



November 19, 2015

TO: Honorable Mayor and City Council

FROM: Edward C. Starr, City Manager

SUBJECT: CITY MANAGER'S WEEKLY REPORT: November 6-19, 2015

CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS

- Each day, as television viewing habits change, more and more Americans are cutting the cable cord. In an effort to demonstrate responsiveness to consumer demands, cable companies are looking at alternative forms of service delivery. Later this month, Time Warner Cable will start testing a cable service in New York that delivers service over a customers' home Internet.

Market testing of internet cable is designed to appeal to younger people who have grown comfortable watching TV via *Netflix* or *Hulu* without a traditional cable box. Younger Americans, in particular, are skipping cable service in favor of internet channels. Time Warner's effort is geared to giving customers access to the complete video product through a streaming-TV device, like *Roku*.

Time Warner Cable's TV app is already available on *Roku* and *Microsoft Xbox* for cable subscribers, who can use it in place of a second cable box. However, the app does not currently offer DVR functionality or video-on-demand services.

With the new trial, Time Warner Cable is eliminating the need for a first cable box, which usually comes with a monthly fee for customers, and is throwing in a free *Roku*.

Comcast, the nation's other major cable service-provider, is also trying to appeal to millennials with *Stream*, a TV service that cuts out the cable box and, when using Comcast's app, works only on mobile devices and computers. *Stream* has been testing for free in Boston.

Time Warner Cable reported last month that nationally cable customers fell by 7,000 in the July-September quarter, to 10.8 million. Nonetheless, Time Warner Cable reported that the same period represented its best third-quarter result since 2006.

The real driver, however, is the Internet—more customers are signing up for faster, more expensive Internet speeds, not cable television services.

- Seeking to put its investment portfolio in order, earlier this week the California Public Employee Retirement System (CalPERS) Investment Committee commenced an evaluation of its private equity investments—investments known for venture capital investments, buying and selling whole companies through leveraged buyouts, and other major financial opportunities.

Private equities have been the subject of intense criticism in recent years because they carry a high degree of risk, operate under murky disclosure procedures, and charge what some analysts allege are excessively high fees. CalPERS has approximately \$28 billion, or nearly 10 percent of its total portfolio committed to private equity deals, and has reaped some significant gains from the sector. The industry itself argues that private equities have helped pension systems meet their obligations, noting that pension funds are the primary investors in private equities.

CalPERS acknowledges the sector's problems, but argues that private equity investment returns make it an indispensable part of its financial portfolio. Under a hypothetical scenario that eliminates private equity investments for 2013, CalPERS seeks to publicly demonstrate that it would have had to lower its expected rate of return from 7.5 percent to 7.25 percent, increasing costs to contract agencies.

In response to the criticism over private equity charges, CalPERS is expected to reveal how much it has paid in performance fees—the figure is expected to be in the billions of dollars, diminishing any real return on public equity investments. The Securities and Exchange Commission has stepped up scrutiny of the private equity industry, focusing on the huge fees the firms charge.

In re-evaluating its investment strategy, CalPERS will consider moving more of its portfolio to conservative, low-risk investments. Any decision to move away from private equities will be based, in part, on the belief that the industry has benefited from two factors that probably won't last: low borrowing costs and a rising stock market that boosts public offerings of private equity-owned companies. In anticipation of a decision to move to safer investments, the CalPERS Board of Administration is expected to lower its projected rate of return from 7.5 percent to 6.5 percent over a 30-year period.

Moving to a more conservative investment strategy carries its own concerns. With lower investment returns, CalPERS will rely increasingly on contracting agencies to make up growing, annual shortfalls. However, cities contracting with CalPERS to manage investment funds are increasingly stressed over rising pension costs—costs that will continue to grow over the next several decades as CalPERS seeks to reach full funding by 2045.

