



August 11, 2016

**TO:** Honorable Mayor and City Council

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

**SUBJECT:** CITY MANAGER'S WEEKLY REPORT: August 5-11, 2016

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

- The South Coast Air Quality Management District's annual lawn mower exchange events are coming up soon for Southern Californians looking to replace their gasoline-powered lawn mowers with quieter, non-polluting models.

This year's program will offer seven lawn mower models, with some of the best battery technology yet, from three manufacturers. Just like the batteries in your cell phone or electric car have gotten better over the years, the advanced technology batteries in these next generation, zero-emission lawn tools are improving each year. Removable and interchangeable batteries, like those that power tool manufacturers use in their professional-grade equipment, are available on some lawn mower models.

One of the mowers even has headlights for mowing on cooler summer nights, and many come with a fast battery charger. With the trade-in of a working gasoline-powered lawn mower, residents living within the SCAQMD's four-county jurisdiction can purchase cordless, battery-powered models for between \$100 and \$250. Only 3,000 units are available this year at the 5 exchange events being held throughout the region.

Pre-registration is required and the public can call or register on-line for the exchange events being held at the following locations:

- Long Beach at Veterans Memorial Stadium — September 17
- Van Nuys at the Airport Parking Lot — September 24
- Ontario at Citizens Business Bank Arena — October 1
- Riverside at Bourns Incorporated, Near UCR — October 8
- Costa Mesa at the OC Fair and Event Center — October 15

For more information on the Lawnmower Exchange, visit [aqmd.gov/lawnmower](http://aqmd.gov/lawnmower), e-mail [lawnmower@aqmd.gov](mailto:lawnmower@aqmd.gov), or call 1-888-425-6247.

- In May, the South Coast Air Quality Management District (SCAQMD) learned it was to be awarded \$23.6 million for a statewide, zero-emission drayage truck development and demonstration project.

SCAQMD is teaming up with air districts in the Bay Area, Sacramento, San Diego, and San Joaquin Valley to make the project a statewide demonstration of 43 zero-emission battery electric and plug-in hybrid drayage trucks serving major California ports. Demonstration trucks and charging infrastructure will be used in all five air districts, providing emission reduction benefits in key areas of California with drayage truck activity.

The funds, from the California Climate Investments program, come from proceeds of the state's cap-and-trade auctions. The goal is to reduce key criteria pollutants, greenhouse gas (GHG) emissions, petroleum usage, and toxic pollution where reductions are needed most. They are also designed to accelerate the commercialization of heavy-duty advanced, zero-emission technologies, establishing a path for implementing SCAQMD's clean air plan currently under development.

This is the first large-scale demonstration of zero-emission Class 8 trucks that involves major manufacturers, including BYD, Kenworth, Peterbilt, and Volvo. The companies receiving funds have the engineering resources, manufacturing capabilities, and distribution networks to support commercialization of advanced technologies related to moving freight to and from the ports. The project will have the cleanest short-haul trucks move cargo from the state's largest ports to distribution centers and rail yards, reducing emissions along some of our states busiest trade corridors.

Freight transport in California is a major economic engine for the state, but also accounts for about half of toxic diesel particulate matter (PM 2.5), 45 percent of the emission of nitrogen oxides (NOx) that form ozone and fine particulate matter in the atmosphere, and 6 percent of all GHG emissions in California.

- In recent *City Manager's Weekly Reports*, I spoke of the California Public Employee Retirement System's (CalPERS) dismal investment performance over the past two years, and the adverse impact unfunded liabilities will have on California cities. CalPERS investment experience, however, appears to be shared nationally. Across the board, the nation's public pension plans are reporting dismal investment returns for the year ending June 30, 2016, a development many economists believe can only result in greater contributions from local governments.

So far, no pension plan has reported a preliminary annual investment return of more than 1.5 percent for fiscal year 2015-16, in part due to a volatile stock market. For many plans, this past year marked their worst earnings year since the Great Recession.

Slim earnings for the previous fiscal year are well below the average earnings target of approximately 7.5 percent projected by most plans. Fiscal Year 2015-16 also represents the second consecutive year public pension plans missed earning targets, with many plans reporting an investment gain between 2 percent and 4 percent in Fiscal Year 2014-2015.

