



**CITY OF COSTA MESA
DEPARTMENT OF FINANCE
INTEROFFICE MEMORANDUM**

TO: CITY COUNCIL MEMBERS

THROUGH: ALLAN ROEDER, CITY MANAGER

FROM: BOBBY YOUNG, BUDGET AND RESEARCH OFFICER

COPY TO: DEPARTMENT DIRECTORS

DATE: JUNE 15, 2010

SUBJECT: *RESPONSES TO LETTER FROM COSTA MESA CITY EMPLOYEES ASSOCIATION*

In an open letter to the City Council, the Costa Mesa City Employees Association (CMCEA) listed 19 recommendations to hopefully avoid some of the recommended layoffs and help close the budget shortfall facing the City. All 19 are listed below with explanations to each following.

1. Provide for a 4/10 work schedule to generate savings with no reduction in service.
2. Offer an additional enhanced retirement benefit to eligible employees to reduce employees through voluntary separation.
3. Raise fees to cover cost of service.
4. Raise fees and propose tax increases to at least the County average.
5. Eliminate non-City approved creature comfort appliances in personal work areas to conserve electricity.
6. City has stopped contributing to Retirement Health Savings (RHS) for City employees, shouldn't 401k contributions for management employees also be stopped during this difficult period.
7. Temporarily reduce City provided medical bucket to general employee level for City Councilmembers and all management personnel. \$248,544 savings per year.
8. Temporarily stop providing take home vehicles.
9. Ground AirBourne Law Enforcement (ABLE). It's a nice to have not a need to have during this period. \$2,500,000 in savings. A lot of jobs could be saved by this one recommendation alone.
10. Sell Baker Street Fire Station. Move Baker Staff to Sakioka for better coverage on North side of 405 Freeway, with better response times as verified during shut down of Station 2 (Baker Station) for remodel work. Sale of property to yield up to \$1,730,000 for development of multiple level housing, which will yield long term property tax revenue. Additional saving in eliminated building maintenance, fuel infrastructure, contractual HVAC and landscape costs for that site.
11. Eliminate City janitorial contract. Perform City janitorial service with part time staff for \$200,000 saving about \$134,000 per year and giving facilities enhanced control of work performed and employees who have been laid off to perform the service.

12. Use two (2) million of the eight (8) million in the equipment replacement fund.
13. Implement a \$100 a day pay to stay program at City Hall.
14. Pursue contracts with outside agencies to house some of their inmate's, example CHP & ICE.
15. Use two (2) million of the 14 million designated for emergencies. This is certainly an economic emergency.
16. The Council has recommended obtaining more grants to cover some programs, which is an excellent idea, however, you're proposing to lay off the grant coordinator which will limit your chances of success.
17. Review the 200 employee committee cost savings recommendations that were presented to the Council a couple of years ago and never implemented.
18. Raise business license fees to the County average. (\$50,000 a year for business license for Nordstrom in Santa Ana, and less than \$300 a year in Costa Mesa).
19. Consider taking the average of the last 10 Barrett-Jackson auctions and include that in the budget. There should be some way to project those revenues.

1. Provide for a 4/10 work schedule to generate savings with no reduction in service.

The amounts shown are reductions based on closing only the City Hall building and not the Police Facility or the Communications Center, both of which are 24/7 facilities.

Estimated annual savings:

| | |
|--------------------------------|------------------|
| • Electrical Savings | \$ 47,000 |
| • Water Use Savings | \$ 1,800 |
| • Fuel City Vehicles Savings | \$ 7,200 |
| TOTAL ESTIMATED SAVINGS | \$ 56,000 |

2. Offer an additional enhanced retirement benefit to eligible employees to reduce employees through voluntary separation.

The City has offered the CalPERS 2 year early retirement incentive to all eligible employees. A total of 54 employees took advantage of the offer, resulting in the creation of 34 continuing vacancies. Human Resources staff has contacted CalPERS to ascertain whether there is a limitation regarding the frequency in which the 2 year early retirement offering may be extended. They have advised that there is no limit but the City would be subject to the same requirements as before. With the 2 year early retirement offering having already been extended to employees within the past 12 months, the pool of remaining, eligible employees is very limited. While every vacancy counts under difficult financial conditions, there is no evidence that the City would experience additional retirements or that those positions vacated could necessarily be held vacant so that other positions could be retained.

3. Raise fees to cover cost of service.

As requested by City Council, staff will be bring the User Fee schedule for Council's consideration in August. A certain amount of notice must be given before adopting a new rate.

