

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

June 14, 2011

The City Council of the City of Costa Mesa, California met in a Regular Adjourned Meeting/Study Session on Tuesday, June 14, 2011 at 4:30 p.m. in Council Chamber of City Hall, 77 Fair Drive, Costa Mesa.

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

ROLL CALL:

Council Members Present: Mayor Gary Monahan
Mayor Pro Tem James Righeimer
Council Member Eric R. Bever
Council Member Wendy Leece
Council Member Stephen Mensinger

Officials Present: City Chief Executive Officer Thomas Hatch
City Attorney Tom Duarte
Interim Police Chief Steve Staveley
Public Services Director Peter Naghavi
Budget and Research Officer Bobby Young
Interim Development Services Director Khanh Nguyen
Interim Director of Administrative Services Tammy Letourneau
Director of Communications Bill Lobdell
City Clerk Julie Folcik

I PUBLIC COMMENT (00:00:23)

Mayor Monahan announced that public comments will be taken after the presentation of each item on the agenda.

II ITEMS FOR DISCUSSION (00:02:14)

1. Presentation and Discussion of the Preliminary City Budget for FY 2011-2012

City Chief Executive Officer Thomas Hatch introduced the item noting significant issues on the agenda that needed discussion and summarized items to be considered including department presentations, goals and objectives. He added that presentations from the Police and Fire Departments will be provided at an upcoming meeting and introduced the remaining items for discussion this evening.

a. Development Services (00:08:02)

Interim Development Services Director Khanh Nguyen provided a PowerPoint presentation of projects completed in FY 2010-11, as well as tenant improvements at South Coast Plaza, Paul Mitchell School, Home Furnishings Center, MetroPointe, South Coast Mitsubishi Dealership and Euro Car.

Mr. Nguyen presented projects in plan check or under construction, future projects and addressed contracted services, level of service and field units, allowing for code enforcement efficiency.

Council Member Leece inquired regarding increases in the preliminary budget relative to consulting services. It was noted that part of the stated amount would be to cover the General Plan update and can be spread out over multiple years.

Mayor Pro Tem Righeimer noted that staff will be working on the City's new website and inquired regarding the possibility of including applications for projects.

Mr. Nguyen stated that the website currently has a feature where users can download applications for permits and projects with instructions as well as the fee structure.

b. Public Services (00:20:12)

Public Services Director Peter Naghavi provided a presentation covering the divisions of engineering, transportation, maintenance services, and provided an overview of projects, accomplishments, funding sources, costs and objectives for the upcoming fiscal year. Mr. Naghavi presented an overview of the FY 2010-2011 budget as well as the FY 2011-2012.

In response to Council Member Leece's inquiry regarding status of the entryway at the 55 Freeway and 19th Street, Mr. Naghavi reported that the design had been completed and that challenges with Caltrans are being addressed regarding installation of the proposed monument sign. He added the City recently received a grant for the project in the amount of \$500,000 and reported that completion of the project is estimated in two or two-and-one-half years.

Council Member Leece inquired regarding automotive equipment differences between last year's and this year's proposed budget. Mr. Naghavi reported that typically, the charges relate to leasing expenditures.

Budget and Research Officer Bobby Young reported that four or five vehicles were scheduled to be leased for the current fiscal year and that no money was being allocated for replacement of vehicles for the upcoming fiscal year.

Council Member Leece asked a question regarding increases in janitorial allocations. Mr. Naghavi addressed increases from outsourcing due to layoffs, for janitorial and maintenance of the City's various facilities.

c. Administrative Services (00:48:25)

Interim Director of Administrative Services Tammy Letourneau presented an overview of the divisions under Administrative Services including HR/Risk Management, Recreation, Telecommunications, Information Technology and Central Services. She addressed staffing, oversight of contracting for the Costa Mesa Senior Center and staff support for the Parks and Recreation Commission. Ms. Letourneau reviewed the responsibilities for each division and the respective services provided under each.

Council Member Leece referenced letters received regarding use of the pool in the Downtown Recreation Center and personnel and salary expenses. Ms. Letourneau reported that the budget includes a recommendation to close the pool for six months resulting in a net reduction of over \$29,000 after factoring in the revenue.

Staff clarified that the pool would be closed from October to March and had contacted various organizations for the possibility of offering alternative swimming options to residents.

Brief discussion followed regarding a usage reduction in gas and water.

d. Finance (00:56:31)

Mr. Young addressed the divisions making up the Finance Department including Administration, Accounting, Budget, Treasury and Purchasing as well as staffing, responsibilities of each and services provided.