Pension plans rely heavily on investment earnings—typically, 80 cents on every dollar paid out to annuitants is from investments. When plans don't meet earning targets, it negatively impacts plan assets in 2 ways:

1. Investments are not keeping pace with funding obligations; and
2. Annual payments from current employees and governments, coupled with poor investment earnings, aren't enough to cover the annual payouts to annuitants.

How, then, do pension plans make up unfunded shortfalls? They burden government agencies with huge pension payment spikes.

CalPERS, the nation's largest public pension plan, reported a preliminary investment return of 0.6 percent for 2016, ending the year with \$295 billion in its portfolio—about \$7 billion less than a year ago and approximately \$143 billion in unfunded liabilities. Clearly, lower-than-projected investment returns significantly increase pension liabilities.

Public pension plans nationally were nearly 74 percent funded in 2015, with more than \$1 trillion in combined unfunded liabilities. Pension watchers project that Fiscal Year 2016-2017 will realize even larger increases in unfunded liabilities. Even an investment return of 5 percent for the current fiscal year would increase plans' overall liabilities by 10 percent, according to a Moody's analysis of 56 major public pension plans. Worse still, the poor performance of pension plans comes at a time when state and local governments are already dealing with heightened pension contribution requirements to amortize past unfunded liabilities.

Other plans across the country are reporting similar preliminary results to CalPERS. The California State Teachers' Retirement System reported a 1.4 percent return, resulting in a decline of \$3 billion in assets. New York State's pension fund, which closed its fiscal year on March 31, reported a 0.2 percent investment return. Its total assets declined by about \$5 billion. San Diego County's \$10.2 billion pension fund claimed a 0.5 percent return; and the Oregon Investment Council reports the state's public employees' plan has logged a 1.24 percent return for the year.

The main culprit for the poor performance was investment losses in domestic and global equities. Since August of last year, the stock market has swung wildly—twice thanks to bad economic news from China, and more recently due to uncertainty around Britain's decision to leave the European Union.

Another issue is that pension plans infrequently invest in more stable, but low-yield investments, like bonds. Instead, they rely more on potentially higher-yield investments in public and private equities—an investment strategy that appears to have not paid off, long-term. Private equities have also cost pension plans billions in administrative fees; and CalPERS recently doubled down on its strategy to remain with private equities.

For local governments, the bottom line is they will likely have to budget more in the coming years to cover expected shortfalls. The New York state controller recently warned New York City officials they may have to contribute no less than \$100 million in additional pension payments starting in 2018, if the city's fund continues to post low earnings. In Oregon, the state's pension actuary projected an increase of \$885 million in total pension costs next year, thanks in part to low earnings, but also because it lowered the plan's assumed rate of return to 7.5 percent.

Going forward, CalPERS and other public pension plans will have little choice but to lower their assumed rates of return. Lowering the assumed rate of return and passing on the cost of unfunded liabilities has the dramatic effect of greatly increasing the cost for governments, while allowing pension plans to "magically" achieve overall investment targets.

- The Chino Basin Water Conservation District (CBWCD) has announced that Board Member Paul Hofer has vacated his seat after 20 years of dedicated service. The open seat presides over CBWCD's Division 4, the boundaries of which run approximately from Mountain Avenue on the west, to Milliken Avenue on the east, Philadelphia Avenue so the south, and Foothill Avenue to the north. Exact boundaries can be viewed at (<http://www.cbwcd.org>). In addition to attending monthly meetings, Board Members serve on various committees.

The appointment is only until November 2016, at which time the Division 4 seat will be up for regular election. Interested candidates should complete an application available by calling 909-626-2711 and send it to Vivian Castro either via fax (909) 626-5974) or [vcastro@cbwcd.org](mailto:vcastro@cbwcd.org) with their resumé by 5 p.m. on Friday, August 26, 2016.

## **COMMUNITY DEVELOPMENT DEPARTMENT/ECONOMIC DEVELOPMENT**

- The newest commercial center in Montclair, Orchard Plaza, is nearing completion at the northwest corner of Holt Boulevard and Ramona Avenue. Once a garden center/plant nursery, for the past several years the location has been a vacant lot.

The center is just over 4 acres in area and adds approximately 46,060 square feet of retail space with 5 new buildings, 2 of which are anchor tenants. Both anchors, WSS Shoe Store and Dollar Tree, are over 10,000 square feet. WSS Shoes celebrated its grand opening on July 30.

