



March 17, 2016

**TO:** Honorable Mayor and City Council

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

**SUBJECT:** CITY MANAGER'S WEEKLY REPORT: March 11-17, 2016

---

## **CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS**

- With the November 2016 General Election drawing closer, the Los Angeles County Metropolitan Transportation Authority (Metro) is reportedly finalizing the for a \$120 billion ballot measure that would extend an existing half-cent sales tax (Measure R) for 2 additional decades and raise Los Angeles County's sales tax rate by an additional half-cent for approximately 4 decades—the Metro Board will vote on the measure in June. The measure would need a two-thirds majority to pass and would boost the County's base sales tax rate from 9 percent to 9.5 percent. The plan would funnel an estimated one-third of the \$120 billion toward full or partial funding for 5 new transit lines and 6 extensions that are already built or under construction.

If approved by voters, the plan would mark the third time Los Angeles County raised taxes to pay for transportation projects: 1980, 1990, and 2008. The 2008 tax, known as Measure R, financed the recently completed extension of the Gold Line from Pasadena to Azusa, the Expo Line extension to Santa Monica, and 3 other major rail lines. A proposed extension of Measure R was narrowly defeated at the polls in 2012.

The transportation construction plan could be transformative for the Los Angeles County region, which began building a modern rail system less than a generation ago, well after other major cities U.S. cities completed their systems.

The addition of new transit lines would provide several critical north-south links to a rail network that primarily runs east-west, in part because of the availability of abandoned rights-of-way at steep discounts.

Metro's transit project list includes:

- 1) The Sepulveda Pass Project—s mountain tunnel that could accommodate a toll road and passenger rail line connecting Los Angeles to the San Fernando Valley
- 2) Upgrades to the Orange Line bus way
- 3) A bus or rail line along Van Nuys Boulevard
- 4) The West Santa Ana Branch Project, which would run 20 miles through southeastern Los Angeles County connecting Union Station and Artesia
- 5) Phase 2B of the eastward extension of the Gold Line to Claremont. Earlier this month, Phase 2A, an 11.5 mile extension from Pasadena to Azusa initiated service
- 6) One or more extensions of the Eastside Gold Line, which currently stops in East Los Angeles
- 7) The final leg of the Wilshire Boulevard subway
- 8) A \$200 million station near Los Angeles International Airport (LAX) that would connect the Crenshaw Line, now under construction, to a proposed aerial monorail system that would carry passengers to LAX terminals
- 9) Expansion of bus-rapid-transit along Lincoln Boulevard in Santa Monica and Venice, and the path of the express bus connecting North Hollywood and Pasadena.
- 10) A rail line on Vermont Avenue for 3 miles between the Purple Line subway and the Expo light rail line along Exposition Boulevard
- 11) Expansion of the Crenshaw light rail line to Hollywood, running south from the Hollywood/Highland Red Line station in Hollywood, connecting to the Wilshire Boulevard subway and ending at Exposition and Crenshaw lines in Baldwin Hills/Crenshaw

In a related matter, earlier this month, Metro agreed to include the Montclair Segment of the Gold Line in its application for Phase 2B cap-and-trade funding. Metro will coordinate with San Bernardino Associated Governments (SANBAG) to prepare the necessary documentation. Most of the technical information is contained in the Gold Line environmental document that covers the full length of the Gold Line Foothill Extension Corridor; however, SANBAG will assist with the "connectivity/benefits" discussion that the California State Transportation Agency

(CalSTA) is requesting to be included in the application. SANBAG will also solicit Phase 2B/Montclair Segment support letters from San Bernardino County cities.

The application deadline for the next funding cycle is in early April 2016. The Foothill Gold Line Construction Authority anticipates construction on Phase 2B will start in 2017, with completion in 2023. As indicated in bullet 5 above, for Phase 2B to move forward, Los Angeles County voters must first approve a planned November 2016 General Election ballot measure.

In 2014, the Montclair City Council agreed to front up to \$3 million to complete the advanced environmental and engineering documents for the Montclair segment. SANBAG would be responsible for operation and maintenance costs related to the Montclair Segment. SANBAG would also be the responsible agency for identifying funding for any future extension of the Gold Line from the Montclair Transcenter to Ontario International Airport.

- A series of storms pushed California's biggest reservoir past its historical average for mid-March this past weekend.

