CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL
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SACRAMENTO, CALIFORNIA  95814

DATE:  MONDAY, OCTOBER 17, 2016
TIME:  2:00 P.M.

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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

JEFFREY McGUIRE, Chief Deputy Director, Department of General Services, designated representative for Daniel Kim, Director, Department of General Services

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

JUAN MIRELES, Director, School Facilities and Transportation Services Division, California Department of Education (CDE), designated representative for Tom Torlakson, Superintendent of Public Instruction

SENATOR LONI HANCOCK

SENATOR CAROL LIU

SENATOR BOB HUFF

ASSEMBLY MEMBER ADRIN NAZARIAN

ASSEMBLY MEMBER SUSAN BONILLA

ASSEMBLY MEMBER 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'm going to call to order the October 17th meeting of the State Allocation Board. Please call the roll.

MS. JONES: Senator Hancock.

Senator Liu.

SENATOR LIU: Here.

MS. JONES: Senator Huff.

SENATOR HUFF: Here.

MS. JONES: Assembly Member Nazarian.

Assembly Member Bonilla.

ASSEMBLY MEMBER BONILLA: Here.

MS. JONES: Assembly Member Chavez.

Juan Mireles.

MR. MIRELES: Here.

MS. JONES: Cesar Diaz.

MR. DIAZ: Here.

MS. JONES: Jeffrey McGuire.

MR. McGUIRE: Here.

MS. JONES: Eraina Ortega.

CHAIRPERSON ORTEGA: Here.

MS. JONES: We have a quorum.

CHAIRPERSON ORTEGA: Okay. Thank you. And before we get started with our action items, we wanted to take a
f ew minutes to recognize the Senators and Assembly Member Bonilla, who are having their last meetings here with us, and we have some resolutions for each of the members, and we, of course, have one for Senator Hancock too, but let's go ahead and -- should we grab the --

(Resolutions are passed out by the Chair)

CHAIRPERSON ORTEGA: Maybe we can do a little group photo at the end in case Senator Hancock is here by then. Thank you. Thank you all for your service on the State Allocation Board.

And then to welcome Juan who is here representing the Superintendent.

MR. MIRELES: Thank you.

CHAIRPERSON ORTEGA: And everyone knows Juan from a -- from a couple of former experiences, so welcome Juan.

MR. MIRELES: Thank You.

So let's get into the agenda. We have the minutes from the August 17th meeting. Any corrections or comments? All right. Seeing none, any public comment on the minutes? Seeing none, is there a motion?

SENATOR HUFF: Move.

ASSEMBLY MEMBER BONILLA: Second

CHAIRPERSON ORTEGA: Moved by Senator Huff and seconded by Assembly Member Bonilla. All in favor of the minutes say aye.
ALL: Aye.

CHAIRPERSON ORTEGA: It's passed unanimously.
And then we'll move to the Executive Officer Statement.

MS. SILVERMAN: Hi. We have a few items to share today. One of them is just to give the Board an update on the August priority apportionments, the Board approved 78 million dollars in projects and we have a deadline coming up of November 15th, so we'll be actively reaching out to folks.

There's 11 projects currently for 30.2 million dollars. And, again, those time requirements are really essential for them to come in before that November 15th date. And so we'll send out follow ups to the District and -- to ensure that they're going to meet those deadlines.

The second item is to share with the Board -- there's two more seismic projects that are part of the consent agenda. One of them is for Buena Park and it's for an elementary school for over $500,000. And another item that's also in consent is Hemet Unified for Hemet Elementary School for over 6 million dollars.

We also wanted to share -- there's going to be an upcoming priority funding filing round coming up soon and that opens up November 9th and it wraps up December 8th. So currently there's six projects that are eligible to submit
and those projects had already received a Board approval, but any projects that get approved tonight on the consent agenda will also be eligible to submit during certification round. So, again we'll be sending out reminders and contacting Districts to advise them of the certification round coming up.

Two more items we had -- we have a topic about pending litigation and those items are still -- there's no updates to share with the Board relating to those issues, so we'll provide updates if there are updates this year after this Board meeting in the future.

And the next State Allocation Board Meeting is December 5th. That's it.

CHAIRPERSON ORTEGA: Okay. Any comments? All right. Seeing none, we can move to the consent agenda.

