



May 29, 2014

**TO:** Honorable Mayor and City Council

**FROM:** Edward C. Starr, City Manager 

**SUBJECT:** WEEKLY REPORT: May 23-29, 2014

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➤ **CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS**

- Last week the California Public Employees' Retirement System (CalPERS), the nation's largest public pension fund, approved new actuarial policies to contain rate increases for small public agency employers and elected to diversify investment types.

**CalPERS Risk Pool Alternatives**

The Public Employees' Pension Reform Act (PEPRA) closed existing benefit formulas and created new benefit formulas for new employees hired on or after January 1, 2013. As a result, PEPRA effectively closed the existing pension risk pools, which would have prompted a general contribution increase for employers in those pools. However, CalPERS acted in anticipation of undesired increases by proposing changes to the structure of risk pooling by electing to take a new policy approach toward risk pools.

In an open pension plan, a fundamental underlying assumption is there will be an ongoing influx of new employees to replace those employees that exit due to retirement, disability, turnover, or death. PEPRA has closed all existing active risk pools to new public employees hired on and after January 1, 2013, except for classic members.

At the April 2014 Board meeting, CalPERS staff presented to the CalPERS Board two alternatives for the future of risk pooling to address the issue of closed risk pools without sacrificing the benefit that risk pooling provides.

## **Alternative No. 1**

This alternative proposes keeping the current pooling structure of nine closed active pools, one inactive pool, and two open active PEPRA pools, and modifying current funding and amortization methods to address the funding and equity issues with the least amount of change to the current pooling structure.

### **Impact of Alternative No. 1**

Under Alternative No. 1, most employers would have to pay a significant amount over time to cover the costs associated with closed risk pools. The changes proposed under this alternative would result in almost all pooled employers having to contribute more money in the near term. In addition to contribution increases, a change in the allocation of a pool's unfunded accrued liability would further increase or decrease an individual employer's contribution rates depending on their ratio of retirees to active employees.

Under this alternative, 90 percent of miscellaneous plans in classic risk pools would see increases in rates ranging between 0 percent and 3 percent of payroll, 75 percent of safety plans in classic risk pools would see increases in rates ranging between 2 percent and 5 percent of payroll. Furthermore, CalPERS would need to carefully monitor the funding of each risk pool. It is possible that, under this alternative, CalPERS would need to modify its funding approach to reflect the demographics of closed groups, which would further increase contributions in the near future.

## **Alternative No. 2**

Proposes combining all risk pools into two risk pools. Under this alternative, the payroll of the risk pools and employers within the pools would be expected to increase at an assumed 3 percent annual rate, addressing some of the issues that have resulted from having a declining active population pool. This would allow CalPERS to maintain its current level percentage of pay amortization schedule without having to immediately increase employer contributions

In addition to combining all existing risk pools into two risk pools, CalPERS would start collecting employer contributions toward unfunded accrued liability, and side funds as dollar amounts instead of contribution rates. Implementing this change would address the funding issue that will arise from the declining population under the classic formula. This would result in a major change in how contributions would be collected from employers. Furthermore, CalPERS would change the method to allocate cost to plans in risk pools. CalPERS would allocate a pool's unfunded accrued liability to each individual plan within the pool, based on the plan's total liability instead of based on the plan's payroll.

## **Impact of Alternative No. 2**

Under this alternative, about half of the pooled employers would see an increase in rates, while the other half would see a decrease in rates. Approximately 80 percent of employers would see a change in the employer contribution rate of either a 3 percent increase or decrease of payroll. Employers with a high ratio of retirees to actives would expect to see an increase in costs, whereas employers with fewer retirees would expect to see a decrease in costs.

Under this alternative, there is no overall increase in employer contributions although some employers will have higher contributions, and some will have lower. The risk in implementing this alternative is that some employers will see increases in contributions at a time when budgets are already strained.

