



CITY COUNCIL AGENDA REPORT

MEETING DATE: DECEMBER 4, 2012

ITEM NUMBER:

SUBJECT: RESCISSION OF LAYOFF NOTICES/REJECT ALL REMAINING BIDS FOR SERVICES

DATE: NOVEMBER 29, 2012

FROM: OFFICE OF THE CHIEF EXECUTIVE OFFICER

PRESENTATION BY: THOMAS R. HATCH, CHIEF EXECUTIVE OFFICER

FOR FURTHER INFORMATION CONTACT: DANIEL K. BAKER, 714-754-5156

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the CEO to rescind the remaining layoff notices;
2. In lieu of outsourcing not providing extensive relief on City pension challenges, direct the CEO to prepare and present a plan to address the underfunded pension and retiree medical liabilities at the mid year budget review in February 2013.
3. Authorize the CEO to enter into negotiations with representatives of the Costa Mesa City Employees' Association (CMCEA) to discuss innovative methods and techniques that will both ensure continued quality services to the public and produce long term financial savings to the City;
4. Authorize the CEO to initially focus the discussions with CMCEA on Jail Services, Street Sweeping Services, Parks and Landscape Maintenance Services, Graphic Design Services and Payroll Services with the CEO administratively implementing the changes without any layoffs to full-time personnel; and
5. Reject all bids for the remaining outsourcing services where the City Council has yet to provide direction.

BACKGROUND:

At the regular City Council meeting on November 20, 2012, Mayor Pro Tem Jim Rigeimer requested that staff prepare a staff report to begin to rescind all remaining layoff notices. Currently, 70 layoff notices are still pending in a few service areas.

Attachment 1 of this report is the Outsourcing Summary Overview, which provides the current status of all outsourcing areas that were under review. The intention of this staff report would be to rescind the remaining layoff notices. In addition, this report seeks to define the service areas that represent the best opportunity for successful discussions with CMCEA. Finally, this report will formally reject the bids related to the remaining outsourcing areas that have not yet been individually reviewed by the City Council.

ANALYSIS:

Approximately 70 of the original 213 layoff notices remain throughout the organization. The notices are in service areas where the City Council has not yet reviewed or yet decided to withdraw a notice. The layoff notices will be rescinded from the following service areas: Jail Services, Street Sweeping Services, Parks Landscape and Maintenance Services, Telecommunications Technical Services, Facility Maintenance, Payroll, Information Technology, Graffiti Abatement, Fleet Maintenance and Signs and Markings.

Per the City Council interest in moving forward with discussions in service areas that have the best possible opportunity for outsourcing success, staff is recommending that the City enter into discussions with CMCEA concerning contracting out Jail Services, Street Sweeping Services, Parks Landscaping and Maintenance, part of the Graphic Design unit and potentially Payroll Services. The detailed outsourcing analysis conducted over the last year demonstrates that quality work and significant savings of approximately \$2,070,000 could be realized with outsourcing these few services. The commitment from the City to CMCEA would be that no layoffs of full-time personnel would result from outsourcing these services if an agreement can be reached. Employees currently serving in the work capacities described above would be retrained and provided opportunities in other areas likely within the same department. Many would be assigned to currently vacant positions. For example if all or portions of the Park Landscaping and Maintenance section were to be contracted to a private firm already authorized by the City Council, affected employees would be transferred to other areas in the maintenance division and/or to a new crew that would be trained on how to design and install new drought tolerant landscape/hardscape and then begin to replace the many traditional grass landscape areas throughout the City within medians and public landscape areas. This could speed up the process of changing out this landscaping to more environmentally friendly materials, increase the visual appeal and save the City watering and maintenance costs. This will cause a short-term increase in the number of authorized full-time positions (financial impact discussed below) but through attrition, the number of staff would be reduced.

The City Council, as part of this action, will be formally rejecting the bids in the remaining service areas.

