CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA  95814

DATE: WEDNESDAY, MAY 27, 2015
TIME: 4:06 P.M.

Reported By: Mary Clark Transcribing
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APPEARANCES

MEMBERS OF THE BOARD PRESENT:

ERAINA ORTEGA, Chief Deputy Director, Policy, Department of Finance, designated representative for Michael Cohen, Director, Department of Finance

ESTEBAN ALMANZA, Chief Deputy Director, Department of General Services, designated representative for Fred Klass, Director, Department of General Services

CESAR DIAZ, Appointee of Edmund G. Brown, Jr., Governor of the State of California

NICK SCHWEIZER, Deputy Superintendent of Public Instruction, Services for Administration, Finance, Technology & Infrastructure Branch, California Department of Education (CDE), designated representative for Tom Torlakson, Superintendent of Public Instruction

SENATOR LONI HANCOCK

SENATOR CAROL LIU

SENATOR SHARON RUNNER

ASSEMBLYMEMBER ADRIN NAZARIAN

ASSEMBLYMEMBER SUSAN BONILLA

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer
BILL SAVIDGE, Assistant Executive Officer

REPRESENTATIVES OF THE DEPARTMENT OF GENERAL SERVICES, OFFICE OF PUBLIC SCHOOL CONSTRUCTION (OPSC) PRESENT:

LISA SILVERMAN, Executive Officer
BARBARA KAMPMEINERT, Deputy Executive Officer

REPRESENTATIVE OF THE DEPARTMENT OF GENERAL SERVICES, OFFICE OF LEGAL SERVICES PRESENT:

JONETTE BANZON, Staff Counsel
CHAIRPERSON ORTEGA: Good afternoon, everyone. I think we're all here, so we should get started. I'll call to order the May 27th meeting of the State Allocation Board. If you could call the roll.

MS. JONES: Certainly. Senator Hancock.
SENATOR HANCOCK: Here.
MS. JONES: Senator Liu.
SENATOR LIU: Here.
MS. JONES: Senator Runner.
SENATOR RUNNER: Here.
MS. JONES: Assemblymember Nazarian.
Assemblymember Bonilla.
ASSEMBLYMEMBER BONILLA: Here.
MS. JONES: Assemblymember Chavez.
Esteban Almanza.
MR. ALMANZA: Here.
MS. JONES: Nick Schweizer.
MR. SCHWEIZER: Here.
MS. JONES: Cesar Diaz.
MR. DIAZ: Here.
MS. JONES: Eraina Ortega.
CHAIRPERSON ORTEGA: Here.
MS. JONES: We have a quorum.
CHAIRPERSON ORTEGA: Thank you. And I would like to welcome Senator Runner to the State Allocation Board. Senator, you're returning to the State Allocation Board --

SENATOR RUNNER: Yes.

CHAIRPERSON ORTEGA: -- so we're happy to have you here. Thank you.

And our -- let's see -- Minutes. That will be our next --

MS. SILVERMAN: Minutes are ready for your approval.

CHAIRPERSON ORTEGA: Yes. The Minutes from the April 15th meeting. Anybody have any comments on the Minutes?

MR. DIAZ: So moved.

CHAIRPERSON ORTEGA: They've been moved.

ASSEMBLYMEMBER BONILLA: Second.

CHAIRPERSON ORTEGA: -- by Mr. Diaz, seconded by Ms. Bonilla. Any public comment?

Seeing none, all in favor of the Minutes.

(Ayes)

CHAIRPERSON ORTEGA: Any abstentions? Adopted unanimously.

Item 3 is the Executive Officer's Statement.

MS. SILVERMAN: Just a few items that we wanted to share with the Board tonight. We do have a current priority
funding filing round open currently for projects that have
received an unfunded approval and on the unfunded list, lack
of AB 55 loans.

And those projects that are presented in the
Consent Agenda tonight will also be eligible to submit
certification during the open period. The period opened up
May 13th and it closes June 11th. So again, it's very
important that the projects that have unfunded approval and
approved for action tonight submit a certification.

The next update is the Board took action on
April 15th to approve over $113 million and with that, we
wanted to give the Board an update. As of Friday, we
actually do have $34 million of projects that did submit
certification -- excuse me -- the fund release requests. So
it has significantly doubled the amount that what we
reported in the Executive Officer's Statement.

So again, we've been vigorously contacting those
folks that we have a July 14th pending deadline, so they
must submit the proper documentation in order to access the
cash.

