



## **AGENDA**

**CITY COUNCIL OF THE CITY OF MORENO VALLEY  
MORENO VALLEY COMMUNITY SERVICES DISTRICT  
CITY AS SUCCESSOR AGENCY FOR THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE  
CITY OF MORENO VALLEY  
MORENO VALLEY HOUSING AUTHORITY**

**April 2, 2013**

**STUDY SESSION – 6:00 P.M.**

**City Council Study Sessions**

First & Third Tuesday of each month – 6:00 p.m.

**City Council Meetings**

Second & Fourth Tuesdays – 6:00 p.m.

**City Council Closed Session**

Tuesdays of each month – 6:00 p.m.

*Immediately following Regular City Council Meetings and  
Study Sessions, unless no Closed Session Items are Scheduled*

**City Hall Council Chamber - 14177 Frederick Street**

*Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, in compliance with the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Mel Alonzo, ADA Coordinator at 951.413.3705 at least 48 hours before the meeting. The 48-hour notification will enable the City to make reasonable arrangements to ensure accessibility to this meeting.*

Tom Owings, Mayor

Marcelo Co, Mayor Pro Tem  
Jesse L. Molina, Council Member

Richard A. Stewart, Council Member  
Victoria Baca, Council Member

**AGENDA  
CITY COUNCIL OF THE CITY OF MORENO VALLEY  
MORENO VALLEY COMMUNITY SERVICES DISTRICT  
CITY AS SUCCESSOR AGENCY FOR THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE  
CITY OF MORENO VALLEY  
MORENO VALLEY HOUSING AUTHORITY**

**\*THE CITY COUNCIL RECEIVES A SEPARATE STIPEND FOR CSD MEETINGS**

**STUDY SESSION - 6:00 PM  
APRIL 2, 2013**

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**INVOCATION**

**ROLL CALL**

**INTRODUCTIONS**

**PUBLIC COMMENTS ON MATTERS UNDER THE JURISDICTION OF THE CITY COUNCIL**

There is a three-minute time limit per person. Please complete and submit a BLUE speaker slip to the City Clerk. All remarks and questions shall be addressed to the presiding officer or to the City Council and not to any individual Council Member, staff member or other person.

**SPECIAL ORDER OF BUSINESS**

1. REVIEW OF THE ROTATIONAL TOW SCHEDULE FOR THE RTS PROGRAM (Staff Report) (CEDD/15 min)
2. PRESENTATION OF LONG TERM FINANCIAL CHALLENGES - UNFUNDED LIABILITIES-PUBLIC EMPLOYEES RETIREMENT SYSTEM AND RETIREE MEDICAL (Staff Report/PowerPoint) (FMS/20 min)
3. 3-YEAR ECONOMIC DEVELOPMENT ACTION PLAN (Staff Report) (CEDD 15 min)
4. CITY COUNCIL REQUESTS AND COMMUNICATIONS

AGENDA  
April 2, 2013

(Times shown are only estimates for staff presentation. Items may be deferred by Council if time does not permit full review.)

❖ Oral Presentation only – No written material provided

**\*Materials related to an item on this Agenda submitted to the City Council/Community Services District/City as Successor Agency for the Community Redevelopment Agency/Housing Authority after distribution of the agenda packet are available for public inspection in the City Clerk's office at 14177 Frederick Street during normal business hours.**

## **CLOSED SESSION**

A Closed Session of the City Council, Community Services District, City as Successor Agency for the Community Redevelopment Agency of the City of Moreno Valley or Housing Authority will be held in the Conference Room C, First Floor, City Hall. The City Council will meet in Closed Session to confer with its legal counsel regarding the following matter(s) and any additional matter(s) publicly and orally announced by the City Attorney in the Council Chamber at the time of convening the Closed Session.

### **• PUBLIC COMMENTS ON MATTERS ON THE CLOSED SESSION AGENDA UNDER THE JURISDICTION OF THE CITY COUNCIL**

There is a three-minute time limit per person. Please complete and submit a BLUE speaker slip to the City Clerk. All remarks and questions shall be addressed to the presiding officer or to the City Council and not to any individual Council member, staff member or other person.

The Closed Session will be held pursuant to Government Code:

- 1 SECTION 54956.9(b)(1) - CONFERENCE WITH LEGAL COUNSEL - SIGNIFICANT EXPOSURE TO LITIGATION

Number of Cases: 5

- 2 SECTION 54956.9(c) - CONFERENCE WITH LEGAL COUNSEL - INITIATION OF LITIGATION

Number of Cases: 5

### **REPORT OF ACTION FROM CLOSED SESSION, IF ANY, BY CITY ATTORNEY**

### **ADJOURNMENT**

### **CERTIFICATION**

I, Jane Halstead, City Clerk of the City of Moreno Valley, California, certify that the City Council Agenda was posted in the following places pursuant to City of Moreno Valley Resolution No. 2007-40:

City Hall, City of Moreno Valley  
14177 Frederick Street

Moreno Valley Library  
25480 Alessandro Boulevard

AGENDA  
April 2, 2013



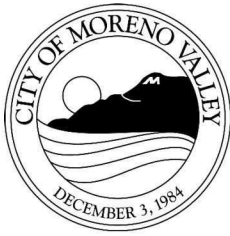
Moreno Valley Senior/Community Center  
25075 Fir Avenue

Jane Halstead, CMC,  
City Clerk

Date Posted: 3/27/2013

AGENDA  
April 2, 2013

**This page intentionally left blank.**



APPROVALS	
BUDGET OFFICER	
CITY ATTORNEY	<i>[Signature]</i>
CITY MANAGER	<i>[Signature]</i>

---

## Report to City Council

---

**TO:** Mayor and City Council

**FROM:** Barry Foster, Community & Economic Development Director

**AGENDA DATE:** April 2, 2013

**TITLE:** REVIEW OF THE ROTATIONAL TOW SCHEDULE FOR THE RTS PROGRAM

---

### **RECOMMENDED ACTION**

Recommendations:

1. Discuss the Rotational Tow Schedule for the RTS Program.

### **BACKGROUND**

Moreno Valley Municipal Code chapter 12.14 codifies the regulations for the operation of an official City of Moreno Valley Rotational Tow Service (RTS) program to respond to police emergencies or, at the request of the City, remove vehicles that are illegally parked, abandoned, involved in an accident or obstructing traffic. There are seven local tow operators that have agreements with the City to participate in the RTP. Per the Municipal Code, the City Council establishes the terms of the rotation list to best meet the needs of the Police Department and the Code and Neighborhood Services Division. There are two types of rotations: 1) a 24-hour rotation in which one operator receives all the calls for that 24-hour period and 2) a "true rotation" in which the tows are rotated on a per call basis. The program currently operates as a per call, "true rotation" per the request of the tow operators. When this type of rotation was established in January, 2011, the City also established a contract with an outside call service for dispatch services, the cost of which is shared equally among the operators on the rotation list.

### **DISCUSSION**

On January 29, 2013 the City received a letter signed by five of the seven tow truck companies requesting that the City move back to the 24-hour rotational tow structure. While the Code and Neighborhood Services Division staff has no particular preference

in what system (true rotation or 24-hour rotation) is used, the Police Department's preference is the 24-hour rotation. Both tow rotation schedules seem to have merit and have been useful. City staff suggests that the City Council listen to feedback from the tow truck companies at the April 2 Study Session to determine the most effective type of a Rotational Tow Schedule for Moreno Valley.

