



February 23, 2017

TO: Honorable Mayor and City Council

FROM: Edward C. Starr, City Manager 

SUBJECT: CITY MANAGER'S WEEKLY REPORT: February 17-23, 2017

CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS

- In recent years, Montclair has promoted a number of funding options to complete construction of the Montclair Segment of Phase 2B of the Gold Line Foothill extension, including encouraging local legislative leaders to introduce a budget bill that incorporates state funding for construction. I am pleased to note that Assembly Member Freddy Rodriguez has now introduced Assembly Bill 215 (AB 215) as a spot bill—a bill that amends a code section in such an innocuous way as to be nonsubstantive. Effectively, a spot bill assures that a germane vehicle will be available at a later date after the deadline has passed to introduce bills—February 17, 2017, was the last day of the current legislative session for members to introduce bills.

At a future date, Assembly Member Rodriguez will amend AB 215 to ask the Legislature to approve \$32 million for construction of the Montclair Segment. The San Bernardino County Transportation Authority (SBCTA—formerly SANBAG), has already developed approximately \$38 million of the \$70 million needed for construction of the Montclair Segment.

The Montclair City Council and City staff extend their gratitude to Assembly Member Rodriguez for his continuing efforts to bring Gold Line light rail service to Montclair and San Bernardino County.

- The California Public Employees' Retirement System (CalPERS) announced this week that it is projecting a 5.8 percent annual investment return over the next decade—the projection is significantly lower than the fund's assumed annual rate of return which is expected to decline gradually from the current 7.5 percent to 7 percent by 2020.

Projections for a reduced investment return are based on a lower-risk, lower-return asset allocation policy adopted by CalPERS in September 2016. The new CalPERS allocation policy reduces investments in the volatile stock and private equity sectors in favor of increased allocations toward more stable, conservative investments such as real estate and infrastructure. The CalPERS Administrative Board is not expected to review the projected annual investment return again until 2018.

In 2016, CalPERS staff projected a 10-year expected return of 6.2 percent, with expectation that returns would jump to 7.83 percent in the decades to follow. Under this projection scenario, the fund's long-term average would more closely align with CalPERS' revised 7 percent rate of return. However, pension analysts have long-been skeptical that pension funds can generate high returns over the long-term, with many analysts advocating investment returns below 5 percent.

In the current investment environment, many of the nation's public pension funds are cash negative, meaning they are now paying out more money to retirees than they collect from current workers and employers. For CalPERS, the negative cash flow is expected to worsen over the next decade as the number of retirees exceeds the number of active public employees.

Pension managers, of course, will turn to their easy solution to resolve cash negative funds—raise government contributions by even more than they have increased already. Member agencies have little choice other than to pay the increases. Under current CalPERS policies, the cost of exiting the fund is too expensive for even the richest of communities to afford.

- A bill introduced and co-sponsored/co-authored by several members of the State Legislature ([Assembly Bill 1578](#)) would amend the California Health and Safety Code to prohibit state and local agencies from cooperating with or assisting federal authorities seeking to "investigate, detain, detect, report, or arrest" a person engaging in state-sanctioned medical or recreational cannabis businesses without a court order. [AB 1578](#) defines state and local agencies as law enforcement agencies, licensing authorities, and state and local agencies with information on licenses issued under the Medical Cannabis Regulation and Safety Act (MCRSA) of 2015 and Proposition 64—the Adult Use of Marijuana Act (AUMA)—passed by California voters in November 2016.

If signed into law, AB 1578 would protect those operating licensed California cannabis businesses from being handed over to federal enforcement authorities unless a judicial exception is made.

Although a majority of U.S. states now have laws legalizing some kind of cannabis use, it remains unclear how enforcement of federal cannabis laws will take place under the recently appointed federal Attorney General. Cannabis remains a Schedule 1 drug under the federal Controlled Substances Act (CSA); however, under the Rohrabacher-Farr Amendment, Congress defunded Drug Enforcement Agency (DEA) enforcement efforts related to medical marijuana in states that

legalized its use, and the 9th District Court of Appeals has confirmed the DEA's lack of authority.

