Salinas Valley
CHAMBER OF COMMERCE
BUSINESS
JOURNAL

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Update on "The Salinas Plan"

32 Unpopular Recommendations to Avoid Future City Bankruptcy

by Kevin Dayton, Chamber Board

We've all heard of companies reorganizing their debts under Chapter 11 of the U.S. Bankruptcy Code. And sometimes we hear about companies filing for bankruptcy under Chapter 7, which means the companies go completely out of business.

But do you know about Chapter 9 bankruptcy? This is the law for municipal governments (such as cities and counties) that can't pay off their debts. They go bankrupt to reorganize their debts, just like a business that can't pay its obligations.

Two of the most notorious Chapter 9 bankruptcies in recent American history were Orange County, California in 1994 and Detroit, Michigan in 2013. In recent years federal courts have also declared these three California cities to be bankrupt:

California Cities That Have Recently Gone Bankrupt

City	Date of Filing for Bankruptcy	Date of Getting Out of Bankruptcy
Vallejo	May 23, 2008	November 1, 2011
Stockton	June 28, 2012	February 25, 2015
San Bernardino	August 1, 2012	June 15, 2017

The City of Salinas has managed to avoid bankruptcy despite two financial crises in the 21st century. Will it be able to slip through a third financial crisis without bankruptcy?

It depends on the commitment of the community to make broad sacrifices now. Right now, it does not look promising.

When the Salinas City Council approved its most recent budget, it assumed that the city would spend $1.1 million more in the upcoming fiscal year than it collects in revenue. It also assumed that by Fiscal Year 2028-29, the city would spend $13 million more than it collects in revenue. For the next ten years, the city would end up spending a total of $63.2 million more than it collects.

According to the staff analysis of the budget outlook, costs of salaries, pensions, health insurance, and workers' compensation are the main reason for this projected budget shortfall. A recession will not cut these expenditures, but it will cut the revenue that was anticipated to pay for them, making the problem even more acute.

Recessions Lead to Local Government Bankruptcies

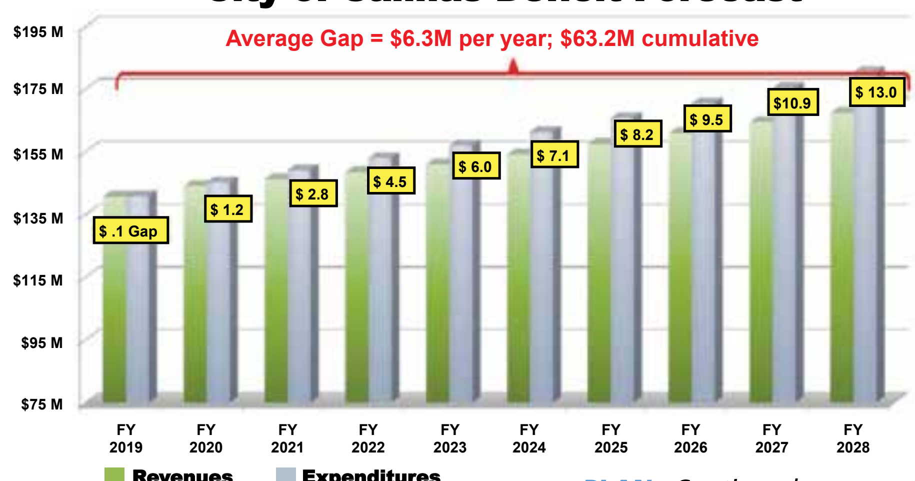
Notice in the chart above that Vallejo, Stockton, and San Bernardino went bankrupt during the so-called "Great Recession" of the late 2000s/early 2010s. When businesses were prospering, elected officials in these three cities could not resist imprudent spending on programs and projects. They also agreed to excessive financial commitments for employees. When the economy slowed down, these cities couldn't collect enough revenue in taxes and fees to pay their bills.

Ten years later, the American economy has experienced the longest period of sustained growth in its history. Just like in the mid-2000s, some experts say there's no reason to worry about recession. But a few naysayers recommend that cities such as Salinas plan for a future economic slowdown and restrain their spending.

Salinas At Risk When Recession Comes

Suppose the recession comes in 2020 or 2021. Which California local governments won't be able to pay their bills?

City of Salinas Deficit Forecast



PLAN - Continued on page 6

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Introducing the Blue Zone Way of Life to Monterey County

by John Bailey, Chamber Board Chair

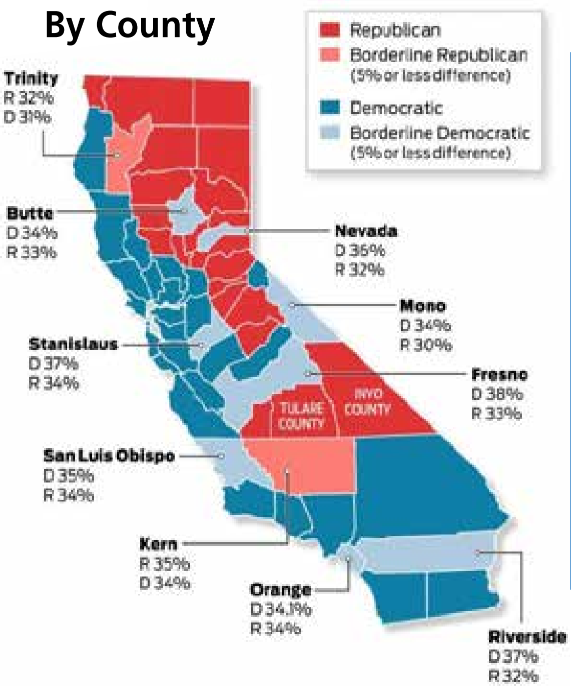
You cannot walk, run or bike past 252 Main Street in Salinas City Center without feeling the buzz emanating from the new Blue Zones Project headquarters. Salinas Valley Chamber members Salinas Valley Memorial Healthcare System, Taylor Farms and Montage Health are leading a community-wide approach to encourage higher quality of life throughout Monterey County. A quick 3-Minute test available on apps. bluezones.com gives an eye-opening survey before calculating your life expectancy, and provides a sobering reminder that improving one's daily choices, and attitude, may improve longevity for our whole community.

With so much local planning taking place throughout Monterey County to improve the walkability of our communities and an increased focus on our food and social networks, we are pleased to see the focus on reducing events and situations that trigger negative physical, mental or emotional responses. Even though there are many difficult discussions going on wherein we debate the solutions to our community's challenges, it is important to remember that we also have many positive role models throughout our community who are working hard to make this a better place to live. The Blue Zones Project and its leaders and volunteers are such role models. They are educating our community of the benefits of healthy food and great wine, exercising and forging strong social connections. That's something everyone can support.

