**SUBJECT:** FY 2016 Financial Policies

**RECOMMENDATION**

That the Committee reviews and makes recommendations regarding City Council approval of the FY 2016 budget-related Financial Policies.

**BACKGROUND**

The Proposed FY 2016 Operating Budget was presented to City Council on May 26, 2015. The budget document includes updated budget-related financial policies and several new policies for Council consideration (pages 298-306 of the budget document). These have been reattached to this document for easy reference.

**DISCUSSION**

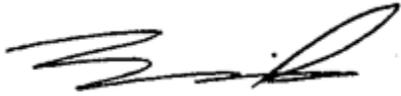
Below is a listing of key policies related to the citywide budget as included in the budget document. Many of these policies have been in operation for a number of years. It has been a while since Council reviewed and updated these budget-related financial policies. This year, staff has updated the language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

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

City Council will consider these policies during the Special Council Meeting on June 9, 2015, and any recommendations made by the Committee will be incorporated in the June 9 agenda materials.

*Prepared and Recommended by:* Tracy Vesely, Director of Finance

Approved by:



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Fran David, City Manager

Attachment I: FY 2016 Financial Policies

Attachment II: FY 2016 Proposed Operating Budget

[http://www.hayward-ca.gov/CITY-GOVERNMENT/DEPARTMENTS/FINANCE/documents/2015/FY16\\_Proposed\\_Operating\\_Budget.pdf](http://www.hayward-ca.gov/CITY-GOVERNMENT/DEPARTMENTS/FINANCE/documents/2015/FY16_Proposed_Operating_Budget.pdf)

# FINANCIAL POLICIES

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## Overview of Financial Policies

Financial policies as adopted by the City Council establish the framework for Hayward's overall fiscal planning and management. They set forth decision-making guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. Hayward's publicly adopted financial policies demonstrate the City's commitment to sound financial management and fiscal integrity. The financial policies also improve the City's fiscal stability by helping City officials plan fiscal strategy with a consistent approach. Adherence to adopted financial policies promotes sound financial management, which can lead to improvement in City bond ratings and lower cost of capital.

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

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

## Balanced Budget Policy<sup>1</sup>

The City of Hayward must adopt a balance annual operating budget. A structurally balanced budget exists when recurring operating revenues equal or exceed recurring operating expenditures and there is no planned or actual use of reserve cash to cover any “negative gap” between the two.

1. The operating resources and resource uses that are included or excluded from the definition of a balanced budget calculation;
  - a. Operating revenues and expenditures - including transfers in and transfers out.
  - b. Capital Improvement Program budget funds are excluded.
  - c. One-time revenues should be carefully considered before using to balance the operating budget per the newly recommended policies herein.
2. Available fund balances may be used as a resource for non-recurring expenditures as approved by City Council.
3. The modified accounting accrual basis is used to define revenues and expenditures.
4. For a variety of reasons, true structural balance may not be possible. In such a case, using reserves to balance the budget may be considered but only in the context of a plan to return to structural balance, replenish fund balance, and ultimately remediate the negative impacts of any other short-term balancing actions that may be taken. Further, the plan should be

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<sup>1</sup> NACSLB's Practices located on GFOA's web site at [www.gfoa.org](http://www.gfoa.org)

# FINANCIAL POLICIES

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clear about the time period over which returning to structural balance, replenishing reserves, and remediating the negative impacts of balancing actions are to occur

5. The City shall conduct midterm budget reviews to review the budget and take any necessary action to bring the budget into balance.
6. The balanced budget policy will be applied over a ten-year financial planning horizon for the City's General Fund and other key operating funds in order to identify and plan to avoid structural imbalances in the long term.

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

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

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

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

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

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

In order to best budget this general fund revenue, the City should establish a threshold for recurring revenues that will support recurring City operations. Based on historical averages and the current economic climate, it is recommended that Council establish a baseline threshold of \$5.5 million to be used to fund recurring City operations. Transfer Tax revenues received in excess of this amount should be considered one-time revenues and used in accordance with the City's policy on the Use of One-Time Revenue for One-Time Expenditures described above.

# FINANCIAL POLICIES

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## Benefit Liabilities Funding Plan & Policies - Proposed

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

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

Council shall identify appropriate levels to fund portions of each benefit liability considering the associated risk that the unfunded portion of the obligations present to the organization, timing of the liability's ultimate due date and realistic and responsible management of the organization's cash flows. The City's funding plans for unfunded actuarial accrued liabilities should not exceed the parameters established by GAAP.

