APPEARANCES

MEMBERS OF THE BOARD PRESENT:

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

DANIEL C. KIM, Director, Department of General Services

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

SENATOR LONI HANCOCK

SENATOR CAROL LIU

SENATOR SHARON RUNNER

ASSEMBLYMEMBER ADRIN NAZARIAN

ASSEMBLYMEMBER SUSAN BONILLA

ASSEMBLYMEMBER ROCKY CHAVEZ

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, 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'd like to call to order the State Allocation Board meeting on January 27, so please call the roll.

MS. JONES: Certainly. Senator Hancock.
Senator Liu.
Senator Runner.
SENATOR RUNNER: Here.
MS. JONES: Assemblymember Nazarian.
Assemblymember Bonilla.
ASSEMBLYMEMBER BONILLA: Here.
MS. JONES: Assemblymember Chavez.
ASSEMBLYMEMBER CHAVEZ: Here.
MS. JONES: Nick Schweizer.
MS. JONES: Cesar Diaz.
MR. DIAZ: Here.
MS. JONES: Daniel Kim.
MR. KIM: Here.
MS. JONES: Eraina Ortega.
CHAIRPERSON ORTEGA: Here.
MS. JONES: We have a quorum.
CHAIRPERSON ORTEGA: Thank you.
SENATOR HANCOCK: I'm here also.
MS. JONES: Yes. Thank you, Senator.
CHAIRPERSON ORTEGA: Thank you. We have you, Senator. We'll start with the Executive Officer's Statement.

MS. SILVERMAN: Do you want to do Minutes?

CHAIRPERSON ORTEGA: Oh, sure. Let's start with the Minutes. We have the Minutes from the December 9th meeting. Does anybody have any comments or --

ASSEMBLYMEMBER CHAVEZ: Move approval.

MR. DIAZ: Second.

CHAIRPERSON ORTEGA: Moved by Mr. Chavez. Second by Mr. Diaz. All in favor of adoption of the Minutes say aye.

(Ayes)

CHAIRPERSON ORTEGA: No opposed or abstentions?

No. Adopted unanimously. Item 3, the Executive Officer's Statement.

MS. SILVERMAN: I just have a few announcements tonight. Just wanted to share with the Board that when they had the apportionments in September, a number of projects did come in within the deadline. So those folks that did have the opportunity did come in, so that's great news.

There were several projects that didn't quite make the timeline, but, however, they're not losing their apportionment or their award. They just get a new date in line and that with respect to the charter reservations of
funds.

And the career tech education projects, they have an extended period of time, so they didn't have to abide to those timelines. And so that's one update.

We did have a priority in funding final round that opened and closed in December and so we had numerous projects, 21 projects to be exact, for $80 million, and so those certifications are valid through the end of June.

And then we also had a few regulations that were also enacted and we did share that announcement at the December meeting. So those regulations are in effect as of January 1st.

I also wanted to share that we are not going to have a February meeting and we will have an early March meeting and that will also take place March 9th and that will also replace the latter March meeting on the schedule.

So with that --

CHAIRPERSON ORTEGA: Okay. Any questions? Okay. Seeing none, we'll move to Item No. 4, the Consent Agenda.

MS. SILVERMAN: Consent is ready for your approval.

CHAIRPERSON ORTEGA: Okay. Are there any comments from the Board on the Consent Agenda? Seeing none, is there any public comment on any of the items on the Consent Agenda? All right. Is there a motion?
MR. DIAZ: Motion to approve.

ASSEMBLYMEMBER CHAVEZ: Second.

CHAIRPERSON ORTEGA: Moved by Mr. Diaz, second by Mr. Chavez. All in favor of the Consent Calendar, please say aye.

(Ayes)

CHAIRPERSON ORTEGA: Any abstentions or opposed? None. Passes unanimously. Move on to Item No. 5 which is the Status of Fund Releases.

MS. SILVERMAN: Yeah. The fund release report is on page 79. We just wanted to highlight to the Board with all that activity of folks coming in within the timelines, we did release close to $76 million in the month of December. So that's great news for those projects.

And then as far as the financial reports, given the balance of the status of funds, there were numerous projects that did go through the Consent Agenda and numerous closeout activities. So we had $31 million in projects that also converted and unfunded approvals as well. And so that's 11 projects, $31 million, and we also had numerous recoveries and rescissions. So that represents $4.6 million in that area.

So with that, I'll open it up to any questions.

CHAIRPERSON ORTEGA: Okay. Any questions from the Board? Okay. Any public comment on any of the financial
statements? Okay. Seeing none, we'll move on to Item 6 which is the Palm Springs issue. Start with staff.