FISCAL REVIEW:

The opportunity for financial saving to the City from outsourcing the described services over the long-term is over \$2,000,000 per year. Initially, additional full-time personnel will be retained requiring additional costs but the plan will be to cover these costs with the savings from outsourcing and the current vacant positions that are already appropriated. No additional appropriation is anticipated to implement this change but if necessary, staff will bring forward a request for an appropriation at a later date. Over a short period of time, staffing levels would be reduced back to appropriation levels through attrition. Some additional costs will be required to retrain some personnel but the community will receive the benefit of additional services for this increased cost. Details of these changes and costs will be provided by the CEO to the City Council and

community after the negotiations and changes are implemented. The City would also save future legal costs if the lawsuit is terminated.

ALTERNATIVES CONSIDERED:

The City Council may choose to continue with the outsourcing process. If this alternative is selected, all findings of the outsourcing committee and the RFP process will remain pending due to the current lawsuit between the City and CMCEA, and the layoff notices will remain in place until pending litigation has been resolved.

LEGAL REVIEW:

The contracts with the proposed outsourcing service providers have already been through a detailed process and reviewed by the community and authorized by the City Council. If successful in discussions with CMCEA, the CEO will administratively execute the approved contracts with G4S Security Solutions for Jail Services, Athens Services for Street Sweeping, Merchants Landscaping Services for Parks Landscaping and Maintenance and We The Creative for Graphic Design Services. Potential outsourcing of Payroll Services will require additional review and discussion.

With the authority vested in the CEO to rescind the layoff notices and work with the CMCEA to address innovative methods and techniques that will both ensure continued quality services to the public and produce long term financial savings to the City, it would be in the best interest of Costa Mesa and its residents for the CEO to undertake these actions as part of a global resolution to the pending lawsuit between Costa Mesa and CMCEA.

CONCLUSION:

It is recommended that the City Council authorize the CEO to rescind all remaining layoff notices and begin negotiations with representatives of the Costa Mesa City Employees' Association in an effort to seek both enhanced City-provided services and long-term financial stability for the City.

THOMAS R. HATCH
Chief Executive Officer

BOBBY YOUNG
Director of Finance and IT

ATTACHMENTS: 1 Outsourcing Summary Overview

CITY OF COSTA MESA OUTSOURCING SUMMARY OVERVIEW

The information below is a summary of the projected impact of outsourcing (pending resolution of legal constraints), as analyzed over the past 20 months. As the outsourcing process progressed, changes in service needs, funding and staff attrition occurred. For example, in the Animal Control area, staffing levels were reduced from three full time positions to two full time positions making outsourcing less desirable from a financial standpoint. Hence, the Animal Control Program is working at this new service level and the savings are included in the annual fiscal impact section of this report. While the analysis of some services did not immediately show that outsourcing would be prudent, the process itself has created a new culture of continually looking at how the City can provide quality services in the most efficient and effective way possible. In the future and as opportunities present themselves, such as through employee attrition or new technology, all City services will continually be reviewed at this level, ensuring high quality, efficiency and fiscal responsibility. Employees impacted by outsourcing will be assisted by the City in transitioning to other City positions.