### **Risk Pooling Recommendations**

CalPERS elected to choose Alternative No. 2 at its meeting last week in order to address the effects of PEPRA. CalPERS maintains that Alternative No. 2 will help preserve the essential pooling of risks needed to prevent demographic events from causing significant rate shocks for small employers. However, the implementation of Alternative No. 2 will be more complicated and will require significant changes to CalPERS' systems, policies, and procedures.

CalPERS further maintains that the risk of not implementing Alternative No. 2 would be that the funding, equity, and employer contribution rate volatility issues caused by PEPRA would remain in place and would require more aggressive action in the future.

In essence, the adoption of Alternative No. 2 will create significant changes to the risk pooling structures by:

- ✓ Combining 12 risk pools into two—one for all miscellaneous plans and one for all safety plans
- ✓ Changing the mechanisms of how the employer's unfunded liability is determined and collected, and what portion of their contributions will be used first to pay down these unfunded liability obligations

While these changes will avoid a general increase in employer contributions to fund the risk pools, the changes will result in contribution increases for some individual employers and a reduction in contributions for other employers. Employers with a high ratio of retirees to active members are expected to see a relatively modest increase, while employers with fewer retirees are expected to see a relatively modest decrease in contributions.

For the City of Montclair, the adoption of Alternative No. 2 will add another 4.9 percent to the City's annual employer rate on top of further increases related to unfunded liabilities, changes to the actuarial rate of assumption, and changes to actuary tables related to longevity/mortality/higher wages, which will have serious long-term fiscal consequences. Alternative No. 1 would have added 3.7 percent annually.

Additionally, CalPERS has now stated that if courts ultimately determine CalPERS is a creditor in bankruptcy filings, it will push the cost of maintaining pensions for bankrupt cities onto other CalPERS cities.

### **CalPERS Investments**

Along with changes related to risk pooling, CalPERS also approved a plan to move some investments out of private and global equities despite their high performance and into less risky areas, such as fixed-income investments.

Fixed-income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. Individual bonds may be the best known type of fixed-income security, but the category also includes bond funds, exchange traded funds (ETFs), certified deposits (CDs), and money market funds.

The reductions in private equity are due to a limited number of quality future investments where capital can be redeployed. The existing CalPERS portfolio of private and global equity investments has been high performing, allowing the fund to rebalance its portfolio while maintaining the target return rate of 7.5 percent.

Put another way, positive market conditions have enabled CalPERS to move investments from higher risk areas to lower risk areas.

CalPERS, with assets of \$291.3 billion as of last Tuesday, has an actual investment of \$31.1 billion in 700 private equity funds, or 10.8 percent of the portfolio. The pension fund plans to meet a newly approved target of 10 percent by July 1. The actual investment in global equity is now 54 percent and will be scaled down to 51 percent by July 2014.

Back in February, the CalPERS investment committee approved an entire new allocation formula that sets targets of 12 percent for private equity and 47 percent for global equity, instead of the current 14 percent and 50 percent, respectively. Those allocations were originally planned to go into effect on July 1, 2014.

However, the committee changed the targets as part of an "interim portfolio" to give the fund more flexibility as it moves toward the allocation targets

approved in February. The portfolio that was approved in February increased allocations in fixed income, real estate, infrastructure and forestland, among other areas.

The February decision was the result of an intensive review conducted every three years to ensure the portfolio is optimized for current market conditions. Those allocation decisions also are revisited annually in case modifications must be made.

➤ **FIRE DEPARTMENT**

- West Valley Mosquito and Vector Control District received confirmation that a mosquito sample collected in Montclair in the vicinity of Central Avenue and Benito Street tested positive for West Nile virus. This is the seventh mosquito sample this year that tested positive for West Nile virus in the Inland Empire area.

The District's mission is to provide help and protection against mosquitoes and other vector-borne disease. District vector control specialists regularly visit all potential mosquito breeding sources in public places to inspect and treat with environmentally safe products when necessary. The District also provides mosquito fish, a small, guppy-like fish that residents can put in standing, permanent sources of water like fish ponds, fountains, and water gardens to prevent mosquito breeding.