**ATTACHMENTS**

Attachment 1\_2013\_MV Tow Association Letter

Prepared By:  
Barry Foster  
Community & Economic Development Department

Concurred by:  
Joel Ontiveros  
Police Chief

Council Action	
Approved as requested:	Referred to:
Approved as amended:	For:
Denied:	Continued until:
Other:	Hearing set for:

c: Mayor/City Council  
City Manager  
CEDD Director  
Al Brady, Code & Neighborhood Service

**MORENO VALLEY TOW  
17007 KITCHING ST  
MORENO VALLEY CA. 92551  
(951)485-6486  
(951)485-6488 FAX**

**CITY COUNCIL  
MORENO VALLEY  
RECEIVED  
13 JAN 29 PM 12:44**

**TO CITY OF MORENO VALLEY, CITY MANAGER, CITY COUNCIL**

**THE MORENO VALLEY TOW ASSOCIATION WOULD REQUEST THE TOW ROTATION BE CHANGED FROM A PER CALL ROTATION TO A 24 HOUR ROTATION PER THE SAMPLE SCHEDULE PROVIDED TO US BY AL BRADY AND STAFF.**

**THIS CHANGE IS SUPPORTED BY THE MAJORITY OF THE 7 COMPANIES 5/7 AND CITY OF MORENO VALLEY POLICE DEPT.**

**THIS CHANGE WOULD HELP US LOWER OUR OVERHEAD AND DISCONTINUE THE NEED FOR THE ANSWERING SERVICE (PCN).**

**THIS CHANGE WOULD RESULT IN BETTER RESPONSE TIMES BY REMOVING THE MIDDLE MAN (PCN) TO GET TO THE OFFICERS QUICKER REDUCING OFFICER STAND BY TIMES.**

**THANK YOU FOR YOU CONSIDERATION**

**BALDWIN'S TOWING  
HOWARD BALWIN  
653-7355**

**MORENO VALLEY TOW  
GLENN TUCKER  
485-6486**

**PEPES TOWING  
MANUEL ACOSTA  
683-2423**

**VALLEYWIDE TOWING  
BOB COLEMAN  
485-9888**

**YUCAIPA TOWING  
GEORGE ACOSTA  
247-3010**

**This page intentionally left blank.**



## FINANCIAL & MANAGEMENT SERVICES

### MEMORANDUM

---

To: Mayor and City Council

From: Rick Teichert, Financial & Management Services Director 

Date: April 2, 2013

Subject: CITY COUNCIL STUDY SESSION OF APRIL 2, 2013, ITEM 2 –  
PRESENTATION OF LONG TERM FINANCIAL CHALLENGES – UNFUNDED  
LIABILITIES – PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND RETIREE  
MEDICAL

---

Attached is a PowerPoint presentation which is an attachment to the above referenced agenda item. This attachment was not available at the time the agenda was posted. Hard copies will also be made available for the public via the City Clerk's counter copies and at the meeting.

c: Henry Garcia, City Manager  
Michelle Dawson, Assistant City Manager  
Suzanne Bryant, Acting City Attorney

## LONG TERM FINANCIAL CHALLENGES

# UNFUNDED LIABILITIES – PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND RETIREE MEDICAL

**April 2, 2013**



# Long Term Financial Challenges

- |                       |  |
|-----------------------|--|
| <b>March 5, 2013</b>  | Slow Growth in Major General Fund Revenue Sources (presented)                |
| <b>March 19, 2013</b> | Annual Increases in Public Safety Contracts (presented)                      |
| <b>April 2, 2013</b>  | Unfunded Liabilities Public Employees' Retirement System and Retiree Medical |
| <b>June 4, 2013</b>   | Increased Demands on General Fund Reserves                                   |
| <b>June 18, 2013</b>  | Unfunded Liabilities - Compensated Absences and Others                       |

# Long Term Liabilities for Post-Employment Benefits



**Benefits are received after employment with the City**



**Costs are intended to be fully funded during the employee's employment period**



**Funds are set-aside in a separate trust to dedicate and manage funding for these benefits**



**If benefit levels change or market factors affect the funding status, an unfunded liability is realized**

# How is Funding Status Determined?



## How is Funding of Long Term Post Employment Benefits determined?

- **Through an actuarial valuation process**

Definition of 'Actuarial Valuation':

An actuarial valuation is a type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities. The assumptions are typically based on a mix of statistical studies and experienced judgment. Since assumptions are often derived from long-term data, unusual short-term conditions or unanticipated trends can occasionally cause problems.

# Actuarial Factors

## **Economic Assumptions:**

### **Discount Rate (Rate of future investment returns)**

7.5% compounded annually (net of expenses). This assumption is used for all plans.

### **Salary Growth**

Annual increases vary by category, entry age, and duration of service.

### **Overall Payroll Growth**

3.00% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

### **Inflation**

2.75% compounded annually. This assumption is used for all plans.

# Actuarial Factors

## **Demographic Assumptions:**

### **Pre-Retirement Mortality**

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age.

### **Post-Retirement Mortality**

Rates vary by age, type of retirement and gender.

### **Marital Status**

For active members, a percentage married upon retirement is assumed.

### **Age of Spouse**

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

### **Terminated Members**

It is assumed that terminated members refund immediately if non-vested. Terminated members who are vested are assumed to follow the same service retirement pattern as active members.

### **Non-Industrial (Not Job-Related) Disability**

Rates vary by age and gender for Miscellaneous Plans.

### **Service Retirement**

Retirement rate varies by age, service, and formula.

# Unfunded Liabilities – CalPERS Retirement



**City's retirement obligations fully funded in 2002**



**Retirement Liability begins to grow faster than the value of assets – beginning an unfunded liability in 2003**

- Adding staff
- Poor market performance



**City increases retirement benefit in 2006**



**Large Investment Losses in 2008 and 2009**



**Early Retirement Incentive offered in 2009**

# CalPERS Actuarial Data Since 2002

Table of PERS Retirement Actuarial Data for the City of Moreno Valley

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Unfunded Liability AVA	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
6/30/2002	28,597,500	30,564,460		-1,966,960	106.90%	N/A	14,313,573
6/30/2003	35,236,196	32,434,425	29,485,841	2,801,771	92.00%	83.70%	16,033,586
6/30/2004	41,276,067	36,098,898	35,497,704	5,177,169	87.50%	86.00%	17,552,133
6/30/2005	52,487,232	41,214,897	42,222,582	11,272,335	78.50%	80.40%	19,082,187
6/30/2006	61,187,066	47,837,803	50,234,692	13,349,263	78.20%	82.10%	22,018,967
6/30/2007 *	75,316,003	58,733,315	66,420,640	16,582,688	78.00%	88.20%	26,023,541
6/30/2008	90,939,749	69,197,682	68,784,834	21,742,067	76.10%	75.60%	30,739,388
6/30/2009 **	109,758,482	78,175,287	57,048,118	31,583,195	71.20%	52.00%	26,384,952
6/30/2010	120,692,084	85,693,181	68,133,478	52,558,606	71.00%	56.50%	23,670,851
6/30/2011	132,322,141	92,912,456	83,963,364	48,358,777	70.20%	63.50%	24,148,281

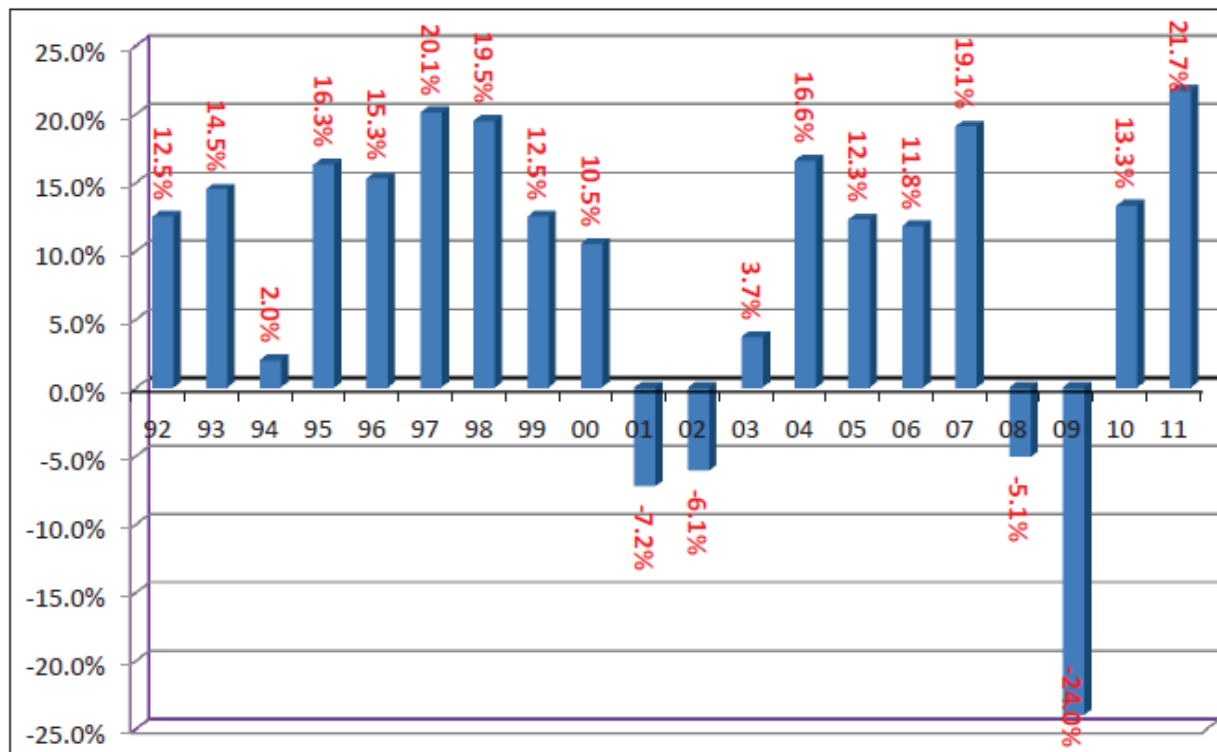
\* Increased benefit to 2.7% at 55 in September 2006

\*\* Includes impact of first Early Retirement Offering and PERS demographic assumption changes

# History of CalPERS Investment Returns

## CalPERS History of Investment Returns

The following is a chart with historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning with June 30, 2002 the figures are reported as gross of fees.