MS. SILVERMAN: Consent is ready for your approval.

CHAIRPERSON ORTEGA: Any questions or comments on the consent items? Any public comment on consent? All right. Seeing none, is there a motion?

ASSEMBLY MEMBER BONILLA: Move.

MR. DIAZ: Second.

CHAIRPERSON ORTEGA: Okay. It's been moved by Assembly Member Bonilla, seconded by Mr. Diaz. All in favor of the consent calendar, please say aye.
ALL: Aye.

CHAIRPERSON ORTEGA: Okay. Passes unanimously.

And status of funds.

MS. SILVERMAN: So on the financials as far as funds being released there hasn’t been any fund release activity since we last met in August and, again, it's because we just received the apportionments the Board took action on. And then the Districts have time to actually submit the fund release request. So we're still processing those. So no funds were released to report.

As far as the status of funds, that's on page 216. I just wanted to share with the Board there's five projects that are part of the consent agenda for over 13.7 million dollars. And the activity related to funds being returned back to the program, there is actually 18 projects for 17.8 million dollars that are being returned back to the program.

And that's what we have to share.

CHAIRPERSON ORTEGA: Okay. Any questions on that report? Okay.

Seeing none, we'll move to Item 6, which is the Richgrove Elementary item.

I think Mr. LaPask is coming up for that one.

MR. LAPASK: Good afternoon. Brian LaPask with the Office of Public School Construction. Richgrove
Elementary School District is in Tulare County. So it's a small District that had a $146,000 emergency repair program apportionment in August of 2014 to upgrade a failing HVAC system. Due to the project needing DSA approval it had a 21-month deadline in order to complete the project and submit final expenditure reports to us at OPSC. That deadline was set for May 20th of this year 2016.

In June of 2015 the District hired the original contractor for the job and in April of this year, 2016, a new superintendent came in and when he arrived at the District he asked the contractor for different -- various records regarding the project, invoices, payroll records, etcetera. Those things were not provided and the contractor actually turned his keys in to the campus. So subsequently the District terminated the contract with that contractor.

Since then they have notified us letting us know that they wouldn't be able to meet the May 20th deadline. They have performed a construction analysis and project that they will be able to complete the project in December and submit all expenditure reports to us by January of next year.

We've done our analysis and we feel that they will be able to meet this timeline. So because the ERP regulations are clear about the 21-month deadline, we don’t have administrative approval to grant an extension.
Therefore, we're seeking Board direction on how to proceed with this.

There was a similar appeal for Montague Elementary School District in August that where an extension was granted that -- the differences between that project and this project is that the Montague project was requesting 60 days, not 8 months.

And also the Montague project was -- most of the way kind of through the work at the time they asked for their extension at the time it was due. This project has, you know, pretty much has started over just earlier this year, so those are the two differences, but otherwise they're very similar. So we're seeking Board direction on this one.

CHAIRPERSON ORTEGA: Okay. Thank you. Any comments or questions from the Board at this point? Let's see if there are any -- is there anyone here from the public to speak on this item? Yes, please come on up.

And we'll note that Mr. Nazarian has arrived as well.

MR. MILLAN: Good afternoon, everyone. My name is Mario Millan. I'm the new Superintendent at Richgrove. We, again, we started a major construction project on our campus. Once I became the superintendent I asked to speak to our contractor and asked for a bunch of documentation
which -- for compliance issues and he could not provide any.

We started this conversation with Adrian (phonetic) here in regards to trying to get an extension. We ask that you give -- grant us this extension. A very small farming community out in the area. I would hate to state that we were necessarily taken advantage of, but we were. And we wanted to make sure that our students have every opportunity to have everything that they need. So if they're in a comfortable environment being that we are in the Central Valley, it is very hot there. And the air quality is not the greatest air quality.

So we're trying to do what we can to rectify the situation to build a better relationship with DSA because there were some issues that were there also. We've brought on Colombo Construction out of Bakersfield who is very well known in that area for all the good work that they do at schools to help that you guide us with through process so we ask that you will grant us this extension of eight months to try to get that taken care of for our school and our students. Thank you.

CHAIRPERSON ORTEGA: Okay. Thank you. I don’t see any objections at this point. Any questions or comments? Any further public comment?

