



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 25-621

Meeting Date: 1/20/2026

TITLE:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, REQUIRING STAFFING AT SELF-SERVICE CHECKOUT STATIONS

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: JAY BARKMAN, GOVERNMENT AFFAIRS MANAGER

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RECOMMENDATION:

Staff recommends the City Council:

1. Receive public comment and consider the provisions of the draft ordinance.
2. Introduce and give first reading, waiving further reading, to Ordinance No. 2026-XX Adding Article 7 of Chapter II of Title 9 to the Costa Mesa Municipal Code relating to Grocery and Drug Store Staffing Standards for Self-Service Checkout Stations.

BACKGROUND:

On August 12, 2025, the Long Beach City Council adopted an ordinance mandating staffing requirements and operational standards for self-service checkout stations in grocery retail stores and retail drug establishments to proactively address retail theft and advance the preservation of public safety and welfare.

At the November 4, 2025, City Council meeting, a preliminary analysis was presented of the City of Long Beach's ordinance and its implementation. This included identifying supermarkets/grocery stores and retail pharmacies with self-service checkout stations in the City of Costa Mesa.

Staff observed the following:

- CVS drug stores in Costa Mesa comply with the staffing to station ratio; however, employees were not dedicated to monitoring self-service checkout stations.
- Target and some food retail stores have more than three self-service checkout stations and exceed the 1:3 ratio required by the proposed ordinance.

The Long Beach ordinance requires food and drug retail establishments to have dedicated staffing of one employee per three self-service checkout stations and limit self-service checkout to 15 items or less. Enforcement of the ordinance is provided through civil action by employees or customers.

At the direction of City Council, from the November 4, 2025 Council meeting, staff is presenting the proposed draft ordinance replicating the City of Long Beach's ordinance for City Council consideration (Attachment 1).

Staff is recommending amendments shown in redline of Attachment 1 that address Costa Mesa specific issues. The most significant amendment allows an alternative compliance method for stores that implement proven design measures discouraging theft. These measures are discussed further below.

ANALYSIS:

Costa Mesa Proposed Ordinance

- Applies to food retail establishments over 15,000 square feet and to all drug retail establishments.
 - Requires staffing of one employee per three stations (1:3).
- Limits self-checkout to 15 items or less.
- Alternative compliance through use of design elements and staffing:
 - Separated and secured by barriers
 - Placed away from exits
 - Dedicated staff in self-checkout areas

Enforcement & Penalties

- Ordinance does not specify enforcement by any city department.
- Provides for civil action by employees or customers.
- Notification to stores and seven days to cure.
- Penalties
 - ✓ \$100 per Violation per employee Increasing by \$100 per Day (\$1,000 max per employee)
 - ✓ Attorney's Fees and Costs

State Legislation

In 2024, Senate Bill 1446 (Smallwood-Cuevas) sought to impose a staffing standard of one employee per two self-service checkout stations, one staffed checkout station be available to customers at any time a self-service checkout station is open, and self-service checkout be limited to 15 items or less. The bill passed the Senate but was held in the Assembly.

In 2025, the Senator introduced Senate Bill 442 (Smallwood-Cuevas) which requires that one staffed checkout station be available to customers at any time a self-service checkout station is open, and self-service checkout be limited to 15 items or less. No staffing ratio is mandated by the bill. The Senator has stated that the bill is intended to address the increasing use of self-service checkout stations creating "a range of problems for retailers, workers, and the public." The bill is pending consideration by the Assembly.

The United Food and Commercial Works (UFCW) is sponsoring Senate Bill 442 (Smallwood-Cuevas) along with leading efforts in cities to adopt ordinances such as the one adopted in Long Beach.

Outreach

Following the November 4, 2025, City Council meeting, requests were received from UFCW Local #324 and grocery stores to meet with city staff. On December 16, 2025, City staff met with representatives of the following groups:

UFCW Local #324	Albertsons Vons Pavilions
California Grocers Association	Stater Brothers Markets
California Retailers Association	Northgate Markets
Kroger (Ralphs)	Target

In meeting with City staff the UFCW representatives shared their views and stated that:

- Self-service checkout is being offered as the only option during portions of the day.
- Employees are assigned additional duties diverting them from assisting customers.
- Language barriers or unfamiliarity with stations by customers to redeem coupons, enter codes, or search for non-stickered items result in negative customer experience.