4. Raise fees and propose tax increases to at least the County average.

Most fees are restricted to the cost to provide the service (requiring a fee), therefore they may not be set to a County average. Staff is currently providing Council with various options of other fees and charges that are not subject to this restriction (Greens Fees and Waste Hauler Franchise Fees). Most taxes, however, are subject to the approval of the voters, most notably Transient Occupancy Tax (TOT) and Business License Tax. They would be asked to vote on a rate determined by City Council. When directed, staff will bring all options for Council's consideration.

5. Eliminate non-City approved creature comfort appliances in personal work areas to conserve electricity.

The City is aware that some numbers of employees have “creature comfort appliances” such as fans, foot warmers and the like at their work stations. These appliances do add to the City’s electrical consumption although we do not presently have financial figures indicating what the savings would be, if any, through removal of the appliances. Employees typically have been resistive of eliminating such devices due to office temperature variations not controlled by the HVAC system. The City has not pressed for removal of appliances in the interest of employee relations but is willing to do so.

6. City has stopped contributing to Retirement Health Savings (RHS) for City employees, shouldn’t 401k contributions for management employees also be stopped during this difficult period.

Technically, the City does not contribute to a 401(k) plan, it does however contribute to a 401(a) plan for eligible management employees. The current contribution amount is .5% (1/2 percent) of salary and the annual budget impact is \$18,574 for all management employees. This would be in addition to the current 1% RHS plan reduction which applies to all employees including management personnel. The reduction or elimination of the benefit should be discussed with the Executive group, as it effects total employee compensation.

7. Temporarily reduce City provided medical bucket to general employee level for City Councilmembers and all management personnel. \$248,544 savings per year.

Actual budgetary impact calculated by Finance is approximately \$218,000. The reduction of this benefit should be discussed with City Council and the Executive group, as it effects total employee compensation.

8. Temporarily stop providing take home vehicles.

Those personnel who are authorized to take City vehicles home are on 24 hour per day call. This includes the Police Chief, Fire Chief and Public Services Director, Deputy Fire Chief, Fire Marshal, Police Captains and Police Lieutenants. The vehicles for these positions are in use during the employee’s regular work day shift. The incremental additional cost is for fuel and wear & tear on the vehicle attributed to the employee’s commute home. When emergency call outs do occur, the personnel noted above report directly to the incident scene as opposed to the Police Department or Civic Center parking area to obtain their vehicle, equipment and materials. The trade-offs are the fuel and vehicle wear & tear versus a more timely response plus mileage reimbursement if private vehicles are used.

9. Ground AirBourne Law Enforcement (ABLE), \$2,500,000 in savings.

The actual savings from grounding the ABLE program is the contract amount paid to ABLE, \$490,255 in FY 10-11, reduced 50% from FY 09-10 (see 50% reduction description below). The ABLE program also generates estimated revenue of \$300,000 (from it’s contract with Santa Ana) which would also be eliminated, thereby creating only a savings of \$190,255 by grounding the program. This includes the assumption that sworn employees currently assigned to the ABLE program would be re-assigned to another division in the Police Department and therefore no salary savings would be created. Should this assumption change, then the calculated savings would change.

However, the city is proposing a 50% reduction in ABLE services. The city’s partner in ABLE, the City of Newport Beach, has agreed to this reduction. While the exact details are still being worked out, the reduction will result in 1500 hours of flight time for FY 2010-2011, vs. 3000

hours of flight time under the current budget. The monetary savings for this reduction have already been calculated into the proposed budget for FY 10-11. ABLE is also considering not funding the equipment replacement fund for FY 10-11 for an additional savings of \$220,000 for the city. Staff feels that with the proposed reduction in flight hours, the use of existing equipment and aircraft can be prolonged.

10. Sell Baker Street Fire Station.

Elimination of the Baker Street Fire Station (Station #2) would require a complete reassessment of Fire Station locations to maintain current response standards and build-out under the City's General Plan. The proposed option of the Sakioka Station (Station #6) worked for only a limited time and is not a long-term option as development occurs in North Costa Mesa. Given the current real estate market, especially for multi-family or industrial properties, it may not be in the City's best interest to try and sell this property.

11. Eliminate City janitorial contract.

Staff estimates the janitorial costs could be reduced by an additional 30% or \$74,000 by further reducing the number of days of service and the quantity of cleaning. The City Hall building is currently maintained 5 nights per week, however both the Police and Telecommunications buildings are maintained 7 nights per week. Staff has also began analyzing the option of hiring part time employees in place of the maintenance contract altogether and could bring present that option should Council desire.