## Long Range Financial Forecasting Policy

Hayward's budget shall include a long range financial forecast of operating revenues and expenditures of the General Fund and other key operating funds. The forecast will extend five to ten years, including the budget period. The forecast, along with its underlying assumptions and methodology, will be clearly stated and made available to participants in the budget process. It will also be referenced in the final budget document. The forecast shall include a spendable fund balance calculation and any difference from established reserve levels.

## Reserves Policy<sup>2</sup> - Updated

The City of Hayward will establish and maintain adequate financial reserves in order to prepare for the impact economic cycles and physical disasters have upon essential services to the public and assure annual fluctuations in revenue do not impede the City's ability to meet expenditure obligations. During periods of economic sufficiency, reserves may be used as a source of supplemental revenue through prudent investments and earnings while avoiding short-term cash flow deficiencies. When revenues fail to meet the normal operating requirements of essential public services, or the need for disbursements temporarily exceeds receipts, reserves, upon the recommendation of the City Manager and the authorization of the City Council, may be used in accordance with the standards set forth herein.

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<sup>2</sup> *Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund GFOA October 2009*

# FINANCIAL POLICIES

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Reserve goals are as follows:

Name	Minimum	Basis
<u>General Fund</u>	Goal of no less than two months of city operating costs or at least 20% of budgeted General Fund operating expenditures	To create a reserve that will allow the City to continue providing acceptable service levels during emergencies and economic downturns while maintaining adequate liquidity to make all payments without short term borrowing.
<u>Internal Service Funds</u> Fleet Replacement, Facilities Replacement Technology Replacement	As determined by the City Manager pursuant to established replacement plans and Council reserve policies	Accumulation of reserves within these discreet internal service funds will ensure timely replacement of City assets.
<u>Internal Service Funds</u> Risk Management General Liability	\$1,000,000	The City is self-insured and therefore it is prudent to set aside reserves with this internal service fund for unforeseen claims.

The annual budget presented by the City Manager is required to include a recommendation for the amounts to be appropriated to these Reserves.

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

1. Staffing levels in essential services shall be temporarily maintained, in order to avoid or reduce the necessity for immediate lay-offs: only in extreme conditions will reserves be used to support operational positions for longer than two years;
2. A hiring freeze must be implemented for designated positions as appropriate to maintain essential services to the public;
3. All other reasonable and available expenditure reduction measures have been taken by the City Manager and the City Council before using one-time funding to support operational positions;
4. User fees and services charges will be fully utilized for those services for which they were collected;
5. The level of the Reserve shall be restored in a timely manner as economic recovery occurs, consistent with the maintenance of essential services;
6. "Essential services", "appropriate levels" of such services, and "extreme conditions" shall be determined from time to time by the City Council upon the recommendation of the City Manager.

# FINANCIAL POLICIES

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## Investment Policy

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

## Debt Issuance and Management Policy

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

1. The purposes for which debt may be issued shall be approved by City Council.
2. Legal debt limitations or limitations established by policy, including limitations on the pledge of the issuer's general credit, shall be calculated.
  - The City is bound by a provision in state law limiting indebtedness for California cities to 15% of the assessed value of all real and personal property of the city. This statutory limitation applies to bonded indebtedness of the City payable from the proceeds of taxes levied on property.
3. Types of debt permitted to be issued are:
  - short-term and long-term debt
  - general obligation and revenue debt
  - capital and variable rate debt
  - lease-backed debt, such as certificates of participation
  - special obligation debt such as assessment district debt
  - pension obligation bonds
  - conduit issues
  - State Revolving Loan Funds and Pools
  - inter-fund borrowing
  - taxable and non-taxable debt
4. Prior to the issuance of any debt, the funding source for the debt service is identified and designated. The level of debt to which the City obligates itself is managed within available resources and represents a minimal cost to general taxpayers.
5. Except in extreme conditions as defined by Council, should the issuance of new debt in and by itself jeopardize or lower the City's bond ratings.
6. To the extent possible, the City plans the issuance of new debt to occur when resources are made available by the retirement of an existing obligation. By managing the timing of new debt, current City operations are not affected.
7. Authorized methods of sale shall be considered on a case by case basis, including

## FINANCIAL POLICIES

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- competitive sale, negotiated sale, and private placement.
8. Method of selecting outside finance professionals shall be consistent with the City's procurement practices.
  9. Compliance with federal tax law provisions, such as arbitrage requirements.