We at the Salinas Valley Chamber work hard to collaborate with others and will continue to grow our close-knit circles of support across Monterey County. We welcome you to visit Blue Zone's Project headquarters to learn more about the Blue Zones Project. ■

Partisan Breakdown of California Voters

By County



10 Largest Cities

Note: Population estimates as of July 1, 2018

Sources: California secretary of state, county registrars, U.S. Census Bureau

Todd Trumbull / The Chronicle

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7:00 pm	Dinner and Awards Ceremony	www.SalinasChamber.com

Barbara Balentine

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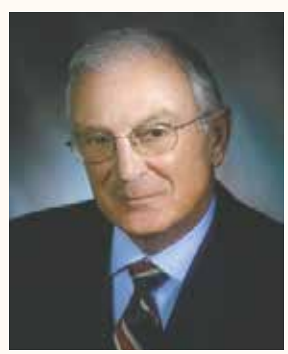
Candi DePauw



Vern Horton

CHAMBER TRIP - *Australia + Fiji*

by (and with) Chamber CEO Paul Farmer

Life is to be lived.

Consider joining us for this phenomenal trip!

Raise your hand if you want to go to Australia. I see you, there. Australia is definitely a "bucket list" trip for many people. Personally, I have only heard people rave about the country and its people. I'm excited that the Chamber's first trip in 2020 will help you experience this fantastic destination for yourself.

The international trips coordinated by the Chamber have become so popular that now we're offering two trips per year. ***(Note: you do NOT have to be a member of the Chamber to join in on the fun).***

Our first trip for 2020 is to Australia and the second trip (in October 2020) will be to Spain. We are still working on all of the details for Spain.

Australia AND Fiji

It's no wonder why Australia is among the top tourist destinations in the world: friendly people, beautiful beaches, Foster's Lager and those cuddly koalas and kangaroos. We'll be visiting the two must-see cities, Sydney and Melbourne, with an optional trip extension if you'd like to explore the Great Barrier Reef in the Northern part of the continent.

You might consider this fantastic vacation a two-in-one. Since we'll be flying right by the beautiful islands of Fiji in the South Pacific, we're going to stop to spend three days there on our way over to Australia. You'll certainly be struck by the natural beauty of the Fijian islands. From stunning waterfalls and pristine waters, to vibrant sea life and long stretches of sandy beaches, there's so much to take in. Some of the islands are covered in magical tropical rainforests.

What's Included & Price

The travel brochure on our website includes more details, but let me net out for you what's included: shuttle transportation to/from SFO airport, 4-star hotels with breakfast every day, tours with guide and private motorcoach. Most tours are included, but there are a few optional excursions or you can enjoy some leisure

time, exploring on your own.

Our "Australia + Fiji" 12-day tour is offered at the fantastically low rate of $3399. If you've got the time and a few extra bucks, you can add another three days to visit the Great Barrier Reef and Cairns for another $899.

Why Travel with the Chamber

Traveling with the Chamber is a fantastic way to travel internationally with someone you trust and our group travel rates will save you plenty of dough and headache. The Chamber and our travel partner agency handle all the details so all you have to do is enjoy yourself. If you're a single traveler who would like a roommate, we're very good at helping pair you up with a new friend. Speaking of new friends, you're guaranteed to make plenty of them on our trip!

There are so many cool things to share, you're going to have to learn more about it. Please join us for the ***no-pressure Travelers Information session on Nov 14*** (details in the ad beside this article). Or shoot me a note: President@SalinasChamber.com
Our traveler satisfaction is very high because the tours are top-notch, the pricing is very competitive (thank you, group discounts) and we know how to show people a good time! ■

2020 Chamber Trip

(open to anyone)

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Highlights: Experience Sydney & Melbourne, Australia's 2 iconic cities. See the Sydney Opera House from a harbor cruise. Hand feed kangaroos, see the wildlife and much more.

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PLAN – Continued from page 1

Salinas is on the prospective list of bankrupt cities, right there with Vallejo, Stockton, and San Bernardino. Its economic growth and creation of high-paying jobs lag behind the major coastal metropolitan areas of California. Housing supply at reasonable prices remains far below demand.

At the same time, the city's powerful public employee unions demand compensation and benefits (such as health insurance and pensions) that they believe they deserve. The City cannot pay these in the long run without an unexpected influx of new revenue.

In 2015, a privately-funded research institute that specializes in municipal finance issues - the National Resource Network - released a report entitled Hidden in Plain Sight: Why California's Economically Challenged Cities Matter. Salinas was included on this list of 77 cities at risk.

Threat Is Identified, Solution Is Proposed

Three years after releasing that report, the National Resource Network brought some advice to the City of Salinas on how to get off the list of cities at risk. On December 4, 2018, the Salinas City Council received and discussed a report from the organization entitled ***The Salinas Plan - Creating a Blueprint for Fiscal Sustainability and Housing Affordability.***

The report contained 32 recommended initiatives, at least one of which was guaranteed to offend every business and organization in Salinas (including the Salinas Valley Chamber of Commerce). Here's an outline of The Salinas Plan:

PURPOSES OF THE SALINAS PLAN FOR THE CITY

- Maintain its fiscal solvency.
- Continue to deliver core services and pursue strategic priorities.
- Identify ways to increase supply of housing that's affordable.

METHODOLOGY TO ACHIEVE THE PURPOSES OF THE SALINAS PLAN

- Save by reducing or eliminating non-core services.
- Identify new revenues to fund key strategic priorities.
- Find efficiencies in operations.
- Implement strategies that are sustainable for the long-term.

WHO WILL HAVE TO SACRIFICE UNDER THE SALINAS PLAN

- All City Departments
- Employees
- Residents
- Businesses

Reaction to The Salinas Plan: No One Wants to Sacrifice

At the Salinas City Council strategic planning session on January 26, 2019, the Salinas Taxpayers Association suggested that the city council "consider adopting the recommendations in The Salinas Plan as one big fiscal reform package, rather than proposing each recommendation on a piecemeal basis and allowing them to be picked apart and derailed by special interest groups." And in fact, various parties are picking apart and derailing recommendations among the 32 they don't like.

For example, on January 8, 2019, the Salinas City Council discussed the recommendation to establish a Rental Registry and Inspection Program. It was strongly opposed by the Monterey County Association of Realtors. The Salinas Valley Chamber of Commerce also expressed concerns about how it would affect businesses and their employees who rent in the City of Salinas.

Another recommendation - eliminating the Downtown Parking Fund deficits - is unpopular with merchants in Downtown Salinas. They worry that making customers pay for parking will discourage them from shopping downtown.

Meanwhile, city public employee unions continue to criticize The Salinas Plan. This hostility intensified when the City of Salinas engaged in contentious negotiations with the Salinas Police Officers Association (a union) over a new collective bargaining agreement.

A union-oriented dissent to the "last, best and final" offer had harsh words for The Salinas Plan. It decried what it called the "City's alliance with inconspicuous political activists that seek to influence our federal, state, and local government bodies through well-funded national attacks on public employees."

It also referred to The Salinas Plan as "propaganda from political extremists" that has inspired "pervasive and pernicious anti-public employee rhetoric" from the City. And it condemned what it called the City's flirtation with "extremist views" that "serves to undermine local government by perpetuating the silent influence of external forces."

