



CITY OF COSTA MESA

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FROM THE OFFICE OF THE INTERIM DIRECTOR OF COMMUNICATIONS

PRESS RELEASE

August 11, 2011

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City to add employee association representatives to outsourcing process

COSTA MESA, CALIF.—Responding to concerns raised by the Costa Mesa City Employees' Assn., City Chief Executive Officer Tom Hatch has formed Contracting Committees that will include employee association representatives to research the viability of outsourcing of some City services.

In a letter sent today to the employees' association (see attached), Hatch said three Requests for Proposals (RFPs) that have been recently sent out—for video production services, animal control services and building inspection services—will be withdrawn and the newly formed Contracting Committees will explore the benefits of outsourcing each particular service.

If contracting is a viable option for any of these services, the committees will finalize the Requests for Proposals for City Council approval.

Hatch also will have a Contracting Committee review an RFP for jail operations prepared by Police Department staff.

To date, four out of the initially proposed 18 RFPs have been released. All were prepared with significant input from members of the Costa Mesa City Employees' Assn. regarding scope of services, level of expected service, and the affected stakeholders.

The new procedures announced by Hatch are aligned with a council policy (see attached) passed in 1999 that provided guidelines for potential outsourcing and is among the existing policies and regulations referenced in the employees' association contracts with the City.

The council policy states that the City Council approves the RFPs, views the submitted

proposals and “makes approval accordingly.”

“The Aug. 1 letter from Association President Helen Nenadal brought up some valid concerns that the City felt should be addressed as it explores outsourcing, and I thank her for it,” Hatch said. “Now that we’ve made the adjustments, we look forward to completing this process in a timely fashion.”

The policy calls for the Contracting Committees to be formed from three segments of the City’s workforce: “Project Responsibility/Facilitator,” which can include finance director, administrative services director, budget and research officer, personnel manager; “Department Representative” (a department head, manager and/or supervisor of service being evaluated and “representatives from the service area ... with technical expertise and qualifications to knowledgably discuss the contracting proposal”); and “Employee Representative” (“representatives designated by the appropriate employees’ association to evaluate and provide input regarding the specific service being evaluated”).

In his letter, Hatch said the six-month layoff notices issued to 213 employees whose jobs may be outsourced will remain in place, though no layoffs were anticipated on Sept. 17—six months from when the first notices were issued.

“I hope we can all take this opportunity to do an honest assessment of existing service delivery and options of improving that service at a lesser cost,” Hatch concluded, “whether it be through contracting out, ‘contracting-in,’ or restructuring.”

In July, an Orange County Superior Court judge issued a preliminary injunction to stop the City from outsourcing services to private companies until a lawsuit filed by the Costa Mesa City Employees’ Assn. to halt the process is heard.



CITY OF COSTA MESA

P.O. BOX 1200, CALIFORNIA 92628-1200

FROM THE OFFICE OF THE CITY MANAGER

August 11, 2011

Helen Nenadal, President
Costa Mesa City Employees Association
c/o Orange County Employees Association
830 N. Ross Street
Santa Ana, California 92701

RE: LETTER OF AUGUST 1, 2011

Dear Helen:

On behalf of the City of Costa Mesa, I would like to thank you for your letter of August 1, 2011 regarding the RFP process and Council Policy 100-6. First, let me assure you that it has never been our intent to exclude the employee associations or their members from the process of evaluating delivery of City services and the issuance of RFPs. Indeed, CMCEA employees have been instrumental in drafting the RFPs that were previously issued and in providing input about the scope of services performed by City employees, the level of service currently being delivered, the stakeholders in the process and the costs of providing services, as well as regarding the process of evaluating proposals from outside resources.

It is also important to note that the Policy was adopted more than ten years ago under very different circumstances than are present today. Moreover, we do not think it likely that the Policy was ever intended to restrict the Council from acting in the City's best interests. To that end, we read the Policy as setting forth procedural guidelines, and not detailed and mandatory step-by-step instructions to be followed blindly and uniformly under all circumstances. We understand that the Association would like the City to follow the Council Policy. We certainly recognize that the MOU requires that CMCEA employees participate in the discussions regarding contracting out. I have concluded that following the existing Council Policy will satisfy that requirement. Please know that should the Council seek to amend the Policy, it will only do so in a manner consistent with its obligations under the MOU.

In keeping with the spirit of the Policy, the purpose of this letter is to address yours of August 1, 2011 as well as to request your assistance in implementing Council Policy 100-6 as we go forward. We trust that you will find the following steps consistent with the City's obligations under the MOU. First, we intend to notify proposers regarding jail services that we will not be accepting any proposals at this time. Instead, we will form a Contracting Committee as provided in Council Policy 100-6 to review the previously issued RFP (which was prepared by Police Department Staff), and I have already directed the identified members to begin the process. To that end, I would ask you to designate an employee member of your Association who has the necessary background and experience to provide input on the specific services involved (jail services) to be a member of the Contracting Committee. The other members of the Committee are available to hold the initial meeting on August 17, 2011 at 2:00 p.m. or on

August 23, 2011 at 2:00 p.m. Please advise me in writing of your Association's designated employee for this Committee and which meeting date and time is available for your designee.

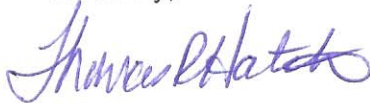
Second, I have asked the City Attorney's Office to prepare some guidelines consistent with the spirit of the Council Policy to assist the Committee in its evaluation process and those will be ready for the Committee to go over at its first meeting. I have also requested that the Project Facilitator put together a timeline for the Committee to do its work.

