60th Diamond Anniversary
1956 - 2016
MONTCLAIR

BUILD THE GOLD LINE TO MONTCLAIR

September 8, 2016

TO: Honorable Mayor and City Council

FROM: Edward C. Starr, City Manager

SUBJECT: CITY MANAGER'S WEEKLY REPORT: September 2-8, 2016

CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS

- A new analysis of state public pension plans conducted by Pew Charitable Trusts shows that only one in three states are actually on a path to reduce their unfunded liabilities.

  The nation's state-run retirement systems had a $934 billion gap in fiscal year 2014 (the focus year for the study) between the pension benefits that governments have promised their workers and the funding available to meet those obligations. The study does not reflect the impact of weaker investment performance in fiscal year 2015, which averaged 3 percent. Performance has been even weaker in the first three quarters of fiscal year 2016, with negative average returns. Preliminary data from fiscal 2015 points to increases in unfunded liabilities for the majority of states. Total pension debt is now expected to be over $1 trillion for public employee pension plans, an increase of more than 10 percent from fiscal 2014.

  The data reported in the PEW study follows new standards from the Governmental Accounting Standards Board (GASB), the independent organization recognized as the official source of generally accepted accounting principles for state and local governments. As of June 15, 2014, GASB required governments to report pension debt as a net pension liability (NPL) on their annual balance sheets and to disclose more details on the cost of new pension benefits earned by current workers. In addition, some poorly funded plans must now use more conservative assumptions when calculating pension liabilities for reporting purposes.

The Pew report uses a new GASB metric called net amortization, which essentially measures whether total contributions to a public retirement system would have been sufficient to reduce unfunded liabilities if all expectations for the subject year had been met. Under this metric, reporting on pensions is more closely tied to general accounting standards, rather than to a plan's individual funding policies. Plans that consistently fall short of this benchmark can expect to see the gap between the liability for promised benefits and available funds grow over time.

Prior to the net amortization standard, plans reported the actuarial required contribution, known as the ARC, or a similar metric known as the actuarially determined contribution (ADC). These measures are based on each plan's own economic and demographic assumptions and do not always signal true fiscal health. Neither metric, on its own, provides adequate information to evaluate policies used to fund pension promises.

According to Pew, only 15 states are achieving positive amortization. In other words, they're following contribution policies that are sufficient to pay down pension debt. The remaining 35 states are facing negative amortization, or are following contribution policies that allow the funding gap to continue to grow.

Based on the measure, the five worst-performing plans in ascending order are Kentucky, New Jersey, Illinois, Pennsylvania, and California. Pension plans in these states face significant challenges and have low-funded ratios. Without strong annual investment returns, net amortization will show that these states will continue to lose ground.

The five best performing plans in descending order are West Virginia, New York, Indiana, South Dakota, and Louisiana.

This metric gets at the true health of a pension plan better than the annual funding status because it tells us in which direction a pension plan is going. Net amortization supplies the long view—an appropriate perspective when talking about a program that's supposed to last for generations.

Forty states did report decreased unfunded liabilities in 2014, thanks to stronger-than-expected investment returns; however many of those same agencies have since realized poorer-than-expected performance for 2015 and 2016. In any event, a strong year of performance is only good news for the short-term, and the study shows that only a small number of these 40 states met the positive amortization benchmark.

The report notes investment returns vary widely over time, and most governments sponsoring pension plans made contributions that were not sufficient to reduce debt based on expected long-term rates of return for their plan's investment portfolios.

The measure helps explain why some plans have not made up ground even though governments have paid their full pension bills.

The California Public Employee Retirement System (CalPERS), the nation's largest public employee pension plan, is also one of the worst performing plans. The system's 7.5 percent annual investment return assumption—a target rarely achieved by CalPERS—is partly to blame.

The danger in assuming a too-high rate of return is that it masks the true unfunded liability. That's because the better the investments are projected to do over time, the less money member agencies are asked to put in the system.

After decades of over-projections on earnings and taking in lower-than-required employer contributions to fully meet pension liabilities, CalPERS is now compressing these errors in investment, earnings, and contribution strategies into a short-term catch-up cycle that imposes extraordinarily high rate increases on member agencies.

The failure in this new approach, however, is the fact that CalPERS still retains a 7.5 percent rate of assumption that is far higher than its actual investment performance. This means that CalPERS continues to create a cyclical process of expansion in its unfunded status, despite its current string of annual increases in employer rates. By projecting a return on investments that is greater than actual performance, pension liabilities will continue to outsize revenues.

The obvious answer, of course, is for CalPERS to lower the rate of assumption from 7.5 percent to a more realistic number; however, this action would precipitate a new round of grossly high employer rate increases for local government agencies, sending many to the precipice of a fiscal emergency.