SERVICE	TOP RANKED PROPOSER	ACTION	OUTSOURCING DECISION	ANNUAL FISCAL IMPACT/SAVINGS
Jail Operations	G4S Security Solution \$743,329	Outsource	On May 15, 2012, City Council approved to outsource this service to G4S resulting in enhanced services and a potential annual savings of \$603,460, pending the resolution of the City's outsourcing constraint. Annual Savings of \$603,460	\$ 603,460
Animal Control	Orange County Animal Control Services (OCAC) \$555,580	Receive & File	On May 15, 2012, City Council approved to receive and file the report, reject all proposals, rescind all layoff notices previously distributed to Police Department employees currently performing the work related to this service and direct staff to further explore measures to increase dog licensing compliance rates either through the County or a non-profit organization. OCAC's proposal cost is \$150,989 greater than the City's net cost for Animal Control Services. In June of 2011, City Council eliminated one (1) Animal Control Officer position, for a fully burdened annual savings of \$98,007. Annual Savings of \$98,007	\$ 98,007
Building Inspections	Willdan Engineering \$720,000	Hybrid	On May 15, 2012, City Council approved a hybrid model that utilizes key senior City staff in combination with contract employees. The new model allows City staff to control inspection activities and maintain the high level of service to the community. It also gives the City the flexibility to expand or reduce contract staff to match the workload. The hybrid model is anticipated to save the City \$214,780 in FY 12/13. Annual Savings of \$214,780	\$ 214,780
Street Sweeping	Athens Services \$478,800	Outsource	On May 15, 2012, City Council approved to outsource this service to Athens Services resulting in enhanced services and a potential annual savings of \$87,707 and a one time Capital Budget savings of approximately \$1,060,000 (the cost of four (4) new alternative fuel sweepers the City would eventually have to purchase), pending the resolution of the City's outsourcing constraint. Additional revenue may be garnered under this agreement by way of potentially renting City Yard space to Athens (potentially \$10,000-\$20,000 in annual revenue) and the sale of the City's existing air quality compliant street sweeper. Annual Savings of \$87,707 One Time Savings of \$1,060,000	\$ 87,707
Reprographics	Orange County Publishing Services \$50,000	Hybrid	On June 19, 2012, City Council approved a hybrid model, that includes outsourcing a portion of the Reprographic Services (i.e. offset printing, reprographics and bindery) while maintaining some services in-house. A 3-6 month implementation plan was requested to transition the outsourced services to the County under this model, close the existing print shop on the first floor of City Hall, eliminate the Offset Press Operator position effective upon the retirement of the incumbent employee and rescind layoff notice to the one remaining Central Service Division employee. Additional revenue (an expected \$20,000) may be garnered under this agreement with the sale of the City's existing offset printing and bindery equipment. Annual Savings of \$34,009 One Time Savings of \$20,000	\$ 34,009

CITY OF COSTA MESA
OUTSOURCING SUMMARY OVERVIEW

SERVICE	TOP RANKED PROPOSER	ACTION	OUTSOURCING DECISION	ANNUAL FISCAL IMPACT/SAVINGS
Graphic Design	Jovenville, LLC dba We The Creative (WTC) \$75,000	Hybrid	On June 19, 2012, City Council approved a hybrid model, that includes outsourcing a portion of the Graphic Design Services while maintaining some services in-house, pending the resolution of the City's outsourcing constraints. A 3-6 month implementation plan was requested to transition the outsourced services to WTC under this model and eliminate one of the two Graphic Designer positions effective upon the retirement of the incumbent employee and rescind layoff notice to the one remaining Central Service Division employee. Annual Savings of \$9,787	
				\$ 9,787
Parks & Landscape Maintenance	Merchants Landscape Services, Inc. \$959,820	Outsource	On August 21, 2012, City Council approved to outsource this service to Merchants Landscape Services, Inc. resulting in enhanced services and a potential annual savings of \$1,370,373, pending the resolution of the City's outsourcing constraint and rescind layoff notices for six (6) positions to be retained by the Parks and Landscape Maintenance Section. Additional revenue (and expected \$100,000) may be garnered under this agreement with the sale of the City's existing equipment. Annual Savings of \$1,370,373 One Time Savings of \$100,000	
				\$ 1,370,373
Fire Service	No Proposals were received for this service except for the initial OCFA proposal	Receive & File	On April 17, 2012, City Council approved to rescind layoff notices that were distributed to Fire Department personnel and schedule a review of the department's proposed fire services restructuring model. On September 4, 2012, the City Council approved a side letter with the Fire Association. The payment of 5% by employees toward the employee's share of PERS retirement will produce an annual savings of \$420,000. This amount will continue to increase as new employees are hired and contribute a higher percentage (9%) towards their pensions. It is anticipated that the reduced retirement benefit (2.7%@57) for new employees will produce a savings compared to hiring new employees at the current benefit (3%@50). In addition, the City will save \$400,000 annually based on the new 2nd Tier. The agreement to forgo any salary increases through June 2017 would also produce a savings if the City was required to provide a salary increase, however these savings can not be determined at this time. Lastly, the Fire Department Operational Restructuring Plan will also result in a cost savings. It is estimated that six (6) positions will be eliminated as a result of the changes, providing an additional savings of \$993,000 annually. Annual Savings of \$1,813,000	
				\$ 1,813,000
Video Production	Monarch Media \$198,016	Receive & File	On May 15, 2012, City Council approved to receive and file the report, reject all proposals, rescind all layoff notices previously distributed to Video Production employees and continue with the City's in-house video production services. The Video Production Section has increased its workload to enhance the City's Communications. Specifically a new daily show the Costa Mesa Minute, was created to provide better and regular information to the community.	
				\$ -
Dispatch	No viable candidate emerged	Receive & File	On July 3, 2012, City Council approved to receive and file the report, reject all proposals, rescind all layoff notices previously distributed to Police Department employees currently performing the work related to this service and direct staff to continue exploring shared services models with neighboring public agencies. None of the three (3) proposals received adequately met or addressed the full scope of services identified in the RFP, hence there were no viable options presented to provide Dispatch Services to the City at this time. City staff is actively exploring options for reducing costs and sharing services with other agencies.	
				\$ -

