



August 27, 2015

TO: Honorable Mayor and City Council
FROM: Edward C. Starr, City Manager 
SUBJECT: WEEKLY REPORT: August 21-27, 2015

CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS

- State Treasurer John Chiang announced last month that he directed the Department of Finance to make final payment on California's 2004 Economic Recovery Bonds. Authorized through Proposition 57, the final payment of \$929.7 million is a major step in paying down the state's wall of debt.

The 2014 Budget Act provided \$1.6 billion from the Budget Stabilization Account so the recovery bonds could be paid off in 2015, one year ahead of the previously scheduled payoff date. Because the debt is being retired earlier, the Department of Finance estimates California will save approximately \$60 million in debt service costs associated with a longer payoff period.

With the Economic Recovery Bonds being fully paid, the full 1 percent local sales tax rate will return on January 1, 2016, and the 0.25 percent state Fiscal Recovery Fund rate will end.

In March 2004, California voters approved Proposition 57 (the Economic Recovery Bond Act) to refinance accumulated budgetary debt. The measure authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit. Bond payments on the debt totaled \$14.2 billion in principal, \$4.8 billion in interest, and \$153 million in administrative costs.

Under Proposition 57, the bonds are repaid from a dedicated 0.25 percent increase in the state sales and use tax. However, the city/county portion of the sales and use tax rate was reduced by 0.25 percent to keep the sales tax increase neutral. Cities and counties have been reimbursed for the reduced sales tax with transfers of local property tax revenues from county Education Revenue Augmentation

Funds—funds that would have otherwise gone to local schools. Schools, in turn, were made whole with payments from the state General Fund. This mechanism has been dubbed the "triple flip."

Triple-flip reimbursements are allocated by county auditors from the Sales and Use Tax Compensation Fund (SUTCF) established in each county. In September of each year, the state Department of Finance (DOF) provides each county auditor with the amount of the reimbursement due to each jurisdiction in the county for the coming fiscal year. Because the amounts due to local government through the SUTCF are estimates, there is a true-up adjustment each year to account for actual revenue collections. This true-up adjustment is added to or deducted from the SUTCF payment in the following year.

Education Revenue Augmentation Funds (ERAFs) were established by the state in 1992 to address a serious state deficit. To meet its obligations to fund education at specified levels as established by Proposition 98, the state enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties, and special districts). County auditors were instructed to shift local property tax revenues from local governments to ERAFs to support schools. The annual impact of the ERAF shift of property tax revenue away from local government is approximately \$6.8 billion, with counties bearing 73 percent of the shift (\$4.964 billion), cities bearing 16 percent (\$1.088 billion) , and special districts bearing 11 percent (\$748 million). Effectively, then, triple-flip reimbursements to cities and counties under Proposition 57 comes from local government contributions to ERAFs.

The state has provided some funding to local governments that it considers mitigation of ERAF. However, these funds are generally earmarked for specific purposes and, in any event, the net ERAF impact remains high. For example, after deduction of "ERAF mitigation" subventions, cities still lose over \$900 million in property taxes annually to ERAFs.

- On Wednesday of last week, the City played host to the staff of San Bernardino County Fourth District Supervisor Curt Hagman, providing a sweeping tour of North Montclair, the Montclair Police Department, Montclair Fire Station 151, and Civic Center facilities. Mayor Paul Eaton and Council Members Bill Ruh, John Dutrey, and Trisha Martinez each attended different parts of the tour. Attending from the Supervisor's office were Ed Graham, District Director and Chino Hills City Council Member; Andie Castaneda, Special Assistant to Supervisor Hagman; Doug Boy, Policy Analyst; Karen Haughey, Community Services Liaison; Melissa Compani, Field Representative; Suzette Dang, Field Representative; Chad Schnitger, Field Representative; and Michael Miller, Community Services Liaison.

Attending for the City were Chief of Police Michael deMoet, Community Development Director Steve Lustro, Public Works Director Michael Hudson, Human Services Director Marcia Richter, Acting Fire Chief Dave Corbin, Deputy City Clerk Andrea Phillips, Administrative Analyst Mikey Fuentes, and I.

The morning began with a visit to Montclair Fire Station 151, where Acting Fire Chief Dave Corbin and Deputy Fire Chief Steve Jackson provided an in-depth discussion of the joint sharing of services and both safety and non-safety personnel between Montclair and Upland Fire Departments.

Police Chief deMoet and Police Captain Robert Avels escorted the group through the Montclair Police Department and discussed various departmental activities, including its focus on community outreach programs and community-oriented policing.