Council Member Leece inquired regarding the status of the Director of Finance position. Mr. Hatch reported that the position had not been budgeted during the last few years but that the position had been budgeted for the upcoming fiscal year and a recruitment was conducted, applications were received and the application deadline was closed. Staff narrowed down the list of candidates and upon completion of the budget process; interviews for the position would be scheduled.

Mayor Pro Tem Righeimer referenced a recent report on the number of vehicles owned by the City and requested clarification. Mr. Young indicated that the City owns approximately three hundred pieces of vehicles and equipment.

Mr. Naghavi noted that a report will be submitted with recommendations to reduce the fleet by approximately 10 percent due to layoffs, reorganizations and retirements.

In reply to a question regarding inclusion of an audit function within the budget, Mr. Hatch reported that the City had been conducting management audits through a variety of ways over the years. He noted that a number of different studies are being proposed for next year in various departments and added that Council could look at the possibility of assigning a staff member or a consultant to look at specific issues. Council Member Mensinger indicated he would like to consider the idea of hiring a performance auditor to focus on different areas in order to increase transparency and improve processes.

e. Office of the Chief Executive Officer (01:06:02)

Communications Director Bill Lobdell addressed the CEO's Office Organizational Chart noting that the City Attorney's Office is also under the CEO's auspices. Regarding the latter, he noted a budget increase in light of pending litigation. Mr. Lobdell presented the accomplishments of each division under the CEO's Office during the previous year and goals and objectives for the upcoming fiscal year.

Council Member Leece inquired regarding the status of consultants within the CEO's budget. Mr. Hatch reported that assistance will be needed for the RFP process and that some funds may be carried over from the current year to next year. He addressed other funding sources and the restructuring of the Administrative Services Department resulting in savings to fund on-going operations. Mr. Hatch stated that no new money was being budgeted; current funding was being provided by savings from vacant positions and that consulting services would be limited within the new budget.

Council Member Bever noted that minute tasks were not included within the City Clerk's budget and expressed objection to the recommendations for iPads to reduce printing of agenda packets.

Interested parties were invited to address Council on this item.

Tom Egan, Costa Mesa, reported on the results of a voter opinion poll regarding politicians, budgets and policies and requested inclusion of the poll on the City's website. (10:16:28)

Judi Berry, Costa Mesa, commented on public services savings on overhead due to project planning. She felt that the number may be overstated and that the division may be incurring greater savings than reported. (01:19:30)

James Proctor, Costa Mesa, commented on public services grants and encouraged Council not to accept the OCTA grant, adding that he feels it might be "bait" for the freeway project. He addressed budget gaps and felt that many of the projects could be postponed until next fiscal year. He suggested acting on the City's needs and waiting for the City's wants. (01:20:04)

Sandra Genis, Costa Mesa, expressed concerns regarding the absence of workload indicators or performance standards for each department within the budget. She felt that is an essential part of the budget and agreed with Council Member Bever regarding the purchase of iPads. (01:21:05)

Council Member Leece pointed out that department workload indicators and performance standards are not included until the budget is adopted. She inquired whether there was analysis conducted by departments in presenting this year's budget.

Mr. Hatch acknowledged the importance of performance indicators and reported that they are reviewed in detail annually and they are used to help guide staff as it moves forward. He added that it is difficult to commit to objectives without knowing the level of service and felt it best to wait until the budget is adopted.

Mr. Hatch reported that as resources have declined, service levels have declined as well. He noted that the City has tried to maintain services at high levels even with declining resources. He added that moving forward; staff would continue evaluating priorities and service levels to match available resources.

Mayor Pro Tem Righeimer asked a question about controlling overtime within the Communications Division. Mr. Hatch reported there are standards in the Communications Division that are a high priority. He stated that staff looked into ways of cutting costs within the Division including utilizing part-time employees that could fill in for available shifts at significantly lower costs while continuing a high level of service.

2. Reorganization of the Costa Mesa Police Department (01:32:02)

CEO Hatch presented this item and noted staff present to answer questions and introduced Tammy Letourneau and Mike Messina of Management Partners who helped complete a reorganizational review of the Police Department. Mr. Hatch referenced an extensive staff report, a report from Management Partners, a memo from the Police Department and a fiscal analysis from Finance related to the report and proposal.