The UFCW also stated that understaffing leads to underreporting of retail theft, and that policies prohibiting employees from reporting incidents contribute to the perception in local statistics that retail theft is not as much of a problem. They contend that staff presence and interactions with customers discourages theft, and while the Long Beach ordinance has been in effect for a short period, their members have observed improved conditions.

To support their arguments the UFCW has cited sources such as the [Retail Industry Leaders Association <https://www.rila.org/focus-areas/asset-protection/study-reveals-retail-theft-is-underreported>](https://www.rila.org/focus-areas/asset-protection/study-reveals-retail-theft-is-underreported) and their 2024 survey working with Southern Illinois University Carbondale. A key finding of the survey was that reporting of theft had “essentially declined to about half of what was reported in 2019.” Additional information provided by UFCW cites post pandemic increases in prices and usage of self-service checkout as a contributor to increased theft.

Staff also met with representatives from retail drug and grocery stores to discuss the Long Beach ordinance and the City’s intent to replicate and adopt such ordinance. Store representatives from this group stated that their view on the Long Beach ordinance is essentially “a ban on self-service checkout stations,” due to the exposure, enforcement mechanism, and difficulty in implementation. The California Grocers Association stated that over half of all stores with self-service checkout stations in Long Beach have removed or discontinued their use due to the ordinance. Store representatives contend that addressing retail theft and customer satisfaction is a primary concern for their companies, and self-service checkout stations are part of their strategy to serve a growing number of customers that prefer this option.

A representative for the Northgate Mercado also shared that their Costa Mesa location was specifically designed to maximize throughput of customers due to challenges with parking. This includes design features to deter theft, locating the self-service checkout bank away from the exit, secluded by railing, and use of receipt scanner along with dedicated staffing. As a result, the Mercado estimates less than five incidents of theft have been associated with its self-service checkout stations.

Store representatives also stated the 2025-28 Collective Bargaining Agreement (CBA) with UFCW for Southern California addresses this issue with provisions of the CBA that state:

- Employers have discretion to use multi-unit self-service checkout stands in stores.
- During the hours of 8:00 a.m. to 7:00 p.m. employers shall have at least one full-service checkout lane open.
- A dedicated employee must be assigned to monitor a “self-service checkout bank” and “may be assigned to perform incidental work in the general vicinity.”
- In the event the State or any municipality passes legislation impacting a store covered by this Agreement, the above provisions will be null and void within that jurisdiction unless the law allows for a CBA exemption from the law.

The above information was confirmed by UFCW and is posted online at:

<https://www.ufcw770.org/grocerycontracts>.

Store representatives stated that this ordinance will lead to the closure of self-checkout lanes and continued loss of shoppers from Costa Mesa to alternatives such as online or adjacent cities. Staff requested and is awaiting information from store representatives on theft incidents and customer responses due to the closure of self-checkout stations at their Long Beach stores. A representative for Northgate Mercado stated that plans to add a location in the City of Long Beach have now been cancelled because of the new ordinance.

The California Grocers Association provided a summary of data from their members showing that over half of consumers who shop primarily in Costa Mesa also shop for groceries in other jurisdictions. They point to the ordinance as creating additional inconvenience in customer preference and resulting in additional retail leakage to other jurisdictions without such policies.

Potential Economic Impacts

According to Costa Mesa’s Economic Development staff, the City of Costa Mesa is experiencing retail loss to neighboring cities in the General Merchandise (Target) category because of a lack of general merchandise stores. Staff utilized data from the private business intelligence company Buxton to research and analyze consumer and business trends. Based on reports from Buxton, 60% of Costa Mesa’s general merchandise demand is conditioned to seek purchases outside of Costa Mesa.

This is in significant contrast when considering other types of retail where Costa Mesa is a magnet attracting a disproportionate share of non-residents in other commercial categories. This includes in grocery store sales which attracts 30% more demand from outside communities. Pulling demand from other communities like this is due to creative and diverse options which are attracted to Costa Mesa because of our brand of being business friendly.

Impacts on Costa Mesa and Recommendations

As discussed in the background section, amendments are proposed by staff to address Costa Mesa conditions. Staff has identified potential impacts and recommendations to be considered.

1. Eliminate the “Food Retail Establishment” provision section that includes, stores over 85,000 square feet with 10 percent of its sales floor area dedicated to the sale of non-taxable merchandise including the sale of fresh produce, meats, poultry. Fish, deli products, dairy products, canned foods, dry foods, beverages, baked goods and/or prepared foods.

This provision section does not apply as there are no food retail stores in Costa Mesa over 85,000 square feet; therefore, staff is recommending the removal of that language.

