



CITY OF MONTCLAIR

Montclair Civic Center
5111 Benito Street
Montclair, CA 91763

December 6, 2012

TO: Honorable Mayor and City Council

FROM: Marilyn Staats, Acting City Manager

SUBJECT: CITY MANAGER'S WEEKLY REPORT: November 30-December 6, 2012

➤ **CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS**

- Effective January 1, 2013, California's AB 32, the Global Warming Solutions Act of 2006, enters its first significant implementation phase when the cap-and-trade system goes into effect. AB 32 requires California to lower greenhouse gas emissions (such as carbon dioxide, methane, and nitrous oxide) to 1990 levels by 2020—the equivalent of taking approximately 15 million cars off the roads. Cities, counties, and special districts throughout the state, including Montclair, have been working with regional authorities to address locally mandated requirements.

AB 32 was challenged by [Proposition 23](#) on the November 2010 ballot. The measure aimed to suspend AB 32 until state unemployment dropped below 5.5 percent for four consecutive quarters. Proposition 23 was defeated by a significant margin.

Regulatory authority contained in AB 32 derives from a 1991 legal challenge brought by the Sinclair Paint Company. The lawsuit alleged California lacks regulatory authority on the grounds that fees imposed to combat the negative effects of lead poisoning constituted a tax requiring a two-thirds majority vote of the Legislature to pass. The California Supreme Court ruled against Sinclair, declaring the state may impose regulatory fees on companies that make contaminating products; furthermore, generated revenue may be used for broad public purposes to mitigate the adverse effects related to the controlled products. Accordingly, cap-and-trade

revenue may be used only to mitigate greenhouse gas emissions or the related harm emissions cause.

To meet reduction targets, the California Air Resources Board (CARB), the lead agency responsible for implementing AB 32, introduced the [AB 32 Climate Change Scoping Plan](#). The plan lays out the strategy to achieve reduction goals and establishes a comprehensive set of actions including:

- ✓ Expanding and strengthening energy efficiency programs and establishing standards
- ✓ Achieving a statewide renewable energy mix, with 33 percent from renewable sources by 2020
- ✓ Developing a California cap-and-trade program that links with other [Western Climate Initiative](#) (WCI) partner programs to create a regional market system. Formed in 2007, the WCI includes Arizona, California, Oregon, Washington, British Columbia, Manitoba, Ontario, and Quebec. One of the main goals of the WCI is to design and implement a multi-jurisdictional market-based cap-and-trade system among its members. The WCI focuses on developing a regional, rather than national, plan to reduce greenhouse gas emissions by 15 percent below 2005 levels by 2020
- ✓ Establishing targets for transportation-related greenhouse gas emissions for regions throughout California and pursuing policies and incentives to achieve those targets
- ✓ Adopting and implementing direct measures to reduce emissions and protect public health—including [California's clean car standards](#), goods movement measures, and the [Low Carbon Fuel Standard](#).

California is not the first in the nation to implement a program designed to reduce greenhouse gas emissions. The Reagan Administration implemented an "Acid Rain Program" in the 1990s to reduce sulfur dioxide emissions; and in 2008, ten northeastern states formed the Regional Greenhouse Gas initiative, creating the nation's first cap-and-trade system for greenhouse gasses. Nonetheless, AB 32 has served as a model for other states to follow and as the catalyst that has propelled national greenhouse gas initiatives.

Cap-and-trade, the major revenue component of AB 32, is a system that sets a yearly maximum amount (cap) on greenhouse gas emissions for large energy users such as electric utilities, oil refineries, and heavy manufacturers. If an energy user exceeds caps, that company can then buy credits from a user who stayed under the cap, thereby helping the state meet its emission standards.

Last month, state regulators conducted California's first-ever auction of greenhouse gas emissions allowances. Implementation of cap-and-trade is a major step in achieving the overall goals of AB 32. For better or worse, the bill is expected to significantly impact business and energy industries. The impact on greenhouse gas emissions and air quality is less certain. Opponents of AB 32 argue little can be done to affect overall air quality if other states and nations, particularly developing nations, continue to use energy sources that emit greenhouse gases into the atmosphere.

Following is a question and answer summary of AB 32 and the cap-and-trade process.

Q: What is AB 32?

