

**REGULAR ADJOURNED/STUDY SESSION OF THE CITY COUNCIL
CITY OF COSTA MESA**

May 10, 2011

The City Council of the City of Costa Mesa, California met in a regular Study Session on Tuesday, May 10, 2011 at 4:30 p.m. in Council Chamber of City Hall, 77 Fair Drive, Costa Mesa.

The Mayor called the meeting to order at 4:30 p.m.

ROLL CALL:

Council Members Present: Mayor Gary Monahan (left the meeting at 5:30 p.m.)
Mayor Pro Tem James Righeimer
Council Member Eric R. Bever
Council Member Wendy Leece
Council Member Stephen Mensinger

Council Members Absent: None

Officials Present: City CEO Thomas Hatch
City Attorney Thomas Duarte
Development Services Director Kimberly Brandt
Public Services Director Peter Naghavi
Interim Finance Director Larry Hurst
Budget and Research Officer Bobby Young
Interim Director of Communications Bill Lobdell
City Clerk Julie Folcik

PUBLIC COMMENT (00:11:55)

None Received.

ITEMS FOR DISCUSSION (00:12:12)

1. Budget Update

CEO Hatch introduced the item including the schedule for the budget, items on tonight's agenda and budget-related issues for consideration at upcoming Council meetings.

Employee Recognition:

Mayor Monahan acknowledged and commended Development Services Director Kimberly Brandt for her twenty-three (23) years service to the City noting this will be her

last meeting with the City of Costa Mesa and will be moving on to the City of Newport Beach. She was presented with a Certificate of Recognition and a bouquet of flowers.

Ms. Brandt expressed her appreciation for the opportunity to work for the City and its wonderful staff.

Council Member Leece expressed her appreciation to Ms. Brandt for her work, knowledge and representation of the City.

2. Retiree Medical Benefit Program Presentation (00:12:23)

Interim Finance Director Larry Hurst introduced Joe Polley of Nyhart, who performed an actuarial valuation on the City's Retiree Medical Benefit Plan as of fiscal year ending June 30, 2010. He addressed specific benefits of the plan, City and employee contributions and deferred to Mr. Pauley for a presentation.

Mr. Polley provided his background and experience and a PowerPoint presentation to Council. Mr. Polley presented details of GASB45 noting it is the Government Accounting Standards Board specifically for Other Post Employment Benefits (OPEB) other than pensions. He addressed covered benefits, pay-as-you-go benefits paid by the City before GASB45, implementation of the GASB45 accrual-based accounting, applicable entities, recognition of liabilities by the City, implications, spreading liabilities as they are earned, items to accrue, key disclosure items and key assumptions. He noted that the plan lasts for life. Mr. Polley addressed key results, assets under GASB45 and annual required contributions.

In response to an inquiry from Council, Mr. Polley reported that the stream of benefit payments will always be the same regardless of paying-as-you-go or setting aside assets. What will change is the present value of those benefits because a higher discount rate may be used.

He addressed the City's OPEB obligation; key retirements included in the calculations, key plan provisions, benefit components, Public Employees' Medical and Hospital Care Act (PEMHCA) fee and employee contributions for future medical costs.

Budget and Research Officer Bobby Young explained contributions by the City and employees for additional medical retiree benefits. He noted that the plan has been frozen for the last two years and will continue to be frozen until further negotiations. The money is being held in a trust account (ICMA) for the employees.

Mr. Polley addressed pay-as-you-go projections, spousal benefits, contribution caps and the City's unfunded liabilities compared with other cities.

In response to Council Member Leece's request, Mr. Hatch reported staff will provide historical data regarding creation of the plan.

Discussion followed regarding financing the unfunded portion of the liabilities, active and retiree liabilities and surrounding cities with comparable plans.

In response to Mayor Pro Tem Righeimer's request, City Attorney Duarte will find out if this can be considered a vested right, based on a case in San Diego.

Interested parties were invited to address Council on this item.

Perry Valentine congratulated Kim Brandt for her service to the City of Costa Mesa. He commented on the unfunded liability noting they are paid as the bills come in and is not something that needs to be paid all at once. He inquired regarding spousal benefits and noted that the PEMHCA will not exceed \$500 and is only for people that have worked for the City more than twenty-five years.

Mayor Pro Tem Righeimer noted that the cost without unfunded liabilities would be \$700,000 per year if funds had been appropriated properly. He stated the current liability is \$1.6 million because the obligation was not funded in previous years. He added this is not an expense, but rather a liability.

Mr. Proctor suggested providing bi-annual or quarterly projections rather than five- or ten-year projections and reducing OPEB.