And we always provide rules on the priority in
funding process, and again, that's noted there and notes
that the next State Allocation Board meeting is June 30th,
which is outside our normal timeline, so -- and we also
won't have a meeting in July. And that's it.
CHAIRPERSON ORTEGA: Okay. Any questions from Board members? Okay. We will move onto Status of Fund Releases.

MS. SILVERMAN: As far as Status of Fund Releases, there was minimum activity going on as far as releases are concerned, and we have that noted on page 58.

This only captures the fund releases as of April 30th, and so in that snapshot of time, we only had $22 million released. So that's as of that time period.

And if we move onto Status of Funds, I want to note the summary of the unfunded approvals. There are several projects in the Consent Agenda that's going to be presented in a short while and over $10.5 million of projects submitted for approval. That includes one seismic project and several projects that are charters that are being converted.

So $10.5 million of those actions will be taken, including some construction cost index adjustments as well. And that's all in Proposition 1D.

Outside of that, we actually had some close-out activity and rescissions and adjustments of $4 million going back to the program. And that's about it for the financial status report tonight.

CHAIRPERSON ORTEGA: Okay. Any questions? Any public comment. We'll take up the Consent Calendar.
MS. SILVERMAN: Consent's ready for your approval.

CHAIRPERSON ORTEGA: Okay. Any questions or comments on the Consent Calendar?

SENATOR HANCOCK: Move the Consent Calendar.

MR. DIAZ: Second.

CHAIRPERSON ORTEGA: Moved by Senator Hancock. Second by Mr. Diaz.

Any public comment on the Consent Calendar? Okay. Seeing none, all in favor.

(Ayes)

CHAIRPERSON ORTEGA: Any opposed or abstentions? Seeing none, adopted unanimously. And let's see. Next will be Item 7. Barbara.

MS. KAMPMEINERT: So Item 7 is an appeal from Lompoc Unified in Santa Barbara County. And the district is requesting that the Board consider their request for conceptual approval of a facility hardship rehabilitation project in a State share amount of approximately $188,000 for repairs to their central kitchen facility.

During part of a district-funded plan remodel of the facility, the district discovered dry rot and mold that damaged the building and led to engineers making findings that the building was a health and safety threat due to structural issues.

The Division of the State Architect has concurred
to the structural findings.

The central kitchen provides meals to students at the 15 campuses within the district. It is located in administrative facilities which are adjacent to two school sites.

The district has kitchen facilities at most of the school sites in the district; although according to the district, those facilities are not equipped or of sufficient size to provide the cooked-from-scratch meals that the central kitchen prepares.

Over 64 percent of the district's students qualify for free or reduced-price meals. Staff has no issue with the engineering reports or concurrence letters from the Division of the State Architect related to condition of the central kitchen facility.

However, we denied this request administratively because the application did not meet program requirements as the central kitchen facility is not part of a school, but is a part of administrative facilities.

The School Facility Program does not construct or modernize facilities that are not schools and has not provided facility hardship assistance to administrative facilities in the past. And this is due in part to regulations and also to Education Code.

The regulations state that a district is eligible
for facility hardship funding if the condition of the facilities is a threat to the health and safety of the students.

As the central kitchen facility is not on a school site, it does not appear that the pupils are at risk from the facilities themselves.

Further, Education Code defines what eligible use of modernization funds are for and statute calls out that the expenditures are at a school.

During the appeal process, the district also raised the point that the School Facility Program regulations specify that districts can be eligible for facility hardship funding if a lack of the facilities provides a health and safety risk to students, and the district has indicated that food provided by the central kitchen has a direct impact on the health of its students.

The district has also cited the requirement in Education Code Section 49550 that requires districts to provide, one, nutritionally adequate meals to needy students every school day. And they provided a letter from the Santa Barbara County Public Health Department that details existing food-related diseases and states that food must be prepared in a clean and sanitary manner to assure the safety.

Unfortunately, the letter did not provide a direct
link between the inability to prepare food in the central kitchen facility and the health and safety of the pupils.

During the time the district closed the kitchen for repairs, the district was still able to meet its requirements to deliver food by using alternate methods.

Having a central kitchen is how the district has chosen to provide meals to the students. The alternate food delivery process used during the repairs was not identical to the previous process, but did demonstrate that this district was able to provide meals.

It is staff's belief that how the district provides meals and the requirements to provide meals is outside the scope of the Facility Hardship Program and the School Facility Program.

The Facility Hardship Program under the School Facility Program focuses on how the existing school facilities themselves impact the students and the district has not been able to provide documentation establishing a direct link between the inability to provide the lunches through a central kitchen and a health and safety threat to the students.

And for this reason, staff denied the initial request and does not support the appeal.