CalPERS currently has annual pension obligations of \$17.8 billion. Of this total, contracting agencies paid CalPERS \$12.5 billion in 2014, leaving the pension fund \$5.3 billion short on its obligations. As a result, the pension fund has pulled money

from its shrinking investment portfolio to cover the negative cash difference. As the fund's investment portfolio shrinks—the result of more conservative investment strategies, failure to fully recover from losses of the Great Recession, reliance on investments to meet obligations, and an increasing annuitant population (currently 1.7 million) and diminishing active employee population—contracting agencies will remain as the last alternative to cover increasing pension costs. Thus, cities can now expect that rate increases will continue to climb for the foreseeable future. In response, many cities are looking at cost sharing as a means to transfer employer pension costs to employees. Ballot measures are also under consideration as a means to reduce pension costs for taxpayers.

Whether or not CalPERS invested wisely in private equities is up to debate. The segment's 10-year average performance of 8.9 percent is considered subpar compared with its risk, as measured against its annual benchmark projections of 11 percent. Some analysts argue the stock market index fund would have been a safer, wiser, and more profitable investment over the last decade. CalPERS, however, defends its investment in private equities, arguing its investments in private equities performed well, returning 11.9 percent annually over the past decade, compared to 6.6 percent for the fund's stock portfolio.

However, CalPERS performance indexes slipped in Fiscal Year 2014-15, with private equities returning 8.9 percent and the public stock portfolio returning only 1 percent. The real performer was real estate, returning 16.9 percent on investments. In total, CalPERS managed to eke out a total return of only 2.4 percent on all investments last year, well below what is necessary to maintain balance between inflows and outflows.

FIRE DEPARTMENT

- On Tuesday, Fire Department personnel were honored at the Montclair Chamber of Commerce-sponsored Annual Firefighters' Recognition Breakfast, held at the Community Center and catered by Dolce Bistro & Bakery.

Firefighters put their lives on the line to save people and serve their community. In addition to all of the Firefighters who exercise life-saving efforts daily, one individual was selected as Firefighter of the Year for 2014 for his outstanding and exemplary performance in the line of duty: Firefighter/Paramedic Nathan Brooks.

Nathan has been with the Montclair Fire Department since 2012, and he has excelled in his position as a well-rounded, trusted, and dependable individual. A few examples of his commitment include his departmental implementation of new Airway Response Bags, his role as an EMT Skills instructor, and his work as an EMS Continuing Education Instructor for the Montclair Fire Department.

Nathan was presented with certificates of recognition from local dignitaries and the Chamber of Commerce. We would like to congratulate Nathan for his exemplary service to the Fire Department, the City, and the residents of Montclair!

HUMAN SERVICES DEPARTMENT

- With the holiday season fast-approaching, we invite you to mark your calendars for the following events:

- ❖ The City's annual Tree Lighting Ceremony and visit with Santa and Mrs. Claus will be held on Thursday, December 3 at 6 p.m. in the Youth Center. Complimentary family pictures with Santa and Mrs. Claus will be held outside the Youth Center, while free refreshments and a "Letters to Santa" station will be located inside the Youth Center. A community holiday sing-along will also be held.

As is customary, gift lights can be purchased for \$10 in honor of, or in memory of, a loved one.

Additional information is available by calling 909-625-9451.

- ❖ Dashing Through Montclair will be held on Saturday, December 5. Santa's sleigh will leave the Police Department at 11 a.m. on its journey through the streets and will make stops at Lehigh Elementary School, Essex Park, Saratoga Park, Alma Hofman Park, and MacArthur Park before returning to the Police Department at 6 p.m.

Santa will greet people at each stop, and help is needed to fill his sleigh with toys. Toys collected will be distributed to needy Montclair children as part of the City's Annual Toy and Food Basket Program.

To follow Santa's route and for toy donation locations, visit www.cityofmontclair.org/dashingthroughmontclair or call 625-9479.