- In 1969, the City of Montclair made local cinema history when twin theaters – a relatively new concept in movie houses, and the precursor to the modern multiplex and megaplex theaters—opened at Montclair Plaza. Cinemas I and II were the first twin theaters in Southern California. Seating capacity was 500 in the smaller theatre and 1,000 in the larger theater. The complex was remodeled in the 1980s to an 8-screen venue. Today, of course, multiplex and megaplex theaters can feature more than a dozen movies playing simultaneously for a variety of short and extended runs, including popular blockbuster movies playing in multiple theaters at staggered times.

  The first modern dual-screen theater, the Parkway Twin, was opened by AMC Theaters in 1963 in Kansas City, Missouri. Company President Stan Durwood claimed to have developed the concept in 1962 when he realized he could double the revenue of a single theater by adding a second screen and still operate with the same size staff. Both theaters initially played the same film, but soon transitioned to different screenings. Durwood's insight was that one box office and one concession stand could easily serve two or more attached auditoriums and add greater flexibility in booking films. If a movie is enjoying a successful extended run, the second theater was available for movies that ran for shorter periods.

Another AMC innovation was to offset the starting times of films in order to keep staff members busy serving multiple auditoriums. Over the years, theaters added more and more screens until, on December 30, 1996, AMC Ontario Mills 30 opened, becoming the theater with the most screens worldwide at 30. Other theater complexes have since tied that record.

Designed by the architectural firm of *Burke Kober Nicolais Archuleta* (once renowned as one of only two companies with a national reputation for designing retail stores), the Montclair Cinemas I and II theater building featured a contemporary design to keep with the general design concept of Montclair Plaza buildings. A single, central lobby serviced both theaters. Interior finishes featured vinyl wall coverings, ceramic tile decorations, and expansive and attractively appointed refreshment and lounge areas designed for the ultimate in comfort and convenience. Local artists displayed paintings on the walls of the lobby.

Mr. Jim Polydoros served as the first manager of the new twin theaters. At the time of his appointment, Mr. Polydoros had more than 25 years of experience in theater management.

General Cinema Corporation owned and operated Cinemas I and II; but with increased competition from newer multiplexes opening in neighboring communities starting in the 1980s, General Cinema closed the front three screens in 1995 and operated the five back screens, showing second-run films, until their closure in August 2000.

COMMUNITY DEVELOPMENT DEPARTMENT/ECONOMIC DEVELOPMENT

- Montclair Housing Corporation staff held a construction bid walkthrough on Wednesday for solicitation of bids for a new joint concrete driveway at the 9751 and 9761 Central Avenue properties. The project also includes installation of new fencing, painting of existing wrought iron gates, and installation of a drainage system.

  Detailed bid packets were provided to the five licensed-contractors that attended the morning walkthrough. Bid proposals are due next week.

- Footwear retailer Designer Shoe Warehouse (DSW) experienced strong sales growth during Quarter 2 2016, which was largely driven by its e-commerce business.

  The chain highlighted its focus on fulfillment as one of the biggest drivers behind its online sales. DSW is maintaining healthy growth, even in the growing shadow of Amazon's apparel business.

  DSW'S overall sales were largely driven by e-commerce:

  Total sales experienced solid growth: During Q2 2016, total sales for DSW grew just over 5 percent year over year to reach $659 million.

But e-commerce shone the brightest: Without providing specific sales figures, online sales grew by 21 percent year over year during Quarter 2. DSW-owned, online-only shoe retailer Ebuys contributed nearly $20 million to the company's total e-commerce sales.

DSW is focusing on order fulfillment to attract online shoppers. Specifically, the retailer is using its physical retail stores to fulfill online orders. When stores are closer to shoppers' homes, it helps drive up shipping speeds, while encouraging future purchases. By having warehouses within 20 minutes of its customers, DSW is making it easier for shoppers to engage both on the website and in the store.

Ship-from-store is becoming an increasingly vital tool for retailers that are straddling the divide between physical and digital retail. DSW should continue to invest in its order routing algorithm that handles ship-from-store information to maintain its strong e-commerce growth.

But DSW faces one of the biggest competitors in the world, as Amazon builds up its apparel business. Amazon is continually taking market share in the online apparel industry with its own private-label clothing lines and key partnerships with brands to sell directly on its marketplace. In fact, Amazon’s apparel business is expected to grow from 5 percent of the total U.S. apparel market in 2015 to 14 percent by 2020.

This would make the company the largest domestic apparel retailer, taking the top spot from current placeholder, Macy’s. Moving forward, DSW could potentially look to Amazon as a resource for growing its online business further. Historically, legacy brands and retailers have been hesitant to sell on Amazon in order to maintain their reputations and exclusivity. However, considering Amazon's massive global user base and powerful fulfillment capabilities, traditional apparel retailers—like DSW and others—should think of the company as a supplementary benefit to their own e-commerce sites.

HUMAN SERVICES DEPARTMENT

- The L.A. County Fair opened last weekend at Fairplex in Pomona and runs through Sunday, September 25. The Fair is closed Mondays and Tuesdays.