MR. LaPASK: Good afternoon. Brian LaPask with the Office of Public School Construction.

This appeal is a Seismic Mitigation Program project at the -- for the auditorium building at the Palm Springs High School. And this project qualifies for replacement funding; however, the district has chosen to rehabilitate the building.

It does have some historical significance in the area, and for that reason, they are keeping three of the walls -- of the exterior walls and part of the foundation to maintain the look of the building.

And therefore, when this project was presented to the Division of State Architect and went through its approval process, it was put forward as a rehabilitation project.

For that reason, staff is unable to approve replacement funding as it's a rehab project. That's why this project is before you today.

We do have a couple of projects that we've heard before that are largely similar to this one. One of them is in Simi Valley Unified, and the Board funded that project at the full replacement amount for rehabilitation. However, the discrepancy in the rehabilitation costs and the
replacement costs were very close to each other.

Another project in Coalinga was approved for replacement funding but capped at the rehabilitation amount. In that project, the discrepancy between the rehabilitation amount and the replacement amount of the building was a little bit larger. It was about 57 percent of the replacement value in that project.

In this project we have before you today, the rehab costs are about 72 percent of the replacement value of the building. And so the discrepancy's about 72 percent of the replacement value.

And so in looking at these different things the Board has flexibility to do, we're presenting three options to approve this project.

Option 1 would be to provide actual rehabilitation funding at the rehabilitation amount. This would give the district the amount that was approved in their cost estimate as well as maintain the building's eligibility.

Option No. 2 would be to give them replacement funds but cap it at the rehab amount which is similar to Coalinga. And in that particular case, they would lose modernization eligibility for the building.

And finally, Option 3, which is what the district is requesting, is full replacement value for the building, not capped like we did with Simi, and they would also lose
their modernization eligibility in that option, and I can
answer any questions that you have.

CHAIRPERSON ORTEGA: Are there any questions of
staff at this time? Do you want to hear from the folks from
Palm Springs?

ASSEMBLYMEMBER BONILLA: Yes.

CHAIRPERSON ORTEGA: Yes? Please come on up those
of you here to represent the district.

MS. ARTHUR: Hi. Good evening. My name is Julia
Arthur. I'm the Director of Facilities, Planning and
Design, Palm Springs Junior High. Thank you for allowing us
to come and present and speak to you this afternoon on our
appeal.

As staff -- and thank you so much for a great job
on how you presented that. I think that really kind of
presented it in a nutshell out there, but we truly believe
that the building and what we did with the auditorium was
not really discretionary.

We believe that it was mandated by our community,
our love of architecture of this building, and to preserve
something that our students should be able to enjoy and
really observe and honor.

So this is a project that's near and dear to our
hearts and we do believe, regardless of the amount of
seismic funding difference, that if the code actually allows
us to receive replacement funding that we should be allowed
to do that.

CHAIRPERSON ORTEGA: If I could just ask one quick
question. Can you speak a little bit to one -- one of the
things that concerns me about the Board taking an action
that says that this is a replacement is that when the
project was planned and permitted and you did your
environmental review locally, it was called a
rehabilitation.

And so it feels like the Board is making a reach
to then determine something different from how the project
was described and how it went through the various local and
state processes.

So could you talk a little bit about the decisions
there and how I may think differently about that.

MS. ARTHUR: Well, it's interesting because the
way the seismic program works and how you submit your plans
with the Division of State Architect, we actually had to
submit two separate plans. One is a plan that is for the
seismic which shows the essential required minimum, and then
the second is your full set of plans that you're actually
going to construct.

And so with that, that's part of how the program
works. We knew that we would be extremely into this
building. This building itself, if we'd actually had taken
it down, would have been less expensive and actually quicker
to do.

But again, because of historic value to the
community, we felt we had no option but to leave those.

So as we worked through our planning, it -- in
looking at the building -- the project itself, yes, because
we left three walls up, that is -- that manner would --
building would be called -- be a rehab.

But because the Ed Code does allow replacement
funds -- doesn't have to be a replacement project, but it
does allow replacement funds when you've met that 50 percent
threshold.

CHAIRPERSON ORTEGA: Are there any -- Ms. Bonilla.

ASSEMBLYMEMBER BONILLA: I'm inclined to support
the replacement funds, but I guess my question, when I look
at kind of the recommendations or the choices being given
here, when we talk about No. 2, for instance, capping it,
the rehabilitation amount, that's not -- that's kind of like
calling it a replacement but only giving them the amount of
money for the rehab.

