

**CITY OF SANTA ANA  
CITY COUNCIL COMMITTEE ON  
ECONOMIC DEVELOPMENT, INFRASTRUCTURE, BUDGET AND TECHNOLOGY  
SPECIAL MEETING MINUTES**

**May 15, 2017**

**CALL TO ORDER:**

City Hall  
20 Civic Center Plaza, Room 1600  
Santa Ana, CA  
5:03 p.m.

**ATTENDANCE:**

Council Committee members:  
Vincent Sarmiento  
Michele Martinez  
P. David Benavides (5:32pm)

**MEMBERS ABSENT:**

None

**STAFF PRESENT:**

Robert Cortez, CMO/CDA	James Schnabl, PD
Teresa Ramirez, FMSA	Robert Carroll, PD
Francisco Gutierrez, FMSA	Christina Holland, PD
Sergio Vidal, FMSA	Fred Mousavipour, PWA
Waldo Barela, FMSA	Mike Fetner, ITD
Katrina Nguyen, FMSA	Sarah Ro, FMSA
Sandra Simon, FMSA	Alvaro Castellon, FMSA
Melanie Torres, ITD	

**GUESTS PRESENT:**

Peter Katz, Com-Link; Ryan Smolar, Downtown Inc.; Hector Bustos, Job Shadow Student; J. Manriquez; Mark Alvarado, Kelly Associates; Mike Lopez, SEIU 721; Claudia Andrade-Villa, PD; Ana Urzlia, SABHC; Carlos Melendez, Comunidad; Adrian Munoz, Cooperativa Producciones S.A.; Reyna Mendoza, Cooperativa Manos Unidas Creando Arte; Apolonio Cortes, Cooperativa Tierra y Dignidan; Victor Acevedo, Resident.

**PUBLIC COMMENTS**

- Ryan Molar, member of City's Joint Committee with Chamber of Commerce, known as City's Economic Development Council. Provided his top ten list of economic development priorities: 1) Smart Community; 2) Reorganize Downtown; 3) Finish Branding Study; 4) Redirect Bed Tax; 5) Investment on Process Improvement; 6)

Staff-up on more Inspectors; 7) Organize Retail; 8) Corridor façade improvements; 9) Placemaking; 10) More BIDs and Council of Business Area.

- Peter Katz, Com-Link. Disappointed that council rejected Harbor Blvd hotel project that is an underutilized area. Neighboring cities like Garden Grove have a 34% bed tax versus Santa Ana's 7%. Revenue opportunities: golf course if upgraded to PGA status; mini-convention center on Harbor Blvd with streetcar to bring people; medical marijuana tax increase; Courtyard Plaza Downtown for tourist; hotel bed tax needs to add branding tax to pay for advertising. And help PD on 4<sup>th</sup> of July with off duty officers, by adding \$5 fee to non-profits to help offset costs.
- Adrian Munoz, Producciones Santa Ana, (Spanish Speaker). Twenty year Santa Ana resident participating in cooperative called Producciones Santa Ana. Spoke in support of agenda item #9 (Cooperative Business Ordinance).

### **AGENDA DISCUSSION ITEMS**

#### **1. Receive and File Minutes from Regular Finance, Economic Development, & Technology Committee Meeting of January 11, 2016.**

**MOTION:** Sarmiento                      **SECOND:** Martinez  
**VOTE:**                      **AYES:** Martinez, Sarmiento (2)  
   **NOES:** None (0)  
   **ABSENT:** Benavides (1)

#### **2. Approval of Minutes from Regular Economic Development, Infrastructure, Budget and Technology Committee Meeting of March 13, 2017.**

**MOTION:** Sarmiento                      **SECOND:** Martinez  
**VOTE:**                      **AYES:** Martinez, Sarmiento (2)  
   **NOES:** None (0)  
   **ABSENT:** Benavides (1)

#### **3. Selection of Chair and Vice-Chair**

**MOTION:** Sarmiento                      **SECOND:** Benavides  
**VOTE:**                      **AYES:** Martinez, Sarmiento, Benavides (3)  
   **NOES:** None (0)  
   **ABSENT:** None (0)

Chair – Mayor Pro Tem Martinez  
Vice-Chair – Councilmember Benavides

#### 4. Review of By-Laws

**MOTION to Approve:** Sarmiento      **SECOND:** Benavides

**VOTE:**                      **AYES:** Martinez, Benavides, Sarmiento (3)  
                                    **NOES:** None (0)  
                                    **ABSENT:** None (0)

#### 5. FY 2017-18 & FY 2018-19 Budget Plan {Strategic Plan No. 4, 1} - (FMSA)

Francisco Gutierrez, Executive Director, introduced Mark Alvarado, Principal, with Kelly Associates Management Group, hired to perform audit and look over City financial and budget documents. Firm has extensive background with auditing and government management.

