

MINUTES OF THE SPECIAL STUDY SESSION OF THE COSTA MESA CITY COUNCIL

TUESDAY, FEBRUARY 27, 2018

CALL TO ORDER (00:00:10)

The Special Study Session was called to order by the Mayor at 5:06 p.m. in the Council Chambers at Costa Mesa City Hall, 77 Fair Drive, Costa Mesa, California.

ROLL CALL (00:00:20)

Present: Council Member Foley, Council Member Righeimer, Council Member Stephens, Mayor Pro Tem Mansoor, and Mayor Genis.

Absent: None

PUBLIC COMMENTS (00:00:32)

Wendy Leece, Costa Mesa and member of the Finance and Pension Advisory Committee, spoke on the 415 Trust; and prioritizing Code Enforcement violations. (00:01:35)

Al Melone, Costa Mesa, spoke against the skate park expansion, recommended the relocation of the park and conversion to an animal shelter. (00:03:38)

Tom Pollitt, Costa Mesa, spoke against the Transient Occupancy Tax (TOT) increase; spoke on new fees; and new employees. (00:04:37)

Beth Refakes, Costa Mesa, expressed concern on raising the TOT; spoke on addressing short-term rentals; and spoke on sales tax revenue from the Orange County Fairgrounds. (00:06:45)

SPECIAL ITEMS FOR DISCUSSION:

- 1. FINANCIAL UPDATE REPORT INCLUDING REVIEW OF THE JUNE 30, 2017 CAFR, FY 2017-18 MID-YEAR BUDGET REPORT AND UPDATED FIVE-YEAR FINANCIAL PLAN (00:08:43) – Finance Department**
 - a. From the Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) Ended June 30, 2017:**
 - I. Receive and file the FY 16-17 CAFR.

Tom Hatch, City Manager, provided an overview and presentation of the CAFR. (00:09:03)

Council Member Stephens inquired on the 115 Trust; Self-Insurance Fund increase; legal issues and workers' compensation; and government wide-net position remains positive at \$87,535,526. (00:22:00)

Mr. Hatch addressed the issues brought up by Council Member Stephens. (00:24:12)

Bob Callanan, White Nelson Diehl Evans LLP, spoke on the disclosure of lawsuits in the financial statements; and the government-wide net position. (00:28:38)

Mayor Pro Tem Mansoor inquired on the fund balance; Self-Insurance Workers' Compensation Fund; surplus; and pension obligations. (00:33:20)

Mr. Hatch addressed the issues brought up by Mayor Pro Tem Mansoor. (00:34:20)

Council Member Righeimer spoke on the pension debt and changes in discount rate. (00:39:50)

Mr. Callanan addressed the issues brought up by Council Member Righeimer. (00:46:05)

Discussion ensued regarding contingencies on specific litigation costs; pension liability; and historical costs of the land. (00:48:22)

Discussion ensued on the estimate of legal expenses and costs. (00:56:06)

b. From the FY 2017-18 Mid-year Budget Report:

- I. Receive and file this report.
- II. Approve recommended uses of the FY 2016-17 operating budget surplus and authorize the City Manager to make the necessary budget adjustments.
- III. Approve recommended FY 2017-18 budget adjustments.

Mr. Hatch presented the FY 2017-18 adopted budget overview. (01:00:45)

Council Member Foley inquired on the agreement with the Chamber of Commerce. (01:03:40)

Raja Sethuraman, Public Services Director, provided an update on the FY 17-18 Capital Improvement Program (CIP). (01:09:46)

Mayor Genis inquired on the early payment for the fire station. (01:12:12)

Council Member Foley inquired on the contingencies that are already expended; additional school recreation grants; and part-time Public Records Act (PRA) assistance. (01:13:55)

Mayor Pro Tem Mansoor spoke on tracking public records requests. (01:21:04)

Council Member Righeimer spoke on the Contingency Fund. (01:23:20)

Council Member Stephens spoke on the monies for Sober Living Homes. (01:26:00)

Mayor Genis inquired on the Contingency Fund related to the Development Services Department. (01:29:10)

Colleen O'Donoghue, Assistant Finance Director, spoke on automated small Journal entries. (01:30:58)

Discussion ensued on the Animal Shelter services and Mercy House funding. (01:33:00)

c. From the Updated Five-year Financial Plan:

- I. Receive and file the Five-year Financial Plan; and
- II. Provide direction to staff regarding the issues raised in connection with the Five-year Financial Plan and future priorities.

Mr. Hatch presented the report for the Updated Five-year Financial Plan. (01:40:05)

Mr. Hatch spoke on balancing strategies. (01:54:20)

Discussion ensued on the transport model; and the amounts allocated in savings vs. monies spent. (01:57:33)

Discussion ensued on the Marijuana Business Tax, testing the methodology use and the saturation point; HDL; transport model fees; fixed assets; and a statistical analysis. (02:05:57)

Mayor Pro Tem Mansoor spoke on the Marijuana Business Tax. (02:15:42)

Council Member Righeimer spoke on the income on Marijuana and the cost to run the business; HDL; CIP projects; monies for building the library and fire station; and the Contingency Fund. (02:16:07)

Chief Stefano spoke on the projections for the transport model; and fees and charges for services. (02:22:30)

Mayor Genis spoke on the Capital Improvements and the recession; a 3-year rolling average of revenues; and the Marijuana Business Tax. (02:23:21)

2. TRANSIENT OCCUPANCY TAX (TOT) PRESENTATION (02:28:32)

Finance and Pension Advisory Committee

Ralph Taboada, Chair of the Finance and Pension Advisory Subcommittee, provided a powerpoint presentation on the TOT and recommended a TOT increase from 8.0% to 10.0%. (02:29:29)

Discussion ensued on the 8.0% TOT and the Business Improvement Assessment (BIA) fee of 3.0%; resort fees; and Visitor Bureaus in other cities. (02:36:30)

Council Member Righeimer spoke on taxes; and addressing the Air B & B issues. (02:46:50)

Discussion ensued on the outreach to the hotel operators. (02:50:10)

COUNCIL MEMBERS' REPORTS, COMMENTS, AND SUGGESTIONS

Mayor Genis spoke on short-term rentals operating as motels. (02:53:12)

Mayor Pro Tem Mansoor spoke on assessing revenues and monies on Capital Improvements. (02:53:34)

Council Member Stephens spoke on the number of short-term rentals in Costa Mesa; and Capital Improvements. (02:54:07)

Council Member Foley requested the following: an itemization on actual spent to date; clarification of the \$75,000 allocated for the Newport Harbor High School; graphic of the amounts allocated in savings vs. monies spent on the 5-year projection; and having separate line items for the transport model and Medical Marijuana. (02:55:53)

Discussion ensued on agendaizing the TOT increase for a future City Council and Travel Costa Mesa meetings; and receiving input from the Chambers of Commerce and South Coast Metro Alliance. (02:57:37)

Mayor Genis requested further consideration on a 115 Trust. (03:00:23)

Council Member Righeimer spoke against the TOT increase and marijuana revenue going towards the 115 Trust. (03:03:40)

ADJOURNMENT – The Mayor adjourned the meeting at 8:10 p.m.

Minutes adopted on this 1st day of May, 2018.

A handwritten signature in blue ink, appearing to read 'S. Genis', written over a horizontal line.

Sandra L. Genis, Mayor

ATTEST:

A handwritten signature in blue ink, reading 'Brenda Green', written over a horizontal line.

Brenda Green, City Clerk