As introduced, AB 1578 would prohibit state and local agencies from:

1. Cooperating with federal authorities seeking to investigate or prosecute individuals under federal law who are engaging in cannabis activities considered legal in California
2. Contributing any resources, including money, facilities, property, equipment, or personnel, to a federal investigation or enforcement action concerning legal cannabis activity taking place in California
3. Providing any information to federal authorities who want to pursue investigation or enforcement of people who are engaging in legal cannabis activity, have patient ID cards, or are seeking legal cannabis licenses
4. Turning over any person to federal authorities seeking to enforce federal cannabis laws. A judge would be required to issue a court order before cooperation of this nature could occur.

The legislation specifically applies to legal cannabis activity as outlined in MCRSA and Proposition 64.

While the CSA recognizes the police powers of the individual states and their respective authority over matters related to marijuana and other drugs, the CSA also is careful in noting that states shall not create a caustic conflict—to do so would invite federal intervention. AB 1578, as proposed, may create a caustic conflict to the purpose and intent of the CSA as it relates to implementation of Proposition 64.

COMMUNITY DEVELOPMENT DEPARTMENT/ ECONOMIC DEVELOPMENT

- Economic Development Coordinator Melinda Flores and Administrative Aide Thailin Martin attended a recently held Inland Empire Stakeholder meeting held in Riverside and organized by Accion, a nonprofit microlender that serves Imperial, Riverside, San Bernardino, and San Diego counties. The Accion staff put together a presentation detailing several different topics including Accion's history, lending guidelines, and resources for clients.

Accion is the largest and only nonprofit micro and small business lending network in the United States. The company provides economic opportunity for small business owners through business loans and support services with a mission of providing economic opportunity for primarily low- to moderate-income business owners who lack access to traditional sources of credit.

Accion's business loans may be used to start a company or for growth expenses. This includes, but is not limited to, equipment, inventory, marketing, working capital, a business purchase, and/or tenant improvements. Loans are fully amortized and can range from \$300 to \$75,000, with a 12- to 84-month term, and 10 percent to 18 percent fixed, simple interest based on a borrower's credit report. Veteran clients receive a one percent discount.

Applications can be submitted online, via fax, or in-person by scheduling an appointment with a local business development officer. There are no application or credit fees. However, there are closing costs that are charged upon disbursement of funds.

Some of the additional resources Accion offers to its clients include one-on-one business counseling, hosting educational business events, and opportunities for publicity and business exposure.

For more information, please visit www.us.accion.org.

- Tokyo-based Mitsui & Co., Ltd. is investing between \$450 to \$550 million for a 20 percent stake in Los Angeles-based CIM Group, as well as various funds that CIM manages. It is the Japanese firm's first investment in the U.S. real estate asset management market.

Proceeds of the investment will fund CIM's continued growth. A newly established special purpose entity, Sabre Investments LLC, will receive investment capital from Mitsui for several CIM funds.

Mitsui, one of the oldest and most respected Japanese companies, brings deep experience in listing and managing public Japanese REITs, private-fund management, and partnering with investment managers.

At this time it is not known if CIM Group will use this funding for Montclair Place improvements.

- Macy's released fourth quarter earnings on Tuesday, beating slightly on sales and earnings.

The retailer posted adjusted earnings of \$2.02 per share, higher than the \$1.96 per share expected by analysts. In addition, comparable sales—or those at stores open longer than a year—fell by 2.1 percent from the same quarter a year ago, but was a bit better than the 2.2 percent fall expected by analysts.

The company also released preliminary guidance for 2017, expecting sales to decline by 2 percent to 3 percent for the full year at all owned and licensed stores.

"While 2016 was not the year we expected, we made significant progress on key initiatives that are starting to bear fruit," said Macy's CEO in the company's earnings release.

Over the past year, Macy's has seen continued improvement in its digital platforms, the rollout of new approaches to its line of fine jewelry and women's shoes, an increase in exclusive merchandise, and the refinement of its clearance and off-price strategy. Nevertheless, Macy's continues to experience decreased sales quarter after quarter.