# CalPERS Contribution Rate History

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate	Change in Percentage	Percent Increase	Employee Contribution Rate *
FY 2005-06	8.52%	1.57%	10.09%			7.00%
FY 2006-07	8.60%	1.89%	10.49%	0.40%	4.0%	8.00%
FY 2007-08	10.80%	4.27%	15.07%	4.58%	43.7%	8.00%
FY 2008-09	10.83%	4.07%	14.90%	-0.17%	-1.1%	8.00%
FY 2009-10	10.85%	4.12%	14.97%	0.07%	0.5%	8.00%
FY 2010-11	10.95%	4.56%	15.51%	0.54%	3.6%	8.00%
FY 2011-12	11.11%	8.24%	19.35%	3.84%	24.8%	8.00%
FY 2012-13	10.73%	10.11%	20.85%	1.50%	7.7%	8.00%
FY 2013-14	11.63%	10.67%	22.31%	1.46%	7.0%	8.00%

Note: Tier 3 retirement benefit effective Sept 30, 2011 – employee contribution rate is 7%

# CalPERS Future Actions and Direction



## **Proposing Changes to the Smoothing Method**

- **Goal is to shift to a method that achieves 100% funding within a 30 year period**
- **Raises employer rate by 50% over 5 years**



## **CalPERS staff is reviewing actuarial assumptions – recommending two changes**

- **Extend the life expectancy of retirees**
- **Lower the discount rate from 7.5% to 6.75% or 7.0%**

# CalPERS Future Actions and Direction

## Median Funded Status:

State Miscellaneous			
Method	Median Funded Status in 10 Years	Median Funded Status in 20 Years	Median Funded Status in 30 Years
Current Method	62%	74%	79%
Method 2	63%	79%	95%
Method 3	64%	80%	95%
Method 4	64%	79%	94%
Method 5	64%	84%	103%

## Median Employer Contribution Rates for the Next Five Years:

State Miscellaneous					
Method	Year 1	Year 2	Year 3	Year 4	Year 5
Current Method	20.9%	21.3%	23.1%	24.4%	25.3%
Method 2	21.1%	21.8%	23.3%	24.9%	26.0%
Method 3	22.2%	24.0%	25.7%	27.4%	28.2%
Method 4	21.8%	23.3%	24.8%	26.5%	28.3%
Method 5	22.0%	23.6%	25.3%	27.1%	29.2%

# CalPERS Contribution Rate History

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate	Change in Percentage	Percent Increase	Employee Contribution Rate *
FY 2005-06	8.52%	1.57%	10.09%			7.00%
FY 2006-07	8.60%	1.89%	10.49%	0.40%	4.0%	8.00%
FY 2007-08	10.80%	4.27%	15.07%	4.58%	43.7%	8.00%
FY 2008-09	10.83%	4.07%	14.90%	-0.17%	-1.1%	8.00%
FY 2009-10	10.85%	4.12%	14.97%	0.07%	0.5%	8.00%
FY 2010-11	10.95%	4.56%	15.51%	0.54%	3.6%	8.00%
FY 2011-12	11.11%	8.24%	19.35%	3.84%	24.8%	8.00%
FY 2012-13	10.73%	10.11%	20.85%	1.50%	7.7%	8.00%
FY 2013-14	11.63%	10.67%	22.31%	1.46%	7.0%	8.00%

Note: Tier 3 retirement benefit effective Sept 30, 2011 – employee contribution rate is 7%

# Other Post Employment Benefits (OPEB)



**Public Agencies typically provide benefits in addition to retirement to employees after they retire**



**The most common is offering assistance with the high cost of medical/dental/vision insurance**



**This is commonly referred to as the “Retiree Medical” benefit**



**Prior to 1993, the City offered reimbursement of 100% of the employee and spouse cost for Retiree Medical**



**This is a “Defined Benefit” program**

# Unfunded Liabilities – Retiree Medical



**City eliminated defined benefit retiree medical benefits in 1993 – replaced with a defined contribution VEBA plan**



**City reinstated a defined benefit retiree medical benefit in 2001**

- **Benefit is \$318/month**
- **Access to CalPERS Group Medical plans and rates**
- **City pays the administrative contribution of \$112/mo.**

# Unfunded Liabilities – Retiree Medical



## **GASB 45 adopted by GASB in 2006**

- Requires an actuarial study to determine the unfunded liability for Other Post Employment Benefits (OPEB)
- Requires funding the annual Actuarial Required Contribution (ARC) into a trust or record liability on the City's balance sheet



## **City began funding the OPEB liability into a CalPERS trust in FY 2008/09**



## **City has:**

- 121 retirees currently covered by this benefit
- 297 active staff members eligible if they retire from the City

# CalPERS (CERBT) Trust Funding History

Market Value of Assets (Amounts in 000's)	2008/09	2009/10	2010/11
▪ Market Value at Beginning of Year	\$ 0	\$ 1,580	\$ 2,875
• CERBT CalPERS Trust Contributions	1,580	1,068	1,564
• PayGo Contributions	206	357	0
• Investment Earnings	0	230	994
• Benefit Payments	(206)	(357)	(421)
• Administrative Expenses	0	(2)	(6)
▪ Market Value at End of Year	1,580	2,875	5,006
▪ MVA Estimated Net Return	0.0%	11.3%	23.5%
▪ CERBT Trust Net Annual Return	(23.0%)	15.9%	25.0%



# Council Action in 2011



**City Council adopted cost reduction actions as an element of the 3-Year Deficit Elimination Plan**



**Action included creating a Tier 3 Benefit level for all new-hires after September 30, 2011**



**The Defined Benefit for Retiree Medical was eliminated**



**City Council relied on the Defined Contribution Voluntary Employee Benefit Administration (VEBA) program to prefund the Retiree Medical benefit**

# Actuarial Valuation as of June 30, 2011







Actuarial Obligations (Amounts in 000's)	<u>1/1/10 Valuation</u>		<u>6/30/11 Valuation</u>		
	Actual 1/1/10	Projected 6/30/11	Actual 6/30/11	Projected 6/30/12	Projected 6/30/13
▪ <b>Discount Rate</b>	7.75%	7.75%	S&U	S&U	S&U
▪ <b>PVB</b>					
• Actives	\$11,714	\$13,034	\$9,436	\$9,969	\$10,477
• Retirees	<u>7,170</u>	<u>7,232</u>	<u>6,055</u>	<u>5,975</u>	<u>5,887</u>
• Total	18,885	20,268	15,491	15,944	16,364
▪ <b>AAL</b>					
• Actives	6,430	8,312	5,615	6,493	7,384
• Retirees	<u>7,170</u>	<u>7,232</u>	<u>6,055</u>	<u>5,975</u>	<u>5,887</u>
• Total	13,600	15,544	11,670	12,467	13,270
▪ <b>Actuarial Assets</b>	<u>2,386</u>	<u>4,223</u>	<u>4,428</u>	<u>5,559</u>	<u>6,095</u>
▪ <b>Unfunded AAL</b>	11,214	11,321	7,242	6,909	7,175
▪ <b>Funded Percent</b>	18%	27%	38%	45%	46%
▪ <b>Normal Cost (FY)</b>	786	812	573	592	611
▪ <b>Normal Cost % Pay</b>	3.5%	3.5%	2.8%	2.8%	2.8%
▪ <b>Pay-As-You-Go (FY)</b>	523	580	463	522	597