Presented overview of fiscal year 2017-18 budget and proposed budget plan. Staff seeking committee direction to finalize draft for tomorrow night's council meeting. Overview will be of general fund revenue & expenditure assumptions of the plan currently in place. If committee would like to make any recommendations or changes, those can be included in final budget. Assumptions includes loss of ICE contract; reduction of Water Transfer Revenue; increase of top six revenue sources; recognizes the operations of additional Medical Marijuana Dispensaries; and completion of Citywide Fee Study in 4<sup>th</sup> Quarter of FY 17-18.

Expenditure assumptions: Assumes no labor negotiated increases; reflects PERS increase; includes increase to Health Insurance; increase of OCFA & Ambulatory cost; incorporates Graffiti Abatement Program funding in General Fund; includes allocation for 3<sup>rd</sup> COPS Grant \$1.0M; includes funding for City's annual share of Animal Shelter construction costs; includes increase to Worker Compensation rates; recognizes financing of 800 MHz final phase; and continues current attrition value that was started last year.

From a percentage basis; Police department continues to be highly funded at 49.7%, followed by Fire contract at 21.0%, then Recreation & Library at 8.3%, and so on. Technology infrastructure is included in 'Other'. Councilmember Martinez would like to have IT related funding highlighted for council viewing.

Budget debt of \$14.M identified for current year with a budget gap of \$19.5M for next year. Trying to establish two year vision plan in order to address the City's various issues.

Current plan, in order to balance next year's budget - one item identified is mid-year moving of jail from Type II to a Holding facility with a cost savings of \$4M. Strategic plan funded year after year, currently has enough funds to sustain itself next year therefore not warranting a new budget of \$2.5M. It currently has close to \$2.5M

remaining in its balance. Also identified \$1.0M from the opening of dispensaries for the medical marijuana tax, for FY 18-19 it will include change in ordinance to broaden operation hours and such, and will be reflected in outer year.

Robert Cortez, Deputy City Manager, added this is a conservative number that will be brought to the City Council at first meeting in June; which will include Bowers, signage. Anticipate numbers will be increasing, conservative ballpark number to be used at this time. Change in operation hours will provide operators about 40% more opportunity to be open and sale their medical marijuana, anticipating generated increases.

In moving from a Type II to holding facility, intent would then be to close the Bureau of Prisons and Marshals contract. Would technically use \$2.5M from moving to a holding facility, so that would have to be included. City attorney has expressed including some type of ordinance that would recover legal fees in terms of development, so placeholder for \$100,000 placed, which would mean that our budget gap would narrow to \$9.3M and if you use one-time monies of \$9.3M then you would have a balanced budget. This is a placeholder for now as priorities have and will be discussed, so those can be included as additions to FY17/18.

Looking at Budget Gap for FY 18/19 the plan shows: full value of jail recognizing close of Type II jail and there would be no Strategic Plan funds, Medical marijuana tax changes will be recognized, sale of land on Main Street related to hotels, Citywide Fee Study approved by council, recognize full value of jail revenue, identified revenue sources of two new hotels [Holiday Inn Express and Hampton Inn], expanding parking enforcement, potential economic development and jail reuse revenue, and legal expense reimbursement. The adjusted budget gap for year 2 would be \$8.9M; use of remaining one-time monies and if economic uncertainty funds tapped; budget gap then would be \$0.7M.

If the Economic Uncertainty of \$3.M is used, funds would be exhausted. Intent is to not use operating reserves as per fiscal policy; balance out any variations as they may occur to revenues (Prop 6). Use of operating reserves would require 2/3 council approval. Uncertainty funds allows you to use those monies for a two-year period and develop a plan to recover those monies and build up reserves.

Mayor Pro Tem Martinez: Use of one-time funds to balance budget is not good practice. Not in favor of amending fiscal policy. Willing to support a resolution for one-time monies. Need ongoing sources of revenues to fulfill budget expenses, unless we make serious cuts.

Mr. Gutierrez added: Policy not required to be changed as it relates to operating reserves. The one-time element specifically indicates you can only use for term specific or as one-time expenditure. No trigger that allows council to split or change that. However council has to take action, as policy does not currently allow monies

to be used for labor costs. Hence resolution needed with council 5 votes, for two-year use, giving staff direction to make changes.

FY 2017-18 Identified Priorities: Items listed intended to provide information as discussed and available for council consideration; but not currently part of the budget. Budget gap would increase if included. Generating additional revenue or major cost reduction would need to be discussed for FY 18/19. Seeking committee direction on whether you want to go with base budget or put in any of the other items.