In order to address underperforming stores, Macy's is expected to expand its partnership with Brookfield Properties, a leading owner, operator, and developer of office and multifamily assets. In 2016, Macy's began selling many of its real estate holdings and developing others into mixed-use projects. The recent slew of real estate sales for Macy's generated significant amounts of cash for the company, totaling \$673 million for 2016.

HUMAN SERVICES DEPARTMENT

- Yesterday, over 200 senior citizens attended a party at the Senior Center to celebrate February birthdays. For "the month of love" birthday party, guests enjoyed a delicious meal and dessert, entertainment by the Sparkle Line Dancers, and a variety of games.

A photo collage is featured on Page 9.

- This Saturday from 10 a.m. to noon, the Reeder Citrus Ranch will host "2017 Citrus Harvest Days." Guests will learn about California's famous citrus heritage and will receive a free tour of the historic orange grove. Fresh bags of oranges grown on the historic Reeder Citrus Ranch can be purchased for \$5.

For additional information, refer to the flyer on Page 10, call (909) 624-1560, or visit reeder@reederranch.org.

POLICE DEPARTMENT

Three new Police Officers received their formal introductions to the City Council on Tuesday. Ricci Desist, Miguel Huerta, and Anthony Rodriguez joined the Montclair Police Department on January 16.

Welcome to the Montclair City family Officers Desist, Huerta, and Rodriguez!



Pictured from left: Capt. Jason Reed, Officer Anthony Rodriguez, Chief Robert Avels, Officer Ricci Desist, Genevieve Huerta, and Officer Miguel Huerta

PUBLIC WORKS DEPARTMENT

- On June 20, 2016, the Montclair City Council adopted the Fiscal Years 2016-2021 Capital Improvement Program (CIP) that included the Central Avenue Rehabilitation Project. The project includes median island enhancements; landscape; repair of curb, gutter and sidewalk; upgrading of traffic signal equipment; and resurfacing of the street. Project boundaries are from the southern City limits at Phillips Boulevard to the northern limits at the Pacific Electric Bicycle Trail, including northbound and southbound lanes.

Staff is reviewing bid proposals for the design of the project and expects to present a design contract to the Montclair City Council at the March 6, 2017, meeting. The design is expected to take six to eight months with an anticipated construction date for late 2017 or early 2018.

The estimated 7 million dollar project is completely funded by 2014 Lease Revenue Bond Proceeds.

ECS:spa

"The man is the richest whose pleasures are the cheapest."

~ Henry David Thoreau

FEBRUARY 2017



23	Midyear Budget Review Council Chambers	6:00 p.m.
25	2017 Citrus Harvest Days Reeder Citrus Ranch, 4405 Holt Boulevard	10 a.m. - Noon
27	Planning Commission Meeting Council Chambers	7:00 p.m.
28	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.

MARCH 2017



01	Community Action Committee Meeting Council Chambers	7:00 p.m.
04	Montclair Little League Opening Day Ceremony Saratoga Park	11:00 a.m.
06	City Council Meeting Council Chambers	7:00 p.m.
12	Daylight Saving Time begins	
13	Planning Commission Meeting Council Chambers	7:00 p.m.
14	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
15	Safety Committee Meeting City Hall Conference Room	10:30 a.m.
16	Public Works Committee Meeting City Hall Conference Room	4:00 p.m.
17	St. Patrick's Day	
20	Happy Spring!	
20	Real Estate Committee Meeting	5:30 p.m.
20	Code Enforcement/Public Safety Committee Meeting City Hall Conference Room	6:15 p.m.
20	City Council Meeting Council Chambers	7:00 p.m.
27	Planning Commission Meeting Council Chambers	7:00 p.m.
28	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.



Senior Center



February Birthday Party



2017 CITRUS Harvest Days

SATURDAY, FEBRUARY 11, 2017

AND

SATURDAY, FEBRUARY 25, 2017
10:00 A.M. - 12:00 P.M.

At the Historic Reeder Citrus Ranch
a City of Montclair Historic Landmark

FREE tours of the Historic Orange Grove and the Ranch

Learn about California's Famous Citrus Heritage

**Take home a fresh bag of oranges
from the Reeder Historic Orange Grove (\$ 5.00/bag)**

For more information:

909.624.1560

reeder@reederranch.org