-30-

# Annual Required Contribution (ARC)

Annual Required Contribution (ARC) (Amounts in 000's)	<u>1/1/10 Valuation</u>		<u>6/30/11 Valuation</u>	
	2010/11	2011/12	2012/13	2013/14
▪ Discount Rate	7.75%	7.75%	S&U	S&U
▪ ARC - \$				
• Normal Cost	\$ 786	\$ 812	\$ 592	\$ 611
• UAAL Amortization	<u>778</u>	<u>804</u>	<u>426</u>	<u>457</u>
• ARC	1,564	1,615	1,018	1,069
▪ Projected Payroll	22,465	23,195	20,909	21,589
▪ ARC - %				
• Normal Cost	3.5%	3.5%	2.8%	2.8%
• UAAL Amortization	<u>3.5%</u>	<u>3.5%</u>	<u>2.0%</u>	<u>2.1%</u>
• ARC	7.0%	7.0%	4.9%	5.0%
▪ UAAL Amort Years	Various	Various	26	25

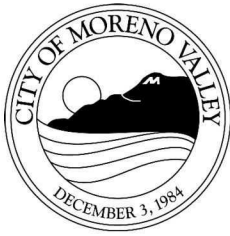
# Retiree Medical Summary

-  **Unfunded Liability decreased from \$11.2 Million on June 30, 2010 to \$7.2 million at June 30, 2011**
-  **Actuaries adjusting assumptions based on Tier 3 Benefit change action in 2011**
-  **The liability will continue to decrease as the Tier 3 benefit level is fully valued in the actuary reports**
-  **There is no requirement to fully fund the OPEB benefit**
-  **Continue the course to fund the liability to at least an 80% funding level, based on revenue availability**
-  **Monitor the changes in actuarial valuations and make adjustments accordingly**

# Upcoming Actions

- ~~March 5, 2013~~      ~~Slow Growth in Major General Fund Revenue Sources~~
- ~~March 19, 2013~~      ~~Annual Increases in Public Safety Contracts~~
- ~~April 2, 2013~~      ~~Unfunded Liabilities – Public Employees' Retirement System and Retiree Medical~~
- ~~June 4, 2013~~      ~~Increased Demands on General Fund Reserves~~
- ~~June 18, 2013~~      ~~Unfunded Liabilities – Compensated Absences and Others~~

**This page intentionally left blank.**



APPROVALS	
BUDGET OFFICER	<i>[Signature]</i>
CITY ATTORNEY	<i>[Signature]</i>
CITY MANAGER	<i>[Signature]</i>

## Report to City Council

---

**TO:** Mayor and City Council

**FROM:** Rick Teichert, Financial and Management Services Director

**AGENDA DATE:** April 2, 2013

**TITLE:** PRESENTATION OF LONG TERM FINANCIAL CHALLENGES – UNFUNDED LIABILITIES – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM AND RETIREE MEDICAL

---

### RECOMMENDED ACTION

Recommendation: That the City Council:

1. Review and discuss the report addressing unfunded liabilities, including Public Employees’ Retirement System and Retiree Medical Liability.

### BACKGROUND

City Council has requested a series of discussion topics related to long term financial issues impacting the City’s General Fund. The topics have been scheduled to occur at City Council Study Sessions over the next several months. The intent is to review and discuss details and related impacts for each issue. Information presented on these topics will be posted on the City’s web site following each presentation at Study Session.

- |                |   |
|----------------|---|
| March 5, 2013  | Slow Growth in Major General Fund Revenue Sources (presented)                 |
| March 19, 2013 | Annual Increases in Public Safety Contracts (presented)                       |
| April 2, 2013  | Unfunded Liabilities – Public Employees Retirement System and Retiree Medical |
| June 4, 2013   | Increased Demands on General Fund Reserves                                    |
| June 18, 2013  | Unfunded Liabilities – Compensated Absences and Others                        |

## **DISCUSSION**

The City has unfunded long-term liabilities for post-employment benefits to be paid to those employees that have worked for the City and their survivors. These benefits include pensions, retiree medical benefit and payoff of leave balances (compensated absences) upon retirement. This report addresses the unfunded liability for pensions and the retiree medical benefit. The liability for compensated absences will be discussed at the June 18, 2013 study session, along with remaining liabilities.

### **CalPERS Unfunded Liability**

The City has contracted for employee retirement benefits through CalPERS, a statewide pension manager and fund for many California public agencies. Through the contract, the City agrees to pay the amount that CalPERS determines, through actuarial valuation, to be funded as an employer contribution. The amount is calculated as a percentage of payroll that must be reported and funded each pay period. The City has no control over the employer rate determination.

#### *Background on retirement benefits level*

The City has historically determined and controlled the retirement formula to be provided to City employees through the CalPERS contract. Until September 2006, the City provided a retirement benefit level of 2% @ 55, which defines the service credit per year of service at the age of 55. In September 2006, the benefit level was increased to 2.7% @ 55, which had the immediate effect of increasing the City's unfunded retirement liability. Until July 1, 2009, the City Council directed that the City would pay the employee share of the CalPERS contribution (8% of payroll costs) to remain competitive in recruiting highly qualified staff. During the recession, the City Council altered the payment of the employee share and required all new hires after July 1, 2009 to pay the employee share of PERS costs to begin to lower the City's cost of retirement benefit. As a cost savings element of the Deficit Elimination Plan, the City Council approved a pension reform measure establishing a new Tier of PERS benefit, determining that employees hired after December 2011 would revert to the 2% @ 55 benefit formula. This will begin to lower the unfunded liability over time. Additionally, in September 2012 Governor Brown signed the Public Employees Pension Reform Act (PEPRA) into law, implementing significant pension reforms to state and local government employees. The reforms included capping benefits and setting the maximum retirement formula for non-public safety employees new to the CalPERS system as of January 1, 2013 at 2% @ 62.

#### *Historic and Current Funding levels*

The City of Moreno Valley is not alone in facing rapid increases in unfunded pension liabilities. Most municipalities across the state are experiencing this situation due to increases in benefit levels and the large investment market losses in 2008. The City has seen a rapid increase in the CalPERS retirement accrued liability from \$28 million in 2002 to \$132 million in 2011, a 370% increase in a ten-year period. The value of the assets funding the retirement liability has grown at a slower rate, increasing to \$93 million or 200%



over the same ten-year period. The result is a decrease in the Funded Ratio from 106% funded in 2002 to just 70% funded in 2012, based on the Actuarial Value of Assets (AVA). The unfunded liability grew from zero in June 2002 (overfunded) to \$48.3 million in June 2011.

This rapid increase in the retirement liability, and specifically the unfunded liability, was fueled by increases in staffing, combined with normal increases in pay rates. The retirement liability also increased in FY 2006/07 when the benefit formula was revised from 2% @ 55 to 2.7% @ 55. The liability took large jumps in June 2009 and 2010 reflecting the changes in PERS actuarial assumptions and the June 2009 and December 2009 early retirement (“golden handshake”) incentive impacts. The unfunded liability in June 2010 was largely impacted by the massive investment losses in the 2008/09 fiscal year. The large loss caused the Market Value of the Assets (MVA) to plunge to \$57 million, reflecting a 52% funded ratio based on market value of the assets. These losses are reflected in the unfunded liability and will be smoothed over a 30-year period based on PERS’ current actuarial approach. The impact of this smoothing technique will be to drive employer contribution rates higher at a more gradual rate for many years to come.

**Table of PERS Retirement Actuarial Data for the City of Moreno Valley**

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Unfunded Liability AVA	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
6/30/2002	28,597,500	30,564,460		-1,966,960	106.90%	N/A	14,313,573
6/30/2003	35,236,196	32,434,425	29,485,841	2,801,771	92.00%	83.70%	16,033,586
6/30/2004	41,276,067	36,098,898	35,497,704	5,177,169	87.50%	86.00%	17,552,133
6/30/2005	52,487,232	41,214,897	42,222,582	11,272,335	78.50%	80.40%	19,082,187
6/30/2006	61,187,066	47,837,803	50,234,692	13,349,263	78.20%	82.10%	22,018,967
6/30/2007 *	75,316,003	58,733,315	66,420,640	16,582,688	78.00%	88.20%	26,023,541
6/30/2008	90,939,749	69,197,682	68,784,834	21,742,067	76.10%	75.60%	30,739,388
6/30/2009 **	109,758,482	78,175,287	57,048,118	31,583,195	71.20%	52.00%	26,384,952
6/30/2010	120,692,084	85,693,181	68,133,478	52,558,606	71.00%	56.50%	23,670,851
6/30/2011	132,322,141	92,912,456	83,963,364	48,358,777	70.20%	63.50%	24,148,281

\* Increased benefit to 2.7% at 55 in September 2006

\*\* Includes impact of first Early Retirement Offering and PERS demographic assumption changes

*Costs of funding retirement benefits - current*

The employer rate had been fairly steady at a rate of approximately 15% of payroll for a four-year period through FY 2010/11. The rate for FY 2011-12 jumped to over 19%, a 25% increase in the rate in one year. The employer contribution rates have continued to rise at a rate of over 7% per year. This will add an estimated \$170,000 cost annually to the City's General Fund. Below is a table reflecting recent PERS rates for the City.