Together, the Lake Shasta and Lake Oroville reservoirs have the capacity to hold more than 8 million acre-feet of water. After a wet weekend in Northern California, they were 79 percent and 70 percent full, respectively, according to the state Department of Water Resources.

Some people have referred to the recent series of powerful storms that have dumped rain and snow on the Sierras as the "March Miracle." The storms filled Lake Shasta above its average for this time of year, and Lake Oroville surpassed its historic average. Neither reservoir has reached its historical average in nearly three years.

According to the National Weather Service, it rained nearly a foot in El Dorado County and more than 9 inches in Shasta County between Friday and Monday. Since March 1, the Shasta reservoir has received more than 16 inches of rain. On March 6, Lake Oroville saw its biggest single-day rise in 12 years.

The two reservoirs represent a substantial portion of the state's water supply. The 6.07 million acre-feet of water recorded Sunday in Shasta and Oroville account for more than 40 percent of the total water now stored in California's largest reservoirs.

Other reservoirs across the state are also doing well. The once-anemic Lake Folsom is now at 116 percent of historical average for the date and at 69 percent of total capacity.

Despite the rains, it's still uncertain how much of Northern California's water may be shipped to the farms and cities south of the Sacramento-San Joaquin Delta as the year progresses. The Department of Water Resources, which delivers water through the State Water Project, has tentatively promised to deliver 30 percent of what customers such as the Metropolitan Water District of Southern California have asked for. Last year, they received 20 percent.

Even with the recent storms and significant amount of water collected in state reservoirs, the state continues to suffer from a significant water supply shortage. Last month, the Monte Vista Water District (MVWD) Board of Directors renewed its declaration of a Significant Water Supply Shortage through October 2016. This action was in response to the State Water Resources Control Board's extension of emergency conservation regulations due to ongoing, statewide drought conditions.

To learn more about water-saving programs available to MVWD customers and ways in which you can reduce water consumption, please visit [www.mvwd.org](http://www.mvwd.org).

- Moody's Corporation will pay \$130 million to the California Public Employees' Retirement System (CalPERS) to settle allegations that the ratings agency acted negligently by giving top scores to ultimately toxic investments that cost the pension fund hundreds of millions of dollars.

CalPERS sued Moody's and rival ratings agencies Standard & Poor's and Fitch in 2009, saying the agencies gave AAA ratings, which imply extremely low risk, to bonds backed by subprime mortgages.

CalPERS, the nation's largest public pension fund, put \$1.3 billion into those bonds in 2006, at the height of the subprime-fueled housing boom. When the bonds went bad in the ensuing crash, the fund estimates it lost as much as \$1 billion, according to court filings.

In those filings, CalPERS said the ratings agencies' opinions of the bonds "proved to be wildly inaccurate and unreasonably high," and that the methods the agencies used to rate the bonds "were seriously flawed in conception and incompetently applied."

With this settlement, plus a \$125-million deal reached with S&P last year, CalPERS' total settlements related to the \$1.3-billion bonds investment stand at \$255 million.

In a statement, Moody's said: "The resolution of this long-running litigation...is in the best interest of our company and its shareholders."

The ratings agencies played a key role in fueling the subprime mortgage market, putting solid credit ratings on bonds and complex investment products backed by risky loans.

The Securities and Exchange Commission found in a 2008 report that the agencies had no set procedures for rating mortgage-backed bonds and other now-toxic assets, and that the firms did not disclose conflicts of interest.

Chief among the complaints against the agencies was that they were paid for their ratings by the banks and other lenders issuing mortgage-backed bonds.

The Moody's settlement comes just over a year after S&P, a division of data provider McGraw Hill Financial, agreed to pay \$1.4 billion to the U.S. Department of Justice and 19 states, including California, to settle similar allegations.

California received \$210 million, most of which was set to go to CalPERS and the state's other massive pension fund, the California State Teachers' Retirement System, to offset crisis-era investment losses.

S&P's \$125-million settlement over CalPERS' \$1.3-billion bonds investment was handled separately.

- The two-county San Bernardino-Riverside area continues to lack an adequate safety net for uninsured residents and faces a serious doctor shortage, especially in primary care and psychiatry, says a report released Monday.

The Inland Empire's supply of physicians is far below state levels, at 120 per 100,000, compared to the state average of 194 per 100,000, according to the report commissioned by the California Health Care Foundation.

The physician supply is the lowest among the six regions, the study found.

Further, the physician shortage in San Bernardino/Riverside is expected to worsen as physicians retire faster than younger physicians can replace them. But area health leaders said they are responding to the challenge and making inroads.

