



CITY OF COSTA MESA

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FROM THE INTERIM DIRECTOR OF COMMUNICATIONS

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FAQs about Costa Mesa's budget crisis

Did Costa Mesa fire more than 200 city employees?

No. On March 1, the City Council voted to send six-month notices to 213 employees (more than 40% of City staff), notifying them that their jobs would be outsourced. The warning was mandated by contracts with employee associations. This process was different than how the City has done layoff notices in the past due to the fact that outsourcing requires a six-month warning. The notices do not mandate the outsourcing of the 213 jobs; the final number will be the result of months of research and analysis into the viability of outsourcing different City services, public hearings and a vote of the City Council. This year's action was similar to the layoff warnings public school teachers often receive before school districts know how their next fiscal year's budget will shape up.

Why did Costa Mesa send out the notices before it studied if the outsourcing was viable?

Because of contracts with the employee associations, the City must give six-month notice for any job that is outsourced. The Council felt that with an on-going budget crisis, it was important to start the six-month clock to allow for maximum flexibility while crafting the City's first balanced budget in several years. The jobs targeted for study have been successfully outsourced in other cities, and Costa Mesa previously has privatized services—including its golf course, tree-trimming and grass-cutting operations along with elements of street maintenance—with little complaints.

What is Costa Mesa doing during this six-month noticing period to study the viability of outsourcing?

In April and May, the City—after obtaining input from staff and employee associations—will send out Requests for Proposals (RFPs), asking private companies and government agencies to bid on various City services. Once the RFPs are completed, City staff will analyze them to

see if outsourcing in each area makes sense. City employees also will be encouraged to develop their own proposals that would match the services and costs outlined in RFPs. With all this information, the Council will then vote on which services to outsource.

What happens if outsourcing isn't viable in some areas?

Then City workers will continue to provide the services. However, the City has a significant budget gap and service levels will likely need to be reduced in many areas to balance the budget.

Will 213 employees be out of work if the City decides to outsource every job?

No. Costa Mesa's more than 90 firefighters—who last year asked the City to consider outsourcing the entire fire department—have all been promised jobs with the Orange County Fire Authority if the outsourcing goes through.

For other employees, the City is including language in each RFP that will give affected workers hiring preferences with companies or agencies with which the City contracts. The City is committed to helping its employees as much as possible during this difficult process.

Will City services be cut in half if the jobs are outsourced?

No. Private companies and other government agencies will perform the services. But whether the work is done by the City or others, the budget gap will likely require that service levels need to be reduced in many areas.

Why is the City even considering outsourcing so many jobs?

Like governments on all levels across the United States, the City has been hit hard by the recession. Declining revenues and rising pension costs have combined to put Costa Mesa in financial peril. In the past three fiscal years, the City has still consumed more than \$30 million of its reserves—even after eliminating more than 120 positions and drastically cutting services.

The City still faces a \$1.6 million deficit for the three months remaining in the 2010-11 fiscal year, and more deficits loom for the next fiscal year. In addition, looking several years in the future, pension costs are projected to rise, placing more financial burden on an already strained budget. Revenues will hopefully increase in the future to help relieve the unprecedented pressure on our City budget.

The potential outsourcing of jobs is only one component in getting the City to live within its means. Other options being explored include cooperative agreements with neighboring cities, a restructuring of the police department, informal talks with employee associations, more cuts in service and further layoffs.

Changes are needed if Costa Mesa residents expect a City that balances its budget, repairs its infrastructure and maintains adequate reserves.

What kind of budget deficit is the City facing for the 2011-2012 fiscal year?

The City is in the middle of putting together a preliminary budget for next fiscal year, which begins July 1. Initial figures indicate a \$5 million budget gap, which does not include some needed enhancements in technology, new capital improvements, or new services that the City Council has discussed over the past few months.

It also does not include many of the deferred maintenance issues that were set-aside over the past few years. It is unknown which of these issues need to be addressed immediately and which could be continued for another year. Some members of the City Council have expressed concern that Costa Mesa cannot keep deferring some issues and that their expectations are for this up-coming budget to fund these items. These expectations could push the City's budget shortfall to nearly \$15 million.

What are some examples of expenses that have been recently cut from the Costa Mesa budget that the Council wants to restore?

The City has used so little money on basic street repairs in recent years that it needs to spend \$25 million just to get the roads back into shape. Costa Mesa also stopped replacing its vehicles on a regular basis, allowing many City cars—including those used by police officers—to have 150,000 to 200,000 miles on them, which has led to expensive repairs and employee downtime. The City left open its Director of Finance position, which has become an essential position during this period of restructuring. The cuts have been so deep that the City has quit buying fertilizer and weed control products for its parks and sports field.

What happens if the City receives more revenue than projected?

This will be good news and help close the budget gap without making the most painful cuts. Our revenue projections are the City's best professional guess—after reviewing all the relevant economic data—at the time.

Why did the City Council recently vote to spend \$200,000 on consultants during a period of financial crisis?

The consultants—which include two former city managers, a human resource company, a communications company and a website design company—are needed to get the City through this transition period successfully. The former city managers are looking at complex issues facing the City, including the potential outsourcing of the fire department and the restructuring of the police department. The human resource company is helping insure that any decisions that affect city employees are done with professionalism, care and compassion. The communication company is filling a vacuum left when the city's public information officer position was eliminated a few years ago and will ensure transparency and information flow to residents, employees and the media during one of the most critical times in City history. The website design company will overhaul the City's website allowing for greater ease of use, more transparency, searchable documents including City Council agendas and minutes, and more ways to conduct business with the City online.

What can I expect to see in the coming months?

The City has already received a proposal back from the Orange County Fire Authority for outsourcing the Costa Mesa Fire Department. City staffers and firefighter representatives are currently evaluating the RFP and a recommendation will eventually be presented to the City Council. It may be scheduled for the May 10, 2011 City Council Study Session if it is ready for review.

Other RFPs will be sent out in April and May, and most will be due back within 30 to 60 days. From there, the City will analyze the viability of the proposals and make recommendations to the City Council. It is difficult to pin down when the Council will vote on the first proposed

outsourcing of services, but it will likely be in July. In the meantime, the City will be exploring other options that will help close the projected budget deficit.

As for the 2011-2012 budget, staff plans to have a preliminary budget ready for public review in May.

How can I keep informed?

The easiest ways are by checking the City's [website](http://www.ci.costa-mesa.ca.us) (www.ci.costa-mesa.ca.us), its Facebook page (www.facebook.com/CostaMesaCityHall) and Twitter @CityofCostaMesa.