A PowerPoint presentation of the organizational overview of the Police Department by Management Partners, with input from staff and management was presented. Mr. Hatch referenced a position summary including related fiscal impacts. Mr. Hatch discussed recommendations for Council to consider.

Discussion ensued regarding the number of service hours provided to the community based on the proposed changes. Mr. Hatch noted that there are more constraints regarding non-sworn personnel who provide different levels of service.

Discussion ensued regarding the total amount of annualized savings, the legality of the proposed changes and anticipated costs.

Mr. Hatch reported changes, specific details and responsibilities that will need to be carefully implemented going forward. He noted that staff had obtained legal advice in terms of some of the changes being proposed and existing labor-relations agreements.

Council Member Leece inquired regarding the differences between Reserve Officers and Regular Officers. Interim Police Chief Steve Staveley explained that they require a similar level of training but some are volunteers, some are part-time and others full-time paid individuals.

Discussion followed regarding the process of scheduling part-time and full-time officers and hourly rates for Reserve Officers.

In respond to an inquiry from Council Member Leece, Mr. Hatch reported that the focus of the review was to reduce costs for the Police Department. He noted there are a variety of strategies to maintain service levels at the highest possible level but meet the reality of the current budget constraints. He reported that the proposal will decline

service, but noted that the reductions being proposed to the Police Department are needed in order to balance the budget.

Council Member Leece referenced the analysis of Management Partners noting that the City of Newport Beach was not used in surveys, benchmarking and comparisons to Costa Mesa.

Mike Messina, Management Partners, presented background of his organization and addressed benchmark cities that may be alike in size and other areas and utilizing similar services. He noted there are other factors taken into account and that including Newport Beach may have changed the data, but not the recommendations.

Mayor Pro Tem Righeimer pointed out that Reserves would not be traded out, just used as needed. He noted other cities that have Reserves and addressed scheduling Reserves and Professional Officers.

Mr. Messina addressed uses for Reserve Officers and noted that the possibility of using Reserve Officers increases the Department's flexibility in regards to their background and training. Mr. Messina explained the differences on how a reserve officer can be used and sworn full-time officer and the various situations that must be handled by a sworn police officer.

Interested parties were invited to address Council on this item.

Perry Valentine, Costa Mesa, felt that the Chief of Police should have the authority to decide the levels of service needed for the various situations that may arise. He addressed the Chief's statement that the appropriate number of Officers to have is 140 without compromising the levels of service. He questioned the elimination of Officers, the availability of money to hire consultants and completing the necessary studies before eliminating positions. (02:13:59)

Jason Chamness, Costa Mesa Police Officer and President of the Police Association, acknowledged that the proposal recommends laying off full-time officers and replacing them with part-time reserves. He cited a study by the International Association of Chiefs of Police stating that cities the size of Costa Mesa, typically have 1.9 officers per 1,000 residents. However, he quoted a disclaimer noting that ratios concerning police officers per residents are totally inappropriate as a basis for staffing decisions, but that staffing should be based, primarily on workload and service quality standards. He noted discrepancies between Chief Staveley's, Management Partners' and staff's recommendations regarding the appropriate number of officers for the City. He felt that the recommendations have no logical basis and that are based on politics and not the public's safety. (02:16:19)

Sue Lester, Costa Mesa, commented on discrepancies of the recommendations by Chief Staveley and CEO Hatch and questioned why Chief Staveley's recommendations were not reflected. She questioned the figure used as the authorized level of sworn personnel and noted the report indicates that the changes will result in a degradation of

service levels. She felt that Police services should be the last thing that gets cut. (02:19:20)

Sandra Genis, Costa Mesa, referenced the cities used as benchmarks, comparable to Costa Mesa, but noted that one key factor, not reported, were their standards. She stated she would like to know how the changes will affect service before they are made. She noted that the costs per capita comparison is not a good one and addressed differences between daytime and nighttime populations. She asked if the cost per capita reflects helicopter costs and the typical ratio of reserve officers to full-time officers. She felt that the City should spend its money on police officers and not consultants. (02:21:16)

Beth Refakes, Costa Mesa, questioned the figure used as the authorized level of sworn personnel as well as the high number of K9 calls compared to other cities. She suggested conducting an analysis regarding the types of calls received and asked regarding the number of volunteers currently utilized as well as their roles. She expressed concerns regarding degradation in the levels of service. (02:23:14)