12. Use two (2) million of the eight (8) million in the equipment replacement fund.

As stated on pages 12 and 13 of the FY 10-11 Preliminary Budget document, the Equipment Replacement Fund currently has a fund balance of approximately \$7.3 million. However, that amount is anticipated to be reduced to \$5.2 million in the current year – a \$2.1 million reduction. This reduction is occurring because staff is proposing to continue Council's direction to temporarily eliminate funding to the Equipment Replacement Fund (March 2010). This is providing a "savings" to the General Fund of at least \$2.1 million, already included in the preliminary budget.

13. "Pay to Stay" Jail Fee.

In general most pay-to-stay jail programs give sentenced individuals the opportunity to serve their time in an alternate program and facility, rather than full-time in County Jail lock-up. These types of programs are fee-based and available to those convicted and sentenced for a misdemeanor offence(s) only and who have the ability to pay. The participating individuals check in and out of jail during their time served. For an individual to qualify for participation, they must have permission from the sentencing court. Typically in a pay-to-stay program the participants are housed separate from all other inmates and have minimal or no contact with the non-sentenced inmates. Additionally, all participants must be medically cleared before being accepted for housing.

Typical Program Fees

The average fees gathered by those agencies with pay-to-stay programs range from \$75 to \$125 for the first one to two days, then the fee is often reduced for the remaining term of the sentence (costs vary). There are only a handful of pay-to-stay jail facilities in southern California. The below are recent totals from three selected agencies with pay-to-stay type programs.¹

¹ All listed figures were gathered during a study conducted in March of 2009

| <u>Agency</u> | <u>Population</u> | <u>Annual Fees Collected</u> |
|-----------------------|-------------------|------------------------------|
| Pasadena ² | 148,126 | \$234K |
| Glendale ³ | 200,065 | \$10K |
| Burbank ⁴ | 104,108 | \$109K |

Orange County agencies that offer pay-to-stay programs are:

- Santa Ana*
- Fullerton**
- Huntington Beach**

*Program temporarily suspended

** Unable to obtain revenue estimates

It appears that those agencies that have successful pay-to-stay programs are those agencies that have courts located directly within their jurisdictions/city limits. This is practical, due to the natural relationships that are built between the courts, attorneys, and local law enforcement agencies. The courts must not only approve the defendant's⁵ participation in a pay-to-stay program, but must also approve the location of the pay-to-stay facility. All of the previously referenced agencies have courts located within their jurisdictions with the exception of Huntington Beach, which is in close proximity to West Court.

Liability Concerns

An area of potential liability concern is what activities these subjects may become involved in when they are not under direct supervision of a custody facility. In a pay-to-stay program, individuals are allowed to come and go. They either serve their time on weekends, or they leave for a set amount of hours during the week. Both of these arrangements are primarily designed to allow the sentenced individual to work. During the time away from lock-up there have been numerous documented incidents in which individuals have committed criminal acts—in one case researched from a few years ago, the pay-to-stay inmate committed a murder during his leave.

Another critical issue, especially for our Jail facility since we have dealt with it on more than one occasion, is the housing of inmates with health concerns. Each time an individual returns from his leave, he must be medically cleared. If there is a medical concern, medical clearance from a hospital must be obtained. This requires transporting the prisoner to a local facility by a sworn officer, who must be taken out of the field and remain with the inmate until the medical clearance is obtained. Additionally, recent changes in protocol make the pay-to-stay agency and/or the sentenced individual—who typically does not have the resources—responsible for the medical bill. All post-arraignment medical treatment incurred by pay-to-stay inmates will no longer be paid for by the Health Care Agency.

Miscellaneous Concerns

It is unknown how much revenue may actually be generated from a pay-to-stay program for Costa Mesa because one must include operational expenses, such as increased laundry (i.e. bedding, towels, etc) services, increased food and beverage costs, increase staffing to manage an amplified inmate population, etc.

² The California Finance Department estimates the Pasadena population to be 148,126 in 2008

³ The [2000 Census](#) places the city of Glendale population at 194,973

⁴ Per City-Data.com population in July 2008 was 102,968

⁵ Future inmate

In addition, bed space will be an important issue. Since it is the practice to separate pay-to-stay inmates from non-sentenced inmates, whether you house one pay-to-stay inmate or eight, you will need to utilize an entire cell-block. The utilization of an entire cell-block in a facility that only has three cell-blocks will be problematic. While some increased bed space is available due to the current inmate transportations to County Jail, once South Court re-opens and Harbor Court is no longer burdened with its inmates, Costa Mesa Jail bed space will become limited at best and revenue generation could not be sustained over the long-term.