The center also has 3 multi-tenant buildings ready to receive new tenants which have the potential of providing spaces for up to 19 new businesses. One tenant nearing completion is Starbucks. The coffee shop will include outside seating and a convenient drive-thru.





- Walmart will acquire e-commerce start-up Jet.com in a \$3 billion cash deal aimed at helping the world's largest retailer become an online shopping powerhouse that can take on Amazon.com.

The deal announced Monday marks the latest move by Walmart, known for breakthroughs in efficiency that has given it a pricing edge across its vast store network, to try to bring the same spirit of innovation to its Web operations. Online sales are still just a fraction of Walmart's overall business, coming in at \$13.6 billion last year out of \$482 billion in total revenue. Amazon hit more than \$100 billion in

sales in 2015. Walmart is the second-most trafficked retail website in the U.S. behind Amazon.

Walmart will keep Jet as a separate brand, but plans to tap into Jet's bulk ordering strategy to grow its e-commerce business at a faster rate and reach more millennial customers. Jet also appeals to a more affluent shopper than Walmart, with customers more likely to have annual incomes greater than \$150,000, according to data from NPD Group.

The deal comes a little more than a year after Jet CEO Marc Lore co-founded the company as a competitor to Amazon and even Walmart itself. Walmart will throw in another \$300 million in shares paid out to Jet over time. Walmart said it expects to receive regulatory approval for the deal, which is expected to close this year.

Jet sells everything from household goods and groceries to electronics and furniture. It aims to be cheaper than its competitors by using a model that gives customers a bigger discount when more items are added to an order. Walmart will look into adopting that strategy for its website once the deal is finalized.

Walmart was drawn to Jet for its philosophical synergies with Walmart's "everyday low prices" motto.

But the biggest asset Walmart gains by paying \$3 billion for a company whose business model is largely unproven is creative brain power.

While the acquisition can boost Walmart's cachet as an online retailer, it won't come close to unseating Amazon.

Jet faced several hiccups in its first year in business, including abandoning its initial plan to charge customers a \$50-per-year subscription fee to shop with the site. That led to skepticism over whether the company would be able to generate enough profit to stay in business.

Cozying up to Walmart gives Jet an opportunity to pad its margins by leveraging Walmart's vendor relationships and distribution network to get goods at a cheaper price.

- German-based parcel delivery company DHL will invest \$137 million through 2020 to build 8 fulfillment centers and upgrade 2 existing warehouses in the US to boost its North American e-commerce capabilities, according to a report from *The Wall Street Journal*.

The investment will be aimed at supporting the growing global cross-border e-commerce market, which DHL expects will reach \$1 trillion by 2020. Online vendors in the U.S. are able to stock their merchandise in DHL's fulfillment centers for quicker international deliveries. DHL currently operates 20 fulfillment centers in North America, with 18 located in the U.S.

DHL had previously attempted to compete with UPS and FedEx in the U.S. delivery market but, due to heavy losses, it has now shifted focus to international shipments. This is an opportune time for DHL to expand its U.S. e-commerce infrastructure, as it is expected that 1 billion people will shop online and across borders by 2020, with the U.S. being the most popular origin for 25 percent of consumers worldwide.

This necessitates more fulfillment centers for U.S. merchants. DHL has also made other investments in the U.S. with its \$1.3 million DHL Express service center and a \$35 million DHL Global Forwarding distribution center, both located in Chicago.

The growing e-commerce cross-border market has led U.S. parcel delivery firms to invest in their global logistics capabilities in order to better serve customers around the world. DHL is not the only parcel delivery company to invest in cross-border solutions in the U.S. FedEx recently rolled out its new FedEx CrossBorder shipping service to help North American merchants serve online shoppers in 220 foreign countries.

Additionally, the United States Postal Service is testing its own cross-border shipping initiative called Global e-commerce Marketplace Merchant. The number of e-commerce cross-border transactions is growing steadily, and delivery parcel firms must continue to invest in cross-border shipping solutions in order to reach more customers worldwide.

The parcel delivery industry, a segment of the shipping sector that deals with the transportation of packages to consumers, is booming thanks to e-commerce growth, and players outside the industry want a piece of the pie.