- ❖ Now through Thursday, December 10, the Human Services Department will be sponsoring its Annual Canned Food and Toy Drive. Employees and the community are encouraged to donate to this worthy cause. For the health and safety of those receiving food baskets, we cannot accept outdated, dented, or bulging cans, or open packages. Toys must be new and unwrapped.

Marked collection bins will be located at the Recreation Center, Youth Center, Senior Center, City Hall lobby, Fire Station 1, and the Police Department. All food and toys collected will be distributed to needy Montclair residents during the 2015 Holiday Toy and Food Basket program.

- The Montclair Police and Fire Departments will be collecting new, unwrapped toys for Montclair children in need at the following locations: Montclair Target store on Saturday, November 28 from 10 a.m. to 2 p.m., and the Montclair Costco location on Friday, December 4 and Friday, December 11 from 10 a.m. to 2 p.m. Toys collected by Police Officers and Firefighters will cover police and fire vehicles. Cash, checks, and gift card donations will also be accepted. The collected toys will be distributed to children through the Human Services Department's Holiday Toy and Food Basket Program.

Come help us support this worthy cause!

Check out the flyer on Page 12.

- Yesterday the Senior Center held its monthly birthday party in the Community Center. The event had a Thanksgiving theme with over 200 seniors in attendance and included a delicious turkey dinner, cake, pumpkin pie, and ice cream. Entertainment was provided by fellow seniors Stan Chapin, who sang *Bless this House*, and Josie Arroyo on the piano. Seniors had the opportunity to participate in turkey call and coloring contests.

Photos are shared on Page 10.

- Last Tuesday, a USO dance in honor of our military veterans took place at the Senior Center. Twelve members of the Main Street Swing Band entertained over 130 guests with lively music. Council Member Trisha Martinez was there to express her appreciation to all who have served our country. Many danced, and everyone dined on a delicious chicken dinner and dessert and received a military-themed stuffed bear.

Photos are included on Page 11.

POLICE DEPARTMENT

- A new-to-the-ranks Police Officer and a recently promoted Police Sergeant were the focus at a general assembly and swearing-in ceremony yesterday at the Police Department. John Minook was promoted from Detective to Police Sergeant on November 2, and Matthew Goddard, who graduated from Riverside Sheriff's Department Police Academy on November 5 as a Trainee, received full-time Police Officer status on November 16.

Please join me in wishing John and Matthew much success in their new positions!

PUBLIC WORKS DEPARTMENT

- Extraordinary storm events over the past months offer a glimpse of what we could be facing on a broader scale this winter with the forecast of El Niño descending upon us. State and local authorities continue to warn Southern Californians of a potential

onslaught of bad weather that could affect roads and highways. We have already seen flooding and mud flows which have contributed to the closure of freeways and roads. Flash flooding has taken out bridges and caused hours of delays and detours on the I-10. So, you may ask, is the City of Montclair prepared for El Niño?

Over the years, we have proactively installed flood control systems throughout the City. Installing these complete storm water collection systems, in areas that have needed upgrades with more catch basins and larger pipes to handle greater amounts of water, was the first step in helping the City's residents and retail shoppers on a daily basis. The second step is the continued preventive maintenance to the collection system by cleaning catch basins and checking pipes throughout the system.

The Public Works Department has also sent many employees to a Flood Control Methods Course hosted by the Department of Water Resources. The course provides instruction on many storm and flood topics, such as identifying problems, sand bagging and stacking designs, structure protection, diversion wall construction, and erosion protection.

The Public Works Department also maintains approximately 300 filled sandbags for use by residents during emergency rain situations. Also, the City, with assistance from Administrative Aide Angelic Bird, works with the San Bernardino County Fire Office of Emergency Services to maintain important information regarding the City's resources and supplies in case of extreme measures.

This past Monday, Public Works Director Michael Hudson and Public Works Superintendent Xavier Mendez attended an informal meeting with representatives from the Inland Empire Utilities Agency and surrounding cities regarding mutual aid in emergency situations.