The impact of the increased accrued retirement liability and the large investment loss has created an environment in which the City's employer contribution rate will increase approximately 2-3% annually for the foreseeable future based on current actuarial methods and assumptions used by CalPERS. However, due to changes in market conditions, and known demographic factors, PERS is proposing to change actuarial assumptions toward a more conservative approach in valuing public agency retirement assets and liabilities.

<b>Fiscal Year</b>	<b>Employer Normal Cost</b>	<b>Unfunded Rate</b>	<b>Total Employer Contribution Rate</b>	<b>Change in Percentage</b>	<b>Percent Increase</b>	<b>Employee Contribution Rate *</b>
FY 2005-06	8.52%	1.57%	10.09%			8.00%
FY 2006-07	8.60%	1.89%	10.49%	0.40%	4.0%	8.00%
FY 2007-08	10.80%	4.27%	15.07%	4.58%	43.7%	8.00%
FY 2008-09	10.83%	4.07%	14.90%	-0.17%	-1.1%	8.00%
FY 2009-10	10.85%	4.12%	14.97%	0.07%	0.5%	8.00%
FY 2010-11	10.95%	4.56%	15.51%	0.54%	3.6%	8.00%
FY 2011-12	11.11%	8.24%	19.35%	3.84%	24.8%	8.00%
FY 2012-13	10.73%	10.11%	20.85%	1.50%	7.7%	8.00%
FY 2013-14	11.63%	10.67%	22.31%	1.46%	7.0%	8.00%

\*The employee rate for new hires after September 30, 2011 is 7%

*Costs of funding retirement benefits – future*

The City's contributions to fund the retirement program are determined through the actuarial valuation process. This process analyzes the funds contributed and invested at a point in time and compares this resource to the calculated future liability. This calculation considers many factors that are components of the actuarial process, including the discount rate (assumed investment earnings rate), age of participants, expected longevity of participants, among other factors. This complex calculation compares this liability, factors payment of this liability over the expected working horizon of the participants, and determines the Employer Contribution Rate. This rate as a percentage of payroll costs is what is paid to CalPERS to fund the retirement benefits during a fiscal year period.

In light of the recent focus on retirement benefits statewide, CalPERS is reviewing many of the actuarial assumptions and approaches. CalPERS Chief Actuary, Alan Milligan, is recommending dramatic changes to the smoothing methods currently used since 2004 to the CalPERS Board of Directors. The following table indicates that the typical plan will only reach 79% funding status over a 30-year period based on current PERS modeling methods. CalPERS staff has modeled several different smoothing methods and is

recommending Method 5 which demonstrates an ability to reach 100% funding status at the end of a 30-year period.

### Median Funded Status

The tables below compare the projected median funded status in 10 years, 30 years and 50 years for each plan and each method considered. The results are based on 1,500 projections for 50 years using randomly simulated investment returns. Projections include impact of changes due to the PEPRA reform law. Data is as of June 30, 2011.

#### State Miscellaneous

Method	Median Funded Status in 10 Years	Median Funded Status in 20 Years	Median Funded Status in 30 Years
Current Method	62%	74%	79%
Method 2	63%	79%	95%
Method 3	64%	80%	95%
Method 4	64%	79%	94%
Method 5	64%	84%	103%

This change in the smoothing procedure is estimated to create up to a 50% increase in the employer rate over the next 6 year period as it is phased in. The City's employer rate for FY 2013/14 is 22.305% of payroll. Following the chart listed below, the City's impact from implementing Method 5 would be an increase to about 30% of payroll. This is an estimated 35% increase in the rate, which would increase General Fund costs by about \$800,000 annually over the 6 year period. Total PERS costs to the City would increase by about \$1.6 million annually over the same period.

### Median Employer Contribution Rates for the Next Five Years

The tables below compare the projected median employer contribution rate for each method over the next five years. The results are based on 1,500 projections for 50 years using randomly simulated investment returns. Projections include impact of changes due to the PEPRA reform law. Data is as of June 30, 2011.

#### State Miscellaneous

Method	Year 1	Year 2	Year 3	Year 4	Year 5
Current Method	20.9%	21.3%	23.1%	24.4%	25.3%
Method 2	21.1%	21.8%	23.3%	24.9%	26.0%
Method 3	22.2%	24.0%	25.7%	27.4%	28.2%
Method 4	21.8%	23.3%	24.8%	26.5%	28.3%
Method 5	22.0%	23.6%	25.3%	27.1%	29.2%

In addition, CalPERS' Chief Actuary is considering more conservative assumptions on several of the actuarial factors, including the discount rate and the longevity factors. The discount rate currently used is 7.75% and CalPERS staff is recommending a change to 6.75% or 7.00%. Based on recent experience with retiree longevity, increasing the life expectancy assumptions will also likely be recommended. These are planned to be brought to the CalPERS Board within the next year. The impact will be reduced funding over the long term due to the reduction in the assumed rate of return (discount rate), and higher liability in retiree payouts due to the longer life expectancy. Changes in these factors would increase the employer contribution rates by an additional 3-5% of payroll.

## **Retiree Medical Unfunded Liability**

### *Background on retiree medical benefit*

The City began offering the defined benefit retiree medical benefit in July 2001, in addition to the City's defined contribution program that prefunded retiree medical benefits. The benefit provides \$318 per month for employees that achieve at least 5 years of employment with the City and retire directly from the City at age 50 or older. In addition, the City pays the minimum medical benefit amount in the CalPERS medical system of \$112 per month. The retiree medical benefit is only available to full-time career employees. The City currently has 121 retirees covered by the benefit as of June 30, 2011. There are an additional 297 active staff members who will be eligible for this benefit if they retire from the City. Upon approval of the defined benefit program in 2001, the City immediately created an unfunded liability. The unfunded liability exists because the City entered into a contract to provide a benefit in the future for which no money had been set-aside during the employee's employment to fund the benefit.

The Government Accounting Standards Board adopted GASB standard 45 which requires government agencies to conduct an actuarial study to determine the normal and unfunded costs of the Defined Benefit program, which will determine an Actuarially Required Contribution (ARC) that would fund the benefit over a 30-year period. The agency may choose to pay only the normal cost on a pay-as-you-go basis and record the unfunded liability portion on the balance sheet or choose to fund the ARC in a trust account, which then would have no balance sheet impact. The GASB 45 reporting requirements became effective for the FY 2007/08.

### *Past Funding Levels/Contributions*

The City began funding the retiree medical benefit in FY 2008/09. A trust was established with CalPERS established as trust administrator. The trust program with CalPERS is known as California Employee Retirement Benefit Trust (CERBT). The following table depicts the City's contributions to the trust per the most recent actuarial report.

<b>Market Value of Assets (Amounts in 000's)</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
▪ <b>Market Value at Beginning of Year</b>	\$ 0	\$ 1,580	\$ 2,875
• CERBT Contributions	1,580	1,068	1,564
• PayGo Contributions <sup>5</sup>	206	357	0
• Investment Earnings	0	230	994
• Benefit Payments	(206)	(357)	(421)
• Administrative Expenses	0	(2)	(6)
▪ <b>Market Value at End of Year</b>	1,580	2,875	5,006
▪ <b>MVA Estimated Net Return</b>	0.0%	11.3%	23.5%
▪ <b>CERBT Net Annual Return</b>	(23.0%)	15.9%	25.0%

<sup>5</sup> Benefit payments made directly from City assets.

### *Actuarial Funding Status as of June 30, 2011*

The City has contributed to the CERBT Trust since FY 2008/09. GASB45 and the PERS trust require an actuarial report be updated every 2 years. The following table reflects the actuarial status of the City's Other Post Retirement Benefits (OPEB) funding at June 30, 2011. This valuation was prepared at a point in time prior to the City Council's approval of the Tier 3 benefit level became effective. The next actuarial report will reflect the elimination of the Defined Benefit for retiree medical for all employees hired after September 30, 2011. As of June 30, 2011, the retiree medical benefit reflects an Actuarial Accrued Liability of \$11.7 million and Actuarial Assets of \$4.4 million to fund the benefit, reflecting a 38% funding level. The unfunded portion of the liability is \$7.2 million. The actuarial projections reflect an expected funding level of 46% by June 30, 2013.