Outlook

Not all is lost, yet. Residents concerned about the financial outlook of the City of Salinas should be pleased about the City Council's 6-1 vote on September 10, 2019 to control costs and resist full surrender to the police union demands. With their Yes votes, the mayor and five of the six members of the City Council held firm to the principles and strategies of The Salinas Plan.

All 32 recommendations in the plan provoke opposition from someone. But inaction is dangerous. Ultimately, when recession comes, the City of Salinas will have to dramatically cut services, dramatically increase taxes and fees on businesses and households, or file for Chapter 9 municipal bankruptcy and allow a federal judge to run the city.

Is your business prepared to accept massive tax increases and inadequate city services in a few years to balance the budget during recession? What do YOU want to see your Chamber do about The Salinas Plan?

The 32 Recommendations in The Salinas Plan

1. Staffing and Overtime Reduction
2. Police Civilianization
3. Improve Police Department Technology
4. Evaluate Provision of Advanced Life Support Services
5. Recover Full Cost of Service from Monterey County Regional Fire District
6. Consolidate Animal Services
7. Eliminate Downtown Parking Fund Deficits
8. Eliminate General Fund Subsidy of Golf Course Debt Service
9. Eliminate Sherwood Hall Deficits
10. Move Facility and Park Maintenance to Library and Community Services
11. Citywide Fleet Strategy
12. Improve Budget Process and Monitoring
13. Strategically Implement Consultant Studies with Action Plans and Savings Targets
14. Prepare a Preventive Maintenance Program for All City Facilities
15. Healthcare Cost Containment
16. Improve Base Pay on Cost-Neutral Basis
17. Eliminate Management and Flex Leave
18. Continue to Address Workers' Compensation Funding
19. Dedicate Savings to Capital Investment
20. Establish a Productivity Bank
21. Add an Analyst Position to City Managers' Office
22. Convene Stakeholders to Develop a Plan to Create More than 4,000 New Units of Affordable Housing in the Next Ten Years
23. Establish a Housing Trust Fund
24. Create a Land Strategy
25. Create Regulations to Address Safety and Health Conditions in Rental and Other Group Housing
26. Enact Storm Sewer Utility Fee
27. Increase Hotel Tax and Dedicate to Capital Investment
28. Establish a Mello-Roos Special Tax
29. Identify Additional Funding Sources for Housing Trust Fund
30. Rental Registry and Inspection Fee
31. Engage with the Community to Make Measure G Permanent
32. Incorporate Multi-Year Financial Planning into All Budget Actions

Contact the Chamber's President & CEO Paul Farmer at (831) 751-7725 or at President@SalinasChamber.com to give your thoughts and guidance to your Chamber's leadership and staff.

Workplace Mental Health Statistics

by CalChamber

This may come as a surprise, but for many companies, the single most expensive health-related problem is neither heart disease, cancer nor diabetes — it's mental health conditions, not all of which are known. In fact, more than half of those who died from suicide in 2017 didn't have a known mental health condition. Costs to employers are both direct and indirect, such as those caused by absenteeism, job turnover and work disability, among others, according to a One Mind at Work white paper, which also reports that depression alone can cost employers an estimated $44 billion in lost work productivity.

Research also shows mental illness is a top contributor to worker disability in the United States and is something that impacts business productivity more than physical disorders. What can employers do to help both their employees and business? California is currently developing a voluntary mental health standard aimed to help employers improve their workplace mental health — and looking for businesses to help.

Overall, nearly one in five adults in America experience a mental illness every year — that's 43.8 million adults. Those numbers include 10.2 million adults with co-occurring mental health and substance use conditions, which often are intertwined.

In the workplace, mental health conditions exist across all occupations, affecting employers regardless of industry or size. Employees of all ages, genders and race/ethnicity are affected, and one in three working-age adults experience a mental health challenge each year. But most workers avoid treatment due to both stigma and the fear of being viewed differently, or the fear of losing their job.

One Mind at Work, a global coalition of leaders from diverse sectors including business, research and education, expects that mental illness will cause businesses to lose $16 trillion — yes, trillion — by 2030. Already, businesses lose an estimated 200 million workdays each year due to depression, which is also the most expensive cause of presenteeism — productivity loss occurring when employees are at work.

The good news, however, is that the group also found that every $1 invested in mental health promotion has a $3 to $5 return on investment.

"All health issues affect work performance and productivity," One Mind at Work says. "While the human and family impact cannot be calculated, the financial costs incurred in the workplace through avoidable absenteeism, presenteeism and disability can be estimated, and they are large." ■

Cost for CA Delayed Software Program Tops $1B

by Wes Venteicher, Sacramento Bee

The budget for California state government's long-developing accounting program has surpassed $1 billion, and more spending will be required before all state departments are using it, according to program updates.

The Financial Information System of California, commonly known as Fi$Cal, received an additional $145 million — bringing the total to $1.06 billion — and a newly extended deadline of July 2020, according to a project oversight report the Department of Technology posted Monday.

The state started work on the project in 2004. Its last approved completion date had been this year. Repeated delays and rising costs made it a poster child for state government's broader challenges with major technological overhauls, a systemic issue Gov. Gavin Newsom has said he is addressing.

The Department of Technology's independent review called the new timeline "aggressive," adding there is "no slack to recover schedule if delays occur," while changing its status to "green" from "red" on the state's IT project tracker, indicating improvement.

In departments where it has been successfully implemented, the program has tightened controls on payments to vendors and some employees, added transparency and improved a range of other functions, Miriam Ingenito, the program's director, told legislators earlier this summer. The state budget has been produced with Fi$Cal since 2016 and about 20,000 state workers now use it, Ingenito noted. About 250,000 people work for California state government.

While the project is 98 percent functional, six departments still depend on legacy systems from around the 1980s to complete necessary financial tasks such as closing out month- and year-end financial statements, she said. Extended delays could threaten the state's credit worthiness, State Controller Betty Yee told legislators in the spring.

On top of the departments that still depend on legacy systems, seven others have deferred adapting to Fi$Cal. When those seven start using it, more money will be required to get them up and running, Ingenito told told an Assembly subcommittees in June.

The deferred departments are Caltrans, the Department of Motor Vehicles, the Department of Water Resources, the Department of Corrections and Rehabilitation, the Department of Justice, the Department of Rehabilitation and the California Department of Technology itself — the agency overseeing the project.

A few agencies will never use the system, including CalPERS, CalSTRS, the University of California system and the Legislature. ■

Automakers Defy Trump

by Dale Kasler, Sacramento Bee

California officials, teeing up an epic fight with President Donald Trump's administration over climate change and air pollution rules, have potentially powerful allies in their corner: four of world's largest automakers.

Ford, Honda, BMW and Volkswagen are sticking with an agreement they made to meet California's stricter standards on greenhouse gas emissions.

After the Trump administration formally revoked California's legal authority to set its pollution standards, board Chairwoman Mary Nichols lauded the four companies "for standing their ground on this issue" in spite of the Trump administration's efforts to force them to pull out of the agreements.