MR. LaPASK: Well, the project qualifies for
replacement because the cost benefit analysis came in above
the 50 percent of the replacement value.

ASSEMBLYMEMBER BONILLA: Right.

MR. LaPASK: And so that automatically qualifies
it for replacement. Capping it at the rehab amount would essentially be awarding the amount that the district said it would cost to rehabilitate the building in their estimate.

ASSEMBLYMEMBER BONILLA: Right. But I mean it's kind of like where they are right now; right? I mean that's the situation we're in. It's just saying we're capping it, but if we don't do the appeal, we -- we've really done that anyway. I mean that's all they're going to get is the rehab amount.

MR. LaPASK: If you award them the replacement amount, they would get a higher amount. Replacement funds, they would qualify for 4.7 million approximately and for rehabilitation, it would be 3.3.

ASSEMBLYMEMBER BONILLA: Right. But I'm saying that's Option 3; right?

MS. KAMPMEINERT: However, if the Board does not take an action administratively, we cannot award replacement funding for a rehabilitation project administratively because the district is not doing a replacement project. So we would have to send the project back and it meets all the other program criteria. It is a building seismic issue.

They've demonstrated all the components of the program to be eligible. It's just that the regulations don't allow us to provide funding for this type of project --
ASSEMBLYMEMBER BONILLA: So we have to take the action as a Board if it is to be -- for them to get the replacement funds, but they have met all the other criteria.

MS. KAMPMEINERT: Basically, to get any funds right now because they've already started the construction on this project. So I'm not sure that it would be feasible for them to stop and then do the full replacement just to come in for the funding, but they --

ASSEMBLYMEMBER BONILLA: Um-hmm. Well, I am supportive of Option No. 3, providing the replacement funding, but I'll hear from the other members.

CHAIRPERSON ORTEGA: Senators.

SENATOR HANCOCK: I would be happy to second your motion.

ASSEMBLYMEMBER BONILLA: I would make a motion to that effect.

SENATOR HANCOCK: My understanding is they'll have to come back later, go through much more bureaucracy and why not just have it move forward and get the replacement done.

SENATOR LIU: Ditto. But, you know, actually we did have a little conversation about that. Whoever does the rule making, I mean I would suggest that we try to better define what the rule ought to be or amend the rules so this kind of stuff wouldn't come back to the Board.

I'm -- you know, this is -- seems to be a lot of
effort that needs -- that, you know, probably for the staff
reason, we probably need more clarification.

ASSEMBLYMEMBER BONILLA: And through the Chair.
CHAIRPERSON ORTEGA: Um-hmm.
ASSEMBLYMEMBER BONILLA: We had discussed also
that when you have a situation that's a historical
building --

SENATOR LIU: Yes.
ASSEMBLYMEMBER BONILLA: -- you know, maybe
something like that could be added into the rules that there
are exceptions for something that would -- either is --
would qualify for historical status or has qualified for --

SENATOR LIU: Um-hmm.
ASSEMBLYMEMBER BONILLA: -- historical protection.
SENATOR LIU: -- generation; right.
ASSEMBLYMEMBER BONILLA: Yeah. I think that's a
unique situation with having to leave these three walls up,
that, you know, could avoid the appeal in the future.

CHAIRPERSON ORTEGA: So we can ask staff certainly
to look at if there is any way to clarify the staff's
discretion in a situation like this to be able to make a
decision without bringing it back to the Board. We can
see what -- Mr. Kim.

MR. KIM: Yes. I had a question. I'm trying to
determine what the precedent would be, but -- either kind of
option that we choose, and it seems like in the two cases that you mentioned, there wasn't a precedent per se because we made different decisions.

But it seems like in both those decisions that the spirit or intent was to fund it at the -- more or less the original amount. Is that -- do you have any sense of what the Board at that time had intended with those two decisions or were those very different types of circumstances?

MS. KAMPMEINERT: Well, I think in the first instance, the difference was less than $6,000 between the replacement and the rehabilitation amounts. So there wasn't as much of a discussion. We just needed the Board to take an action to provide the funding. So that didn't really matter much which way the Board went.

And I think there was some conversation with Coalinga because the difference between rehabilitation and replacement was higher, that if the rehabilitation -- if the funds were not necessary, then it would potentially be tying up bond authority because the replacement amount was being provided.

The district would have the bond authority for some time and then would ultimately return it to the state because this is a no-savings program. So that was part of the conversation at the time.