Dr. Min-Lee Cheng, District Manager, reminds residents that we are continuing to see West Nile virus transmission throughout California. The District urges residents to help them by reporting any sources of standing water, draining and dumping water sources around the home, and wearing a Center of Disease Control and Prevention recommended repellent.

The District completed aerial surveillance and abatement of neglected swimming pools in the northern portion of the District. An aerial surveillance flight of the southern portion was also completed this week, and abatement notice letters will be mailed to those property owners with suspected unkempt swimming pools within the next week. It is the responsibility of the property owners to keep their swimming pools in normal operable conditions, or drain them to help prevent mosquito breeding. The District will work with residents to make sure everyone has a safe and mosquito-free summer!

For more information visit [www.wvmosquito.org](http://www.wvmosquito.org) and [www.westnile.ca.gov](http://www.westnile.ca.gov).

Residents can also report dead birds and squirrels to the CA Department of Public Health's toll-free hotline, 877-WNV BIRD (968-2473), or [www.westnile.ca.gov](http://www.westnile.ca.gov).

The District also provides information to residents through its website, [www.wvmvcd.org](http://www.wvmvcd.org), and by calling (909) 635-0307.

➤ **COMMUNITY DEVELOPMENT DEPARTMENT**

- No new information to report.

➤ **HUMAN SERVICES DEPARTMENT**

- The City of Montclair's summer youth programs began this week. The three programs offered are:

Summer Day Camp Montclair, a structured day camp program, is held at the Montclair Youth Center for children in grades 1-8 (2014-15 school year). The program runs for 10 weeks (this week through August 1), Monday through Friday, from 7 a.m. to 6 p.m., and includes games, field trips, arts and crafts, special events, swimming, sports, and movies. The cost is \$90 per week.

Montclair Summer Day Program, a drop-in camp program, is held at Vernon Middle School for children in grades 1-8 (2014-15 school year). The program runs for 10 weeks (now through August 1), Monday through Friday, from 8 a.m. to 2:30 p.m., and includes sports, arts and crafts, swimming, table games, field trips, and special events. The cost is \$15 per week, in addition to a \$10 start-up fee that includes a T-shirt. Field trips are available for an additional fee. The program is limited to 60 children.

The Montclair Youth Center Program, for youth in grades 7-10 (2014-15 school year), is a free of charge and is offered on Tuesdays and Thursdays from 2 p.m. to 6 p.m., and Fridays from 2 p.m. to 8 p.m. at the Community Center. The program includes activities such as games, sports, movies, crafts, and field trips for an additional fee.

Sign-ups for the programs are ongoing throughout the summer. The programs are open to children who live in Montclair, attend a Montclair school, or have a parent/guardian who works in Montclair (proof required). Summer Camp Montclair sign ups are taken at the Recreation Center's front desk, and sign ups for Montclair Summer Day Program are taken at the Vernon Middle School multi-purpose room.

For more information about these programs, please call (909) 625-9479.

- Yesterday, the Montclair Senior Center held its monthly birthday party at the Community Center. Themed as a Mother's Day celebration, the party was attended by more than 260 seniors (and some of their children). A photo booth was set up, and every female had their picture taken. Everyone enjoyed a festive meal, games, a musical performance, and a contest to see who had the most children and grandchildren (the winner had 57!).

- Mark your calendars for the 2nd Annual Country Fair Jamboree, to be held on Saturday, June 7 from Noon to 8 p.m. at Alma Hofman Park (please note the extended hours this year). There will be carnival rides and games (including a giant Ferris wheel, a fiberglass slide, and a spinner ride for adults and kids), a DJ, performances by an 80's band and a Latin variety band, pony rides, a petting zoo, a BMX demonstration, a skateboarding competition, food vendors (including Tommy's Burgers and The Taco Man), contests for all ages, community organizations, and much more.