Democrats in California and elsewhere have called the investigation a politically motivated attack on California. Nichols, speaking at an air board meeting, called it "government-sponsored persecution."

A Ford Motor Co. spokeswoman, Rachel McCleery, said the company won't deviate from the California agreement. She referred a reporter to a set of deal terms in which all four companies recognized California's legal power to create its own standards on greenhouse gas emissions.

A BMW spokesman, Phil Dilanni, said the agreement commits BMW to "continuous improvements in fuel economy and the reduction of emissions from our vehicles." Honda had no comment and VW officials couldn't be reached for comment.

But board officials acknowledged that the antitrust investigation is having a chilling effect on California's attempt to get other car makers to sign onto its pollution standards.

"We were put on 'pause' a little bit with the antitrust allegation," said Ellen Peter, the board's chief counsel.

In announcing the initial agreements in July, Gov. Gavin Newsom promised that other car makers would sign on. Last month he said Mercedes Benz was on the verge of joining with California. But so far no other company, including Benz, has made a deal with California.

The industry craves certainty, and the prospect of a lengthy lawsuit between California and the federal government could jeopardize long-range product planning. The Association of Global Automakers on Thursday called for a "unified national standard" on pollution standards.

Because of the state's historically dirty air, it has the exclusive right under the federal Clean Air Act to impose stricter standards as long as it gets a waiver from the U.S. Environmental Protection Agency.

California and former President Barack Obama's administration had cut a deal that would reduce greenhouse gas emissions from cars by about 30 percent by 2025. Because building lighter cars is the most practical way of lowering carbon emissions, the plan would increase fuel economy from 35 mpg to about 50 mpg.

After the Trump administration signaled it was going to roll back those standards, California began negotiating with individual car makers. The deals announced in July would maintain the Obama rules but give the automakers an additional year, to 2026, to meet the emissions targets.

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U.S. Economy On Moderate Growth Path

by Reuters

The number of Americans filing applications for unemployment benefits increased less than expected recently, pointing to strong labor market conditions that should continue to support an economy growing at a moderate pace.

The steady economic growth pace was also underscored by other data showing home resales rising in August to a 17-month high. While factory activity in the mid-Atlantic region slowed in September, orders remained solid, leading manufacturers in the region to increase employment and boost hours for workers.

The reports suggested that housing and manufacturing, the two weak spots in the economy, were stabilizing. The Federal Reserve cut interest rates recently by another 25 basis points, citing risks to the longest economic expansion in history from a year-long U.S.-China trade war and slowing economic growth overseas.

Fed Chair Jerome Powell said he expected the economy, now in its 11th year of expansion, to continue to "expand at a moderate rate," but noted trade tensions were "weighing on U.S. investment and exports."

The U.S. central bank cut rates in July for the first time since 2008. The Fed offered mixed signals on further monetary policy easing. Data, including retail sales, so far in the third quarter suggest the economy is growing close to the April-June quarter's 2.0% annualized rate.

Financial markets have been flagging a recession. The Atlanta Fed is estimating gross domestic product rising at a 1.9% pace this quarter.

"Fed officials are done cutting interest rates for the rest of this year and one of the reasons for this is that the economic data continue to surprise us on the upside," said Chris Rupkey, chief economist at MUFG in New York.

Initial claims for state unemployment benefits rose 2,000 to a seasonally adjusted 208,000 for the week ended Sept. 14, the government said. Economists polled by Reuters had forecast claims increasing to 213,000 in the latest week.

Layoffs remain low despite the trade tensions, which have weighed on business investment and manufacturing. But there are concerns that slowing job growth could take some shine off robust consumer spending, which is largely driving the economy.

Last week's claims data covered the survey period for the nonfarm payrolls component of September's employment report. Claims were little changed between the August and September survey periods suggesting a steady pace of job growth this month.

The economy created 130,000 jobs in August. Economists say it is unclear whether the loss of momentum in hiring is due to ebbing demand for labor or a shortage of qualified workers.

Job gains have averaged 158,000 per month this year, still above the roughly 100,000 per month needed to keep up with growth in the working age population and sustain a healthy pace of consumer spending.

"If there was a problem in the labor market it would be visible in initial claims and they are not raising any red flags," said Ryan Sweet, a senior economist at Moody's Analytics in West Chester, Pennsylvania. "Though business confidence has dropped noticeably this year, it hasn't led businesses to lay off workers yet." ■

Home Sales Are Solid

by Reuters

In a recent report, the National Association of Realtors said existing home sales increased 1.3% to a seasonally adjusted annual rate of 5.49 million units in August.

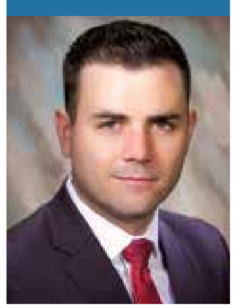
That was the second straight monthly gain in sales and confounded economists expectations for a 0.4% drop to 5.37 million units.

The increase in home resales, which make up about 90 percent of U.S. home sales, came on the heels of data showing housing starts and building permits surged to a more than 12-year high in August. The housing market, which hit a soft patch last year, is being lifted by lower mortgage rates.

But the sector is not yet out of the woods as builders continue to grapple with land and labor shortages, which have constrained their ability to construct more of the sought-after lower-priced homes.

"It appears that the housing market is gaining some momentum as autumn approaches," said Matthew Speakman, an economist at online real estate database company Zillow. "Even stronger sales volumes may be around the corner given that mortgage rates plummeted in August." ■

What is “Piercing the Corporate Veil?”



by Danny Little, Attorney
Noland, Hamerly, Etienne & Hoss

One of the benefits of a corporation (or a limited liability company) is that conducting business under the corporate form limits your personal liability for business debts. In other words, if a court orders your corporation to pay a creditor $50,000, that creditor can't access personal assets, such as your house, to satisfy that order, even if your corporation can’t satisfy that debt itself.

However, in certain circumstances, the limited liability protection offered by a corporation may be disregarded by a court -- this is called “piercing the corporate veil.” If the owners of a corporation abuse the corporate form, the corporate veil may be pierced, and the individual’s assets may be at risk. The purpose of this doctrine is straightforward: to stop individuals and legal entities from misusing a corporation for improper purposes.

Typically, the corporate veil is pierced when the corporation is used to break the law, avoid a debt, commit fraud, or achieve some other wrongful result. In these circumstances, a court will treat the wrongful acts as if they were done by the individuals controlling the corporation, rather than the corporation itself.