Is there a motion on the appeal before us?
MR. DIAZ: So moved.

ASSEMBLY MEMBER NAZARIAN: I have a quick question.

CHAIRPERSON ORTEGA: Yes, please, Mr. Nazarian.

ASSEMBLY MEMBER NAZARIAN: If I -- sorry I missed the presentation part. But can we -- can you give us a quick overview, and if you've already done it, that's fine. But I was kind of confused about -- I don't know if my office had a chance to ask some of the questions, if you can answer it because I didn't get a chance to get back the answers from the questions that I had.

MS. SILVERMAN: So I know you had a question about following the District as far as reporting expenditures to our office. I think that was the question I got.

ASSEMBLY MEMBER NAZARIAN: Right, right.

MS. SILVERMAN: And so basically once a grant is awarded to the District, it's -- when they submit their final expenditure, like their expenditure report was due to us back in --

MR. MILLAN: May.

MS. SILVERMAN: -- May. And so at that time they realized they weren't going to finish the work -- and, typically, we get expenditure reports when the work is completed. And so this is definitely an anomaly for us to -- we don't necessarily get updates when Districts are
expending the funds for the ERP program. It's basically when the project gets finished.

ASSEMBLY MEMBER NAZARIAN: So do we know at this point how much was spent of the roughly $146,000?

MR. MILLAN: None. The issue was our -- the previous contractor went out and purchased units to go in our classrooms. Those units aren't compatible with our classrooms because there was an electric upgrade that was going to take place so they bought the units to match the new electrical upgrade.

Well, that didn't take place we found out that there was issues everywhere so the work came to a halt. So the units we currently have do not work on our electrical voltage on our campus. So we actually have to replace those units and go out and buy other units.

But we were never -- I guess we were never billed by the contractor for the first 19 units that were purchased by him. So we had 18 units land on our campus and they don’t work on our systems. So there was a complete mess on that end of it. Obviously, there's a lot of attorneys involved on that piece. So as of right now we haven't technically spent any of it.

ASSEMBLY MEMBER NAZARIAN: So there's 18 units sitting on campus pretty much unpaid or --

MR. MILLAN: Yes. We're assuming that the
contractor -- in the draws that were given to him -- used that money to buy those -- trying to get the work done very quickly before the deadline, but we found out that there weren't DSA approval -- there weren't any DSA approvals for those units to go on top of our campus -- on our buildings, so we stopped it there.

And then he walked off on the job and so it doesn't match our current system. But he never sent us an invoice, or a bill, or anything on those units. So he must have paid for them out of the draw that he received from the campus -- from the District.

MR. VARGA: (Unintelligible) electrical upgrade unit. That was part of a different project, so the short answer here is that there has been no money spent for the HVAC upgrade.

ASSEMBLY MEMBER NAZARIAN: And do you expect to have any money recuperated at some point by this contractor?

MR. MILLAN: Right now our County Office of Education is taking this to the District Attorney for Tulare County and we're just kind of following the lead from our Attorney Lozano Smith (phonetic) on where we're going to go with all of this. But the one -- the $146,000 that was set aside that we received has not been touched.

ASSEMBLY MEMBER NAZARIAN: Is intact?

MR. MILLAN: Yeah, it hasn't been touched yet.
MR. VARGA: We don’t want to convolute -- there was an electrical upgrade. That was one project. The HVAC upgrade is a separate project from that. So the County Office is working through this electrical upgrade. Meanwhile, we are trying to salvage the HVAC upgrade project and so, again, there has been no money spent to date on that project.

ASSEMBLY MEMBER NAZARIAN: Okay. All right.

CHAIRPERSON ORTEGA: Okay.

ASSEMBLY MEMBER BONILLA: Second the motion.

CHAIRPERSON ORTEGA: Mr. Diaz made a motion. Ms. Bonilla that was your second?

MS. BONILLA: Yes.

CHAIRPERSON ORTEGA: Okay. Great. Any other questions? Seeing none, let's call the roll.

MS. JONES: Senator Liu.

SENATOR LIU: Aye.

MS. JONES: Senator Huff.

SENATOR HUFF: Aye.

MS. JONES: Assembly Member Nazarian.

SENATOR NAZARIAN: Aye.

MS. JONES: Assembly Member Bonilla.