Carnival ride wristbands, good for the whole day on all rides and games (except the pony rides and petting zoo) will be sold for only \$10. New for this year—beer and wine will be available for purchase.

Don't miss this exciting event that only happens once a year!

An event flyer is included on Page 13.

- On Monday, May 26, the Community Action Committee held its Annual Memorial Day Program at the Civic Center's Memorial Garden. Approximately 200 people witnessed the dedication of two new plaques on the Veterans' Memorial, which pays tribute to deceased Montclair veterans whose families have purchased bronze plaques.

Joining City staff and members of the community were Mayor Paul Eaton, Mayor Pro Tem Bill Ruh, and Council Members Leonard Paulitz and Carolyn Raft, and myself. Also present were Congresswoman Gloria Negrete McLeod, Senator Norma Torres, Assembly Member Freddie Rodriguez, and County Supervisor Gary Ovitt.

Also included was an interesting display of military items from the Planes of Fames Museum in Chino.

Special thanks goes to the City's Information Technology Division and Public Works Department, the Montclair High School JROTC, and the Montclair Walker's Choral Group for their efforts in making the program memorable.

## ➤ **POLICE DEPARTMENT**

- Yesterday, members of our business community and local dignitaries attended the Montclair Police Officers' and Employees' Appreciation and Recognition Luncheon, sponsored by the Montclair Chamber of Commerce. This annual event is held as a tribute to our men in blue. The current Officer of the Year (Eric Ruziecki) and the recipient of the Annual Achievement Award (Haidee Reyes) were presented with certificates and plaques by local dignitaries. Presenters included Mayor Paul Eaton, Fourth District County Supervisor Gary Ovitt, Daniel Sanchez for Congresswoman Gloria Negrete McLeod, Marisol Guerra for Senator Norma Torres, Mayor Pro Tem Bill Ruh

for Assemblymember Freddie Rodriguez, and Virgel Mabini of Wells Fargo Bank for the Chamber of Commerce.

Shelby de Graff, our local hero, who in February assisted Officers in the apprehension of a fleeing felon, was a special guest introduced by Chief Mike deMoet.

Welcoming remarks were provided by Dan Neale, Board Chair, Montclair Chamber of Commerce. Police Chaplain Vicki Brobeck gave an uplifting prayer, and Officer Kristofer Kelley led the flag salute.

According to Montclair Chamber of Commerce President/CEO Darleen Curley, attendance at this event was the largest in several years. Montclair is proud to have one of the finest law enforcement agencies in the state.

Table sponsors included Ben Bridge, Burrtec Waste Industries, Inc., City of Montclair, Costco, Cuning Dental Group, County of San Bernardino 4th District, Gold's Gym, Metro Honda and Acura, Metro Nissan and Infiniti of Montclair, Montclair Hospital Medical Center, Montclair Plaza, Monte Vista Water District, Nationwide Insurance, ServPro, Southern California Edison, and Wells Fargo.

- Last Thursday, Chief Mike deMoet and Lieutenants Jason Reed and Brandon Kumanski attended San Bernardino County's Peace Officer Memorial Ceremony which honored the fallen law enforcement officers in our county. The event was held at Rancho Cucamonga Superior Court and was hosted by the San Bernardino County Sheriff's Department.

Police Chiefs each announced the fallen officers of their law enforcement agencies. As Chief deMoet announced Montclair's fallen Officer, Andrew W. Farthing whose End of Watch was June 18, 1961, he was joined in a salute by Montclair's honor guards, Detective John Minook and Officer Jesus Carrillo.

## ***PUBLIC WORKS DEPARTMENT***

- John Conley, Building Maintenance Technician, retired this week after 14 years of service.

After several years with the City of Upland, John was hired by the City of Montclair as a Maintenance Worker in May 2000. Shortly thereafter, John was promoted to Building Maintenance Technician, the position he maintained for the rest of his career.