To pierce the veil, courts must find two things: (i) the corporation and the owner must be so closely tied together that they can’t be separated, and (ii) it would be unfair if the acts in question were treated only as the corporation’s acts. Courts will look for certain characteristics when determining whether these two requirements have been met. These include:

1. Whether the owner and the corporation “commingle” or mix funds and other assets. Commingling funds can include using corporate money for personal expenses and using corporate assets, such as a vehicle, for personal use;
2. Whether a corporation has failed to follow corporate formalities such as issuing stock, having separate bank accounts, and maintaining corporate minutes and records;
3. Whether ownership of the corporation is concentrated in a small group, such as a family, or a single person;
4. Whether a corporation has been adequately capitalized (i.e., whether there is enough money in the corporation to operate and satisfy liabilities);
5. Whether the corporation is being used as a “shell” or shield for liability;
6. Whether the corporation has maintained arm's-length relationships with its owners and affiliates;
7. Whether the corporation has been used to obtain services or goods for the benefit of some person or entity other than the corporation;
8. Whether any owner has diverted assets away from a corporation to his or herself, or to another person or entity, to the detriment of creditors;
9. Whether an owner has used a corporation solely to avoid meeting an obligation; and
10. Whether the corporation has been created solely for the purpose of assuming an existing liability of the owner or another entity.

No single characteristic is grounds for piercing the veil. Instead, owners of corporations should view these characteristics as rungs on a ladder of risk – the more of these characteristics that are present, the “higher” the owner climbs, and the more likely the veil is to be pierced. ■

This article is intended to address topics of general interest and should not be construed as legal advice.
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UC President Napolitano to Step Down

by Sacramento Bee

Janet Napolitano

University of California President Janet Napolitano announced her resignation during a recent UC Board of Regents meeting in Los Angeles.

She will officially step down after the 2019-20 academic year, which will be her seventh year in the job.

"The decision was tough — and this moment, bittersweet — but the time is right," Napolitano, 61, said in a statement. "With many of my top priorities accomplished and the university on a strong path forward,

I feel it's the ideal time for a leadership transition — an infusion of new energy and fresh ideas at the university."

Napolitano battled breast cancer in 2016 and 2017, but said she's now in remission and that the illness didn't affect her decision to leave. Instead, she cited new Gov. Gavin Newsom and changing leadership on the UC Board of Regents as signals that it was time for her to hand the reins to someone new.

U.S. Household Net Worth Rises

by Reuters

Rising stock and real estate prices helped lift U.S. household wealth to $113.5 trillion in the April through June period, a report by the Federal Reserve showed.

That compares to an upwardly revised $111.6 trillion net worth for households in the first quarter of 2019.

The U.S. economy is experiencing its longest expansion on record and households are benefiting from low unemployment and a pickup in wages. The S&P 500 also gained almost 4% during the second quarter.

Elsewhere in the central bank's report, liquid assets held by non-financial firms were $4.5 trillion versus a revised $4.2 trillion in the January-March period.

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Attorneys at Law

Schools and Educational Resources

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(831) 625-5160

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Mission Trails Regional Occupational Program
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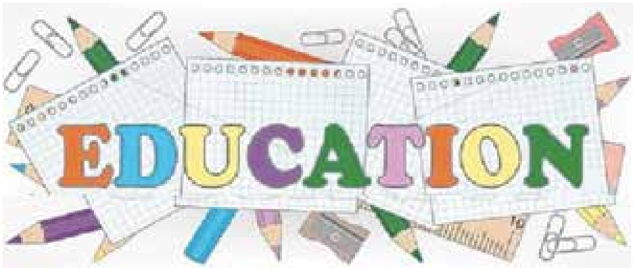
Salinas City Elementary School District
(831) 753-5600

Salinas Union High School District
(831) 796-7000

York School
(831) 372-7338



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New Member Profiles

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Energy Upgrade California

Energy Upgrade California® is a nonprofit, statewide initiative committed to uniting Californians to strive toward reaching our state's energy goals, and support California in its quest to double energy efficiency and reduce greenhouse gas emissions by 40% before 2030. Our goal is to motivate and educate California residents and small businesses about energy management, reducing costs and making the most efficient use of our natural resources.

EnergyUpgradeCA.org

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Gold Star Motors is committed to providing the highest quality service to create lifetime customers. We believe that complete customer satisfaction in all areas of our operation: sales, service, and parts, is the key to our success and future growth. Underlying this mission is the recognition that our employees are vital in achieving the company's goals and enhancing our reputation as leaders in our community. Our commitment to our customers and employees is matched by our respect for the community we serve.

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In the Loop

"In the Loop" is a private newsletter for the residents of Corral De Tierra, San Benancio and Robley Roads. Delivered monthly to the residents, the publication builds community out of neighborhoods. In the Loop is a non-traditional marketing approach that builds relationships between businesses and residents.

Martin@n2pub.com
(831) 272-4761
Brad N2Pub.com/Publications/In-The-Loop

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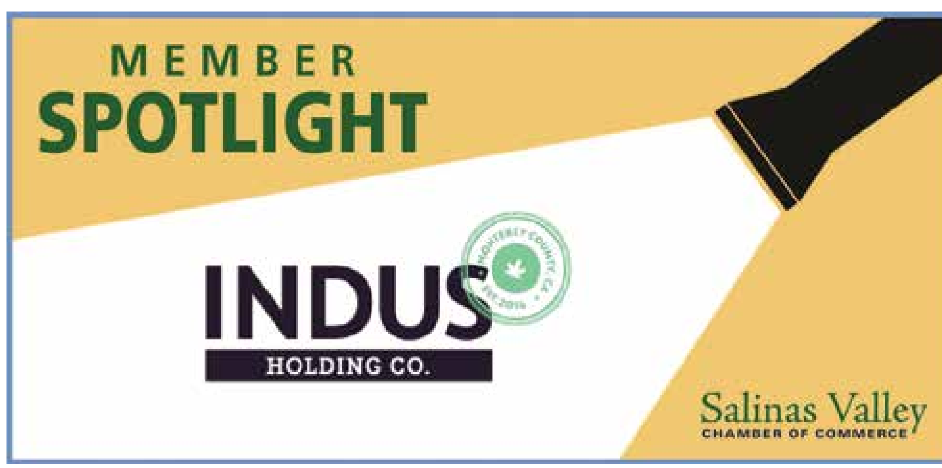


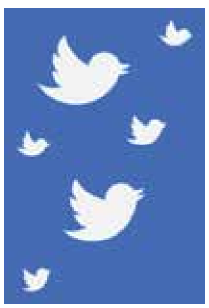
JPMorgan Creates "Volfefe" Index

by Bill Hastie, MBA

Bill Hastie

Over the last twelve months, stock investors have certainly gone for a wild ride. The 4th quarter of 2018 experienced near-bear market losses, only to recover (and then some) in the first few months of 2019. This created what is known as a "V pattern" in the U.S. stock market, and no doubt tests the mettle of even the most seasoned investor.

Investment markets move (in either direction) for a variety of reasons, and indices are created in an effort to track the performance of a certain group of investments. The Russell 2000, for example, tracks the performance of small capitalization ("small cap") U.S. stocks.



Analysts at JPMorgan recently created an index to measure the impact of President Trump's tweets on U.S. bond yields. The index, known as the "Volfefe Index," named after the President's covfefe tweet from May 2017, suggests that his tweets are having a statistically significant impact on the yields (and therefore the prices) of Treasury securities. The number of Trump's tweets that have moved the market has dramatically increased in the past month, with those including words such as "Democrats," "China," "products," "billion," and "great," most likely to affect prices.