At Arrowhead Regional Medical Center School (ARMC) in Colton, the San Bernardino County hospital, management has expanded the family medicine residency program and created a new internal medicine residency program to address the primary care shortage.

Doctors from ARMC are among those creating a new medical school in Colton, California University of Science and Medicine, which expects to enroll its first class in fall 2017. In fall of 2013, the University of California Riverside (UCR) opened its doors to its School of Medicine. The UCR School of Medicine was the first new public medical school built in the past four decades.

As with the ARMC School of Medicine, the UCR School of Medicine's goal is to help improve the health of the people of California and especially those in the Inland Empire Region of Southern California.

One of the challenges in addressing the needs of the Inland Empire's underserved, especially in San Bernardino County, is the region's vast geographical expanse.

To tackle the shortage of residency positions in the region, the federal government will be working with Loma Linda University Medical Center to fund 32 resident positions, in an attempt to raise the number of physicians.

With a gain of some 475,000, mostly Medi-Cal patients since January 2014, the Inland Empire Health Plan (IEHP), a not-for-profit health care insurer for low-income residents, has agreed to partially subsidize the salaries of new doctors coming into the area willing to take Medi-Cal and Medi-Care patients from their plan. As a result, 97 new doctors have been brought into the area.

## FIRE DEPARTMENT

- Montclair Fire Department personnel participated in Active Shooter training at Rancho Cucamonga Quakes Stadium last week. The training brought together several San Bernardino County and Riverside County fire and law enforcement agencies, including more than 150 firefighters and over 200 police officers. Six of Montclair's Police Officers and two Sergeants also participated.

Some of the training's objectives included improving efficiency and coordination when responding to a mass casualty event, community empowerment, and generating crucial procedures to eliminate threats as rapidly as possible in an emergency situation. Recent tragedies have brought to light the need for new techniques and training in dealing with these types of incidents.

The photo below shows first responders, law enforcement personnel, and volunteers working together in the multi-agency training.



- The Fire Department recently received a visit from patrons of Cole Vocational Services in Ontario. As part of a community-wide scavenger hunt, they were tasked with taking a photo with a firefighter. As you can see by the photo on page 7, Deputy Fire Chief Steve Jackson was able to help execute the task.



Deputy Fire Chief Steve Jackson and Fire Intern Darin Gutierrez are pictured with Cole Vocational Services patrons

## HUMAN SERVICES DEPARTMENT

- Yesterday, the Montclair Senior Center hosted a presentation on how to choose the best grocery store produce. Stater Bros. Markets' regional produce supervisor, Scott Brown, gave pointers on how to know when fruits and vegetables are ripe and fresh.

Mr. Brown gave the Senior Center two fresh produce guides and a chart that illustrates how to pick the best produce. Mr. Brown also explained why the prices of certain types of produce vary, and he provided USDA information on produce that is purchased outside of the United States and sold in the United States.

Stater Bros. provided fruit and vegetables for everyone, and one lucky participant won a paring knife.

Photos are shared on Page 15.

- The City's Annual Easter Eggstravaganza and Pancake Breakfast will be held on Saturday, March 26, 2016 from 9 a.m. to 11 a.m. at the Montclair Community Center and Alma Hofman Park. The event will include games, activities, Easter eggs, and candy for children 10 years of age and younger.

Children are invited to bring their own baskets from home to win candy-filled eggs as game prizes. The Easter Bunny will arrive via fire engine, and he will be available for photos (\$3 per photo or \$1 to take your own photo).

The pancake breakfast, offered for \$3 per breakfast, will include pancakes, sausage, orange juice, and coffee.

The event is sponsored by the City of Montclair, Montclair Kiwanis Club, Montclair Fire Fighters Association, Montclair Police Officers Association and Montclair-Ontario Junior Women's Club.

For more information, call (909) 625-9479.

## **POLICE DEPARTMENT**

- Police Trainee Ryan Sirimahachaikul graduated from the San Bernardino County Sheriff's Police Academy on Thursday, March 10. He received the academy's top shooter award for outstanding marksmanship.

The academy graduation was held at Abundant Living Church in Rancho Cucamonga and was attended by ten sworn members of the Montclair Police Department.

This week, Ryan completed one week of orientation in the station. We anticipate Personnel Committee approval on March 21 to appoint Ryan as a full-fledged Police Officer.