2. Public notice of Ordinance. The ordinance mandates that stores shall notify the public of the Ordinance by prominently posting signage accessible to the public, which includes QR code to the City’s website regarding the ordinance, a summary of the public’s rights, and enforcement options available to the public.

Staff is recommending that additional language be added that such signage includes a physical and/or email address to which notifications of violations of this ordinance may be delivered, and pursuant to this code section, failure to have and/or maintain an address shall waive a Drug and/or Food Retail Establishment’s ability to assert lack of notice in any civil action brought pursuant to this Ordinance.

3. Notification of Violation. A customer or employee must notify a Drug and/or Food Retail Establishment in writing of a violation at the established address. The establishment will have seven calendar days from the date of notification to cure violations.

Staff is recommending this amendment to allow stores a period of seven (7) days to cure the complaint and avoid costly litigation for both sides.

4. Enforcement of the proposed ordinance is provided through a “private right of action” filed by customers or employees with penalties of \$100 for each violation per employee and increasing an additional \$100 per employee for each day the violation is not resolved. Civil penalties are limited to \$1,000 per employee per day; however, a store may face claims from multiple employees starting at \$100 and growing to \$1,000 per employee. Persons who file complaints may also be awarded attorneys’ fees and costs.

The UFCW stated this process was selected to avoid burdening local governments and added that, due to the barrier in pursuing a civil action through the courts, they do not anticipate frequent or numerous claims. However, store representatives raised concerns that the ordinance lacks a “Right to Cure” provision to allow time to address the complaint prior to litigation proceedings. The process of pursuing a civil action is complicated and unfamiliar for individuals seeking to resolve a business complaint when no substantial injury or financial loss is alleged.

Lastly, the primary concern expressed in support of an ordinance has been to protect employees, customers, and prevent theft. There are several tools businesses may implement, other than staffing, to address these concerns, including the use of physical design elements. Staff is recommending the ordinance allow for alternative compliance through a combination of staffing and design elements. Specifically, the proposed ordinance includes amendments to allow for alternative compliance by:

1. Designing self-service checkout stations to be in a clearly defined area separated by railing or other barriers.
2. Placing self-service checkout stations in relation to staffed stations so that customers must pass by staffed stations when exiting.
3. Dedicating at least one staff person to the separate and secured area of self-service checkout stations.

ALTERNATIVES:

The City Council may choose to take no action on the proposed ordinance and direct staff to support state legislation to ensure reasonable standards apply to stores in all cities.

The City Council may direct staff to amend the proposed ordinance in alignment with pending state legislation and existing CBAs that require a Non-Self Service Checkout station always be open and one staff person be dedicated per bank of self-checkout machines.

FISCAL REVIEW:

The direct impacts to the City's General Fund (Fund 101) cannot be quantified at this time; however, any potentially negative impacts to consumer spending/behavior within the City of Costa Mesa due to the ordinance may reduce sales tax revenues in the General Consumer Goods group.

LEGAL REVIEW:

The City Attorney's Office has reviewed the Agenda Report and Ordinance and approves them both as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Strengthen the public's safety and improve the quality of life.

CONCLUSION:

Information provided by both UFCW and store representatives points to self-checkout stations as growing due to consumer preferences. Businesses are responding to these trends, especially with younger shoppers, and considering self-checkout to retain consumers that have increasing choices in shopping. Overall, the consumer retail market is experiencing increased volatility with a disproportionate reliance on high income in-person shoppers. Discount or mid-level retail is more prone to volatility as those shoppers are seeking best value and convenience.

Employees are experiencing the effects of this new technology, the failures in its capabilities, and the delays by stores in addressing shortfalls.

In Costa Mesa the transition of underutilized spaces into new retail or mixed-use spaces has focused on customer experience. Stores such as Northgate Mercado, designed self-checkout to maximize convenience and discourage theft using design elements, staffing, and technology. In addition to costs, older stores may face challenges with redesigning their current spaces to install security features near exits.

Following what has transpired in Long Beach after the adoption of its self-checkout ordinance, it is not anticipated that the proposed ordinance will lead stores to increase staffing. Likewise, stores are experiencing various challenges from changing consumer trends to shifting trade policies. The proposed ordinance may not have a substantial impact on revenues, but it eliminates the flexibility and tools for stores to attract shoppers who may continue to shift their preferences.

Should the City Council choose to adopt the proposed ordinance, staff recommends that the City Council consider the recommended changes to the ordinance that are applicable to Costa Mesa.