Judi Berry, Costa Mesa, inquired whether the contracted amount with the City of Huntington Beach for helicopter services was included in the projected savings and whether reserve officers could also be sworn. She noted that the changes allow for a decrease in the Police Department budget of only 2% and encouraged alternative suggestions for cuts. (02:25:24)

Greg Thunnel, Costa Mesa, thanked Council Member Leece for her questions and Mr. Hatch for addressing decreases in the levels of service as a result of the proposed changes. He spoke in opposition to the recommendations made by Management Partners and questioned Council's judgment. (02:26:47)

Mayor Pro Tem Righheimer commented on the benefits of regionalizing the helicopter program and suggested the purchase of one-and-a-half hours a day in helicopter time. He addressed use of the K9 units and suggested that those units need folded back into the patrol. In addition, he felt it important to cover the City's schools five days a week with sworn Officers.

Council Member Leece reported that changes proposed in the School Resource Officer (SRO) program were discussed with the School District and asked regarding differences between sworn and un-sworn covering the School Resource Officer shifts.

Discussion followed regarding school resource officer schedules. Mr. Hatch addressed the recommended reduction in sworn personnel. He noted that several alternative suggestions were presented in that regard. He stated that staff is looking to the Police Chief to review the various suggestions and develop ways to better deploy the number of total sworn personnel. He added that staff is looking to the Police Chief to review the number of reserve officers that could fill in for additional days or assign additional sworn personnel to the schools.

Chief Staveley reported that SROs share responsibilities, one working Monday through Thursday and the other Tuesday through Friday noting that one is almost always available and that they cover one another. He noted there are only two SROs and opined that a city the size of Costa Mesa should have six. He reported they focus on high schools but when need arises, they provide help at the intermediate schools. He added that as time allows, they also consult with administrators from elementary schools. He noted that high school SROs take responsibilities for the feeder schools that feed the high schools. Chief Staveley stated that it takes a special Police Officer to be an effective SRO.

Council Member Mensinger asked CEO Hatch to communicate with the City of Newport Beach regarding sharing/buying time together with the City of Huntington Beach in order to share helicopter services in a local pattern.

In reply to Council Member Leece's inquiry, Chief Staveley reported that his Department had begun a recruitment program for reserve officers. He noted that the Department does not pay recruits for attending the Academy or during the Field Training Operations.

In response to Council Member Mensinger's inquiry, Chief Staveley reported on the duties of a Logistical Support Manager. He stated that sworn/un-sworn is a misnomer that should be changed to professional employee/professional police officer.

Council Member Leece inquired regarding the impact on the total force relative to experience, longevity and stability. Chief Staveley noted that it takes time to gain experience and knowledge. He addressed organizational generations and noted that top management turns over every seven years. He agreed with the need for a succession and training plan.

Council Member Leece stated she too cannot determine the rationale for the suggested number of sworn personnel. She indicated the need to review the report further and reported that Council would not vote on the item until next week. She expressed concerns regarding decreased levels of service, addressed pension reform and felt there are better ways to obtain a balanced budget.

In response to Mayor Pro Tem Righeimer's inquiry, Mr. Hatch reported that changes would be phased in and stated that staff is recommending implementation by October 1, 2011. He addressed a variety of issues, retirements and factors weighing into the issue of eliminating the number of field positions.

In response to Council Member Mensinger's inquiry, Mr. Hatch reported that incentives are not being proposed this year noting that incentives have related costs, however several employees have indicated that they would consider any incentives offered towards retirement. He added that if the Council so desires, staff could look into the possibility of developing additional retirement incentives.

Mayor Pro Tem Righeimer commented on retirement incentives and addressed costs related to providing incentives. He indicated that the City saves no money in offering early retirement incentives.

Council Member Leece requested that staff further explore the costs and savings related to offering early retirement incentives. Mr. Hatch affirmed that the PERS consultant will be providing additional information to Council in mid-July.

RECESS AND RECONVENE

Mayor Monahan called for a recess at 7:51 p.m. The meeting was reconvened at 8:01 p.m. with Council Member Bever absent.

3. Final Recommendations for the FY 2011-2012 Budget (03:18:14)

CEO Hatch introduced the item noting it is a culmination of the various discussions that have occurred on the budget, to date. He highlighted changes made to reduce the budget gap including related savings and costs for each recommended change. He addressed specific positions identified for layoff and associated savings and reductions in levels of service. He reported increases proposed for the budget including additional allocations to the City's Legal Department and to the Finance Department for conducting a payroll audit and for a consultant to review the Business License process and structure. In addition, increases are being proposed for the CEO's budget for an Economic Development consultant.