<b>Actuarial Obligations (Amounts in 000's)</b>	<b><u>1/1/10 Valuation</u></b>		<b><u>6/30/11 Valuation</u></b>		
	<b>Actual 1/1/10</b>	<b>Projected 6/30/11</b>	<b>Actual 6/30/11</b>	<b>Projected 6/30/12</b>	<b>Projected 6/30/13</b>
▪ <b>Discount Rate</b>	7.75%	7.75%	S&U	S&U	S&U
▪ <b>PVB</b>					
• Actives	\$11,714	\$13,034	\$9,436	\$9,969	\$10,477
• Retirees	<u>7,170</u>	<u>7,232</u>	<u>6,055</u>	<u>5,975</u>	<u>5,887</u>
• Total	18,885	20,268	15,491	15,944	16,364
▪ <b>AAL</b>					
• Actives	6,430	8,312	5,615	6,493	7,384
• Retirees	<u>7,170</u>	<u>7,232</u>	<u>6,055</u>	<u>5,975</u>	<u>5,887</u>
• Total	13,600	15,544	11,670	12,467	13,270
▪ <b>Actuarial Assets</b>	<u>2,386</u>	<u>4,223</u>	<u>4,428</u>	<u>5,559</u>	<u>6,095</u>
▪ <b>Unfunded AAL</b>	11,214	11,321	7,242	6,909	7,175
▪ <b>Funded Percent</b>	18%	27%	38%	45%	46%
▪ <b>Normal Cost (FY)</b>	786	812	573	592	611
▪ <b>Normal Cost % Pay</b>	3.5%	3.5%	2.8%	2.8%	2.8%
▪ <b>Pay-As-You-Go (FY)</b>	523	580	463	522	597

### *Annual Required Contribution*

The following table depicts the Annual Required Contribution (ARC) for the retiree medical benefit to fully fund the benefit during the expected employment period of the active employees. The ARC consists of two components. The first is the “normal” contribution which reflects the accrual of the benefit for the employees still working over their expected employment period. The second component is the Unfunded Accrued Actuarial Liability (UAAL) which represents the “catch-up” funding for those already retired and receiving benefits which were not funding during their employment period. The following table shows the ARC for FY 2010/11 and projected through FY 2013/14.

<b>Annual Required Contribution (Amounts in 000's)</b>	<b><u>1/1/10 Valuation</u></b>		<b><u>6/30/11 Valuation</u></b>	
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
▪ <b>Discount Rate</b>	7.75%	7.75%	S&U	S&U
▪ <b>ARC - \$</b>				
• Normal Cost	\$ 786	\$ 812	\$ 592	\$ 611
• UAAL Amortization	<u>778</u>	<u>804</u>	<u>426</u>	<u>457</u>
• ARC	1,564	1,615	1,018	1,069
▪ <b>Projected Payroll</b>	22,465	23,195	20,909	21,589
▪ <b>ARC - %</b>				
• Normal Cost	3.5%	3.5%	2.8%	2.8%
• UAAL Amortization	<u>3.5%</u>	<u>3.5%</u>	<u>2.0%</u>	<u>2.1%</u>
• ARC	7.0%	7.0%	4.9%	5.0%
▪ <b>UAAL Amort Years</b>	Various	Various	26	25

### *Future funding levels and related costs*

Based on the elimination of the retiree medical defined benefit program for new employees hired after September 30, 2011, the City's unfunded liability will likely not increase beyond the amounts identified in the actuarial report. As employees leave prior to retirement, the unfunded liability will decrease over time. The City is able to make better funding decisions with the liability fixed and no new participants able to join the benefit pool. The prudent financial approach for the City is to continue to fund the Retiree Medical Trust with CalPERS, as funding permits. This ensures the City is meeting its financial responsibilities to the employees in a responsible manner. If funding is not available, the City may choose to pay less than the full Annual Required Contribution, which will cause the unfunded liability to remain, and the liability must be disclosed in the financial statements, documenting the lack of funding.

**ATTACHMENTS**

PowerPoint (to be provided under separate cover)

Prepared By:  
Rick Teichert  
Financial and Management Services Director

Council Action	
Approved as requested:	Referred to:
Approved as amended:	For:
Denied:	Continued until:
Other:	Hearing set for:

**This page intentionally left blank.**





## Community & Economic Development Department

### MEMORANDUM

---

To: Mayor and City Council BF

From: Barry Foster, Community & Economic Development Department

Date: March 28, 2013

Subject: 3-YEAR ECONOMIC DEVELOPMENT ACTION PLAN, ITEM 3 ON APRIL 2,  
2013 CITY COUNCIL STUDY SESSION AGENDA

cc: Agenda packet distribution list

Attached is the Updated 3-Year Economic Development Action Plan.  
Please note that the change is to the attachment 1 to the above-mentioned subject item.

## ECONOMIC DEVELOPMENT ACTION PLAN 2013-2016

An updated Economic Development Action Plan has been formulated to capitalize on near-term opportunities in eight geographic areas during a 3-year time frame. The focus of the updated Economic Development Action Plan includes the following goals and objectives in the nine recommended geographic areas:

### **Edgemont**

Pursue the revitalization of the Edgemont area through the adoption of a multi-faceted redevelopment strategy.

- Work towards the upgrading the water system to ensure sufficient water pressure to allow for new development projects in this area.
- Use Neighborhood Stabilization program funding to acquire and land bank foreclosed properties-both single-family and multi-family residential.
- Conduct quarterly Neighborhood Clean-up programs.
- Retain a planning consultant to evaluate land uses to establish the highest and best land use designations for redevelopment efforts.
- Pursue a master developer to assist with the planning for redevelopment in the Edgemont area.

### **TownGate**

Collaborate with the Fritz Duda Company and CW Capital towards stabilizing, upgrading and expanding retail and restaurant development opportunities in the TownGate area including the Moreno Valley Mall and the five shopping centers surrounding the regional mall including TownGate Center, TownGate Plaza, TownGate Crossing, TownGate Promenade and TownGate Square

- Continue to work with CW Capital-the owner of the Moreno Valley Mall in upgrading and attracting new users to the regional mall.
- Facilitate the planning and marketing for a 30,000 S.F. expansion project at the Moreno Valley Mall to include a new restaurant, retail and plaza area next to Harkins Theatres.
- Work with the Fritz Duda Company in the re-occupancy of vacant retail spaces and the overall stabilization of TownGate Center including new uses such as ULTA Beauty, BevMo and Planet Fitness.
- Assist in the processing of development plans for new projects in TownGate shopping centers including 24 Hour Fitness Sport, Miguel's Jr. Mexican Restaurant and Richie's Real American Diner.
- Cooperate with the Fritz Duda Company in pursuing the continued development of a 'Restaurant Row' area in TownGate Promenade.

## **Festival**

Cooperate with the Kodash Company and Miller Family Trust-the ownership of the Festival Center, to explore ways to redevelop or enhance the viability of the Festival Center including rehabilitation efforts and incorporating new appropriate land uses.

- Help facilitate attracting new users and the upgrade of the Festival Center.
- Explore developing a new residential component at the Festival Center.
- Explore possibilities with Moreno Valley Unified School District of developing new education facilities at Festival.
- Pursue an overlay study to consider other uses at Festival including possibly cultural & performing arts facilities, along with developing sports or recreation facilities for use by the community to create a mixed-use development concept.

## **Sunnymead Boulevard**

Work towards the further redevelopment of Sunnymead Boulevard, between Frederick Street to Perris Boulevard.

- Conduct a code compliance effort aimed at enhancing the image of Sunnymead Boulevard.
- Pursue new users and development projects for Sunnymead Boulevard.
- Market mixed-use development opportunities for Sunnymead Boulevard that combine new residential projects with retail and office uses.

## **Centerpointe Business Park**

Work with Ridge Property Trust and USAA Real Estate to expand development and business opportunities aimed at completing the Centerpointe Business Park.