Mayor Pro Tem Martinez stated Smart Cities concept: *"Smart cities" solutions use advanced information and communication technologies to collect, communicate, and analyze data to improve the design and operations of a city's core systems and programs, as well as citizen engagement, for greater efficiency and effectiveness, thus improving the city's sustainability, resilience, bottom line and quality of life.*

How we transition with park ranger program has been asked for by community and should be put down on list. More plan checkers and inspectors in planning working with developers by hiring staff to help capture and recover costs and generate monies. Email will be sent with list of items for consideration.

#### **6. Discuss Revisions to Budget and Fiscal Policy {Strategic Plan No. 4, 1d} - (FMSA)**

Francisco Gutierrez provided presentation on Budget & Financial Policy. Current policy adopted in 2012 was developed for dealing with recession of 2008 and City shortfalls. Timeline of 2006 to 2012 reviewed. Current reserve level goals and value were also reviewed. Reserve levels are based on year-end operating expenditures. As the budget grows, you're chasing the 20%. Operating reserve cannot be used to cover budgetary shortfalls unless approved by 2/3 vote of the City Council.

Robert Cortez added: Two year plan to insure sustainability. If council chooses by 2/3 vote to use operating reserve, the fiscal policy would then require the council to develop a two year plan. This would then replenish and achieve 20% reserve goal over a two year period. Committing to be fiscally prudent to raise enough funding or savings to get reserves back to 20%.

Councilmember Sarmiento inquiring if declaration of fiscal crisis required, but not stated in policy. Would like staff to check with City Attorney's office if language for declaration of crisis included. Mayor Pro Tem Martinez would only support one time use of funds for resolution; not for ongoing costs.

Economic Uncertainty minimum reserve level ranges from 1% to 10% of general fund revenues; current balance is \$3.8M, a little over 1.5%. Economic Uncertainty can be used to balance the budget upon determination of a structural deficit by a

2/3 vote of the City Council. Authorization to utilize Economic Uncertainty reserve beyond two consecutive years is strictly prohibited.

Current policy states general fund year-end operation balance can be considered for term specific operational or capital needs for one-time items. Policy does not include fund balance categories or definitions or calculation of operation balance. Would like to have policy expanded to include these and any other committee suggestions.

Reserve level options: 1) Status Quo – Maintain 20% operating reserve level, to maintain rating; 2) Adjust the current reserve level to 2 months of operations (16.67% - GFOA Recommendation); 3) Establish reserve level at 15% (in compliance with policy); 4) City Council establishes new reserve level. Robert Cortez added: other alternative is to give direction to revise policy to state between 2 months of operation but up to 20%, that way when you do budget at a minimum we'll have 2 months' worth of reserve. If below the 20%; you're still within the policy and would solve rating issue. Intent is to protect reserves. Language can be modified to show up to 20%.

Use of One-time monies options: 1) Status Quo – can only be used to match one-time non-recurring expenditures, term specific projects and programs, as well as capital expenditures; 2) to offset structural deficits for a two-year period only (Economic Uncertainty remains the same); 3) City Council exercises 100% full discretion and includes the use of one-time monies to balance structural deficits, requires 2/3 vote by the City Council (Economic Uncertainty remains the same).

Councilmember Sarmiento suggests separating policies (budget vs. reserves) for clarity for council and public. For operating reserves, language for declaration of fiscal crisis if not already existing, might be considered to include in policy.

Draft budget will be presented at May 16<sup>th</sup> City Council Meeting. Actual budget will be on June 6<sup>th</sup> City Council Meeting. Options will be listed for council to select.

## **7. Jail Cost Review and Structure {Strategic Plan No. 1, 3} - (PD)**

Christina Holland, Jail Administrator, provided overview of Type I and Type II jail models. City currently operates a Type II jail facility, primarily for pre-trial and sentenced inmates, Santa Ana Jail contract partners provide inmates, no local arrests remain in our custody. Type II requires comprehensive medical services, food services, law library, education and religious programs. Type I Jail Facility is intended for pre-arraignment felony/misdemeanor offenders held for 48-72 hours and are provided meals, uniforms, bedding and hygiene supplies as they do stay overnight.

Temporary holding facility is more for our local arrests who are being released to county on same day of arrival. Held for 4-6 hours for booking or until they are sober

enough to care for themselves. Minimal contract and supply requirements. Currently most other cities have holding facilities. Once county dropped booking fees, most changed to temporary holding and transferred on same day to county.