A: AB 32, also known as the Global Warming Solutions Act, is a landmark piece of legislation signed by former Governor Schwarzenegger in 2006. AB 32 commits California to reduce its greenhouse gas emissions to 1990 levels by 2020, or roughly 17 percent from where we would be if no action was taken. AB 32 did not prescribe specific strategies on how to reduce greenhouse gas emissions; it does, however, designate the California Air Resources Board (CARB) as the lead regulatory agency responsible for designing a comprehensive plan for the state to comply with AB 32.

Q. What is Cap-and-Trade?

A. California's cap-and-trade program is the cornerstone of the larger plan (known as the "Scoping Plan"), which includes a suite of policies designed to reduce greenhouse gas emissions and transition California to a "clean energy" economy. These policies target performance standards for cleaner cars, fuels, energy efficiency, and renewable energy requirements—including solar and wind energy.

Q: Where do California's carbon emissions come from?

A: CARB reports that California emits 447 million metric tons of carbon dioxide a year—CARB has been collecting and monitoring emissions data since 2008. The largest percentage (38 percent) comes from the transportation sector—largely from cars and trucks; 21 percent comes from electric power plants; 19 percent comes from industrial factories; 10 percent comes from commercial and residential buildings; and the balance comes from agriculture and natural events, like wildfires.

Q: What is the "cap" and who is regulated?

A. The cap is the mandatory, statewide limit on greenhouse gas emissions—the limit is set by CARB and is based on verifiable emissions data. AB 32 requires annual 2 percent to 3 percent reductions in greenhouse gasses. Large businesses that emit more than 25,000 metric

tons of carbon dioxide are covered under the program—an estimated 360 businesses representing 600 facilities across the state are affected.

In the first phase of the program (January 2013 through December 2014), the cap covers electricity suppliers and large industrial sources like refineries and cement companies. Chevron Corporation's Richmond refinery is the largest emitter of greenhouse gases in California, emitting 4.5 million tons of carbon dioxide each year. After the first phase, the program will expand to include large producers and distributors of gasoline, diesel, and natural gas.

Q: What is a cap allowance?

A: The cap allowance is essentially a permit to pollute. Each allowance authorizes the holder to emit one ton of carbon. Under the rules of the cap-and-trade program, every regulated facility must turn in allowances equal to their emissions; e.g., Chevron's Richmond refinery will need to turn in 4.5 million allowances to cover their annual greenhouse gas emissions. The total number of allowances available in the program in any year is exactly equal to the cap for that year. As the cap declines, so does the number of allowances. As allowances become scarce, their value is expected to increase—creating a market incentive to reduce emissions.

Q: Why are allowances sold at auction?

A: At the start of the program in January 2013, CARB will distribute most of the allowances for free to give companies time to transition, adjust to carbon pricing, and implement cost-effective strategies to reduce their emissions. However, on November 14, 2012, CARB reserved 10 percent of the allowances for auction.

The bidding and buying of pollution allowances occurred online during a three-hour window. Participants submitted bids to purchase three times the available supply of allowances. All of the 23.1 million allowances offered at the auction to cover 2013 emissions were purchased, calming fears that the market would be under-subscribed. A 2013 allowance sold for \$10.09, slightly above the \$10 floor price. The state also auctioned 39.5 million allowances that cover 2015 emissions; of those, 5.6 million allowances were sold at \$10. All told, the auction raised \$289 million. The Legislative Analyst's Office estimates the first-year round of auctions will raise between \$660 million to \$2 billion for the state. Utilities are provided their own allowances to sell and are expected to raise \$650 million to \$2.6 billion during the first year of auctions.

Some analysts had expected a higher price, of between \$11 and \$12 a ton, and were disappointed the settlement price was not higher. Others say that merely having a price on carbon, for the first time, is a huge milestone. These same analysts argue a low price is a sign the market does not think it will be hugely expensive to reduce emissions (since the price of an

allowance represents the market value of the cost of reducing one ton of carbon). Many speculate allowance prices will go up in future auctions as the market begins to take shape.

CARB established a floor price of \$10 to prevent prices from falling too low. The floor price simply sets a minimum threshold for business planning purposes. This threshold is used to drive decisions about investing in new and more efficient technologies, processes, and infrastructure. It also provides certainty to investors and entrepreneurs looking to pencil out projects to help businesses reduce their carbon footprint.

CARB will conduct four auctions a year, held in February, May, August, and November. The next auction will be held on February 19, 2013. CARB argues auctions guarantee equal access to allowances, establish a clear price in the market, and expose potential market manipulation.