SUCCESSOR REDEVELOPMENT AGENCY/ MONTCLAIR HOUSING CORPORATION

- According to the November 15 edition of the retail publication, *Twice*, consumers are ready to spend this Black Friday and holiday season, and phooey to those who complain about working on Thanksgiving, a new survey suggests. The consulting firm, Accenture, surveyed 1,537 U.S. shoppers online in September and October and found that 40 percent plan to spend more than last year. This is up from the 25 percent who said the same in 2014.

Although many retailers are taking a stand and keeping doors shut this Thanksgiving, 50 percent of consumers still plan to shop that day, a jump of 5 percent compared with last year. In fact, only 28 percent said they believe Thanksgiving should be spent with family versus holiday shopping, compared to 32 percent in 2014 and 41 percent in 2013. Forty-two percent will do Thanksgiving Day shopping online, while 40 percent plan to hit the stores. Sixty-three percent

said they will shop on Black Friday, with online and in-store shopping tied at 42 percent.

When it comes to promotions, email and in-store deals and coupons were the most attractive to consumers. Fifty-six percent said they prefer to be targeted proactively with discounts and deals, whereas 20 percent like to seek out deals. Among benefits offered by retailers, 39 percent of shoppers plan to take advantage of competitor price-matching on the spot, while only 18 percent will make use of layaway.

Unsurprisingly, showrooming and webrooming will be fierce this season, with almost 70 percent of respondents saying they will research products online before purchasing in stores. Reasons most given for doing so include: preferring to touch and feel the product before purchasing it (49 percent); wanting to make sure a product is in stock before going to the store to purchase (46 percent); and wanting to avoid shipping fees (42 percent). While they're in the store to pick up that item, 67 percent of respondents said they're likely to buy additional items.

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"No man is above the law and no man is below it; nor do we ask any man's permission when we ask him to obey it."
 ~ Theodore Roosevelt

NOVEMBER 2015



19	Public Works Committee Meeting City Hall Conference Room	4:00 p.m.
23	Planning Commission Meeting Council Chambers	7:00 p.m.
26	Thanksgiving – City Offices Closed	

DECEMBER 2015



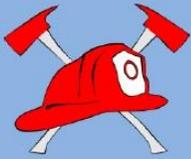
01	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
03	Christmas Tree Lighting Ceremony Youth Center	6:00 p.m.
05	Dashing Through Montclair	All Afternoon
07	City Council Workshop: Montclair-Upland Fire Department Update, Council Chambers	5:45 p.m.
07	City Council Meeting Council Chambers	7:00 p.m.
11	2015 MCEA Holiday Party Magdaleno's, 220 N. Central Avenue, Upland	6:00 p.m. - Midnight
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	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.
23-31	City Offices Closed in Observance of Christmas and New Year's Eve	

Annual Firefighters' Recognition Breakfast

November 17, 2015

Firefighter of the Year

Nathan Brooks





Happy Thanksgiving

Senior Center

November Birthday Party





Senior Center



Dance



Donate a Toy



The Montclair Fire and Police Departments are teaming up with the Spark of Love Toy Drive to help Santa fill his sleigh with toys for children living in the Montclair community. Please join us in brightening the holidays for children in need.

Donate a new, unwrapped toy or sporting equipment. All items collected will be donated to the City of Montclair's Toy and Food Drive Program.

Target

(9052 Central Avenue)
November 28 - 10 a.m. to 2 p.m.



Costco

(9404 Central Avenue)
December 4 & 11 - 10 a.m. to 2 p.m.



Cover Fire & Police Vehicles with Toys!



MONTCLAIR



SPARK OF LOVE
TOY DRIVE
From ABC7 & Southern California Firefighters



For more information, please contact the Montclair Human Services Department at (909) 625-9479 or visit the following website: www.cityofmontclair.org/toydrive