Ms. Holland reviewed presentation on Type II with Contract Housing current model as of July 1, 2017: Fiscal overview, housing contracts, staffing, and services provided. No other cities utilize this model. For Type I: no housing agreements, offenders provided uniforms, hygiene items, meals, phone services and visitation allowance. Court lists prepared for staff daily for arraignments scheduled and transport to court by jail staff. Currently LAPD, Huntington Beach PD and Pasadena PD utilize the Type I model. Robert Carroll, Police Administrative Manager, added that for Type 1, because of our proximity to Orange County facility, cost would be \$0.5M to \$1.0M more than temporary holding facility.

Temporary Holding facility model fiscal overview, staffing and services provided as part of presentation. Anaheim PD, Costa Mesa PD and Garden Grove PD utilize the temporary holding facility model.

Pending items: Awaiting jail re-use report and City Council direction to revise the FY 2017-18 budget to reflect transition to selected jail model.

Deputy City Manager, Robert Cortez, added that floors three and four are available for re-use. There are different holding facilities models, dependent on city council direction on model; this one assumes keeping all job titles and pay of current staff. There are other models that outsource or change the structure of holding facility which could generate additional savings.

Jail has 512 beds available but only one-half used for ICE and marshals combined. Changing from Type II to holding facility would also change staff levels requiring different job requirements. Preliminary estimated savings would be 30% if adjustments made to staff. Floors could change to asset versus liability, if re-used and could generate additional revenue. Jail business is not a core business of City to generate revenue. Looking forward to review reuse study with options. Suggestion to include slide, if City to opt out of jail service. Look at hybrid model for the two floors that may become available. Christina Holland added that reuse study should be completed in August.

## **8. Revenue Enhancement Options {Strategic Plan No. 4, 2} (FMSA)**

Francisco Gutierrez, presented Revenue Enhancement Options. Shown are option items undertaken or proposed to be undertaken in terms of trying to generate additional revenue. New revenue consideration items and information on sales tax and hotel visitor's tax were provided. Citywide fee study could provide numbers for sustainability and would be dependent on type of service level to be given. Working with current staffing or change with upgraded service/staff.

Development impact fee study contract just provided to consultant, will take six to nine months to complete as it requires information from departments, per Fred Mousavipour, Executive Director of Public Works. For sale of City-owned properties, next steps would be recommendation to purchase technology to install and run asset management and will take four months to convert data into system to be ready to use in about a year from now. There are a number of initiatives for approval: Smart Santa Ana, fiber optics with partner to merge with utilities and LED programs, affordable internet, light conversion, review franchise fees with utility companies, and SARTC deferred maintenance to attract tenants.

## **9. Cooperative Business Ordinance {Strategic Plan No. 3, 1}**

Mayor Pro Tem Martinez: “Cooperative business ordinance primarily supports idea of worker cooperatives – businesses that are owned and democratically controlled by workers – as a key part of the City’s economic development strategy moving forward. The worker cooperative model has proven to be an effective tool for creating and maintaining sustainable, dignified jobs; generating wealth; improving the quality of life of workers; and promoting community and local economic development, particularly for people who lack access to conventional means of business ownership.”

“Direction would be to: direct City Manager to develop recommendations to support local worker cooperatives, particularly ones that target areas of need in Santa Ana such as food deserts. It also directs the city manager to review the City’s small business program loan applications and other materials to ensure worker cooperative can access those on the same basis as comparable conventional businesses. Direct city manager to develop recommendations on how to reach out to existing business owners and present worker cooperative conversion as a retirement or succession plan for older business owners. Direct the city manager to review City procurement and contracting procedures for any possible barriers to worker cooperative to bid on City contracts.” Can look at Oakland and Berkeley models. Will forward email from Ana at Santa Ana Building Healthier Communities for staff to review.

### **ITEMS MOVED TO NEXT COMMITTEE MEETING**

- Cooperative Business Ordinance – bring back to committee for next steps.

### **PUBLIC COMMENTS:**

- Apolonio Cortes – co-op member and spoke in favor of ordinance.
- Adian Munoz – spoke in support of cooperative business ordinance.
- Ana Urzua – spoke in support of cooperative business ordinance.



- Reyna Mendoza – spoke in support of cooperative business ordinance.
- Carlos Melendez – spoke in support of cooperative business ordinance.

**STAFF MEMBER COMMENTS:**

Robert Cortez, Deputy City Manager, thanked committee for opportunity to have discussion. Budget is extremely important and decisions made were critical to help produced balanced budget.

**COMMITTEE MEMBER COMMENTS:**

Mayor Pro Tem Martinez has emailed notes and information to Robert Cortez, as well as forwarded email from Ana Urzlia @ SABHC.

Adjournment – 8:01 p.m.



Teresa Ramirez, CAP-OM  
Recording Secretary, FMSA