CITY OF COSTA MESA
OUTSOURCING SUMMARY OVERVIEW

SERVICE	TOP RANKED PROPOSER	ACTION	OUTSOURCING DECISION	ANNUAL FISCAL IMPACT/SAVINGS
Telecommunications Technical Services	No viable candidate emerged	Receive & File	On July 17, 2012, City Council approved to receive and file the report, rejected all proposals, left one (1) layoff notice pending and directed staff to explore shared services models with neighboring public agencies. The only proposal received did not address the full scope of services identified in the RFP, hence there were no viable options presented to provide Telecommunication Technical Services to the City at this time. City staff is actively exploring options for reducing costs and sharing services with other agencies.	
				\$ -
Tree Maintenance	West Coast Arborists \$420,000	Outsource	On August 7, 2012, City Council approved to continue outsourcing this service to West Coast Arborists (WCA) in an annual contract of \$420,000 for five (5) years. WCA has provided Tree Maintenance Services to the City of Costa Mesa for the past 19 years and ranked highest among all other proposers.	
				\$ -
Street/Storm Drains	No proposals were received for this service	Receive & File	On October 2, 2012, City Council approved to receive and file the report, reject all proposals and rescind layoff notices previously distributed. With the adoption of the FY2012-2013 Budget, three (3) vacant positions were suspended, resulting in a savings of \$555,789 in labor and materials. Because the suspension of this program will reduce the amount of work to be completed, the savings are not included in the total fiscal impact.	
				\$ -
Facility Maintenance	2 proposals were received	TBD	The final analysis for this service is underway and was to be presented to the City Council at a future Council meeting.	
				\$ -
Payroll	4 proposals were received	TBD	The final analysis for this service is underway and was to be presented to the City Council at a future Council meeting.	
				\$ -
Information Technology	7 proposals were received	TBD	The final analysis for this service is underway and was to be presented to the City Council at a future Council meeting.	
				\$ -
Graffiti Abatement	4 proposals were received	TBD	The final analysis for this service is underway and was to be presented to the City Council at a future Council meeting.	
				\$ -

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OUTSOURCING SUMMARY OVERVIEW

SERVICE	TOP RANKED PROPOSER	ACTION	OUTSOURCING DECISION	ANNUAL FISCAL IMPACT/SAVINGS
Fleet Maintenance	4 proposals were received	TBD	The final analysis for this service is underway and was to be presented to the City Council at a future Council meeting.	
				\$ -
Signs & Markings	4 proposals were received	TBD	The final analysis for this service is underway and was to be presented to the City Council at a future Council meeting.	
				\$ -

TOTAL ANNUAL SAVINGS	\$ 4,231,123
Total 1 Time Savings	\$ 1,180,000
Total 1st Year Savings	\$ 5,411,123
TOTAL 5 YEAR SAVINGS	\$ 22,335,615

SUMMARY OF OUTCOME	
Receive & File	6
Hybrid	3
Outsource	4
Services Under Review	6
TOTAL # of Services	19