Because of the length of Ryan's last name (15 letters)—he has earned the nickname "S-15" throughout the Department.



Pictured from left are: Lt. Brandon Kumanski, Officer Jeffrey Wheeler, Sgt. Matt Borra, Officer Dave Vest, Trainee Ryan Sirimahachaikul, Chief Mike deMoet, Capt. Robert Avels, Sgt. Jim Michel, Sgt. John Minook, and Officer Kris Kelley.

## **PUBLIC WORKS DEPARTMENT**

- Another milestone has been met this week in the City's efforts to construct a bridge over the Union Pacific railroad tracks at Monte Vista Avenue. A three-party agreement prepared by Union Pacific between the railroad, San Bernardino Associated Governments (SANBAG), and the City of Montclair was signed this week by SANBAG and the City and returned to Union Pacific for signature.

The timing of this agreement was critical in order for the City to request an allocation of funding from the California Public Utilities Commission (CPUC) of \$5 million. The deadline for making the request is April 1, 2016. There can be no funding allocation made from the CPUC's grade separation program for the current period (Fiscal Years 2014-15 and 2015-16) without the railroad agreement.

In addition to the CPUC funding allocation, the railroad agreement is necessary in order to submit a right-of-way certification to the state verifying that the City has secured all necessary right-of-way required for the work and has the railroad's permission for construction.

A project status report was presented to the City Council in a workshop held last week on March 7. Several target dates/deadlines were shown in a PowerPoint presentation. Those dates are shown below:

March 18, 2016	California Transportation Commission (CTC) Agenda Deadline <b>(MET)</b>
	Federal Transportation Improvement Program Amendment to add SANBAG as lead agency for construction <b>(MET)</b>
	Deadline for having railroad agreement signed <b>(MET)</b>
	Submit Right of Way Certification to Caltrans <b>(MET)</b>
March 31, 2016	Request for Federal Project Number from Caltrans <b>(PENDING)</b>
April 1, 2016	Deadline for CPUC Section 190 Fund Allocation (\$5 Million) <b>(PENDING)</b>
April 4, 2016	City Council Meeting (Cooperative Agreement Amendment/Funding) <b>(WILL LIKELY BE DELAYED UNTIL MAY WITHOUT IMPACTING OVERALL SCHEDULE)</b>
April 6, 2016	SANBAG Board Meeting (Cooperative Agreement Amendment/Funding) <b>(WILL LIKELY BE DELAYED UNTIL MAY OR JUNE WITHOUT IMPACTING OVERALL SCHEDULE)</b>
May 18, 2016	CTC Allocation Meeting <b>(PENDING)</b>
May 23, 2016	Submit Request for Authorization to advertise along with Plans, Specifications and Cost Estimate Certification to Caltrans <b>(PENDING)</b>
August 15, 2016	E-76 Issued (Authorization) <b>(PENDING)</b>
August 22, 2016	Advertise for Construction Contract <b>(PENDING)</b>
November 2, 2016	Award Construction Contract (November SANBAG Board) <b>(PENDING)</b>
January 1, 2017	Begin Construction <b>(PENDING)</b>
July 1, 2018	End Construction <b>(PENDING)</b>

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

- Chipotle's sales are still negative and the company is expecting an earnings loss in the first quarter.

According to a regulatory filing Tuesday, the restaurant chain expects a Q1 loss of \$1 per share or worse. Analysts had estimated adjusted earnings-per-share of 3 cents, according to Bloomberg.

Chipotle's sales have suffered since late last year when the Norovirus and E. Coli outbreaks were linked to the restaurant's food.

Sales at stores open for at least one year, or same-store sales, fell 26.1 percent in February. That is up from a 36.4 percent decline in the prior month. It would have been worse if 2016 was not a leap year with an extra day.

In the first quarter, Chipotle expects increased expenses on marketing, food safety, and lawyers amid the Department of Justice's criminal probe. Also, it's beefing up staff to serve people that got vouchers for free burritos during a promotion last month.

Earlier this week, the company announced it hired Dr. James Marsden as executive director of food safety. He was previously a faculty member at Kansas State University's Animal Science and Industry Department.

- Last year was a bad one for most department store chains, Macy's and Nordstrom included. At Macy's, adjusted earnings per share slid 14 percent to \$3.77 in 2015, down from \$4.40 a year earlier. The decline would have been even steeper but for some real estate gains that Macy's recorded last year.

