



November 25, 2015

TO: Honorable Mayor and City Council

FROM: Edward C. Starr, City Manager

SUBJECT: CITY MANAGER'S WEEKLY REPORT: November 20-25, 2015

CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS

- Last Friday, I attended the California State Transportation Agency (CalSTA) workshop in Pasadena related to establishing guidelines for the next round of climate investments by the Transit & Intercity Rail Capital Program (TIRCP). TIRCP was established by the state Legislature in 2014 (Senate Bill 862), and is one of several programs charged with using cap and trade auction proceeds to help the state reduce greenhouse gas emissions (GHG) and combat climate change. The program is designed to make transformative climate investments by expanding public transportation ridership and capacity.

The workshop covered a number of program areas, including:

- ✓ Baseline statutory requirements
- ✓ Recent statutory changes created by SB 9
- ✓ Changes to "Discussion Draft" guidelines for 2016
- ✓ Cap-and-Trade Auction proceeds available for the multi-year program

The primary objective of TIRCP is to modernize California's transit system to reduce greenhouse gas emissions; expand and improve transit service to increase ridership; integrate the rail service of the state's various rail operations, including integration with the high-speed rail system; and improve transit safety.

Eligible applicants are public agencies (including JPAs) that operate or have planning responsibility for existing or planned regularly scheduled transit service, including intercity rail and associated feeder bus service; commuter rail service; community bus service; and bus, ferry, or rail transit service.

Applications will be evaluated based on reductions to GHG emissions; ability to increase ridership; integration with other operators; and improvement to safety.

Secondary/other project co-benefits include:

- ✓ Reducing vehicle miles travelled (VMT)
- ✓ Promoting housing and employment near rail or transit
- ✓ Expansion of rail and transit systems
- ✓ Enhancing connectivity, integration, and coordination between transit systems
- ✓ Implementation of clean vehicle technology
- ✓ Promoting active transportation (self-propelled, human-powered modes of transportation, including walking or bicycling)
- ✓ Improving public health
- ✓ Air quality impacts other than GHG emission reductions
- ✓ Benefit to disadvantage communities
- ✓ Priorities developed through collaboration of rail operators
- ✓ Geographic equity
- ✓ Consistency with regional plans to reduce GHG emissions and the recommendation of regional agencies
- ✓ Supplemental funding from non-state sources (e.g., federal Small Starts grants)
- ✓ Integration across other transportation modes
- ✓ Quality of financial plan to support service expansion

Evaluation criteria for project selection will include:

- ✓ GHG emission reduction benefits
- ✓ Cost, scope, and schedule of completion, including readiness, environmental status agreements with key partners, and future non-committed benefits
- ✓ Need and benefit
- ✓ Ability to leverage funds from other CHG reduction programs
- ✓ Ability to leverage other funding, especially discretionary funding

Senate Bill 9, signed by Governor Brown this past October, provides certain changes to the TIRCP program. Specifically, the bill specifies that funding should be for "transformative capital projects"; i.e., the project must significantly reduce VMT, congestion, and GHG emissions by creating a new transit system, increasing the capacity of an existing system, or significantly increasing the ridership of an existing system. Operation and maintenance projects are not eligible for TIRCP funding.

Under SB 9, projects will be evaluated based on the extent to which it reduces GHG emissions; adds to the list of co-benefits of projects that support a sustainable communities strategy (SCS) by enhancing the connectivity, integration, and coordination of the state's various transit systems; provides supplemental funding from non-state sources; and increases transit ridership.

SB 9 also allows for an applicant to submit an application to fund a project over multiple years. By July 2018, CalSTA anticipates approving a 5-year program of projects. A grantee may apply to the California Transportation Commission (CTC) for a letter of no prejudice to allow the agency to expend its own money in advance of an allocation from the GHG Reduction Fund.

For the current application year (2016), key milestones include promulgation of final guidelines by February 5, 2016, with applications due April 5, 2016, followed by a published list of approved projects on August 1, 2016.