At the Montclair Transcenter, Public Works Director Michael Hudson talked about various transportation- and transit-related projects. I joined Mr. Hudson in a detailed discussion of local efforts to extend the Gold Line light rail service to the Transcenter and the funding challenges facing the City related to construction of the Montclair segment of the Gold Line light rail from the Los Angeles-San Bernardino County line to the Transcenter.

Community Development Director Steve Lustro discussed various housing developments in North Montclair, including The Paseos at Montclair North and the The Walk at Arrow Station. The group received a tour of The Paseos by Property Manager Deborah Loughlin.

Upon returning to the Civic Center, Senior Program Specialist Ester Vargas-Pipersky led a tour of the Senior Center and discussed the many programs offered to Montclair's senior citizens; Recreation Supervisor Fernando Saltos guided a tour of the Youth Center; Human Services Director Marcia Richter provided an audio-visual presentation of Human Services programs; and Community Development Director Steve Lustro concluded the morning with an audio-visual presentation of CIM Group's renovation plans for Montclair Plaza.

Supervisor Hagman's staff was appreciative of the up-close and personal looks at some of the City's facilities and staff's extra efforts to provide a "red carpet" presentation of Montclair.

I extend my thanks and gratitude to all participants for demonstrating that despite its size, Montclair is truly a community on the edge of tomorrow.



FIRE DEPARTMENT

- The photos shown below were taken at a California State Fire Marshal's Trench Technician "roll-out" course that Captain/Paramedic Chris Jackson attended last week. At the two-day training held in Sacramento, the state's new, mandatory Cal-OSHA regulated procedures for trench and excavation rescues were unveiled.

With this training, Captain Jackson has achieved the level of Senior Instructor within the State Fire Marshal Training and Education System. He is now able to certify other members of the Montclair Fire Department, as well as those in surrounding fire agencies, in the discipline of trench technical rescue. The Fire Department will be conducting this training in the near future to build cohesion and interoperability between fire agencies when responding to these difficult rescues.





HUMAN SERVICES DEPARTMENT

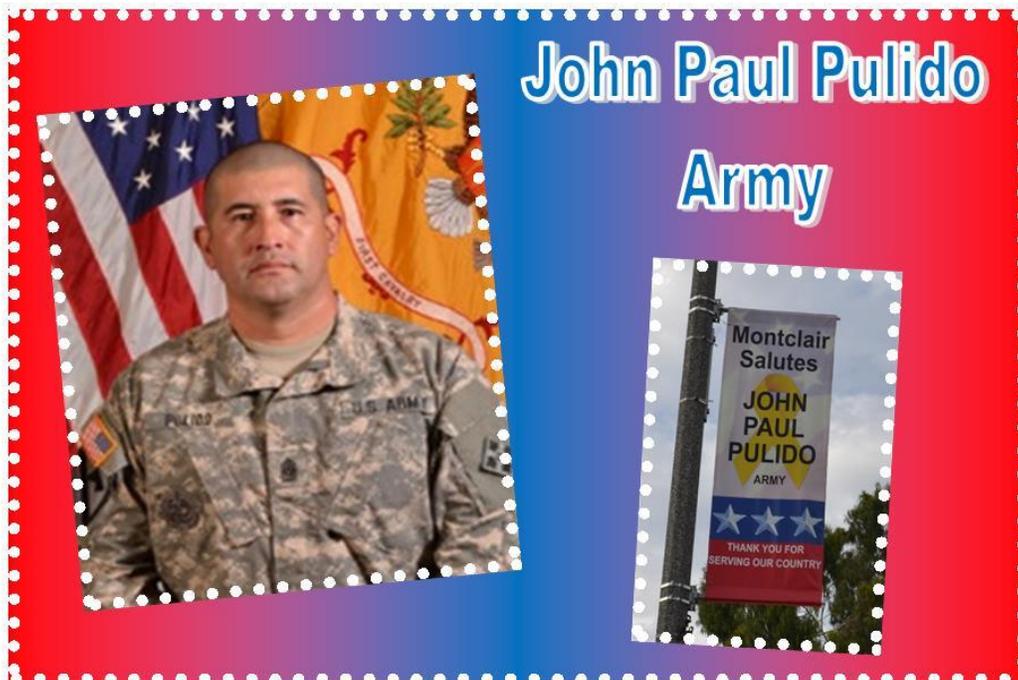
- Montclair resident and member of the United States Army, Command Sergeant Major (CSM) John Pulido will be honored for his military service at the USC home opener football game on September 5.

The City of Montclair has had a military banner hung on Central Avenue for CSM Pulido since 2010, as part of the Community Action Committee's Military Banner Program.