MR. KIM: And I guess -- I mean I applaud the
district for wanting to save the historic facade and it means a lot to the community.

I'm just wondering to what extent the state should be required to pay for something that seems discretionary because my understanding is the cost to rehab it versus to do what you did -- I mean to gut the entire thing would have been a lot cheaper than to do what you did which is to maintain the historic façade.

And that would have been permitted under the state rules of funding. But the district chose to -- at their own discretion and for very good reasons to spend a little more to keep the façade.

MS. ARTHUR: If I may answer that. We actually, in working with the City of Palm Springs and the city's historic society, we probably would have been sued by the historic society to stop any demolition which would have basically stopped the project and actually cost us quite a bit of money out of our general fund to defend that.

CHAIRPERSON ORTEGA: Senator Runner.

SENATOR RUNNER: Thank you, Madam Chair. In listening and talking to the group from Palm Springs, I would think maybe what they getting into as far as the historic role of this, the presenter has talked about there could have been even more money if they ended up tearing it down and being sued because they did that.
In talking about it a little bit, she said there were very many famous people, the old Frank Sinatra, the biggest facility in town that could hold all of the old Rat Pack singers and all of that.

So I would support it as something that we could do to help in the historical side of that, and I really don't believe they knew all the ramifications when they asked for the money before. I wasn't here, but -- so I'm leaning to support it. Thank you.

CHAIRPERSON ORTEGA: Thank you. Thanks, Senator Runner. Mr. Diaz.

MR. DIAZ: Just a question about the historical commission that contacted you. Is there any resources there that they have made available to you at all for trying to mitigate for your incurred costs?

MS. ARTHUR: Unfortunately, the city's historic society itself, they are made up a group of architects and they look through different buildings throughout the city, put those together, and they usually make the property owner foot the bill for anything that has to do with that.

MR. DIAZ: And they're involved in a lot of the -- basically, when we started with the plans, were they contacting you before construction?

MS. ARTHUR: We actually had to walk them through the building and talk about what the rehab would be, and
believe it or not, there were some negotiations on how the building would come back together because in order to keep the interior looking -- even though the interior will be new, it needed to look like the original.

MR. DIAZ: Okay.

CHAIRPERSON ORTEGA: Can I ask a question about your program overall. Do you have additional local bond authority or -- and kind of maybe say a little bit about what the projects you have locally planned.

MS. ARTHUR: At this time, we have spent our last series of bond funds or have that reserved. We have one elementary school that is also from the '60s that will go down -- we'll be taking those buildings down and rebuilding that one completely.

But those two projects, the auditorium and the -- coming in will basically take all our funds that we have right now. So due our evaluation, we're not able to sell another tranche at this time.

CHAIRPERSON ORTEGA: Okay. Thank you. Any other questions? Is there any additional public comment on this item? Okay. Seeing none, we have a motion and a second on the floor. So 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: Assemblymember Chavez.

ASSEMBLYMEMBER CHAVEZ: Aye.

MS. JONES: Cesar Diaz.

MR. DIAZ: Aye.

MS. JONES: Daniel Kim.

MR. KIM: Nay.

MS. JONES: Eraina Ortega.

CHAIRPERSON ORTEGA: No.

MS. JONES: The motion carries.

CHAIRPERSON ORTEGA: Thank you, everyone. The next issue No. 7, the annual adjustment to the School Facilities Program grants.

MS. KAMPMEINERT: Thank you. So the item beginning on page 123 is our annual adjustment item to adjust the School Facility Program grants for changes in construction costs over the past year.

And if you'll recall, last year when we brought this item before you, we had a larger discussion because we
needed to switch the cost index that we used to make these adjustments.

 Previously in the program, we had used Marshall & Swift as the cost index, and they were purchased by another company and we were unable to obtain the Marshall & Swift data last year because they were not interested in selling it to us for these purposes.

 So we came to the Board with three cost indices to look at that would be considered a statewide Class B Construction Cost Index. And the three that we found last year included RS Means, the Sierra West Group, and Engineering News Record.

 And the recommendation from staff last year was to make the adjustment based on RS Means because we felt that that index was the most representative of California.

 That index included 12 California cities, whereas Sierra West included 20 U.S. cities, 2 of which were in California, San Francisco and Los Angeles, and Engineering News Record was 2 California cities, San Francisco and Los Angeles.

 The Board did approve the adjustment based on RS Means last year and at the time, in that item, we had recalculated the grant amounts as though we had been using RS Means from 1998 forward to make sure that we were comparing apples to apples and not just making an arbitrary
adjustment. So those grant amounts did go into effect.

