
CITY OF COSTA MESA
CITY MANAGER'S OFFICE
INTEROFFICE MEMORANDUM

TO: CITY COUNCIL
FROM: ALLAN L. ROEDER, CITY MANAGER
DATE: AUGUST 16, 2005
SUBJECT: TERMINATION OF OPERATING AGREEMENT/COSTA MESA SANITARY DISTRICT

As I believe all of you are aware, the City and the Costa Mesa Sanitary District have been negotiating for over a year to come up with a new Operating Agreement for maintenance services. This effort followed a decision by the District to relocate from the Civic Center and to employ its own administrative and managerial staff. The District and the City expressed a mutual interest in retaining the field maintenance personnel for a period of no less than 5 years to provide regular cleaning of sewer lines, sewer pump stations and emergency call out service.

By the end of 2004, it appeared that we had successfully worked out all of the outstanding issues between the District and the City. Please keep in mind that the District has been contracting with the City for over 40 years for most of its services except refuse collection. Unwinding such a long-term relationship has not at all times been easy, but with a good deal of hard work by many people, we were able to narrow the list of issues down considerably.

In January of this year, you received the attached notification from the District advising that the only outstanding issue involved the indemnification language for the Operating Agreement. Both Counsel for the District, Alan Burns, and City Attorney Kimberly Hall Barlow have worked diligently to resolve this matter. Unfortunately, they have been unable to come to agreement, so the Board of the District has chosen to provide the City with notice to discontinue use of City field maintenance personnel effective 12/15/05.

While I felt it important to advise you of this notice, I likewise feel it important that the City Attorney provide you advisement as to the indemnification issue and why respective legal counsel could not come to terms on this matter. Following a meeting between the District Manager and myself in early July, I felt we had arrived at a reasonable accommodation on this matter. I believe the City Attorney was in agreement with the accommodation, but it obviously was not satisfactory to either legal counsel or the insurance carrier for the District.

Although it is conceivable that the Operating Agreement could still be salvaged, we are proceeding on the basis that we will no longer be providing this service by mid-December of this year. Bill Morris and I have discussed the matter and with some upcoming retirements in the maintenance area and the possibility of some near-term reconfiguration of crews, this might provide some opportunities for us to catch up on some overdue maintenance repairs. There are still many details to be reviewed but we see this as being a potential benefit to the City and possibly to the District on a longer-term basis.

As soon as our analysis is complete, this matter will be placed on your agenda for action. We do believe it appropriate for the City Council to take formal action in response to the District's attached letter as opposed to simply allowing the current arrangement to lapse.

c: City Attorney
Public Services Director
Maintenance Services Director
Finance Director
City Engineer