A member of the Army since 1989, CSM Pulido has served two deployments with Operation Desert Shield/Storm and Operation Iraqi Freedom 9-11. CSM Pulido is currently stationed at Fort Carson in Colorado. He has received numerous awards and decorations, including the Bronze Star Medal.

CSM Pulido has an Associate's Degree in Liberal Arts from Excelsior University and is married with five children—two are also serving in the Army.

On behalf of the City of Montclair, we want to thank Command Sergeant Major John Pulido for his continued service to our country and congratulate him for being recognized at the USC home opener football game.



- Yesterday, more than 260 seniors attended a luau-themed monthly birthday party at the Community Center. Everyone received leis and enjoyed Hawaiian food, fruit smoothies, and traditional Hawaiian dancing. There was also indoor "Big Island" fishing, but instead of reeling in fish, they reeled in candy and other fun treats.

Photos are shared on Page 13.

- The L.A. County Fair opens on Friday, September 4 at Fairplex in Pomona and runs through Sunday, September 27. The Fair will be closed on Mondays and Tuesdays, with the exception of Labor Day on Monday, September 7.

City employees and the community may purchase discounted Fair tickets from the Recreation Center. The tickets are good any day the Fair is open. Adult tickets are \$12, and child tickets (6-12 years old) are \$6. Children 5 and under are free. Tickets must be purchased with cash.

Montclair Day at the Fair is Friday, September 11. Activities will include a parade featuring Montclair groups and a special ceremony for Montclair's Community Heroes (Irene Norquist, Senior Community Hero; and Emma Casillas, Adult Community Hero). Coupons for \$5 admission to the Fair on Montclair Day are available at the Senior Center, Recreation Center, City Hall, and on the City's website:

http://www.cityofmontclair.org/depts/human_services/special_events/mdatf.asp.

Discounted tickets can be purchased online or at the gate with a coupon. Fridays are also "Food Drive Fridays" at the L.A. County Fair. Just bring five canned goods between noon and 6 p.m. to get in free!

The Montclair Golden Express will provide free transportation for those 18 and older on Montclair Day only, beginning at 11 a.m. To make reservations, call the Senior Center at (909) 625-9483. For more information on discounted tickets, call the Recreation Center at (909) 625-9479.

POLICE DEPARTMENT

- The Police Department welcomed three new employees, Officer Michael Pena, Data Entry Clerk Stacey LaBeau, and Police Cadet Christopher Zamora, on Monday during a general assembly. Officer Pena was sworn in to duty by Chief Mike deMoet.

Michael grew up in Whittier and graduated in May 2014 from Fullerton College's Extended Police Academy. Officer Pena said he is grateful for having the opportunity to live out his dream of being a law enforcement officer. And he goes on record for having the largest ever gathering of family and friends to attend a swearing-in ceremony!



Chief Mike deMoet and Officer Michael Pena



Data Entry Clerk Stacey LaBeau resides in Montclair with her husband and three daughters. She has chosen to work in a part-time capacity to focus attention on raising her daughters and attending their functions.

Police Cadet Christopher Zamora is majoring in Business Administration at Cal Poly Pomona. He has lived in Ontario since he was 8 years old. Chris is pursuing a career in law enforcement, which is why he sought a position as a Police Cadet.

We are excited to have Michael, Stacey, and Christopher join the Montclair City family!

- Congratulations to Police Detective Amanda Holloway and Fire Engineer Derek Holloway on the birth of their third child, a boy they named Kyle Nicholas. Baby Kyle was born at Kaiser Hospital in Ontario early Tuesday morning, August 25. He weighed 8.3 pounds and measured 20-1/2 inches.

Kyle will be welcomed home by his brother, Dylan, and sister, Samantha.

SUCCESSOR REDEVELOPMENT AGENCY/ MONTCLAIR HOUSING CORPORATION

- Two days after being promoted to the new position of Target Corporation's Chief Operating Officer, John Mulligan's big job is clear: fix a supply chain that the company blamed for shortages of goods that are undermining sales growth.

The fourth-largest U.S. retailer blamed its incredibly complex supply chain for unacceptable stock levels at its stores this year, forecasting weak growth in current quarter sales at established stores. The focus on the supply chain network is the latest move by CEO Brian Cornell, who took charge a year ago and announced a restructuring plan in March. Under that program, Cornell eliminated several thousand corporate jobs, revamped grocery operations, and announced a \$1 billion investment in supply chain technology.

Mulligan, who was promoted from the position of chief financial officer, said that in-store product stock levels have been getting worse over the last couple of quarters. Kathee Tesija, the company's former chief merchandising and supply chain officer, was moved to an advisory role in June.