"Trade and monetary policy have become an increasing focus for the executive branch, and everything from casual sent sentiments to seemly formal policy intentions have been disseminated, globally and instantaneously, via this carefully scrutinized social media forum," wrote JPMorgan analysts Josh Younger and Munier Salem.

Over the past month, President Trump's tweets have included a reference to the Federal Reserve 20 times. JPMorgan's analysts studied Treasury yields within the five minutes following a Presidential tweet, and the index reflects the rolling one-month probability that a given tweet may move the market.

The U.S. stock markets haven't been immune, either. We are familiar with what is referred to as "headline-driven" markets, where the news of the day may have an affect (positive or negative) on the direction of the markets. Now enter social media, where one's comments are instantaneously vaulted into cyber space. The market's reactions can happen almost as fast. As the U.S. and China inch closer to a mutually beneficial trade accord, investors seem more comfortable buying and owning stocks. Unfortunately, the opposite has also been true. When talks break down, and tweets are sent out reporting on it, the markets step back and negative volatility re-enters the picture.

JPMorgan has found that the Volfefe Index can account for a "measurable fraction" of moves, especially in the two and five-year Treasury yields. Citigroup has found that the President's tweets are often followed by increased volatility in the global currency markets. Bank of America and Merrill Lynch have also joined JPMorgan and Citigroup in studying the correlation between the President's tweets and movement in the markets. Most recently, they have reported in the days during which the President tweets more frequently, stock returns have been slightly negative, and slightly positive with fewer Presidential tweets.

Bill Hastie, MBA is the Founder of locally-owned Hastie Financial Group. If you would like to discuss your personal or company's investment needs, please contact Bill at william.hastie@hastiefg.com

Chamber Events

The Chamber got creative for our most recent Connect at Lunch: lunch supplied by Pastability's and beer supplied by Farmer's Union Pour House (pictured: owners Colin and Lauren Hattersley)

We partnered with the San Benito Chamber for our August Mixer at the very tasty Aromas Grill. (That's owner Janet Lopez on the right and San Benito Chamber CEO Michelle Leonard on the left).

Hobby Lobby opened its doors at Northridge Mall, amid a sea of blue.

If you've visited the new Planet Fitness (also at Northridge Mall), then you've been greeted by friendly staff, amid a sea of purple.

Non-Profit Day

The Leadership Monterey County class spent an inspiring day visiting and learning about various nonprofit organizations in Monterey County.

We started the day with Katy Castagna, President & CEO of United Way Monterey County, as she shared an overview of the nonprofit sector and provided us with details of the "Impact Monterey County" survey being conducted to engage with the public and learn about aspirations for our community's quality of life.

Next, we visited the Monterey Bay Aquarium's newly constructed Bechtel Family Center for Ocean Education and Leadership, which provides staff-led experiences for all school groups at no cost, and is an investment in the next wave of ocean leaders, our youth. We were treated to a tour of the learning labs, with live animal displays, and collaborative learning spaces, as well as a discussion about this history of the aquarium and the importance of their ocean conservancy efforts. We also engaged in some fun team building exercises, led by Aquarium staff.

LMC participants engaged in some fun team building exercises, led by Monterey Bay Aquarium staff.

Our next stop took us to The Gathering for Women, a caring community where homeless women can get a hot meal, free clothing, emergency assistance and other vital services. The discussion here was focused on the challenges to providing services and shelter to the homeless population in our county.

Afterward, we traveled to the Chinatown neighborhood in Salinas where we encountered a "tent community" of homeless living on the streets, and met with MidPen Housing to discuss the affordable housing currently under construction in that neighborhood.

Betsy Wilson from MidPen Housing gives a tour of Chinatown, including affordable housing they are building there.

Finally, we visited the Boys and Girls Clubs of Monterey County. There, we met Ron Johnson, President & CEO, and his staff, whose focus is to inspire and empower young people in our communities to become responsible, healthy, productive citizens. We discussed the success of their programs, including after school education and activities, such as art and music programs, and the impact they have made on so many youth and families in the county.

On our next class day,
program participants will learn about
Infrastructure throughout the county.

Chamber Ambassador
Joseph Sanchez

Joseph Sanchez was born in Salinas and is his family's third generation from the Salinas Valley. On his mother's side, his grandfather was a ranch foreman who instilled strong work habits and the importance of building close family ties.

Joseph started his career in 1989 and has been a mortgage professional for the past 30 years. He rose through the ranks in his profession and has been a Branch Manager for the past 4 years for Caliber Home Loans, the 5th largest Non-Bank Lender for mortgages.

Joseph believes in spending as much time as he can with his wife and three children. He enjoys giving back to the community and belongs to a few organizations that focus on community service. This prompted him to want to become an Ambassador for the Salinas Valley Chamber of Commerce. He wants to serve the business community and sees this as a great way to give back and provide goodwill to the Salinas Valley.

Focus on Non-Profits

Alzheimer Association

The devastating impact of Alzheimer's disease is exponential. In addition to the close to 6 million Americans living with the disease, more than 16 million family and friends serve as their unpaid caregivers. The needs of someone living with Alzheimer's or another dementia are extensive and increase over time – on average four to eight years following a diagnosis.

Many family caregivers juggle competing priorities including work and other family responsibilities. They are stretched thin, often overwhelmed. Most could use help.

November is National Alzheimer's Disease Awareness Month and National Family Caregivers Month—a perfect reminder for all of us to reach out and lend a hand.

Take time to think about how you can support a caregiver you know. Ask for a list of errands that need to be run, spend time with the person with the disease so that their caregiver can have a break. These small gestures can make a big difference.

Finally, educate yourself about the disease – the more you know, the easier it will be to help. Call our 24/7 Helpline—800-272-3900—to learn about our free local resources here in Monterey County such as care consultations, support groups as well as our education programs about the disease, advances in research, and what you can do to reduce your own risks. Encourage friends or coworkers you know are caregivers to call. Our helpline service and programs are available in English and Spanish.