I look forward to seeing the work product of the Committee so that we can present a complete analysis of the available options for service delivery to the Council for direction. In the meantime, please advise your membership that we do not anticipate layoffs actually taking effect on September 17th. We are not rescinding layoff notices for your members, but any layoff which results from this process will take place after that date. We will obviously continue to discuss these issues with your Association both at the Contracting Committee level and through discussion of impacts of potential layoffs.

Finally, with respect to the RFPs issued on July 28 and 29 for Video Production Services, Animal Control Services, and Building Inspection Services, those RFPs will be withdrawn and Contracting Committees will be formed for each of those services as well. Please advise me within five (5) days of the date of this letter the name of the employee representative the Association designates to serve on each of these Committees so that the evaluation process can get underway promptly.

I value the service provided by Costa Mesa employees and look forward to your participation in this difficult and challenging process. I hope that we can all take this opportunity to do an honest assessment of existing service delivery and options of improving that service at a lesser cost, whether it be through contracting out, "contracting-in," or restructuring.

Sincerely,



Thomas R. Hatch
Chief Executive Officer

**CITY OF COSTA MESA, CALIFORNIA
COUNCIL POLICY**

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
CONTRACTING CITY SERVICES	100-6	5/17/99	1 OF 3

PURPOSE

The purpose of this policy is for each department to develop a written "organizational vision" which comprehensively evaluates each operation within the department to develop the most cost effective and efficient method of providing City services. This continuous analysis of departmental operations is essential to providing the highest quality of City services at the lowest cost. This policy emphasizes Council's desire to "rethink" service delivery to achieve optimum effectiveness and efficiency. This organizational analysis process will include consideration of contracting for services, and departmental reorganization and/or consolidation, and will be made a part of the City's annual budget process. This policy provides guidelines for evaluating potential contracting of on-going City services on a long-term or permanent basis. It is not intended to apply to temporary contracts for short-term projects nor to contracts which are utilized to augment permanent staffing levels on a limited basis.

POLICY

The financial instability of the State of California and the lingering effects of the economic recession have significantly impacted Costa Mesa's General Fund resources. To that end, the City Council has directed that greater emphasis be placed on the development of an operational master plan for each department which addresses short and long-range service delivery objectives.

At City Council's direction a hiring freeze was implemented in July 1991. The purpose of the hiring freeze is to allow departments to analyze service delivery and to systematically achieve, through attrition, optimum staffing levels for each service provided by the City. It is the policy of the City Council that the hiring freeze be utilized as a tool to achieve long-term service delivery efficiency in each department. The City Council remains committed to treating all City staff in a humane and considerate manner. It is the City's goal to achieve optimum service delivery through attrition whenever practical.

Wherever practical, contracting for services will be considered as a viable, realistic alternative to providing such services with City staff. The opportunity exists to look beyond our current organizational structure and to review options for downsizing and/ or contracting service delivery. Additionally, new self-sustaining services may be considered for implementation utilizing either outside contract services or contracting in as was achieved by our staff with the in-house maintenance of our Police patrol vehicles.

**CITY OF COSTA MESA, CALIFORNIA
COUNCIL POLICY**

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
CONTRACTING CITY SERVICES	100-6	5/17/99	2 OF 3

PROCESS

Written proposals for contracting City services may be submitted from any source through the appropriate Department Head for consideration by the City Manager for evaluation by the Contracting Committee for further study.

The following is an outline of the basic process which will be utilized for evaluation of contracting proposals as they occur.

The Contracting Committee is comprised of three segments:

Project Responsibility/Facilitator

- Finance Director
- Administrative Services Director
- Budget and Research Officer
- Personnel Manager

Department Representative

- Department Head, Manager, and/or Supervisor of service being evaluated.
- Representatives from the service area being evaluated with the technical expertise and qualifications to knowledgeably discuss the contracting proposal.

Employee Representative

- Representatives designated by the appropriate employees' association to evaluate and provide input regarding the specific service being evaluated.

The contracting evaluation process is described below:

1. The entire evaluation team meets as a group. The appropriate department will review and explain the components of their written contracting proposal. The Association representatives as well as the facilitator group will have the opportunity to ask specific questions of the department to clarify their understanding of the proposal under consideration.
2. The team will work together to outline how to evaluate a comparable City effort to provide the same or similar services that would be required of the contractor at the same or lower cost.
3. The project facilitator will determine what, if any, additional back-up data and/or information is required for evaluation of each contract proposal, and will direct the preparation of a draft analysis addressing the available alternatives for service delivery as outlined by the team. The options evaluated will include a "contracting-in" component, if deemed appropriate by the Committee.
4. The findings included in the draft analysis will be presented to the entire evaluation team.
5. Based on the draft evaluation, a decision will be made if outside comparative data would be useful. For example, survey other cities that contract out for the same or similar service to estimate our expected contract cost. Determine the approximate staff effort that will be required to maintain and oversee each contract based on the experience of other cities.

**CITY OF COSTA MESA, CALIFORNIA
COUNCIL POLICY**

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
CONTRACTING CITY SERVICES	100-6	5/17/99	3 OF 3

6. Based on all of the data collected above, if contracting remains a viable option, the appropriate department will prepare a Request for Proposal (RFP) for contract services.

7. The appropriate department will provide a written evaluation of each option addressed by the contracting team for service delivery.

8. The project facilitator will prepare an analysis of all of the alternatives available for service delivery including pro's and con's of each option for review by the City Manager and ultimate approval by the City Council.

9. City Council reviews each proposal and makes approval accordingly.

10. The affected department(s) implement the City Council's direction.