- Assist Ridge Property Trust and Harbor Freight Tools (HFT) in the 507,720 S.F. expansion of HFT's Distribution Center at the NW corner of Cactus and Graham.
- Facilitate efforts for a user to occupy USAA's new 522,774 S.F. Centerpointe Logistics Center at the NW corner of Cactus and Frederick.
- Help advance the development of Ridge Property Trust's approved 607,960 S.F. industrial building at the NW corner of Brodiaea and Graham.
- Facilitate expansion plans for the Serta Mattress facility.
- Work with the owner of the Plaza Del Sol Center in stabilizing the center to provide needed shopping and restaurant opportunities in the Centerpointe Business Park area.

## **South Moreno Valley Industrial Area**

Work with seven developers (Alere Property Group, First Industrial Realty Trust, IDS Real Estate Group, Panattoni Development Co., Sares-REGIS Group, Trammell Crow Company & Western RealCo) on new business attraction and development projects in the South Moreno Valley Industrial Area.

- Work with IDS Real Estate Group in securing a business user for the new 769,320 S.F. Nandina Distribution Center.
- Facilitate the completion of Trammell Crow Company's 1,250,000 S.F. I-215 Logistics Center project, including securing a user.

- Cooperate with First Industrial Realty Trust and Panattoni Development Co. in pursuing the speculative development of two industrial buildings with a total of nearly 2 million S.F.
- Assist Sares-REGIS Group and Western RealCo in build-to-suit opportunities for two approved industrial building projects with a total of more than 3.6 million S.F.
- Work with Alere Property Group, First Industrial Realty Trust and Trammell Crow Co. in the planning and entitlements for several new industrial projects with a proposed 4 million S.F.

### **City Center Medical/Healthcare Corridor**

Cooperate with Riverside County Regional Medical Center (RCRMC), Kaiser Permanente, Moreno Valley College and Highland Fairview to help facilitate the further expansion of the City of Moreno Valley's Medical/Healthcare Corridor on Nason Street & Iris Avenue.

- Assist Riverside County with the implementation of the Master Plan for expanding the Riverside County Regional Medical Center including a new Trauma & Urgent Care, relocated & upgraded Operations Support building and facilities for the new UCR School of Medicine.
- Facilitate plans by Kaiser Permanente to expand the Moreno Valley Community Hospital with an expansion and upgrade of the Emergency Room facilities and development of a planned second tower.
- Cooperate with Moreno Valley College and Riverside Community College District in the development of a proposed 30,000 S.F. allied health sciences facility in the medical-healthcare corridor.
- Support the planning and marketing efforts of Highland Fairview to pursue the creation of a master planned 200-acre healthcare campus to be situated within the medical corridor and between the two existing hospitals-RCRMC and Kaiser's Community Hospital.
- Continue the planning and funding of capital improvement projects that will widen and construct the ultimate improvements on Nason Street from SR 60 to Iris Avenue to provide critical access to the two hospitals and the medical/healthcare corridor.
- The continued development of Medical/Healthcare corridor on Nason Street and Iris Avenue shall be the City's top priority for new medical and healthcare development.
- Undertake a study to determine highest and best land uses for the City-owned 60-acre property at the NW corner of Nason and Alessandro.

### **World Logistics Center at Rancho Belago**

Collaborate with Highland Fairview in the development of the World Logistics Center—a 41.6 million S.F. master planned corporate park proposed to be developed on 2,700 acres in the Rancho Belago area of eastern Moreno Valley.

- Process an Environmental Impact Report and preliminary development plans for the World Logistics Center in eastern Moreno Valley—south of SR 60 and east of Redlands Boulevard to Gilman Springs Road.
- Assist in the drafting of a Specific Plan that will guide the orderly development for of World Logistics Center.
- Cooperate with Highland Fairview in the formulation of a Development Agreement to create a public-private partnership to help facilitate the development of new public infrastructure in eastern

Moreno Valley associated with the World Logistics Center including roads, trails, utilities, storm water protection and fire protection facilities.

- Work with Highland Fairview in branding the World Logistics Center as one of the largest e-commerce focused development projects in the U.S.

### **SR 60 East Corridor**

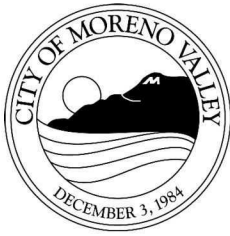
Pursue new development opportunities along the SR 60 East corridor—from Nason Street to the easterly City limits.

- Prepare an Overlay Study to determine the 'highest and best' land uses along the SR 60 East Corridor.
- Assist property owners and developers in marketing development opportunities along the SR 60 East Corridor.
- Work on opportunities to expand the Moreno Valley Auto Mall.
- Facilitate the stabilization and further development of Stoneridge Towne Centre and Moreno Beach Plaza.

In addition to activities in the eight geographic areas, a series of objectives are being recommended to assist with overall economic development efforts to assist with Business Attraction, Business Retention and Business Expansion including the following:

- Continue to coordinate the Capital Program (CIP) with economic development efforts
- Expand the Development Ombudsman Program to provide a comprehensive range of business support services for developers and businesses
- Restart the Business Visitation Program, including the participation of the Mayor in 1 on 1 visits annually with the Top 50 with the major employers in the community
- Implement new software that will enable business owners, developers, contractors and residents to electronically submit and manage their plans with the City of Moreno Valley
- Utilize the Chambers of Commerce to expand participation in the Small Business Counseling Services provided by the Small Business Development Center (SBDC)
- Work with the Community Investment Corporation in a the development of a business incubator and micro-business loan program
- Pursue the reuse of vacant anchor retail spaces, including the use of the new ED-Retail Anchor Reuse Incentive Program
- Explore revising the scopes of work with the Agreements the Chamber of Commerce to better focus on business retention and expansion activities, including expansion of Shop MoVal, as well as establishing a program to promote more business to business transactions in Moreno Valley
- Utilize the Chambers of Commerce to undertake a survey of the small business community on ways to improve the business climate in Moreno Valley
- Use the Chambers of Commerce to assist with increasing high school graduation rates in the community through the development of mentor programs to link students with business leaders
- Pursue the creation of a Business Support Advisory Council comprised of major employers in Moreno Valley

- Seek ways to promote opportunities for more ties between cultural & performing arts in the community with economic development
- Explore creating an incentive program aimed at attracting development projects with e-commerce or fulfillment center users
- Continue to work with residential developers and the Building Industry Association (BIA) on ways to help facilitate new quality residential development in Moreno Valley



APPROVALS	
BUDGET OFFICER	
CITY ATTORNEY	<i>[Signature]</i>
CITY MANAGER	<i>[Signature]</i>

## Report to City Council

---

**TO:** Mayor and City Council

**FROM:** Barry Foster, Community & Economic Development Director

**AGENDA DATE:** April 2, 2013

**TITLE:** 3-YEAR ECONOMIC DEVELOPMENT ACTION PLAN

---

### **RECOMMENDED ACTION**

Recommendation: That the City Council:

1. Review and provide direction on the proposed 3-Year Economic Development Action Plan.

### **ADVISORY BOARD/COMMISSION RECOMMENDATION**

The City's Economic Development Subcommittee recommends approval of the 3-Year Economic Development Action Plan as drafted.

### **BACKGROUND**

In April 2011, the City adopted a 2-Year Economic Development Action Plan to act as a short term (2 year) strategic plan to help guide the City's economic development efforts in five geographic areas including: 1) Towngate, 2) Centerpointe Business Park, 3) South Moreno Valley Industrial Area, 4) Rancho Belago - East Moreno Valley and 5) City Center. Additionally, the Economic Development Action Plan helped focus Capital Improvement Plan Funding on projects that can help advance Economic Development efforts. During the 2-Year period of the Economic Development Action Plan much has been accomplished in the five geographic areas including the significant project advancement and job creation.

**DISCUSSION**

The new proposed 3-Year ED Action Plan has been formulated to build upon the 2-Year ED Action Plan, but continues to push many more economic development efforts including even more job creation. The proposed 3-Year ED Action Plan presents the following:

- A new 3-Year ED Action Plan would expand the focus of to nine geographic areas including 1) Edgemont, 2) TownGate, 3) Festival, 4) Sunnymead Blvd., 5) Centerpointe Business Park, 6) South Moreno Valley Industrial Area, 7) City Center & Medical/ Healthcare Corridor, 8) World Logistics Center at Rancho Belago and 9) SR 60 East Corridor.
  
- The ED Action Plan also includes fourteen objectives aimed at increasing overall economic development efforts with 1) Business Attraction, 2) Business retention and 3) Business Expansion.