And the Board asked that we come back in a year to see if there were any further developments or any other cost index matters that we should consider.

So we are back this year. We did try to research and see if there were any other indices that would be comparable to these or better. We also did reach out to Marshall & Swift again this year to see if they were interested in allowing us to purchase this year. The answer on that was no.

And we did not find any other cost index that was more representative of California. So we have the same three options before you, and the recommendation is the same as last year, where we recommend RS Means because it does include the most California data and it also uses more materials in the cost index.

However, the increase this year is .27 percent for RS Means, and for Sierra West, it was 2.27 percent, and Engineering News Record was .54 percent.

When we were making the recommendation, we based it on the index not the rate of change, though. So we do still recommend the Board approve RS Means as the cost index to adjust the grants on.

And as the Board had directed us to come back with an index to be used on a permanent basis, we do also have a
recommendation in the staff report to approve on a permanent basis.

      With that, I'd be happy to answer any questions about this item.


    ASSEMBLYMEMBER BONILLA: Well, just for clarification here. The -- you're asking us to adopt this forever; right? Permanently.

    MS. KAMPMEINERT: That is the recommendation based off of last year's Board asking us to come back with a recommendation for an index to adopt on a permanent basis.

    ASSEMBLYMEMBER BONILLA: And can you -- I mean I understand that you wouldn't want to just keep going through an exercise year after year.

    Previously, did you have another means that you used or how did we get to this situation where you need to adopt one permanently?

    MS. KAMPMEINERT: Well, for many, many years in the program, it was Marshall & Swift.

    ASSEMBLYMEMBER BONILLA: Okay.

    MS. KAMPMEINERT: There was some conversation based on whether that would be Ten Western States data or would be limited to Eight California Cities. So the Board had that conversation in the past.
The Board had decided a number of years ago that Marshall & Swift Eight California Cities was the direction that they wanted to go in the future for adjustments to the grants.

The reason that we're trying to set a new index is because Marshall & Swift is no longer available and it does not look like it's going to be available to us in the future either. So we're recommending --

ASSEMBLYMEMBER BONILLA: So you did have a permanent -- Marshall and whatever it was was a permanent index that you used.

MS. KAMPMEINERT: Yes. The Board had decided to use that moving forward on a permanent basis back a number of years ago.

ASSEMBLYMEMBER BONILLA: That was my -- my question was just whether that was the norm, that it was a permanent choice.

MS. KAMPMEINERT: Yeah. We had looked at different indices in the past too and that one -- Marshall & Swift at the time was the preferred choice, but since that's no longer available, we need a different option moving forward.

ASSEMBLYMEMBER BONILLA: Thank you.

MR. DIAZ: I'd make a motion to approve RS Means as a construction index on a permanent basis.
CHAIRPERSON ORTEGA: Okay. There's a motion --
ASSEMBLYMEMBER BONILLA: Second it.
CHAIRPERSON ORTEGA: -- and a second.
ASSEMBLYMEMBER BONILLA: Um-hmm.
CHAIRPERSON ORTEGA: Okay. Is there any additional public comment on this item? Okay. So the motion is move forward with the RS Means index on a permanent basis. 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: Assemblymember Chavez.
ASSEMBLYMEMBER CHAVEZ: Aye.
MS. JONES: Cesar Díaz.
MR. DIAZ: Aye.
MS. JONES: Daniel Kim.
MR. KIM: Aye.
MS. JONES: Eraina Ortega.
CHAIRPERSON ORTEGA: Aye.

MS. JONES: Unanimous approval minus Nick Schweizer.

CHAIRPERSON ORTEGA: Thank you. So the next item is just the actual adjustments; correct?

MS. KAMPMEINERT: Correct.

CHAIRPERSON ORTEGA: This is a companion item.

MS. KAMPMEINERT: It's the companion item. This is to adjust the developer fee index based on the change that happened from 2014 to 2016. This is an item that comes every two years. So since the Board adopted the RS Means for the previous item, we're recommending RS Means be used for the adjustment for this item as well.

CHAIRPERSON ORTEGA: Okay. Any questions? Any comments from the public on this item?

MR. FERCHAW: Good afternoon -- comments on the previous item. I apologize.

CHAIRPERSON ORTEGA: Okay.

MR. FERCHAW: Larry Ferchaw with the Lincoln Group. We're consultants to school districts on developer fee items, facility planning.