CARB has put in place a number of safeguards to deter and detect any attempts to manipulate the market. Every market participant must register with CARB and submit to California's jurisdiction and authority. CARB will track every transaction in the market in a central database (each allowance contains a unique serial number). Hoarding rules and purchase limits prevent any one actor from cornering the market. CARB also employs an independent market monitor.

Q: Where does the auction money go?

A: The money goes into two funds:

1. Publicly owned utilities like PG&E and Southern California Edison auctioned their allowances under one program, and proceeds from these sales must be used for the exclusive benefit of utility ratepayers. The California Public Utilities Commission (CPUC) has proposed giving residential ratepayers a twice-a-year "climate dividend" worth about \$30 and credits to small businesses. That proposal is expected to be voted on by the CPUC during December 2012.
2. Proceeds from the industrial and transportation sectors go into a new special fund in the state treasury used to further the state's clean energy goals. Legislation signed in September 2012 requires 25 percent of proceeds go to benefit the state's most disadvantaged communities.

Q: Are companies required to participate in the auction?

A: Participation in an auction is voluntary. Companies emitting large amounts of carbon can either purchase allowances in the market (either in the auction from each other, or in the secondary market) or try to reduce their carbon emissions on their own. Businesses that reduce emissions below their cap, or that are already emitting less carbon than allowed under the cap, can sell or trade their unused allowances to companies exceeding limits. If the system works as designed, the most efficient companies will be rewarded; polluters will pay; and statewide greenhouse gas production will be reduced.

➤ **COMMUNITY DEVELOPMENT DEPARTMENT**

- Interior demolition work is underway at the former Borders Books and Music (adjacent to Montclair Plaza) in preparation for the arrival of Ashley Furniture Homestore in Spring 2013. The national furniture retailer will occupy the entire 42,000 square-foot building adjacent to Interstate 10.

Ashley Furniture is based in Arcadia, Wisconsin and was founded in 1945. The company started as a sales organization with branches in Chicago, Illinois and Goshen, Indiana. In 1970, the company opened its Wisconsin factory. Today, Ashley's manufacturing, assembly, and administrative operations include six facilities encompassing over three million square feet. Originally specializing in occasional tables and wall systems, the company has grown to become the largest home furniture manufacturing company. The company sells its furniture from its Ashley Furniture Homestores and also through other selected furniture retailers throughout the United States and Canada, including 29 Homestores in California.

- Tonight at 7 p.m., the City's Annual Tree Lighting Ceremony and visit with Santa and Mrs. Claus will take place in front of the Youth Center. Included will be a community holiday sing-along, free refreshments, and complimentary family photos and visits with Santa and Mrs. Claus. In addition, children are invited to bring their letters for Santa, which can be deposited in a specially marked mail box. All letters will be answered by Santa.

For today only, for safety reasons, employees who park in the parking lot behind the Youth Center are asked to either move their vehicles from that lot by 6:15 p.m. or leave it parked in the lot for the duration of the event (until approximately 9 p.m.).

Gift lights on the community tree can still be purchased in honor of, or in memory of, loved ones. Lights are available for \$10 each and all money raised from the sale of gift lights will be used to benefit youth programs in Montclair.

This event is sponsored by the Community Action Committee and the Montclair-Ontario Junior Women's Club.

- The Montclair Community Action Committee is sponsoring the Annual Holiday Home Decoration Contest. Entries are due by tomorrow (Friday, December 7). Entries will be judged by Montclair Community Action Committee members on Monday, December 10. The contest winners will be announced at the December 17, 2012 City Council meeting at 7 p.m.

Nominees must be Montclair residents and must not have won for the last three years. Entry forms are available at www.cityofmontclair.org, or they may be picked up at the Recreation facility.

For additional information, call 909-625-9479.

➤ **POLICE DEPARTMENT**

- On November 30, the Police Department participated in a county-wide compliance check operation known as I.M.P.A.C.T. (Informed Merchants Preventing Alcohol-Related Crime Tendencies). Law enforcement agency officers and officials from the Inland Empire gathered at the Ontario Police Department for briefing.

I.M.P.A.C.T. is designed to educate local alcohol establishments about the various ways in which they can reduce alcohol-related crimes. The focus was to educate rather than enforce.

In Montclair, the compliance check was led by CSU Officer Ron Goble and Detective Gloria Perez. Fourteen businesses (restaurants, bars, and nightclubs) that sell alcohol for consumption were inspected. Senior Code Enforcement Officer Gabe Fondario and Code Enforcement Officer Robert Hargett were present to address Montclair Municipal Code violations, and an agent from the Department of Alcohol Beverage Control (ABC) also assisted.