Recommendation

It is recommended that Costa Mesa not participate in a pay-to-stay program. The potential monetary gains do not outweigh the significant liability exposure the City will be faced with.

14. Pursue contracts with outside agencies to house some of their inmate's, example CHP & ICE.

The police department has previously explored the feasibility of housing inmates for other law enforcement agencies such as Immigration and Customs Enforcement. It was concluded that our facility is not equipped to meet the visitation and recreation requirements for federal prisoners, so this is not a possibility.

15. Use two (2) million of the 14 million designated for emergencies. This is certainly an economic emergency.

The City's emergency reserves are restricted by the municipal code. Specifically, the General Fund Operating Reserves are restricted to one of two types of emergency conditions:

1. To provide required emergency funding as the result of a declared emergency.
2. To provide required emergency funding for an unanticipated but urgent event threatening the public health, safety and welfare of the City of Costa Mesa.

While current budgetary circumstances are serious, they are not the result of a declared emergency or the result of an unanticipated urgent event. The City Council would be required to make findings consistent with the code requirements to draw down these reserves.

16. The Council has recommended obtaining more grants to cover some programs, which is an excellent idea, however, you're proposing to lay off the grant coordinator which will limit your chances of success.

With the elimination of the Grant Administrator position, the City will need to rely on individual departments to seek and apply for grants. Currently, most departments have an individual that works with the Grant Administrator to assist with the application process. Other experienced Finance staff will be available to assist departments with information necessary during the application process as well as the implementation or spending process, if required. In general, most grants administered by the Grant Administrator position are awarded as a supplement to the budget rather than to supplant the budget. In other words, grants are routinely awarded to help purchase items not in the budget, not normally awarded to offset for items already included – thereby creating a budget savings.

17. Review the 200 employee committee cost savings recommendations that were presented to the Council a couple of years ago and never implemented.

We believe this comment pertains to the work of the "Financial Solutions" Sub-Committee in 2009. This Sub-committee was one of two groups created involving representation from all employee associations and management representation. The Financial Solutions sub-committee compiled an extensive list of ideas for reducing expenditures and increasing revenues. The ideas

created were then assessed by the Departments that would be responsible for implementation along with a financial review. The results were provided to the Sub-committee who then screened and prioritized the ideas they choose to forward to the City Council as recommendations. The City Council received the Sub-committee's completed work and ultimately selected those ideas it could support. Several of the recommendations were incorporated into actions the City Council adopted with the FY 2009-10 budget.

While all of the ideas were made available to the City Council, public and employees for review, not all could be supported for implementation. The list prepared by the Sub-committee is attached to this report.

18. Raise business license fees to the County average. (\$50,000 a year for business license for Nordstrom in Santa Ana, and less than \$300 a year in Costa Mesa).

See number 4 above. Any increase in the Business License Tax would have to be approved by the voters. Should the Council choose to put an increase on the ballot, they will have the ability to set the rate to be voted on.

19. Consider taking the average of the last 10 Barrett-Jackson auctions and include that in the budget.

On June 25, 26 and 27, 2010, the City will host for the first time the Barrett-Jackson Car Auction. Many quality classic cars will be sold and the event will have other economic benefits. With the assistance of the Chief Operating Officer for Barrett-Jackson and the President of the Costa Mesa Conference and Visitor Bureau (CMCVB), staff was able to develop an estimate for City revenues. Barrett-Jackson estimates that it will auction 400 cars with approximately \$15,000,000 in total sales revenue or around \$37,500 per car. Not all of this revenue will be subject to sales taxes due to the non-taxable nature of dealer to dealer sales. It is likely that less than 50% will be taxable car sales. The CMCVB estimates that 1,650 room nights may be generated from the event with about 75% of these within Costa Mesa hotels. Rough projections would allow staff to estimate that between \$100,000 and \$150,000 may be generated in revenue to the City of Costa Mesa from the Barrett-Jackson Event. However, since this event will occur during FY 09-10, it will not have an effect on the FY 10-11 budget. Should the City secure an event during FY 10-11, estimates may be included in the FY 10-11 budget.

Staff is available to answer questions regarding any information presented herein.

Bobby Young
Budget and Research Officer