And we reviewed the staff report on the Level I adjustment based on the RS Means index, and I understand that the Marshall & Swift index isn't available to OPSC, but we've acquired that, and it shows a 4.04 percent increase in
the Class B Construction Cost Index over the last two years, which would translate to a Level I fee of $3.50 per square foot on new residential development, which is much higher than the 3.39 represented in the staff report.

And given the lack of bond funds today, the fact that districts are having to use any means possible to finance their school facilities, developer fees are a larger share of the cost of -- or the contributors of costs to building new schools.

So anything that underrepresents that construction cost change only goes to harm districts as they look forward to building schools.

In talking to school districts, we know that the amount of inflation that they've seen in construction costs is well above 1 percent. Wages alone have gone up more than 1 percent for all people across the state.

So to say that in two years that there's only been a 1 percent increase in the cost of building schools severely underrepresents that.

So we would ask for time to review the indices and come back with a different recommendation as it relates to the developer fees, especially given the fact that the RS Means index at a 1.05 percent is an outlier compared to the other two indices in the report, and then when you add in the Marshall & Swift at 4 percent, you're talking about a 6,
a 3, and a 4 percent increase compared to a 1 percent increase in the Marshall -- I'm sorry -- in the RS Means. So we think this one might be an outlier and needs to be looked at. Thank you.

CHAIRPERSON ORTEGA: Thank you. Yes. Please.

MR. DIXON: Madam Chair, Board members, Joe Dixon. I'm the immediate past Chair for the CASH organization. And as Larry Ferchaw just indicated, school construction costs have gone up tremendously in the last year, more than the Sierra West index would indicate.

And so CASH requests that the Board table this item and direct staff to research these increased costs that all the school districts are experiencing, and bring it back March 9th. Take a good look at what it's really costing us out there to mitigate growth.

CHAIRPERSON ORTEGA: Okay. Thank you.

MR. DIXON: Thank you.

CHAIRPERSON ORTEGA: Any comments from Board members? Ms. Bonilla.

ASSEMBLYMEMBER BONILLA: Well, didn't we just vote on this?

CHAIRPERSON ORTEGA: We did. We did.

ASSEMBLYMEMBER BONILLA: Okay.

CHAIRPERSON ORTEGA: Are there any other comments from Board members?
ASSEMBLYMEMBER BONILLA: So it's unfortunate because we didn't get the comment in.

CHAIRPERSON ORTEGA: A couple of things I would say. The data from Marshall & Swift is not available to us. The fact that someone else is able to acquire it is not helpful to the Board because we would likely be in litigation if we chose to use that information that we did not purchase or were not allowed to use.

I think that if the staff -- last year, the RS Means was looked on favorably, what the increase was at that time. Maybe it's less than some of the other indices this year. We don't know what it will look like next year.

I think that if the staff noticed some anomaly about the RS Means -- it's still new to us, and they are in a good position to raise the question of whether it is appropriate and we could certainly reconsider it.

But I don't think we should get into a looking at the indices and choosing which one seems the best each year. I think we should stick with the practice of the Board and pick an index and move forward.

So that's what we voted on in the previous was the use of the new index. This item is simply to allow the staff to adjust the project with that new index.

So I don't recall if we had a motion on --

MR. DIAZ: I'll make a motion to approve the staff
recommendation.

CHAIRPERSON ORTEGA: Okay. Moved by Mr. Diaz.

MR. NAZARIAN: Second.

CHAIRPERSON ORTEGA: Second by Mr. Kim. Please call -- oh, sorry, Mr. Nazarian. 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: Assemblymember Chavez.

ASSEMBLYMEMBER CHAVEZ: Aye.

MS. JONES: Cesar Díaz.

MR. DIAZ: Aye.

MS. JONES: Daniel Kim.

MR. KIM: Aye.

MS. JONES: Eraina Ortega.

CHAIRPERSON ORTEGA: Aye.

MS. JONES: The motion carries.

CHAIRPERSON ORTEGA: Thank you. Few more things
from Lisa.

MS. SILVERMAN: Just the workload report and that's it. March 9th.

CHAIRPERSON ORTEGA: Okay. So we do have a final item which is for public comment for those items not on the agenda and I do have a note here that we have some folks that would like to speak from the Dublin School District. So Dan Cunningham, Amy Miller, and Meagan Rouse, please come on up. Welcome. Go ahead.

MR. CUNNINGHAM: Good afternoon, Ms. Ortega and the Allocation Board. Thank you for the opportunity to speak before you.

The purpose of my appearance here is to formally request that you place an agenda item on the State Allocation Board at the earliest possible to begin a dialogue on an issue of vital importance to the Dublin Unified School District.