Meanwhile, Nordstrom posted adjusted earnings per share of \$3.32 in 2015, down 11 percent from \$3.72 a year earlier. Given these poor results at Macy's and Nordstrom, it's not surprising that both stocks have posted negative total returns of nearly 30 percent over the past year.

Macy's and Nordstrom are both working hard to bounce back from this rough performance in the next few years. Which one is more likely to pull off a successful turnaround?

Macy's is betting on slimming down to improve its financial results. In January, it announced plans to close 36 of its roughly 770 Macy's stores this spring. It is also generating incremental savings by cutting a few positions in each remaining store, closing a call center, and eliminating some management positions.

In short, Macy's is hunkering down to maximize earnings in a weak sales environment, before hopefully returning to sales growth in 2017. The company expects to post a modest margin improvement in fiscal 2016 despite its projection that comparable sales will decline about 1 percent year over year.

Nevertheless, Macy's recognizes that it will need comparable sales to start growing again to return to the historically high profit margin it achieved in 2014. To do that, it is investing in its top-performing stores, improving its mobile app, adding Bluemercury (a spa and beauty chain), and LensCrafters boutiques to certain stores, and even putting off-price sections in some full-line stores.

Nordstrom is implementing some modest cost cuts of its own. However, its main focus is on investing more efficiently to drive future sales growth. A year ago, Nordstrom set a goal of reaching \$20 billion in revenue by 2020, up about 50 percent from 2014, and it is sticking to that plan. This sales growth will allow it to leverage its past investments and rebuild its profit margin.

Nordstrom estimates that strategic growth initiatives, including its entry into Canada, the Trunk Club concierge men's fashion business, and its investments in building out an off-price e-commerce business (Hautelook), cost a total of \$140 million last year. That's equivalent to a roughly \$0.50-per-share earnings headwind.

These young businesses should eventually mature to profitability. Nordstrom expects them to generate a combined loss of about \$110 million in 2016, with most of the loss coming from Canada. Profitability improvements will probably accelerate thereafter, as Nordstrom Canada will open the last of its initial group of six full-line stores next year.

Nordstrom is also working to improve the profitability of the Nordstrom.com site. Management has tacitly acknowledged that it has been overly focused on growth rather than e-commerce profitability in recent years. Now, Nordstrom is looking to reduce its shipping costs while removing items that are not profitable to sell online.

Some analysts have warned that Nordstrom's increased focus on e-commerce has permanently reduced its margin structure. That is probably true, but the pendulum has swung too far. In fiscal 2010, Nordstrom's retail operating margin was 11.5 percent. By 2015, that was down to 6.9 percent, excluding impairment charges.

As Nordstrom's investments mature over the next several years, its retail operating margin should bounce back. Even if the previous peak is now out of reach, a 10 percent long-term operating margin seems plausible. That represents a huge profit improvement opportunity.

Nordstrom is in better shape, but there is a catch. Overall, Nordstrom seems more likely to make a full recovery than Macy's. Much of its margin decline over the past few years has resulted from a deliberate long-term investment plan. While growth slowed somewhat in the past two quarters, there's no doubt that Nordstrom's investments are paying off—the company's retail sales rose 7.5 percent in 2015.

Nordstrom just needs to recalibrate its investments to maximize profitability. By contrast, Macy's is facing significant sales erosion, which could be hard to reverse.

However, even if Macy's does not make a full recovery, its shareholders could still do well. The company is finally focused on monetizing some of its vast real estate portfolio, which could potentially free up billions of dollars of cash for dividends and share buybacks. Macy's real estate holdings thus represent a valuable parachute for investors in case the retail business struggles to return to growth.

ECS:spa

"Never cut a tree down in the wintertime.  
Never make a negative decision in the low time.  
Never make your most important decisions  
when you are in your worst moods. Wait. Be  
patient. The storm will pass. The spring will  
come."

~ Robert H. Schuller

## MARCH 2016

		
17	Public Works Committee Meeting City Hall Conference Room	4:00 p.m.
20	Spring Begins	
21	Real Estate Committee City Hall Conference Room	5:30 p.m.
21	Code Enforcement/Public Safety Committee Meeting City Hall Conference Room	6:15 p.m.
21	City Council Meeting Council Chambers	7:00 p.m.
26	Easter Eggstravaganza and Pancake Breakfast Montclair Community Center and Alma Hofman Park	9 a.m. - 11 a.m.
27	Easter	
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 Produce Presentation