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

### Charges and Fees Policy<sup>3</sup>

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

1. Hayward intends to recover the full cost of providing goods and services as appropriate. Circumstances where a charge or fee is set at less than 100 percent of full cost shall be considered and approved by City Council.
2. Charges and fees should be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
3. It is intended that there be a direct relationship between the amount paid and the level and cost of the service received.
4. Information on charges and fees will be made available to the public. This includes the City's policy regarding setting fees and charges based on full cost recovery and information about the amounts of charges and fees, current and proposed, both before and after adoption.
5. The use of service charges and fees as a source of funding service levels is especially appropriate under the following circumstances:
  - a. The service is similar to services provided through the private sector.
  - b. Other private or public sector alternatives exist for the delivery of the services.
  - c. Expedited or unusual handling or service is requested by the person or entity paying the fee.
  - d. The service is regulatory in nature and voluntary compliance is not expected to be the primary method of detecting failure to meet regulatory requirements. Building permit, plan checks, and subdivision review fees for large projects would fall into this category.
6. The following general concepts will be used in developing and implementing service charges and fees:
  - a. Fees structures must comply with Proposition 26 (or its replacement) – and revenues should not exceed the reasonable cost of providing the service.

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<sup>3</sup> "User Charges and Fees," C. Kurt Zorn in *Local Government Finance: Concepts and Practices*, edited by John E. Petersen and Dennis R. Strachota, GFOA, 1991. "Cost Analysis and Activity-Based Costing for Government," GFOA, 2004

## FINANCIAL POLICIES

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- b. Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs, and organization-wide support costs such as accounting, personnel, data processing, vehicle maintenance and insurance.
- c. The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection and increase the transparency of how the fees are calculated
- d. Charges and fees should be reviewed annually and adjusted as appropriate to recover cost.

### Multi-Year Capital Improvement Program Plan<sup>4</sup> Policy

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

- a. Capital assets that require repair, maintenance, or replacement that, if not addressed, will result in higher costs in future years
- b. Infrastructure improvements needed to support new development or redevelopment
- c. Projects with revenue-generating potential
- d. Improvements or resources that support economic development
- e. Changes in community needs
- f. New policies, such as those related to sustainability and energy efficiency

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

- a. The scope and timing of a planned project should be well defined in the early stages of the planning process
- b. Identify and use the most appropriate approaches, including outside assistance, when estimating project costs and potential revenues
- c. For projects programmed beyond the first year of the plan, Hayward should adjust cost projections based on anticipated inflation
- d. The ongoing operating costs associated with each project should be quantified, and the sources of funding for those costs should be identified
- e. A clear estimate of all major components required to implement a project should be outlined, including land acquisition needs, design, construction, contingency and post-construction costs

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- o John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments*, (Washington, D.C.: International City/County Management Association, 2004)
- o Nicole Westerman "Managing the Capital Planning Cycle: Best Practice Examples of Effective Capital Program Management," *Government Finance Review* 20, no. 3 (June 2004).
- o GFOA Recommended Practices: *Establishing the Useful Life of Capital Assets* (2002); *Establishment of Strategic Plans* (2005)

# FINANCIAL POLICIES

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- f. Recognize the non-financial impacts of the project (e.g., environmental) on the community.

## **Internal Service Maintenance & Capital Replacement Policy**

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

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

**DATE:** June 3, 2015

**TO:** Council Budget & Finance Committee Members

**FROM:** Director of Finance

**SUBJECT:** Benefit Liabilities Funding Plan

### **RECOMMENDATION**

That the Committee reviews and makes recommendations regarding City Council approval of a benefit liabilities funding plan and related policies.

### **BACKGROUND**

On April 16, 2015, the Committee received a comprehensive report on the City's benefit liabilities and proposed funding policies for these liabilities<sup>1</sup>. This April 16 report should be considered in conjunction with this report. In addition, the City Manager's Proposed FY 2016 Operating Budget that was presented to City Council on May 26, 2015 includes a summary of the City's Benefit Liabilities & Funding Status (pages 15-17).

### **DISCUSSION**

Although the Committee reviewed and considered the status of the City's benefit liabilities during its April 16, 2015 meeting, there was not sufficient time to fully discuss a recommended funding plan and any related policies. City Council will consider the status of the City's benefit liabilities and funding plans during the Special City Council Meeting on June 9, 2015, and any recommendations made by the Committee will be incorporated in the June 9 Council agenda materials. Ultimately, the policies adopted by City Council will be incorporated into the City's budget-related Financial Policies.