Based on the criteria addressed above, it appears the Montclair Segment of the Gold Line extension from the Los Angeles-San Bernardino County line to the Montclair Transcenter is an excellent candidate for funding under the TIRCP program. In speaking with Deputy Secretary for Transportation Chad Edison and Undersecretary Brian Annis, TIRCP could fund the entire 50 percent matching requirement to a Federal Small Starts Grant (or alternatively potentially fund the full cost of construction). Based on the most recent cost projections from the Foothill Gold Line Construction Authority, the total cost to the San Bernardino County Transportation Authority (SANBAG) to construct the Montclair Segment is \$55 million over 7 years, as follows:

Fiscal Year 2019 - \$1.65 million/3 %
Fiscal Year 2020 - \$5.5 million/10%
Fiscal Year 2021 - \$11.55 million/21%
Fiscal Year 2022 - \$18.15 million/33%
Fiscal Year 2023 - \$11.0 million/20%
Fiscal Year 2024 - \$5.5 million/10%
Fiscal Year 2025 - \$1.65 million/3%

The above timeline assumes federal grant funding would be used for the Montclair Segment, which may require a different construction timeline than what is currently planned for Phase 2B construction from Azusa to Claremont, which is currently scheduled to start construction in 2017, with completion in 2022. Federal funding on the Montclair Segment would require NEPA clearance. It is also presumed that the application for federal grants would require a lengthy lead time.

Both the City and Construction Authority have engaged the Federal Transit Administration (FTA) regarding a Small Starts Grant. The FTA has advised that the Small Starts Grant Program has a streamlined funding process that may allow the Montclair Segment to stay on track with the Phase 2B construction timeline. The FTA has advised, however, that financial viability must be demonstrated before they would authorize NEPA activities.

In turn, CalSTA has advised that cap and trade funding for the Montclair Segment could not be considered until the Metropolitan Transportation Authority (METRO); (1) receives voter approval on a funding measure in November 2016 for transit-related projects in Los Angeles County; and (2) the METRO has allocated up to \$1 billion for Phase 2B construction in its short-term transit plan. This current lack of

funding for construction of Phase 2B from Azusa to Claremont means the Montclair Segment would not be eligible for consideration under TIRCP any earlier than the next round in 2017. CalSTA anticipates receiving an annual allocation of approximately \$245 million from the Greenhouse Gas Reduction Fund for intercity rail capital programs.

CalSTA was asked to consider vetting a cap-and-trade funding application for the Montclair Segment in the 2016-cycle to identify areas that may require correction/improvement. Deputy Secretary Edison will take the vetting request under advisement.

- As expected, last week, the California Public Employee Retirement System (CalPERS) Board of Administration adopted a plan that would lower the fund's anticipated return on investments from the current 7.5 percent to 6.5 percent over 20 years. The decision "deeply disappointed" Governor Brown, who had urged the Board to lower the projected return rate immediately to address the growing funding crisis within the retirement system and so the state could move forward in paying off its unfunded debt to the pension system while the Treasury has the money to do so. Organized labor resisted the Governor's push for an immediate reduction, arguing it would restrict available funds for other wage- and benefit-related concessions. Ultimately, the Board opted for the 20-year reduction scenario.

For years, critics have warned the pension fund was using overly optimistic projections for its investment portfolio—projections that would ultimately lead to higher costs for contracting agencies. Long-term, the Board's action is expected to increase employer rates by an additional 20 percent.

Agencies contracting with CalPERS are already anticipating average increases of 50 percent or higher through 2020 under formulaic changes implemented by CalPERS, effective Fiscal Year 2015-16. For some agencies, like Montclair, the rate increases over the next 5 years are expected to double annual employer rate contributions. In the current fiscal year, for example, the City has been required by CalPERS to absorb a \$900,000 increase in pension costs—a rate increase equal to 25 percent of the Fiscal Year 2014-15 CalPERS rate.