CHAIRPERSON ORTEGA: Okay. Thank you. Is there a member of the public -- a representative of the district
that would like to make any comments. Yes, please.

MR. SMITH: Good afternoon, honorable Board members. My name is Sheldon Smith. I am the Assistant Superintendent of the Lompoc Unified School District. I'm here to speak about our facility hardship application with the central kitchen.

We certainly believe that this is somewhat of a round peg fitting into a square hole. In our minds, this situation is unique because it is a central kitchen, but it is not unique in that we serve 10,000 students in the school district with healthy and nutritious meals.

Of the 10,000 students, 62 percent of our students are Hispanic. Of that 62 percent, 35 percent are English language learners. There are 1,000 students that are special ed. 600 of those 1,000 students are Hispanic and 68 percent of our students in Lompoc Unified are on free and reduced lunch.

Our LCFF unduplicated account is at 68 percent which demonstrates that we have a high program need in Lompoc Unified. There's -- we also have a high facility need in our facilities master plan as well as in our developer fee study, we have over $90 million in facility needs in Lompoc Unified.

So the case that I'm trying to make is that we are a high need and high facility need school district.
In light of the increased LCFF funding -- which thank you very much -- $314,000 still very much matters to us. In our LCAP that went -- our draft LCAP that went to the board in Lompoc last night, we have $221,000 set aside coming out of the base grant for EL -- for increased EL sections.

We have a million dollars set aside for common core English language arts textbooks for next year as well as another million dollars the following year for math.

We have the State preschool that is coming to Lompoc Unified. Although there are State preschool dollars that come with those students, there's still $36,000 worth of facilities that we have to prepare which comes out of the base grant.

We're also taking over ROP from Santa Barbara County within Lompoc Unified. There too there is increased CTE dollars that come with that program, which we very much appreciate, but there are still facility needs related to taking on those programs for which there's a $50,000 expense.

We're also looking to restore maintenance that took a direct hit during the recession, and you would think, well, why maintenance matters. It is because as part of our LCAP process that is what our stakeholders put number one on their list.
So we have a quarter million dollars set aside for that as well as school resource officers and increasing those numbers.

So the point that I'm trying to make is that although we are receiving increased LCFF dollars, those dollars are committed because we are a high student need and a high facility need school district.

The central kitchen, as staff recommended -- as staff mentioned, the central kitchen is a conscious decision on the district's part because the school -- the existing school site kitchens are too small. They are only good for being able to warm food and not be able to prepare food at the standards that Santa Barbara Health would certify.

The -- although we use the centralize kitchen concept and then sending meals out to students where they're warmed -- although we're utilizing a central kitchen, the effect upon students is still the same.

We could replicate central kitchens at each one of our school sites, but that wouldn't be fiscally prudent as well as operationally prudent for a 10,000 student school district.

Facility hardship is based on a least cost model, and in our minds -- with a mission critical facility like a central kitchen in our mind is eligible because the effect on students and student health with the healthy food that we
prepare is still the same to be able to replicate central kitchen on school sites.

We understand that some members may be of the thinking that we are setting precedent here. In our minds, this is not precedent setting because our facility -- it really comes down to how you define a school site.

We're on contiguous property with La Honda Elementary School, and as staff mentioned, we also have two preschools as well as an elementary school that is on the same parcel of land in Lompoc. And if I may -- just passing out a picture because, in our mind, a picture's worth a thousand words.

This is just a Google image. At the top of the image where I have a building circled, that is the central kitchen. Right below that is a preschool run by the San Luis Obispo County Office of Ed.

Right across from that is another State preschool run by the Santa Barbara County Office. Right below that is our home school program and our independent study program.

Where you see a row of portables, inside there is a computer lab that serves La Honda Elementary School which you can see at the bottom of the map.

In our minds, this is one parcel. This is -- and insofar as whether the central kitchen is on a school site, it really comes down to whether -- it comes down to what
your definition of a school site is.

In our minds -- this isn't precedent setting because in our minds, this is legal. This fits within the guidelines.

If the guidelines were clear and indicated that central kitchens need to be attached to a school building, we would not have gone down this path. But because of looking at the guidelines, it did include support facilities. That's why we went down this road.

It's -- in our minds, it's not precedent setting because we are following the rules and we are following the guidelines.

We do realize that no law or statute or regulation is perfect, and that's the reason why we're appealing to you.

This is -- every issue is case by case. No one is beholden to a decision that is made today, and in our minds, this is clearly a square peg fitting into a round hole, but I think if we all agree if we make the hole big enough, the square peg fits. Thank you.