#### **Overarching Benefit Liability Funding Policy**

1. The City shall incorporate in its operating budget funding toward the City's benefit liabilities as appropriate and fiscally prudent.
2. Upon receipt of any one-time funds – beyond funds needed to maintain the City's operating expenditures – Council should review the City's benefit liabilities and assess whether some or all of the one-time money should be used to pay down one or more of the benefit unfunded actuarial liabilities (UAL) before expending the funds in other areas; including the advantages and disadvantages of each action weighed against the others.

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<sup>1</sup> April 16, 2015 Council Budget & Finance Committee: [Item #3 Annual City Benefit Liabilities and Funding Plan Review](#)

3. As funds are available, a contribution toward the Retiree Medical UAL should be considered first.

Below is a listing of the proposed Council policies related to the City's benefit liabilities:

### **CalPERS**

1. Pursuant to the CalPERS rate structure, the City is currently paying its Annual Required Contribution (ARC) and shall continue to do so.
2. Council shall strive over time to attain an 80% funding level with its CalPERS retirement plans.
3. Although a prepayment to pay down the City's CalPERS liability will reduce the City's unfunded actuarial liability and save money in the long-term, it will have little to no impact on current costs. Given other competing financial priorities, it may be difficult to justify allocating additional funding toward the CalPERS liability, especially in the absence of any short-term benefit of doing so. However, that decision should be made thoughtfully and within the overarching philosophy of reducing all unfunded liabilities to a financially prudent level.

### **Retiree Medical (Other Post Employment Benefit - OPEB)**

1. Council shall strive to attain full funding of the ARC with a phased-in funding plan.
2. Council shall strive toward attaining an 80% funding level with its Retiree Medical plans.
3. Council should consider additional funding toward the unfunded liability in future years as one-time funds become available to compensate for prior years of not funding the full ARC.
4. Allocations toward the ARC are attributed to the appropriate City revenues funds (e.g., General Fund, Enterprise Funds, etc.)

### **Workers Compensation**

1. Council shall strive to attain an 80% funding level with its Workers' Compensation plan.
2. The City has implemented a funding plan through the current Workers' Compensation rate structure (rates include element toward UAL) to gradually bring the level of plan funding to 80%.
3. Once the 80% funding level is reached (about \$11 million in fund balance reserved for future liability), the Workers' Compensation rates will be adjusted downward.

### **Accrued Leave**

1. The City will continue with the current methodology of actively managing employee's leave balances below established caps.
2. Staff will provide Council with an analysis of the pros and cons of an employee vacation buy-back program. Such a program, while requiring the use of cash, has the potential to further reduce the Accrued Leave Liability, as well as to provide financial flexibility to employees.

*Prepared and Recommended by:* Tracy Vesely, Director of Finance

Approved by:



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Fran David, City Manager



**COUNCIL BUDGET AND FINANCE COMMITTEE**  
**FY 2015 Meeting Schedule & Workplan**  
**June 3, 2015**

Meeting Location: 777 B STREET - CITY HALL - 4<sup>TH</sup> FLOOR CONFERENCE ROOM 4A  
 HAYWARD, CALIFORNIA

Meeting Time: 4:30 P. M.

Meeting Dates: The Council Budget and Finance Committee generally meet monthly on the first 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.

<b>DATE</b>	<b>SUGGESTED TOPICS (subject to change)</b>
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	Community Facilities District formation review General Fund Ten-Year Plan assumption review
January 21, 2015	General Fund Ten-Year Plan review Preliminary FY 2015 Mid-year review FY 2016 tentative budget calendar
March 13, 2015	Purchasing policies review FY 2014 annual audit update Budget process update CFD formation process update
April 16, 2015	FY 2014 CAFR review (external auditor) Annual benefit liabilities review (funding & risk mgmt.)
May 13, 2015 at 4:00pm	Preview of FY 2016 CIP budget & Ten-Year CIP Preview of FY 2016 Annual Operating Budget
June 3, 2015	FY 2016 budget update Budget policies review Benefit Liabilities funding plan review
July 1, 2015	FY 2016 budget debrief City debt review Purchasing policies review

**Non-scheduled future agenda topics:**

- Measure A renewal (September 2015)
- Affordable Care Act Update (September 2015)