3. Marketing and Communication Initiatives Update (00:53:18)

Interim Director of Communications Bill Lobdell addressed the importance and benefits of transparency to the City and its citizens. He presented actions taken to improve transparency including seeking bids to redesign the City's website and related costs. He reported that the Costa Mesa Conference and Visitors' Bureau has pledged \$40,000 for City website improvements. Mr. Lobdell reported on planned features for the website, process for selecting a vendor and timeline. He addressed the new URL, major changes to the website, addition of a "transparency" page, social media and related challenges, initiation of study sessions to allow public input, development of email lists and a no-cost smart phone app. He reported that staff is working on providing better communications with employees including frequent updates from the Chief Executive Officer and launch of e-briefing, a weekly letter from the CEO to Council which will be accessible to employees and residents upon request.

Mr. Lobdell addressed additional videos to provide the public with information, including a two-minute Council wrap-up, active engagement in the media, initiation of a "Fact Check" series, FAQs and community affairs and strategic planning initiatives. He reported actions going forward including a desire for increased public input and consideration of partnerships.

Council Member Leece requested adding the SoBeCa District to the list and suggested including a greater variety of pictures in the Facebook page. She agreed with the need for added transparency and public input.

Mayor Pro Tem Righeimer reported on a recent server issue and inquired regarding plans for upgrading same.

Mr. Lobdell indicated that will be a top priority for the vendor.

Council Member Mensinger suggested live streaming of events. He reported that Microsoft is looking for cities to pilot their "Cloud" concept.

Interested parties were invited to address Council on this item.

Perry Valentine expressed appreciation for the additional transparency on the website and commented on the "Fact Check" portion and suggested including clarification of facts by the City and responses to comments.

Beth Refakes reported using the website and commented positively on the improvements made as well as the change in format of study sessions. She agreed with the "Fact Check" and FAQs sections of the website and addressed the URL, the transparency page, Costa Mesa TV and video productions.

Tom Egan indicated he would prefer an honest accounting of assumptions rather than all of the efforts at transparency.

Tamar Goldman commented on the website and reported having sent a request for a simplified version of the website, inquired as to the meaning of the headings on the employee compensation page and including specific rather than general information regarding certain items. She suggested inclusion of rebuttals in the "Fact Check" section and recommended straight reporting and information.

4. Consultants Update (01:29:26)

Mr. Hatch introduced the item and reported the previous approval by Council of a budget adjustment for the specific purpose of assisting with the City's workload. He presented details of how the money will be spent including details of consulting firms, type of work, functions and services and contract amounts.

Discussion followed regarding the use of set-aside HR funds for additional consulting services. Mr. Hatch reported that approval would be needed by Council. He added that the workload is pushing the need for additional assistance.

Discussion followed regarding RFP generation, review and analysis and assistance with lay-off procedures by one of the firms.

Mr. Hatch expressed appreciation to Mr. Lobdell for his communications assistance and addressed the total expenditures for consultants for this fiscal year. Regarding assistance with economic development, Mr. Hatch reported the project is currently on

hold since there is no staff time to devote to that effort at this time. He added that bids for payroll audit services are being collected and that the item will be brought to Council for input and approval.

Interested parties were invited to address Council.

Tamar Goldman spoke on the importance of having outside, impartial outsourcing proposals, but wondered regarding the need and the reliability of the providers.

Discussion followed regarding full-time communications people that have retired and positions that have been eliminated.

Mr. Hatch felt that additional help is needed for the long-term and reported that some positions will be restructured and others eliminated. He noted the need for resources to help with the increased amount of workload.

In response to Council Member Leece's inquiry, Mr. Hatch reported that the City's RFPs will require a disclosure component of each RFP. City Attorney Duarte explained the process for recusing on items where a conflict of interest may exist and where Council Member may participate in discussions.

Discussion followed on having the ability to quantify the value of outsourcing.

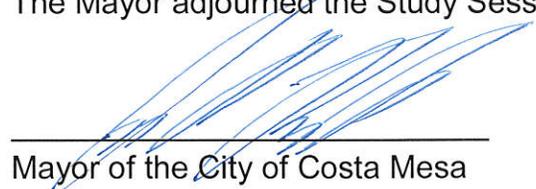
COUNCIL MEMBERS REPORTS, COMMENTS, AND SUGGESTIONS (02:02:54)

Council Member Leece reminded the public of the upcoming Concerts in the Park and commended the sponsors of the program.

Council Member Mensinger requested adding past and current litigation and settlement dollars on the City's website under Transparency. He commented on the success of the recent Local Hire event.

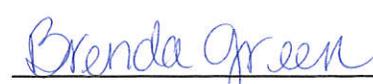
ADJOURNMENT

The Mayor adjourned the Study Session at 6:36 p.m.



Mayor of the City of Costa Mesa

ATTEST:



City Clerk of the City of Costa Mesa