- Villa Montclair Mobile Home Park has been selected to participate in a California Public Utilities Commission statewide pilot program called the Mobile Home Park Utility Upgrade Program. Augusta Homes is the nonprofit owner of the Villa Montclair Mobile Home Park. Like many mobile home parks in the state, gas and electric services to Villa Montclair Mobile Home Park are provided through a single master electric meter and a single master gas meter. From the master meter, the utilities are supplied to each mobile home park space through submeter systems which are owned and operated by the owner of the mobile home park. The mobile home park owner passes utility costs on to the residents in the mobile home park.

Through the Mobile Home Park Utility Upgrade Program, the gas and electric companies would build new utility delivery systems in the mobile home park. The utility systems owned by the mobile home park owners would be abandoned. All households in the mobile home park would then buy their gas and electric directly from the Southern California Gas Company and Southern California Edison Company instead of from the park owner.

Suzanne Taylor, Executive Director of Augusta Homes, said, "While Augusta Homes will give up some utility revenue in this conversion, we think the new system is good for the modernization of the park." The majority of the conversion costs will be borne by the utility companies. The installation of the new utility systems at Villa Montclair Mobile Home Park is currently scheduled to start in early October. The





Fire Captain Sergio Mejia, Fire Engineer/Paramedic Ben Garcia, and Fire Captain Brian Brambila shared some tools of the trade with the boys.

The Montclair Fire Department would like to extend a huge "thank you" to Kevin for his work and contributions!

## **HUMAN SERVICES DEPARTMENT**

- At the August 1 City Council meeting, outgoing Community Action Committee (CAC) member Mary Fondario was recognized for her service. A member of the CAC for the past 16 years, Mary served as both Chair and Vice Chair of the committee and was a dedicated and committed member who worked on numerous program committees, including the Skate Park community engagement meetings, the coordination of the City's Annual Holiday Tree Lighting, the Volunteer of the Year Program, and Memorial Day events. Mary also served as a judge for Human Services' Halloween Costume contest, Holiday Home Decoration contest, and the Home Beautification contest.

We appreciate Mary so much for her years of service to Montclair!

A photo of Mary is featured, below:



- The City Manager's and City Council's Annual All Employee Summer Bar-B-Que was held on Tuesday in the Senior Center. Approximately 125 employees attended this luncheon held in appreciation of their service to the City. Daily Nutrition Program seniors were treated to the bar-b-que as well at 11 a.m. For dessert, there were ice cream sundaes for everyone!

The highlight of the event was a slideshow of many City staff members whose photos were taken throughout the year.

## **POLICE DEPARTMENT**

- Yesterday, Police Department personnel gathered to witness Jason Reed take his oath of office for the position of Police Captain. Also present for the swearing-in ceremony were Jason's wife, Kristina, and their two young daughters, Elisse and Hannah; and retired chief Mike deMoet with his infant daughter, Piper.



Jason promoted on Monday from Police Lieutenant to Police Captain. In this photo, Jason's wife, Kristina, pins the Captain badge to his uniform. Chief Avels is at the podium.

Jason was born and raised in California and grew up in Fontana. He began his career with the Montclair Police Department in 1997 as a Police Cadet. He attended Cal Poly Pomona during that time and also held an additional job at a lumber yard. In 2000, Jason attended the San Bernardino County Sheriff's Academy. Upon graduation from the academy, he was assigned to the Field Services Division where he worked Patrol. Six years later, Jason promoted to Sergeant, and in 2010, he promoted to Lieutenant.

Jason has handled several ancillary duties during his career at the Montclair Police Department, including Field Training Officer, Problem-Oriented Policing team member, less-lethal instructor, mobile field force supervisor and commander, emergency manager, internal affairs investigator, training manager, and he has served as liaison for several City projects. Jason has completed POST Supervisory Training, along with POST Management School, and he possesses the Basic, Intermediate, Advanced, Supervisory, and Management POST certificates.

In 2001, Jason was the recipient of the Mothers' Against Drunk Driving Award; and in 2006, he was the Department's Officer of the Year and also the California Narcotics Officers' Association Region V Officer of the Year.

Jason credits his career drive to his parents, and his wife and daughters who he says keep him motivated for self-improvement.



Captain Reed is pictured here holding baby Hannah, with wife Kristina and daughter Elisse.

- West End communities united in prayer on Saturday, August 6 at local police departments to pray and show support for law enforcement, acknowledge the loss of fallen officers and the pain that accompanies that loss.

The prayer vigil at Montclair Police Department was led by Montclair Police Chaplain Vicki Brobeck. Thank you, Vicki, for organizing this event and for praying for our Officers and law enforcement all over the world.