Mr. Hatch presented the proposed FY 2011-2012 General Fund budget summary and noted initial savings and costs, adjustments, a contingency fund, replenishing the General Fund Reserves and the resulting balanced budget.

Mayor Monahan thanked Mr. Hatch and staff for their help. He inquired regarding budgeted vacant positions and asked that staff review the list to determine if some of the positions can be postponed or eliminated to avoid layoffs. Mayor Monahan noted that Mr. Hatch's job is to make recommendations and acknowledged the difficult recommendations that had to be made.

Mayor Pro Tem Righeimer commended Mr. Hatch for his work and noted that the City can only control its expenses. He felt that revenues are being overstated, commented on internal rent and maintenance for vehicles and addressed the need for a contingency. He requested an additional \$2.9 million and asked staff to return with suggestions for that amount.

Council Member Leece requested a list of City vehicles showing their lifespan. She asked regarding the allocation for an Economic Development consultant and requested details of the related deliverables. She noted that the City of Huntington Beach has its own, in-house Economic Development program and suggested Mr. Hatch contact them for information.

Council Member Mensinger noted that the proposal for an Economic Development program was his request and provided clarification regarding the City of Huntington Beach's program. He agreed with the need for a contingency that is applicable for the size of the budget.

Council Member Leece requested a comparison of previous revenue forecasts and actual to be presented at Council's next meeting as well as comparable contingency fund percentage of budgets from nearby cities.

Interested parties were invited to address Council on this item.

Perry Valentine, Costa Mesa, thanked Mr. Hatch for his efforts but expressed frustration with the process. He referenced the vacant positions and the possibility of using some of that money for contingencies and questioned the proposed increases to the Legal Department's budget as well as the amount of money allocated for a review of the Business License process. In addition, he commented on the need for an Economic Development consultant. (03:48:46)

Kelly Vucinic, City employee, addressed the business license issue, agreed that revenue cannot be assumed but suggested that the City position itself for the creation of revenue and use it to staff positions for the City. She commented on animal licensing and felt the City could position itself in a better revenue system. (03:52:00)

Mayor Pro Tem Righeimer reported that by law, the issue of business licenses must be done at the same time elections are held for Council and cannot be done through special elections.

Tom Egan, Costa Mesa, commended Mr. Hatch and City staff for their work and efforts in developing the budget. He suggested the City could save \$40K by not increasing the Finance Department's budget for studying the business tax issue and commented on savings that could be realized by not pursuing the issue of economic development. (03:53:59)

Sandra Genis, Costa Mesa, expressed appreciation for Mr. Hatch's work and stated there is no data or support for any of the recommendations listed by Management Partners. She felt that additional savings could be achieved by cutting consultants for the Planning Department noting there is no need to do a General Plan revision at this time and that the next mandated changes would not be until 2014. She commented on the Legal Department's budget as well as dog licensing fees. (03:53:59)

In response to Mayor Monahan's inquiry, Mr. Hatch reported that the business license review would include a review of the process and how it can be better conducted. He stated that it would be important to place the \$40,000 into the budget as a place holder, with the intention to seek proposals for the work, but bring it back to Council for further review and approval, providing a clear scope of work.

Mayor Pro Tem Righeimer acknowledged that some of the vacant positions will not be filled right away and suggested that staff develop a spreadsheet to determine possible related savings. He addressed the business license process and felt that it needs to be reviewed and distinguished between fees and taxes.

4. Introduction of Preliminary Financial and Budget Policies (04:04:41)

Mr. Hatch introduced the item noting it is a preliminary list of policies that would meet Council expectations. He requested that Council consider the item and place it on a study session agenda in July for additional consideration.

Interested parties were invited to address Council on this item.

Perry Valantine, Costa Mesa, felt that Council should have flexibility and encouraged Council to assure it. (04:06:28)

Sandra Genis, Costa Mesa, expressed concerns with lack of flexibility and suggested allowing for inflation. She addressed General Accepted Accounting Principles noting that there are some that apply to businesses and some to municipalities. She encouraged staff to make sure those followed are for municipalities. (04:07:27)

5. Employee of the Month

None

III COUNCIL MEMBERS REPORTS, COMMENTS, AND SUGGESTIONS

None

IV ADJOURNMENT

The Mayor adjourned the Study Session at 8:39 p.m.



Mayor of the City of Costa Mesa

ATTEST:



City Clerk for the City of Costa Mesa