We request that the item be written to provide an opportunity for discussion and action addressing the Board's authority to make determination that conditions exist that will school districts to increase developer fees as established by Government Code.

Under the provisions of the Code, since the Board is no longer approving apportionments for new construction due to lack of funds and upon making a determination that
state funds are no longer available, the Board shall notify
the Legislature in writing of that circumstance.

That action will allow the district to levy the
additional Level III developer fees.

The request to the Board is being made due to the
circumstances of the Dublin Unified School District wherein
substantial growth has occurred. The district has levied
the impact fees to the extent allowable by law, the
developer fees collected, and available funds to the
district were being matched by state bond funds.

The district has eligibility on new construction
funding and has made application for state bond funds. The
state bond funds have, however, been depleted.

The Board has no funds to make apportionments to
the district. The resultant circumstance is dire for the
district.

The residential development part progresses. New
homes are built and sold. The student population continues
to grow. The impact fees available are capped by law and
substantial deficiencies in excess of 475 million in capital
funds exist.

The immediate action of the Board is vital to the
district. Please recognize the overall impact of the large
deficit of the impact fees and how the wide funding gap will
add to the ongoing capital needs of the district.
These include modernization of the older schools will be used by new students as well as the existing population, and modernization funds, however, may not be legally covered by impact fees.

Also capital funding to meet costs of facilities required to support program innovation, technology, or career technical education cannot be factored into the fees legally assessed.

The policy expectation in the State Legislature and the Governor at this time is apparently that districts subsidize capital means through local bonds. Such, however, cannot be accomplished within the limitations of the local bonds.

We need Level III immediately and a state bond in November 2016 is dual sources of capital.

We respectfully request that you assist the district in placing the requested item on the agenda of the Board at the earliest date possibly.

MS. MILLER: Hi. My name is Amy Miller and I am also a trustee in the Dublin Unified School District. Dublin is the second fastest growing city in the state, as many of you know. In the past decade, our school district has doubled in size, and in the next five years will grow by another 50 percent.

We've passed over $280 million in local bonds
since 2004. We have negotiated mitigation agreements with developers and our city. We have done everything we possibly can locally.

However, the situation created by the state's lack of support for facility funding has caused frustration in our community and may undermine our ability to pass future bond measures.

We are here today to ask you to please consider reforming the system to provide adequate facility funds our district needs to continue serving our students. Thank you.

MS. ROUSE: Good afternoon, Madam Chair and State Allocation Board Members. My name is Meagan Rouse and I'm also with the Dublin Unified School District and I thank you for this opportunity to speak with you.

The school facilities funding system needs reform. It's burning our candle at both ends leaving us unable to access either state funding or adequate developer fees.

It's creating a distraction from our work and our mission as educators. We are spending too much time fighting for every dollar to house our students.

Our mission is to ensure that all students become life-long learners and are college and career ready. I implore you to fix what is broken. Enable us to provide the facilities our district needs. Let's begin this important dialogue. Thank you for your consideration.
CHAIRPERSON ORTEGA: Thank you. Jonette.

MS. BANZON: I just want to address the Board that under Bagley-Keane, items not on the agenda, we're limited to discussing it as to whether we can set it for the agenda or not.

CHAIRPERSON ORTEGA: Thank you. Any additional comments at this time? Senator Hancock.

SENATOR HANCOCK: Just to clarify. We can discuss it, but we can't take action to place it on the next agenda; is that what you're saying?

MS. BANZON: The discussion is only limited to whether or not you're going to set it for a future agenda.

SENATOR HANCOCK: Oh.

CHAIRPERSON ORTEGA: I think --

SENATOR HANCOCK: So that makes sense.

CHAIRPERSON ORTEGA: -- whether it's on the agenda.

SENATOR HANCOCK: I have to say I think we should set it for a future agenda.

MS. BANZON: And I also wanted to note that whatever we got here from the district should also be available to the public. Thank you.

SENATOR HANCOCK: Yeah. Which will happen if we put on our agenda.

CHAIRPERSON ORTEGA: So we can work to make it a
part of the Minutes so that it's included in the public record.

I think that what we can do, I can work with the staff to bring an information item to kind of at least put -- I think we would need to start with the statutory framework that the developer fees exist in currently, and we can do that, although I don't want to commit the staff to doing that at the very next meeting. I would at least want to have a little discretion, and it might need to be after the March 9th meeting.

SENATOR HANCOCK: Yeah. But I mean it seems to be asked here -- the question has always been when do developer --

CHAIRPERSON ORTEGA: Right.