Our vision is a world without Alzheimer's. Until we get there, join us in offering well-deserved support to those who give so much. ■

Non-Profit Calendar

October:
Need Volunteers to Deliver Meals to Seniors: Ongoing
40 Clark St. Ste C
Non-Profit: Meals on Wheels of the Salinas Valley
831-758-6325 • MOWSalinas.org

October dates:
High School Musical On Stage!
2pm & 7pm
320 Main Street
Non-Profit: ARIEL Theatrical
831-775-0976 • ArielTheatrical.org

Every Tuesday
Ballroom Dancing with Moon Glow Jazz band
7-9pm • 100 Harvest
Non-Profit: Active Seniors, Inc.
831-424-5066 • ActiveSeniorsinc.org

Every Monday
Zumba with Loretta Salinas
8:45-10:00am • 100 Harvest
Non-Profit: Active Seniors, Inc.
831-424-5055 • ActiveSeniorsinc.org

Oct 3:
Board Connect Reception
4- 6 pm • 1441 Canyon Del Rey Blvd., Seaside
Non-Profit: Community Foundation For Monterey County
831-375-9712
CFMCO.org/event/board-connect-reception

Oct 5:
Info Session
11am
945 S. Main St, Ste. 107
Non-Profit: CASA of Monterey County
831-455-6800
CasaOfMonterey.org

Oct 5:
Harvest, Hops & Hounds
3:30-7:30 pm
8022 Soquel Drive, Aptos Village
Non-Profit: UnChained
831-687-9364
CoastalDogs.com

Oct 9:
Info Session
5:30pm
440 Calle Principal, Monterey
Non-Profit: CASA of Monterey County
831-455-6800 • CasaOfMonterey.org

Oct 24:
CNE Nonprofit Board Roundtable: Budgets & Financials
9-10:30am
2354 Garden Road, Monterey
Non-Profit: Community Foundation For Monterey County
831-375-9712
CFMCO.org/event/board-connect-reception

November dates:
Goldilocks and the Three Bears
2pm & 7pm
320 Main Street
Non-Profit: ARIEL Theatrical
831-775-0976 • ArielTheatrical.org

Nov 24:
Silent Auction of New, Gently Loved and Vintage Handbags
2-4pm
The Inn at Spanish Bay
Non-Profit: Girls Inc. of the Central Coast
831-772-0882
BubblesAndBagsEvent.Eventbrite.com

Nov 6 & 13:
Coping with Grief During the Holidays Program
various
Carmel and Monterey (see website)
Non-Profit: Hospice Giving Foundation
831-333-9023
HospiceGiving.org/events

Dec 11:
Holiday "Friendraiser" Dinner
5:30-7:30pm
411 Central Ave Bldg C
Non-Profit: Salinas Senior Center
831-757-6030
SalinasSeniorCenter.org

Public Retirees Receiving $100k+ Pensions Skyrocket

Number of pensioned public retirees in California's $100K Club skyrockets, with taxpayers now on the hook for 26,000 government pensions over $100,000, a 13-fold increase from 2005

Back in 2005, a mere 1,841 people collected pensions exceeding $100,000 a year in the massive California Public Employees Retirement System. By 2009, this so-called $100K Club had more than tripled, to 6,133 retired workers. In 2013, membership had nearly tripled again, to 16,838. And in 2018, the number of public retirees collecting pensions of at least $100,000 a year skyrocketed to more than 26,000, according to an analysis of CalPERS data by the Southern California News Group.

Heading the group was a Santa Clara County attorney who received $935,028 in 2018 thanks to lump-sum payouts, CalPERS said.

Such payouts tend to inspire "pension envy" in private-sector workers who must depend on 401(k) s and Social Security for income in their golden years — and who are ultimately on the hook for ensuring that public retirees get paid if CalPERS investments don't cover the costs.

The average Social Security benefit is $17,532 this year. Most Americans will never make $100,000 a year in their prime working years, much less in retirement, according to the U.S. Census Bureau.

"The bigger, broader issue here is that we have pension systems moving in the opposite direction to demographics — allowing people to retire earlier, when people are actually living longer," said Pete Constant, a former San Jose police officer and city councilman who's now CEO of the Retirement Security Initiative, which seeks to rein in public pensions.

Payouts soar

SCNG's analysis of CalPERS data also found that:

The total number of people getting checks from CalPERS — including survivors and beneficiaries as well as actual retirees — rose 41 percent from 2012 to 2018.

Total payouts rose even more — in excess of 50 percent — from $14.4 billion in 2012 to more than $22 billion in 2018.

While the average pension — which includes comparably low payments to survivors and people with just a few years of service — was $32, 224, workers with at least 20 years of service got $50,333, and those with at least 30 years of service got $66,373.

Public safety pensions for police and firefighters, the most expensive, bestowed an average of $78,104 on retirees with 20 years or more of service.

Big pension payouts are a function of generous retirement formulas approved by city councils, school boards, county boards of supervisors and the state in the halcyon days after 1999, when retirement systems were "super-funded," governments halted payments, and actuaries said sweetened benefits would cost next to nothing because earnings on investments would essentially pay for them.

Those number crunchers were very, very wrong.

Is it 'unsustainable'?

"Rising pension costs will require cities over the next seven years to nearly double the percentage of their general fund dollars they pay to CalPERS," the league reported. "For many cities, pension costs will dramatically increase to unsustainable levels."

Under official, optimistic return assumptions, total public pension debt in California stands at $285 billion, or $21,846 per household. When Nation assumes far lower returns, that debt surges beyond $1 trillion, or $78,334 per household.

Despite higher contributions, double-digit investment returns and the longest economic expansion in American history, CalPERS and other retirement systems are about 70 percent funded (official version) or about 50 percent funded (Nation's version).

A $100,000 lifetime pension with annual cost-of-living adjustments make these retirees millionaires, with lifetime benefits of $1.4 million to $1.8 million. That's far more than any private sector or nonprofit association worker can ever possibly accumulate over a 30-year career by saving for themselves.

An analysis done by Transparent California, a nonprofit that seeks to rein in public pensions, found that $100K Club members collected 17 percent of CalPERS' payouts in 2018, even though the group constitutes less than 4 percent of payees.

"Not everyone wants to blow up the defined benefit system," said Edward Ring, co-founder of the conservative California Policy Center, referring to the CalPERS' model of guaranteed payouts.

"I think defined benefit is a tremendous opportunity. It can be sustainable. It was sustainable. And then they jacked up all the benefits by 50 percent and made it retroactive — basically doubled liability overnight. Now, they're not sustainable. Make them sustainable again."

That would require overturning the so-called California Rule, which holds that benefits can be adjusted up, but never down. Reformers are waiting for the issue to go to the state Supreme Court.

"If they say yes, we can make changes prospectively and start negotiating lower rates going forward," said state Sen. John Moorlach, R-Costa Mesa, who began warning that the system is unsustainable years before the issue pierced the popular consciousness. ■

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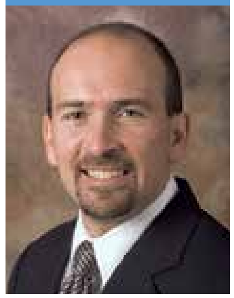
Salinas Valley Memorial Healthcare System
svmh.com/walkwithadoc

Taxation of Short Term Rentals

by Patrick Casey



The popularity of short term rentals has increased tremendously over the last few years. For example, in 2018 Californians listing their property for rent on AirBnb received over $2 billion from 9.5 million guests, and this does not include VRBO or other room or house rental websites. While this has been a significant revenue source for many homeowners, how this income must be reported varies in different situations. This article will assume that the person owns the home (or condo) that is being rented out.

If a homeowner rents their property for a total of 14 days or less per year, then they do not need to report any rental income on their tax return. This is true regardless of how much rental income they receive for this short time period.