I am pleased to report we found no major violations. The most common violations were location managers not qualified through ABC. Other violations consisted of improper signage and "buggy bottles"—a term used to describe debris found in bottles on display for consumption.

Funding for the I.M.P.A.C.T. task force was provided by ABC and Reach Out.

➤ **FIRE DEPARTMENT**

- Decorating homes and businesses is a long-standing tradition during the holiday season. Unfortunately, these same decorations may increase fire occurrences.

Following these simple fire safety tips can keep electric lights, candles, and Christmas trees from creating tragedies:

- ✓ Do not put your live Christmas tree up too early or leave it up for longer than two weeks
- ✓ Place trees away from heat sources, including fireplaces and heat vents. The heat will dry out the tree, causing it to be more easily ignited by heat, flame, or sparks
- ✓ Keep the tree stand filled with water at all times
- ✓ Use only nonflammable decorations
- ✓ Do not link more than three light strands, unless the directions indicate it is safe to do so. Connect strings of lights to an extension cord before plugging the cord into the outlet
- ✓ Avoid using lit candles; consider using battery-operated flameless candles which can look, smell, and feel like real candles
- ✓ Ensure that Christmas trees and other holiday decorations do not block an exit.

For more tips on how to prevent a holiday fire and what to do in case a fire starts in your home, visit the U.S. Fire Administration's website at www.usfa.fema.gov.

- Winter can be fun for families that enjoy visiting our local mountains for skiing, sledding, and other snow play; but it can also be a stressful and even dangerous time if the proper safety precautions are not followed when driving in winter weather.

Caltrans offers some tips to help keep us safe while driving through mountain areas this winter season in the "Caltrans Commuter Alert" available for download here: <http://www.dot.ca.gov/hq/roadinfo/wntdriv.htm>

➤ **PUBLIC WORKS/SUCCESSOR REDEVELOPMENT AGENCY**

- Last week two storm drain grates and a sewer manhole cover were stolen from various City locations. As time permits, City Yard staff has been welding storm drain grates in place in an effort to deter thieves. This practice, however, makes maintenance a bit cumbersome as welds must be cut or ground off in order to service the storm drain system.

One of the storm drain grates stolen from Sunset Park was an odd size that none of the City's vendors stocked and would have to be custom-built at a cost of approximately \$600. Rather than pay that price, Public Works Superintendent Xavier Mendez assigned Lead Mechanic Rick Thompson to fabricate a custom storm drain grate in the City Yard shop. It ended up costing the City less than \$100 for labor and materials.

MJS:spa

*"Nothing's as mean as giving a little child
something useful for Christmas."
~ Kin Hubbard*

DECEMBER 2012



06	Montclair Chamber of Commerce Holiday Food and Toy Basket Drive, Chamber Parking Lot	Noon - 1:30 p.m.
06	Special City Council Meeting Council Chambers	6:30 p.m.
06	Annual Tree Lighting Ceremony Youth Center	7:00 p.m.
10	Planning Commission Meeting - Canceled	
11	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
12	Oversight Board Meeting Council Chambers	6:00 p.m.
17	Code Enforcement Meeting City Hall Conference Room	6:00 p.m.
17	City Council Meeting Council Chambers	7:00 p.m.
18	City Manager's Staff Meeting City Hall Council Chambers	9:00 a.m.
20	Safety Committee Luncheon Dolce Café & Bakery	11:30 a.m.
20	Public Works Committee Meeting City Hall Conference Room	2:00 p.m.
24	City Hall Closed through December 31 in Observance of Christmas and New Year's Eve	

JANUARY 2013



01	New Year's Day – City Hall Closed	
07	City Council Workshop Council Chambers	5:45 p.m.
07	City Council Meeting Council Chambers	7:00 p.m.
09	Oversight Board Meeting Council Chambers	6:00 p.m.
14	Planning Commission Meeting Council Chambers	7:00 p.m.
15	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
16	Community Action Committee Meeting Council Chambers	7:00 p.m.
17	Safety Committee Meeting City Hall Conference Room	9:00 a.m.
17	Public Works Committee Meeting City Hall Conference Room	2:00 p.m.
21	Martin Luther King, Jr. Day – City Hall Closed	
22	Code Enforcement Committee Meeting City Hall Conference Room	6:00 p.m.
22	City Council Meeting Council Chambers	7:00 p.m.
28	Planning Commission Meeting Council Chambers	7:00 p.m.
29	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.