Target's supply-chain problems have grown more acute as it has expanded its offering of consumable goods such as meat, fresh produce, and dairy products, which in turn have brought customers back to their stores more frequently than in the past.

Target's larger rival, Wal-Mart Stores Inc., has struggled to tackle the problem of running out of stock at its own stores for several years, despite having one of the largest and most sophisticated supply chain networks in the business. Analysts and industry consultants said that while Wal-Mart's problems revolve around insufficient

employees to fill shelves, an issue the company is addressing, Target's issues stem from its reliance on external distributors.

"Target tends to use outside wholesalers and outsources a large amount of distribution, typically on fast-moving consumables," said Burt Flickinger, managing director at retail consulting firm Strategic Resource Group.

Products such as groceries, fresh produce, meat, and dairy are replenished up to a 100 times or more every year, and when an outside wholesaler short-ships, Target's stores suffer. The clear solution would be to take control of its supply chain. Target said its supply chain was built to serve an outdated model in which product flowed from vendors through distribution centers to stores.

Target also has tried to order less inventory than rivals, striving to turn over inventory quickly and reduce capital needs. Typically, retailers like to keep enough stock in their stores to meet around 90 percent of anticipated demand, and over 96 percent for advertised or promotional items.

- The department stores that once ruled the world are struggling to keep up with discount retailers. An emerging trend in consumer psychology is contributing to the shift toward discounting, according to Neil Saunders, CEO at industry-analysis firm Conlumino.

"The consumer mood for bargains and deals remains undiminished," Saunders said. "In both the UK and the US, we continue to see very strong demand for great value as well as for great quality."

Consumers will happily eschew the traditional merchandising, displays, and organization for cheaper products. Discount retailers have a no-frills approach, allowing them to pass savings on to the consumer.

Unlike cheaper department stores like JCPenney and Kohl's, TJ Maxx sells brand names, like Rag & Bone and Versace, which are usually found at Nordstrom. In decades past, consumers shopped the malls for the best brand names. But with celebrities being spotted shopping at TJ Maxx, the stigma of discount shopping is gone. TJ Maxx is a discount retailer, but that doesn't mean it touts sales. Instead, management floods the stores with new merchandise to keep customers coming back. The company also works to have a wide product assortment while offering very few of each item. This gives customers a sense of urgency and entices them to buy.

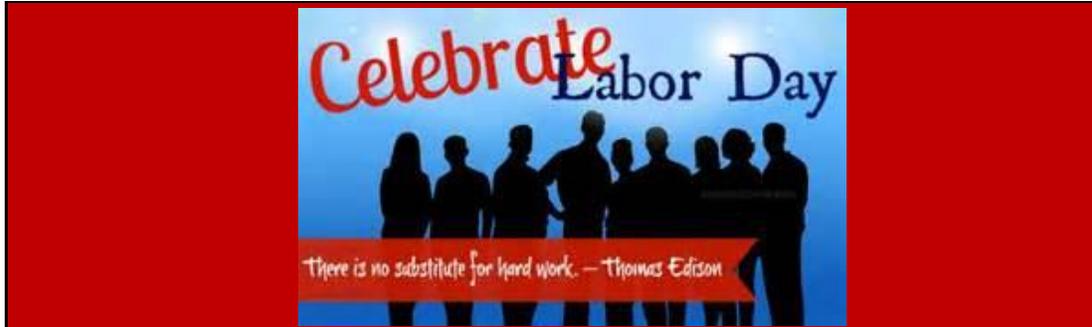
Macy's same-store sales declined 2.6 percent in the second quarter, and the company blames consumers who are increasingly hesitant to pay for brand-name clothing and handbags.

Macy's and Kohl's are both in the process of launching lower-priced outlet stores.

Retail expert and author Robin Lewis writes on his website that consumers will not pay full price because they have become accustomed to promotions. Department stores will have to adapt to this shift in consumers.

"There's no easy way out. If there were, I would have bought it. And believe me, it would be one of my favorite things!"
 ~ Oprah Winfrey

SEPTEMBER 2015



01	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
02	Community Action Committee Meeting Council Chambers	7:00 p.m.
07	Labor Day – City Offices Closed	
08	City Council Workshop – Audit Responsibilities and Process, Council Chambers	5:45 p.m.
08	City Council Meeting Council Chambers	7:00 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.
17	Safety Committee Meeting City Hall Conference Room	9:00 a.m.
17	Public Works Committee Meeting City Hall Conference Room	4:00 p.m.
21	Code Enforcement Committee Meeting City Hall Conference Room	6:00 p.m.
21	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.



Senior Center
August Birthday Party