John was well-known and liked by his co-workers. He performed maintenance work at all City facilities and parks. His retirement luncheon was held last Thursday at the Senior Center with over 100 people in attendance, including former coworkers from the City of Upland. At the conclusion of the luncheon, John was presented with a certificate of

recognition and a \$300 collection from Police Department staff. He also received a beautiful walnut and oak clock, a handmade gift from his supervisor, Facilities and Grounds Superintendent Mike McGehee; a gift certificate for Farmer Boys from the Fire Department; and a bottle of Jack Daniels Honey from Leadworker Chad Quidor. On Tuesday, he was presented with an engraved men's jewelry box, Lotto scratchers, cash, and a scrapbook of mementos from City Hall staff.

John's future plans include retiring to Mississippi. He said if you're ever in the area, stop and say "Hi."



John, with family members

➤ **SUCCESSOR REDEVELOPMENT AGENCY/MONTCLAIR HOUSING CORPORATION**

- More than 33,000 attendees were present at the International Council of Shopping Centers (ICSC) RECon event held May 18-20, 2014, at the Las Vegas Convention Center. The ICSC convention draws a wide range of real estate professionals, retailers, and companies. Nearly 1,100 companies exhibited in all three halls of the Las Vegas Convention Center, exceeding 1 million square feet in total, up 4.4 percent from last year. Leased space in the Leasing and Marketplace malls combined this year was nearly 803,600 square feet, up almost 8 percent from last year.

The City hosted a booth in the City Pavilion at Central Hall, with plenty of informational handouts about the variety of retail and office opportunities for lease or sale in the City. Retail tenant representatives were also made aware of retail and office property opportunities in Montclair through the recent completion of the City's *New Opportunities, Retail Leasing 2014*, a publication highlighting Montclair's demographic trade area, updates on new business

acquisitions, and new projects. The booklet also features a prominent aerial of North Montclair Downtown Specific Plan with property owner contacts for mixed-use opportunities and includes sites located in high-traffic and high-demographic areas that potentially meet the site criteria of popular retailers and restaurants. As RECon is considered a top-tier conference that facilitates deal-making and networking in a productive environment, the City's presence at RECon helps to create a positive image for Montclair as a business-friendly city.

City staff met with several tenant representatives for retailers and restaurants to acquaint them with site opportunities in Montclair and to learn about new retail or dining concepts that are rolling out. Staff was met with positive enthusiasm by broker representatives when informed of CIM Group's recent acquisition of Montclair Plaza and its planned renovation and expansion plans. Staff will provide detailed follow-up information to many retail representatives such as site criteria, traffic, and customized demographic research requested by the tenant representative.

Most notable was the huge presence of out-of-state city exhibitors in the City Pavilion that offered incentives using state tax increment monies to entice potential retailers. A limited number of Southern California cities exhibiting within the City Pavilion and other halls noted the competitive disadvantage to California cities due to the lack of redevelopment incentives.

Additional conference information included the following:

- ✓ Staff members had an opportunity to meet with Cindy Chong, 1st Vice President/Asset Management of CIM Group, the new owners of Montclair Plaza. Ms. Chong mentioned that CIM Group is in the process of hiring new staff for leasing and continues to work on the development plans for the renovation and expansion of Montclair Plaza. A follow-up meeting with CIM Group will be scheduled in the near future for updates on conceptual plans for the mall and leasing status for available spaces.
- ✓ The Montclair Town Center, located on the west side of Central Avenue between San Bernardino and Benito Streets, and anchored by 24-Hour Fitness and Dollar General, was sold in May close to the asking price of \$16 million. In response to the recent news, staff contacted leasing representative Eric Treibatch of Ophir Management Services to obtain marketing flyers of available spaces from the center to have available at the City's booth.
- ✓ A popular exhibit with complimentary Wi-Fi and charging for mobile devices carried live interviews with industry leaders using #CrashCourse educational sessions on new technologies, was held at the Coca-Cola Happiness Lounge

where RECon attendees relaxed, drank a cold beverage, and brushed up on the latest tech tools and social media trends. The Coca-Cola Happiness Lounge taught methods of integrating digital, mobile, and social media into unified online business marketing strategies. The #HappinessBreak workshop on health and wellness was hosted by Coca-Cola.