  Discounted Fair tickets are available for purchase at the Recreation Center. 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 Thursday, September 22. The day’s activities will include a parade featuring Montclair groups, including the Fire, Police, and Public Works Departments; the Senior Center and the Youth Center. There will be a special ceremony for Montclair’s Community Heroes, Frank Corsaro (Senior Community Hero), Abel Benitez (Adult Community Hero) and Erin Alegria (Youth Community Hero).

Coupons for $5 admission to the Fair on Montclair Day are available at the Senior Center, Recreation Center, City Hall, and on Page 9. Discounted tickets can be purchased online on the Fair's website or at the gate with coupon. Thursdays are School Supply day at the L.A. County Fair. Those that bring 5 new school supplies to donate between noon and 5 p.m. will receive free admission to the Fair.

The Montclair Golden Express will be providing 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 discount tickets, call the Recreation Center at (909) 625-9479.

POLICE DEPARTMENT

Two recently hired Police Officers took their oaths of office during a swearing-in ceremony at the Police Department on September 1. Douglas Griffith and Raquel Guzman were sworn in to duty by Police Chief Robert Avels.

Officer Raquel Guzman came to us from the Los Angeles School Police. She graduated from Rio Hondo Police Academy in June 2010, and she is a resident of Fontana.

Officer Griffith was hired as a reserve officer with the city of South Pasadena upon his graduation from Rio Hondo Police Academy in May 2016. He is a resident of San Dimas.

We are very happy to have Raquel and Douglas on board!

PUBLIC WORKS DEPARTMENT

- On Tuesday, the City Council awarded a construction contract to Gentry Brothers, Inc., for the Mills Avenue Alley Rehabilitation Project.

  The Mills Avenue alley is located east of Mills Avenue in the 9100-9200 blocks. Work includes removal and replacement of existing asphalt pavement, construction of a new concrete longitudinal gutter, new ADA-compliant pedestrian ramps, new asphalt pavement, and pavement legends.

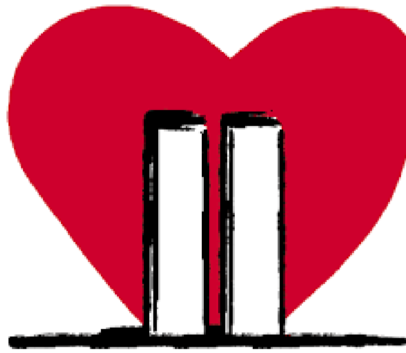
  The contractor is expected to begin with the design next week and start construction in October. Construction is expected to take 2 to 3 weeks.

  The $160,000 project is entirely funded by 2014 Lease Revenue Bond Proceeds.

ECS:spa

"I believe every person is created as the steward of his or her own destiny with great power for a specific purpose: To share with others, through service, a reverence for life in a spirit of love."
~ Hugh O'Brian

SEPTEMBER 2016



12	Planning Commission Meeting Council Chambers	7:00 p.m.
13	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
15	Public Works Committee Meeting City Hall Conference Room	4:00 p.m.
19	Real Estate Committee Meeting City Hall Conference Room	5:30 p.m.
19	Code Enforcement/Public Safety Committee Meeting City Hall Conference Room	6:15 p.m.
19	City Council Meeting Council Chambers	7:00 p.m.
21	Safety Committee Meeting City Hall Conference Room	10:30 a.m.
22	Autumn begins	
26	Planning Commission Meeting Council Chambers	7:00 p.m.
27	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.

DARE TO FAIR

MONTCLAIR DAY AT THE FAIR

THURSDAY, SEPT. 22

Exclusive offer: $5 admission

WELLS FARGO

MONTCLAIR DAY

presented by Wells Fargo

Two ways to purchase tickets

1. Go to LACountyFair.com/buytickets. Enter the quantity of Community Day Admission tickets.
   Use promo code: **montclair**
2. Present this discount coupon at any LA County Fair admission gate, Thursday, Sept. 22, 2016

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$5 Admission

$5 admission with online purchase using promo code, or at LA County Fair gates by submitting this barcoded coupon, valid Thursday, Sept. 22, 2016 only. Not valid with any other offers. No cash value.

ATTRACTIONS:

JURASSIC PLANET*
Prehistoric creatures have defied extinction, making the Fair their new home. See (and hear) dozens of dinosaurs roaming the hillside in search of their next meal.

OUR BODY: THE UNIVERSE WITHIN*
Get up close and personal with the mysteries of human anatomy in this exhibition featuring real bodies.

LET THE GAMES BEGIN
Discover the who, what, when & where of the origins of each of the "Big Six" American Sports: Baseball, Football, Basketball, Soccer, Hockey & Golf.

CARNIVAL
Get the adrenaline pumping with 70 exciting rides and 40 fun-filled family games.

FOOD
Indulge in everything ooey, gooey, covered-in-chocolate and on-a-stick.

THE FARM
Head to The Farm for the best agri-tainment and animal encounters.

WINE, SPIRITS & BEER MARKETPLACE
Learn to taste like a pro with wine education classes and samplings of winners from the Los Angeles International Wine, Spirits & Beer Competitions.

Nominal admission fee for ages 6 and older.

Community Days at the Fair presented by Wells Fargo