CHAIRPERSON ORTEGA: Thank you, Mr. Smith. Any questions? Ms. Bonilla.

ASSEMBLYMEMBER BONILLA: I don't have any -- do you have a question? Oh, public comment.

CHAIRPERSON ORTEGA: Oh, sorry. Sure. Additional
public comment.

MR. REEFE: My apologies, Madam Chair and members. Chris Reefe on behalf of State Senator Hannah-Beth Jackson. As many of you know, Lompoc Unified is in the Senator's district and wanted me to speak on behalf and in support of the appeal.

Many of you probably have heard by now, this is a very small, rural school district with just over 10,000 students. Of that number, roughly 68 percent of students are qualified for free and reduced-price meals.

Of that, a majority of the school, about 61 percent, are Latino students and of the free and reduced price meals population. 100 percent of Latino students make up, generally speaking, those who qualify for free and reduced-price meals.

So you can see that we serve a very -- the district serves a very underprivileged and also low income community in regards to its numbers, and for that reason, the Senator is very supportive of the appeal. Thank you.


ASSEMBLYMEMBER BONILLA: I don't really have a question.

CHAIRPERSON ORTEGA: Oh, okay.

ASSEMBLYMEMBER BONILLA: Just when you're done with all the public comment.
CHAIRPERSON ORTEGA: Sure. Are there any other --
go ahead.

ASSEMBLYMEMBER BONILLA: Well, I just -- I want to
thank the staff for their work on this issue, and I think,
you know, following the letter of the regulations is great.

I do support the appeal. I think that you're
right. This is anomaly. That's what the appeal process is
designed to address.

And so I think that given the information you have
provided, in my opinion, you've made a very -- a strong case
for the appeal.

I think that this idea of the -- the fact that
you're saving money by having this central kitchen and
providing higher quality meals for the health of the
students is compelling and so I just wanted to go on record
as saying I think this appeal is one that I do support.

MR. SMITH: Thank you.

ASSEMBLYMEMBER BONILLA: I'll make a motion then
to grant the appeal, if that's the appropriate --

CHAIRPERSON ORTEGA: Moved by Ms. Bonilla. Are
there any other comments?

SENATOR LIU: Is there a need for a second?

CHAIRPERSON ORTEGA: There is. Yes, there will
be.

SENATOR LIU: Yes. Okay.
CHAIRPERSON ORTEGA: Are there any other comments or --

SENATOR HANCOCK: I think that healthy food is so important for our students and it's wonderful that you're trying to do this. And thank the staff for a recommendation that essentially says, as Assemblywoman Bonilla indicated, the appeals process is for things like this.

CHAIRPERSON ORTEGA: Okay. Just for the record, I will not be supporting the appeal. I think there are a couple of issues from my perspective.

One, it sounds like the district is doing exactly what it should be doing, but from our view, local resources should be made available to do exactly what you're doing and so we don't think using this program for that purpose makes sense.

And I think the other issue -- and I'll be a broken record from the last meeting -- is that with diminishing resources, it concerns me greatly that we would be funding a project like this when there may be a project that comes before us in the future that is for something that is much more imminently serious and dangerous to students or on a site where the students are actually receiving instruction.

So for those reasons, I will not be supporting the appeal.
I wasn't sure if we had a second, or --

SENATOR LIU: I'll second it.

CHAIRPERSON ORTEGA: Okay. So is there any other public comment on this item? Okay. Seeing none, please call the roll.

MS. JONES: Senator Hancock.

SENATOR HANCOCK: Aye.

MS. JONES: Senator Liu.

SENATOR LIU: Aye.

MS. JONES: Senator Runner.

SENATOR RUNNER: Aye.

MS. JONES: Assemblymember Nazarian.

ASSEMBLYMEMBER NAZARIAN: Aye.

MS. JONES: Assemblymember Bonilla.

ASSEMBLYMEMBER BONILLA: Aye.

MS. JONES: Esteban Almanza.

MR. ALMANZA: No.

MS. JONES: Nick Schweizer.

MR. SCHWEIZER: Aye.

MS. JONES: Cesar Diaz.

MR. DIAZ: Not voting.

MS. JONES: And the motion does carry.

CHAIRPERSON ORTEGA: So the appeal's approved.

Lisa, did you have anything else under the workload?

MS. SILVERMAN: We just have the standard workload
CHAIRPERSON ORTEGA: Okay. Any other comments from Board members? Any other public comments to come before the Board?

Okay. Seeing none, we'll be adjourned. Thank you.

(Whereupon, at 4:30 p.m., the proceedings were adjourned.)
REPORTER'S CERTIFICATE

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