- ✓ Specialized supermarket chains and fitness centers are popular backfill tenants, and Planet Fitness, an 800-unit chain based in Newington, N.H., had its first RECon booth this year with a team of about 40 people at the show looking to speak with brokers. In addition to seeking more locations, with 1,000 potential stores in its pipeline, the goal of the conference was to educate landlords about the concept, since the cost of a Planet Fitness membership is low, at just \$20 per month for use of any facility across the country. The team wants to correct a perception that its units are dingier than its competitors. The team is also promoting a strong co-tenancy. Montclair is being considered as a possible location.

With over 1 million square feet of floor space at RECon's 3 halls, attendees either downloaded the #MyStepsCount app or used a pedometer to log or track miles walked across halls to meet with broker representatives. The average walk from hall to hall was 3 to 4 miles per day, as health and wellness was promoted.

The May 2014 ICSC RECon team included: Deputy City Manager/Executive Director of the Office of Economic Development Marilyn Staats, Director of Community Development Steve Lustro, City Planner Michael Diaz, and Economic Development Coordinator Melinda Flores.

Photos of the Montclair team are featured on Pages 16-18.

ECS:spa

"The best thing to give to your enemy is forgiveness; to an opponent, tolerance; to a friend, your heart; to your child, a good example; to a father, deference; to your mother, conduct that will make her proud of you; to yourself, respect; to all men, charity."

~ Francis Maitland Balfour

# JUNE 2014



02	2014 Special Olympics Torch Run	2:00 p.m.
02	City Council Meeting Council Chambers	7:00 p.m.
07	Country Fair Jamboree Alma Hofman Park	Noon - 8:00 p.m.
09	Planning Commission Meeting Council Chambers	7:00 p.m.
10	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
11	Fiscal Year 2014-15 Preliminary Budget Review Council Chambers	6:00 p.m.
15	<b>Father's Day</b>	
16	Code Enforcement Committee Meeting City Hall Conference Room	6:00 p.m.
16	City Council Meeting Council Chambers	7:00 p.m.
19	Safety Committee Meeting City Hall Conference Room	9:00 a.m.
19	Public Works Committee Meeting City Hall Conference Room	2:00 p.m.
23	Planning Commission Meeting Council Chambers	7:00 p.m.

**MONTCLAIR**

*2nd Annual*

# Country Fair

**JAMBOREE**

PETTING ZOO      GAMES ★ RIDES ★ ENTERTAINMENT  
 PONY RIDES ★ SKATEBOARD COMPETITION ★ PIE EATING ★ FOOD

**SATURDAY, JUNE 7, 2014**  
 12 PM - 8 PM

**ALMA HOFMAN PARK**  
 5201 BENITO ST.

Event parking available at Our Lady of Lourdes Church. Do not park at Montclair Town Center.

**FUN CONTESTS FOR ALL AGES | NEW FOR 2014 BEER GARDEN**

[www.cityofmontclair.org/countryfairjamboree](http://www.cityofmontclair.org/countryfairjamboree)

Montclair's Country Fair Jamboree is sponsored by:



**MONTCLAIR** FOR MORE EVENT INFORMATION CALL **625-9479** | **MONTCLAIR CHAMBER of COMMERCE** FOR VENDOR AND SPONSORSHIP INFORMATION CALL THE MONTCLAIR CHAMBER OF COMMERCE **985-5104**

Approval to distribute material does not imply endorsement by the Ontario-Montclair School District.

# Senior Center's May Birthday Party





# Memorial Day 2014





Pictured in front are Melinda Flores and Marilyn Staats; in the back row are Steve Lustro and Mike Diaz







Last day of show, saying goodbye to "happiness"