**ATTACHMENTS**

Attachment 1 \_ 2013\_ 3-Year Economic Development Action Plan

Prepared By:  
 Barry Foster  
 Community & Economic Development Director

Council Action	
Approved as requested:	Referred to:
Approved as amended:	For:
Denied:	Continued until:
Other:	Hearing set for:



## ECONOMIC DEVELOPMENT ACTION PLAN 2013-2016

An updated Economic Development Action Plan has been formulated to capitalize on near-term opportunities in eight geographic areas during a 3-year time frame. The focus of the updated Economic Development Action Plan includes the following goals and objectives in the eight recommended geographic areas:

### **Edgemont**

Pursue the revitalization of the Edgemont area through the adoption of a multi-faceted redevelopment strategy.

- Work towards the upgrading the water system to ensure sufficient water pressure to allow for new development projects in this area.
- Use Neighborhood Stabilization program funding to acquire and land bank foreclosed properties- both single-family and multi-family residential.
- Conduct quarterly Neighborhood Clean-up programs.
- Retain a planning consultant to evaluate land uses to establish the highest and best land use designations for redevelopment efforts.
- Pursue a master developer to assist with the planning for redevelopment in the Edgemont area.

### **TownGate**

Collaborate with the Fritz Duda Company and CW Capital towards stabilizing, upgrading and expanding retail and restaurant development opportunities in the TownGate area including the Moreno Valley Mall and the five shopping centers surrounding the regional mall including TownGate Center, TownGate Plaza, TownGate Crossing, TownGate Promenade and TownGate Square

- Continue to work with CW Capital-the owner of the Moreno Valley Mall in upgrading and attracting new users to the regional mall.
- Facilitate the planning and marketing for a 30,000 S.F. expansion project at the Moreno Valley Mall to include a new restaurant, retail and plaza area next to Harkins Theatres.
- Work with the Fritz Duda Company in the re-occupancy of vacant retail spaces and the overall stabilization of TownGate Center including new uses such as ULTA Beauty, BevMo and Planet Fitness.
- Assist in the processing of development plans for new projects in TownGate shopping centers including 24 Hour Fitness Sport, Miguels Jr. Mexican Restaurant and Richie's Real American Diner.
- Cooperate with the Fritz Duda Company in pursuing the continued development of a 'Restaurant Row' area in TownGate Promenade.

## **Festival**

Cooperate with the Kodash Company and Miller Family Trust-the ownership of the Festival Center, to explore ways to redevelop or enhance the viability of the Festival Center including rehabilitation efforts and incorporating new appropriate land uses.

- Help facilitate attracting new users and the upgrade of the Festival Center.
- Explore developing a new residential component at the Festival Center.
- Explore possibilities with Moreno Valley Unified School District of developing new education facilities at Festival.
- Evaluate developing sports or recreation facilities at Festival for use by the community to create a mixed-use development concept.

## **Centerpointe Business Park**

Work with Ridge Property Trust and USAA Real Estate to expand development and business opportunities aimed at completing the Centerpointe Business Park.

- Assist Ridge Property Trust and Harbor Freight Tools (HFT) in the 507,720 S.F. expansion of HFT's Distribution Center at the NW corner of Cactus and Graham.
- Facilitate efforts for a user to occupy USAA's new 522,774 S.F. Centerpointe Logistics Center at the NW corner of Cactus and Frederick.
- Help advance the development of Ridge Property Trust's approved 607,960 S.F. industrial building at the NW corner of Brodiaea and Graham.
- Facilitate expansion plans for the Serta Mattress facility.
- Work with the owner of the Plaza Del Sol Center in stabilizing the center to provide needed shopping and restaurant opportunities in the Centerpointe Business Park area.

## **South Moreno Valley Industrial Area**

Work with seven developers (Alere Property Group, First Industrial Realty Trust, IDS Real Estate Group, Panattoni Development Co., Sare-REGIS Group, Trammell Crow Company & Western RealCo) on new business attraction and development projects in the South Moreno Valley Industrial Area.

- Work with IDS Real Estate Group in securing a business user for the new 769,320 S.F. Nandina Distribution Center.
- Facilitate the completion of Trammell Crow Company's 1,250,000 S.F. I-215 Logistics Center project, including securing a user.
- Cooperate with First Industrial Realty Trust and Panattoni Development Co. in pursuing the speculative development of two industrial buildings with a total of nearly 2 million S.F.
- Assist Sares-REGIS Group and Western RealCo in build-to-suit opportunities for two approved industrial building projects with a total of more than 3.6 million S.F.
- Work with Alere Property Group, First Industrial Realty Trust and Trammell Crow Co. in the planning and entitlements for several new industrial projects with a proposed 4 million S.F.

### **City Center Medical/Healthcare Corridor**

Cooperate with Riverside County Regional Medical Center (RCRMC), Kaiser Permanente, Moreno Valley College and Highland Fairview to help facilitate the further expansion of the City of Moreno Valley's Medical/Healthcare Corridor on Nason Street & Iris Avenue.

- Assist Riverside County with the implementation of the Master Plan for expanding the Riverside County Regional Medical Center including a new Trauma & Urgent Care, relocated & upgraded Operations Support building and facilities for the new UCR School of Medicine.
- Facilitate plans by Kaiser Permanente to expand the Moreno Valley Community Hospital with an expansion and upgrade of the Emergency Room facilities and development of a planned second tower.
- Cooperate with Moreno Valley College and Riverside Community College District in the development of a proposed 30,000 S.F. allied health sciences facility in the medical-healthcare corridor.
- Support the planning and marketing efforts of Highland Fairview to pursue the creation of a master planned 200-acre healthcare campus to be situated within the medical corridor and between the two existing hospitals-RCRMC and Kaiser's Community Hospital.
- Continue the planning and funding of capital improvement projects that will widen and construct the ultimate improvements on Nason Street from SR 60 to Iris Avenue to provide critical access to the two hospitals and the medical/healthcare corridor.

### **World Logistics Center at Rancho Belago**

Collaborate with Highland Fairview in the development of the World Logistics Center—a 41.6 million S.F. master planned corporate park proposed to be developed on 2,700 acres in the Rancho Belago area of eastern Moreno Valley.

- Process an Environmental Impact Report and preliminary development plans for the World Logistics Center in eastern Moreno Valley—south of SR 60 and east of Redlands Boulevard to Gilman Springs Road.
- Assist in the drafting of a Specific Plan that will guide the orderly development for of World Logistics Center.
- Cooperate with Highland Fairview in the formulation of a Development Agreement to create a public-private partnership to help facilitate the development of new public infrastructure in eastern Moreno Valley associated with the World Logistics Center including roads, trails, utilities, storm water protection and fire protection facilities.
- Work with Highland Fairview in branding the World Logistics Center as one of the largest e-commerce focused development projects in the U.S.

## **SR 60 East Corridor**

Pursue new development opportunities along the SR 60 East corridor—from Nason Street to the easterly City limits.

- Prepare an Overlay Study to determine the ‘highest and best’ land uses along the SR 60 East Corridor.
- Assist property owners and developers in marketing development opportunities along the SR 60 East Corridor.
- Work on opportunities to expand the Moreno Valley Auto Mall.
- Facilitate the stabilization and further development of Stoneridge Towne Centre and Moreno Beach Plaza.

In addition to activities in the eight geographic areas, a series of objectives are being recommended to assist with overall economic development efforts to assist with Business Attraction, Business Retention and Business Expansion including the following:

- Continue to coordinate the Capital Program (CIP) with economic development efforts
- Expand the Development Ombudsman Program to provide a comprehensive range of business support services for developers and businesses
- Restart the Business Visitation Program, including the participation of the Mayor in 1 on 1 visits annually with the Top 50 with the major employers in the community
- Implement new software that will enable business owners, developers, contractors and residents to electronically submit and manage their plans with the City of Moreno Valley
- Utilize the Chambers of Commerce to expand participation in the Small Business Counseling Services provided by the Small Business Development Center (SBDC)
- Work with the Community Investment Corporation and the Chambers of Commerce in a business incubator and micro-business loan program
- Pursue the reuse of vacant anchor retail spaces, including the use of the new ED-Retail Anchor Reuse Incentive Program
- Explore revising the scopes of work with the Agreements the Chamber of Commerce to better focus on business retention and expansion activities, including expansion of Shop MoVal, as well as establishing a program to promote more business to business transactions in Moreno Valley
- Utilize the Chambers of Commerce to undertake a survey of the small business community on ways to improve the business climate in Moreno Valley
- Pursue the creation of a Business Support Advisory Council comprised of major employers in Moreno Valley