Since 2012, CalPERS estimated it would earn an average of 7.5 percent annually on investments—a projected annual rate of return that is necessary to maintain balance between inflows and outflows. Many analysts argued the projected rate of return was too high and ignored historical performance gains and losses. CalPERS' performance record over the past decade records an average return of approximately 5.2 percent, lending support to the argument from critics that the fund overestimated investment returns.

CalPERS' poor investment performance, and the subsequent fiscal impact on contracting agencies, was greatly exacerbated by two major events since the early 2000s: (1) a massive loss of one-quarter of the fund's investment portfolio in 2008 at the height of the Great Recession; and (2) a decision made in 2000-01 to encourage municipal agencies to adopt expensive public safety retirement formulas under the

illusion that the fund's then surplus status would last indefinitely. Improvements to pension formulas have since required municipal agencies to commit significant portions of their budgets toward pension costs.

After decades of struggling with the reality of its investment policies, CalPERS is now taking a series of actions that are leading to local governments contributing billions of additional dollars to cover pension obligations. Agency contributions to CalPERS have never been higher, yet the fund continues to suffer from severe annual shortfalls. In 2014, participating agencies, including employees and employers, contributed approximately \$12.6 billion to the fund; however, CalPERS was still \$5.2 billion short of the \$17.8 billion it needed for retirement payments. To address this shortfall, fund administrators sold off investments to make payments, further contributing to a shrinking investment portfolio.

So far this year, CalPERS has lost nearly 5 percent of the fund's value, adding to its \$117 billion underfunded status. For participating agencies, the long-term impact means greater instability to the pension fund, higher and higher employer contribution costs, and emerging budget-related problems for local governments. Pressure will also mount on politicians and the public to revamp public employee pensions and/or operational aspects of CalPERS.

Potentially adding to the cash crisis at CalPERS and its pinch on local government budgets are pending decisions by the Board of Administration to restructure investment policies, including reassessing the use of private equity funds and rolling assets into safer, lower-yielding investments, such as bonds. Lower investment returns will require employers to shoulder an ever-expanding, pension-related fiscal burden.

In the meantime, local governments grapple with carving out a larger and larger part of their annual budgets to meet expanding pension costs, including huge unfunded liabilities directly tied to CalPERS' investment portfolio losses and its push for migration to expensive pension formulas.

Municipal agencies throughout California are rightly concerned with the emerging pension crisis and how it will ultimately impact their ability to provide services and maintain fiscal integrity. A number of contracting agencies may ultimately seek bankruptcy protection and the coverage of court decisions that have gone increasingly against CalPERS and its efforts to protect the current pension structure no matter what the cost to local government.

FIRE DEPARTMENT

- On November 10, on-duty Fire crews received training from Fire Captain Chris Jackson on new techniques for ventilation, and use and deployment of hose lines. Coordinated by the Montclair/Upland Fire Department Training Committee and held at the Montclair Fire Training Tower, the training was part of an ongoing program to coordinate and implement identical training and firefighting techniques

between the two agencies as part of the shared services agreement. Included below are some photos from the training.



Firefighter Michael Matheson and Fire Captain Christopher Jackson



Firefighter/Paramedic Stanley Boehm with Captain Jackson



Matheson and Boehm receiving instruction from Capt. Jackson

- On November 16-20, the 2015 Southern California Regional Exercise for Anthrax Disaster Incidents (SoCal READI) took place. This regional exercise was designed to test emergency medical response plans for an Anthrax bioterrorist attack. It was a full-scale medical countermeasures distribution and dispensing exercise sponsored by the California Department of Public Health in partnership with multiple local health departments, cities, fire departments, law enforcement agencies, school districts, and hospitals.

The City of Montclair participated in this exercise on November 19 by activating its First Responder Point of Dispensing (POD) site. A POD site is a facility used to dispense life-saving medications such as antivirals, antibiotics, and vaccinations; or emergency medical supplies during public health emergencies. POD sites are located throughout the County, some for public use and some for first responders.

HUMAN SERVICES DEPARTMENT

- 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 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.