SENATOR HANCOCK: -- fees kick in.

CHAIRPERSON ORTEGA: Right.

SENATOR HANCOCK: And given the uncertainty of any additional money and the fact that we are funding down -- have spent down the bond authority, bringing up district to enact the developer fees seems like something this Board should at least discuss and make a decision on.

CHAIRPERSON ORTEGA: Um-hmm.

MR. LYON: Thank you, Madam Chair. Are you taking additional comments on --

CHAIRPERSON ORTEGA: Yes.
MR. LYON: -- on this item?

CHAIRPERSON ORTEGA: Anything not on the agenda is where we are.


We believe that it would be inappropriate and certainly premature at this point to take this issue and bring it before the State Allocation Board.

In terms of the impact to housing, I would say this, that growing districts are charging anywhere from 10- to 15- to $20,000 per door under what we currently call Level II fees. So a doubling of that is 20-, 30-, $40,000 per door, and of course, that has the biggest impact on those in the middle income and those who are looking to afford an affordable house.

But having said that, the program that you administer has been a very successful program for the last 17 years, and the reason it's been successful is that builders and the state and local communities and school districts have all worked together to assure that the funding is there to provide the necessary funding for new construction and modernization.

There was quite a bit of problem prior to SB-50 with court cases and quite a bit of problems between school districts and builders, and for the last 17 years, the
program has brought the dollars to the table that have taken those problems virtually away.

It hasn't solved it for everybody, but the SB-50 program over the last 17 years has done the greatest good for the greatest number of districts in California.

We have been trying to push for a statewide school bond for about five years now, 2012 and 2014, and unfortunately, we haven't been able to bring all of the parties together to be able to accomplish that.

I think probably most or all of you know that California Building Industry Association and our partner, the Coalition for Adequate School Housing, jointly formed Californians for Quality Schools and we have qualified a bond -- a school construction and modernization bond on the November ballot for this year.

If that passes -- and we anticipate that it will -- this whole issue about going to Level III and whether or not there's adequate dollars there to continue the program will be moot.

That is on the November ballot. We fully anticipate moving forward and getting it passed.

Right now, we sit in the situation where the program, because it has -- the last time there was a bond was in 2006 and we haven't obviously had one since.

The program has been pushed to the margins, and so
you get situations like this. We're at the margins, people are feeling stressed, and in those types of situations, they do things that really aren't best for communities, aren't best for affordable housing, and aren't best for the program that you have overseen for so many years. And we're in that situation right now.

We don't believe it would be appropriate or wise to agendize this. We believe that the voters have an opportunity in November to decide whether they support the SB-50 program as they have demonstrated since 1998 they do. And only after that election would there be a question that would be ripe for this committee to look at in terms of what the appropriate contribution from builders would be because if we lose the bond, then it's certainly teed up for that. If the bond passes as we expect it is, the question is moot.

So we would strongly encourage the Board not to take action to agendize this. We don't believe it would be good for affordable housing. We don't believe it would raise any dollars in the short term for schools.

It would rupture the relationship and it would imperil the bond that is qualified for the ballot that we all believe is absolutely necessary to do the best for California school kids both in terms of modernization and new construction.
So thank you very much for the opportunity to offer these comments.

CHAIRPERSON ORTEGA: Thank you, Mr. Lyon.

Anything else from Board members? Ms. Bonilla?

ASSEMBLYMEMBER BONILLA: I'm inclined to support Senator Hancock's -- I don't know if it was a motion or not, but to go ahead and set it for the agenda. I think we need more information. A few minute conversation is not enough in my opinion to make a decision.

Setting it for the agenda I think is the appropriate action. It doesn't -- we don't know what the decision will be, but I think we need to discuss it. That's the purpose of public meeting.

CHAIRPERSON ORTEGA: Okay. Thank you. All right. Any additional public comment? Seeing none, the meeting will be adjourned. Thank you.

(Whereupon, at 4:52 p.m. the proceedings were adjourned.)
REPORTER'S CERTIFICATE

STATE OF CALIFORNIA )
COUNTY OF SACRAMENTO ) ss.

I, Mary C. Clark, a Certified Electronic Court Reporter and Transcriber, Certified by the American Association of Electronic Reporters and Transcribers, Inc. (AAERT, Inc.), do hereby certify:

That the proceedings herein of the California State Allocation Board, Public Meeting, were duly reported and transcribed by me;

That the foregoing transcript is a true record of the proceedings as recorded;

That I am a disinterested person to said action.

IN WITNESS WHEREOF, I have subscribed my name on January 28, 2016.

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