Pictured L-R: Rev. Bill Ireland, Chaplain Vicki Brobeck, and Chaplain Patricia Grisby

## PUBLIC WORKS DEPARTMENT

- In June, the Montclair City Council adopted the 2016 to 2021 Capital Improvement Program. The 5-year plan includes several street improvement projects, demolition of 3 city-owned properties, and a mild interior renovation of City Hall. Although the majority of the projects are slated to begin within the next 12 months, the 5-year plan comes with a budget of nearly \$33,000,000. The impressive list of projects comes with no impact to the City's general operations. These projects will be entirely funded from Community Development Block Grant (CDBG), Measure I, and bond proceeds. The bond proceeds are being repaid by transaction and use taxes, as represented to the voters under Measure F in 2004, and through taxes received from the elimination of redevelopment.

### SUMMARY OF 2016/17 TO 2020/21 CAPITAL IMPROVEMENT PROGRAM

2016-2017 Projects	Year	Appropriation	Funding Source
4700-4900 San Bernardino St. Harvard St. Alley Improvement Project	16/17	\$180,000	CDBG
Reeder Citrus Ranch Roof Replacement Project	16/17	\$60,000	CDBG
9100-9200 Mills Ave. Alley Improvement Project	16/17	\$120,000	2014 Lease Revenue Bond Proceeds
Demolition of Residential Property -C.O.M.	16/17	\$60,000	2014 LRBP/Park Development Funds
City Hall Renovation	16/17	\$650,000	2014 Lease Revenue Bond Proceeds
Orchard Street Rehabilitation Project	16/17	\$2,000,000	2014 Lease Revenue Bond Proceeds
San Bernardino Street Rehabilitation Project	16/17	\$2,500,000	2014 Lease Revenue Bond Proceeds
Central Ave. Street Rehabilitation Project Zone 1-2	16/17	\$2,000,000	2014 Lease Revenue Bond Proceeds
Central Ave. Street Rehabilitation Project Zone 3-4	16/17	\$5,000,000	2014 Lease Revenue Bond Proceeds
Zone 3 Res. Central Montclair Street Rehabilitation Project	16/17	\$1,200,000	2014 Lease Revenue Bond Proceeds
Zone 3 Res. Western Montclair Street Rehabilitation Project	16/17	\$2,000,000	2014 Lease Revenue Bond Proceeds

<b>Future Projects</b>	<b>Year</b>	<b>Est. Cost</b>	<b>Fund</b>
North Montclair Downtown Specific Plan Street Improvements	17/18	\$15,000,000	2014 LRBP/Successor Agency Bonds
Central Avenue/I-10 Freeway Landscape Improvements	17/18	\$800,000	Successor Agency Tax Exempt Bonds
Zone 4 Res. Western Montclair Street Rehab Project Phase 1	18/19	\$1,250,000	Currently Unfunded
Zone 4 Res. Western Montclair Street Rehab Project Phase 2	18/19	\$1,600,000	Currently Unfunded
Zone 4 Res. Western Montclair Street Rehab Project Phase 3	19/20	\$750,000	Currently Unfunded
Zone 5 Res. Western Montclair Street Rehabilitation Project	20/21	\$500,000	Currently Unfunded

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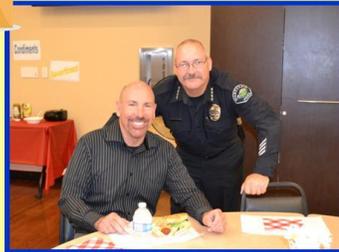
"I love mankind; it's people I can't stand."  
~ Charles M. Schultz

## AUGUST 2016



15	Real Estate Committee Meeting - <b>Canceled</b>	
15	Code Enforcement/Public Safety Committee Meeting - <b>Canceled</b>	
15	City Council Meeting Council Chambers	7:00 p.m.
17	Safety Committee Meeting City Hall Conference Room	10:30 a.m.
18	Public Works Committee Meeting City Hall Conference Room	4:00 p.m.
18	Ribbon Cutting Ceremony – Original Tommy's Hamburgers, 9309 Central Avenue	10:00 a.m.
22	Planning Commission Meeting Council Chambers	7:00 p.m.
30	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.

# Annual Montclair Summer Bar-B-Que



August 9, 2016