- The Montclair Police and Fire Departments will be collecting new, unwrapped toys for Montclair children in need at the Montclair Target store this Saturday from 10 a.m. to 2 p.m. They will also be at the Montclair Costco store 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!

- Dashing through Montclair will take place on Saturday, December 5. Santa's sleigh will leave the Police Department at 11 a.m. on its journey through Montclair neighborhoods and will make planned stops at Lehigh Elementary School, Essex Park, Saratoga Park, Alma Hofman Park, MacArthur Park, and Montclair Place before returning to the Police Department at 6 p.m. for a community sing-along and complimentary refreshments.

Santa will greet people at each stop and will collect donations of new, wrapped toys to fill his sleigh for needy Montclair children. Toys collected will be distributed 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.

PUBLIC WORKS DEPARTMENT

- Over the next several weeks, signal upgrades will occur at four locations in the City. Some upgrades will be subtle and hardly noticeable, while others will have profound impacts on traffic flow.

In conjunction with the development of the Montclair Shoppes on the east side of Central Avenue south of the freeway, a fourth leg of the Costco intersection is being built. The signal modifications include additional signal heads for exiting the new center and the activation of the left-turn signal from southbound Central Avenue to the new center. Based on the developer's current schedule, the new signals should be activated before Christmas.

In conjunction with another development known as Orchard Plaza at the northwest corner of Ramona Avenue and Holt Boulevard, Ramona Avenue will be widened, and a left-turn pocket from southbound Ramona Avenue to eastbound Holt Boulevard will be added. The street widening will also accommodate an additional southbound lane on Ramona Avenue through the frontage of the development. The current configuration provides for a protected left turn (green arrow) from northbound Ramona Avenue to westbound Holt Boulevard, but no such protected left turn going southbound. The street improvements and signal work are expected to begin shortly after the New Year.

A City project located at the intersection of Central Avenue and San Bernardino Street began last week. This project will add protected left turns on San Bernardino Street and convert the protected/permissive left-turn signals on Central Avenue to protected only. The need for the change was demonstrated after the Public Works Director reviewed the accident history at this intersection and determined a significant number of the accidents occurred due to permissive left-turn movements with oncoming traffic. A protected/permissive signal allows left turns with both a green arrow (protected) and a green ball (permissive). A protected left turn occurs with only a green arrow. Work should be completed after January 1, 2016.

The final City project is located at the intersection of Mills Avenue and San Bernardino Street. The existing meter is located on a power pole and will be replaced by a meter pedestal sitting on the ground. The in-pavement detection loops will be replaced by a more reliable video detection system. The work is in design and should be ready to construct by spring.

SUCCESSOR REDEVELOPMENT AGENCY/ MONTCLAIR HOUSING CORPORATION

- According to the online retail publication Globe Street, three months after filing for a possible initial public offering (IPO), pet products retailer Petco Animal Supplies Inc. has opted to stay in private hands instead. A partnership of CVC Capital Partners and the Canada Pension Plan Investment Board has agreed to pay \$4.6 billion to jointly acquire Petco from a group of investors led by TPG and Leonard Green & Partners. This investor group has owned Petco since 2006.

Petco is clearly a leader in the industry, with strong further growth potential and a talented leadership team, according to Chris Stadler, CVC Managing Partner. In its IPO registration this past August, Petco noted that spending on pets is projected to reach \$76.6 billion nationwide this year, up from \$62.7 billion in 2010 and \$47.2 billion in 2005.

The deal for San Diego-based Petco gives CVC and CPPIB control of slightly more than 1,400 Petco stores across the US, Mexico, and Puerto Rico, including 130 operating under the Unleashed brand. It comes about 8 months after a consortium led by BC Partners and including La Caisse de dépôt et placement du Québec, StepStone, and Longview Asset Management took competitor PetSmart Inc. private for \$8.7 billion.

ECS:spa

"At times our own light goes out and is rekindled by a spark from another person. Each of us has cause to think with deep gratitude of those who have lighted the flame within us."

~ Albert Schweitzer

NOVEMBER 2015

		
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 - Canceled	
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	Winter Begins	
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	