If the homeowner rents out either a room or the entire property for more than 14 days and the homeowner uses the property as their residence (meaning that they still live there), then the taxpayer must report all the income on their tax return (typically on Schedule E). The taxpayer will be allowed to deduct 100% of all direct expenses (such as commissions to AirBnb or VRBO), along with a prorated portion of mortgage interest expense and taxes, and a separately calculated prorated portion of general expenses (such as utilities, insurance and repairs). If only a portion of the unit is rented, then the expenses must be further prorated to account for the portion of the house that is actually rented. However, the deductible expenses (on Schedule E) are limited to the total rental income received during the year. The prorated expenses that do not go on Schedule E will otherwise be deductible on Schedule A, subject to certain other limits.

If the homeowner does not use the house at all as a residence, then all rental income will be reported on Schedule E to their tax return. The taxpayer will be able to deduct all legitimate property and rental expenses, subject to the passive activity loss limitation rules in IRC §469.

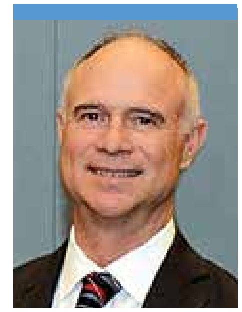
It is possible that the rental may be treated as a hotel or a bed-and-breakfast. This can occur if (1) one or more rooms, or the entire residence, is regularly made available for occupancy by customers, (2) the homeowner does not use the residence at all during the year as their home, and (3) the homeowner provides essential services such as regular cleaning, breakfast or other meals, changing linens or maid service. In such circumstances, the rental property will be treated as a trade or business and the taxpayer will need to report the income and expenses on Schedule C to their tax return.

These are the general rules for how short term rentals are taxed. However, this article is not tax advice and the homeowner must consult with their CPA in order to determine exactly how to report the income and take the appropriate deductions. ■

This article is written by Patrick Casey, who is a business attorney with the JRG Attorneys At Law firm in Monterey. You may reach the author at (831) 269-7114 or at patrick@jrgattorneys.com.

Member News

McKee Named County CAO


Charles McKee

Newly appointed County Administrative Officer Charles McKee has been formally seated as the county's chief executive after reaching an agreement on a contract with the Board of Supervisors. McKee replaces longtime CAO Lew Bauman, who retired last week following two decades with the county.

McKee, who will be paid a base salary of $279,899.36 under a four-year deal running until 2023, was greeted with unanimous approval and broad praise by the county board and a standing ovation from the county staff-heavy crowd at Tuesday's meeting.

Source: Monterey County Herald

Salinas Valley Recycles

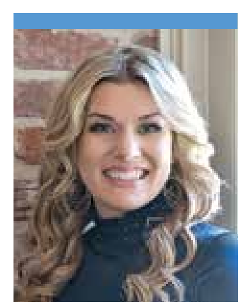
Food waste accounts for approximately 18% or 34,240 tons of the overall waste-stream that enters Johnson Canyon Landfill annually. Packaging table-ready salads and produce in plastic creates difficulty in recovering organic materials for composting.

SalinasValley Recycles.org
Salinas Valley Solid Waste Authority

To meet this challenge, the Salinas Valley Solid Waste Authority (a.k.a. Salinas Valley Recycles) has put a new de-packager into service to separate nonorganic packaging from recoverable organic materials.

As the organic matter is liberated from its packaging, it is chopped into a "salsa" or slurry material ready for composting. The technology that separates non-marketable organic produce from its packaging will help to initially divert 15,000 tons of food and packaged agricultural produce from the landfill annually with plans for future processing capacity, if needed.

Steinbeck Real Estate Grows


Lacey Deverick

Realtor Lacey Deverick has joined the Steinbeck Real Estate Sales Team. "Lacey is an experienced agent bringing a vast knowledge of equestrian, land & ranch sales. Our entire team is looking forward to wonderful things for Lacey and we are thrilled to introduce Lacey to our thriving real estate community," said company owner Angela Savage. Lacey is consistently giving back to the community as a supporter of local schools and an active member of the Los Amigos Del Rodeo (LADR) committee.

Upcoming Events

October, November & December 2019

Oct 3 | **Lunch and Learn: Insurance for a Small Business**
11:30am-1pm • Chamber Office

Oct 3 | **Ribbon Cutting: Alliance Career Training Solutions**
5-7pm • 333 Abbott St. Ste. B, Salinas

Oct 11 | **Ribbon Cutting: XL Public House**
1-2pm • 127 Main St., Salinas

Oct 12 | **Young Professionals Group: Kayak Excursion**
9-11am • 2370 CA-1, Moss Landing

Oct 17 | **Fall Mixer at Outback Steak House**
5:30-7pm • 1401 N Davis Rd., Salinas

Oct 24 | **Ribbon Cutting: Rancho Cielo Youth Campus**
4:30-6:30pm • 710 Old Stage Rd., Salinas

Oct 26 | **Chamber's Fall Event: Legacy of Leadership Gala**
6-10pm • Exhibition Hall at the Rodeo Grounds

Oct 28 | **Ambassador Committee Meeting**
12-1pm • Chamber Office

Oct 29 | **Ribbon Cutting: Salinas Self Storage**
5-7pm • 201 Harrison Rd., Salinas

Nov 6 | **Connect at Lunch: Las Islitas Grill**
12-1pm • 805 W Laurel Dr., Salinas

Nov 7 | **Dia de los Muertos Celebration**
5:30-7pm • 7902 Moss Landing Rd., Moss Landing

Nov 13 | **Ribbon Cutting: Courtyard by Marriott and Residence Inn**
12-2pm • 17225 El Rancho Way, Salinas

Nov 13 | **Young Professionals Group: Game Night**
6-8pm • 210 Main St., Salinas

Nov 14 | **Ribbon Cutting & Mixer: Bay Federal Credit Union**
4-6pm • 356 Main St., Salinas

Nov 21 | **Ribbon Cutting: Keller Williams Salinas Valley**
4-5pm • 1368-B S. Main St., Salinas

Dec 4 | **Connect at Lunch: Wingstop**
12-1pm • 1130 S. Main St., Salinas

Chamber Fall Mixers

Join us for socializing, appetizers and vino.

October 17th
5:30 –7pm
1401 N. Davis Rd.

OUTBACK STEAKHOUSE

November 14th
5:30-7pm
356 Main St.

Bay Federal CREDIT UNION *Making a real difference*

Celebrating new Salinas location!

Meet the Chamber Board:


Krishna Patel


John Haupt

Salinas Valley CHAMBER OF COMMERCE

Connect at Lunch

Make new friends with us in a relaxed environment.

November 6th
12–1pm
805 W Laurel Dr.

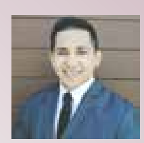
Las Islitas Grill MEXICAN CUISINE

December 4th
12-1pm
1130 S. Main St.

WING·STOP

Meet the Board:


Raymond Costa


Esteban Calderon

Salinas Valley CHAMBER OF COMMERCE

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