ASSEMBLY MEMBER BONILLA: Aye.

MS. JONES: Juan Mireles.

MR. MIRELES: Aye.
MS. JONES: Cesar Diaz.

MR. DIAZ: Aye.

MS. JONES: Jeff McGuire.

MR. MCGUIRE: Aye.

MS. JONES: Eraina Ortega.

CHAIRPERSON ORTEGA: Aye.

MS. JONES: Motion carries.

CHAIRPERSON ORTEGA: Thank you.

MR. MILLAN: Thank you very much.

CHAIRPERSON ORTEGA: Okay. The next item is the appeal related to the Klamath-Trinity Projects.

Lisa, you're doing this one?

MS. SILVERMAN: Yes. So part of consideration is we're presenting tonight two projects taking Board action and they relate to health and safety projects. The Board actually took action in April to mitigate four funding requests and it was basically to address mold abatement and some structural rehab on several of the District's school sites.

So with this after the District was doing the work and the remediation they understand there's much larger problems that they had to deal with at those various sites so they're submitting some additional requests for funding in which they are eligible for. So with that we are presenting two projects for Board consideration tonight.
In addition there's other actions that we're seeking for those two projects that the Board take outside of those projects of the priority funding process and grant them apportionments. Meaning that they would have access to the funds should they submit fund release request almost immediately if they submit the request on time.

Additionally, it's outside the 18 month -- they would have a timeline of 18 months to do that to submit the request. But we, obviously, understand the District will come in relatively soon because they have a lot of work in place moving those projects forward.

So with that we also wanted to highlight there's three additional projects the District is also seeking funding that we'll be presenting sometime in December. And, again, contingent on if we have the available bond funds for those projects. But, again, we're seeking that since it is part of a consent item we're seeking that we present those items in the consent agenda for that future meeting.

And with that, we'll answer any questions.

CHAIRPERSON ORTEGA: Any questions from the staff? We do have -- Mr. Jon Ray is here. If you'd like to come on up.

MR. RAY: Good afternoon. Thank you for your time today, and I would like to publically recognize and acknowledge Lisa and the entire OPSC staff.
But we're a small District about 1,000 students, so as you can imagine there's not a large workforce and so navigating our way through this has been -- well, it's been interesting. It's been kind of a learning process for all of us involved. But just sometimes hearing a voice and the help -- their customer service I should say, is -- has been -- thank you very much for all that you've done. And I'm here to answer any questions that you might have as we navigate our way through this process.

CHAIRPERSON ORTEGA: Okay. Any questions from the Board members? Okay. All right. Any additional public comment on this item? Okay.

The issues raised in the report I think there are several items that would be part of an action on this, so I might recommend a motion that is to move the staff's recommendation on how to handle the project going forward so that we encompass each of the pieces of the report.

So is there a motion on the staff recommendation?

MR. DIAZ: So moved.

CHAIRPERSON ORTEGA: Okay. Moved by Mr. Diaz.

ASSEMBLY MEMBER BONILLA: Second.

CHAIRPERSON ORTEGA: Seconded by Ms. Bonilla.

I don’t think there’s any objection to this item, so all in favor of this item say aye.

ALL: Aye.
CHAIRPERSON ORTEGA: Okay. So approved unanimously. Thank you.

And now we'll move to the next one which is the San Juan Unified.

Barbara.

MS. KAMPMEINERT: Thank you.

Yes, our third appeal tonight is for San Juan Unified. This appeal is for seismic mitigation program funding for work that the District is completing at the Bella Vista High School.

To start, I'd like direct you to page 281 of the agenda where there are some photographs of the campus and the work that the District is doing. And these photographs are showing the extent of the work that the District has done to this project. They have essentially demolished much of the old shop building and all that's remaining are the roof structures and some of the columns. So essentially, this is looking much like a replacement project.

The reason that this came as an appeal is because of the way the regulations for the seismic mitigation program and the facility hardship program were structured -- the way the regulations read is that if the cost estimate for rehabilitation work exceeds 50 percent of the replacement value calculated per the regulations, the District qualifies for replacement funding.
And in this case, the cost estimate for the rehabilitation work was 94 percent of the replacement value. So -- but the District -- technically by leaving those structures there it is still a rehabilitation project. So the District is requesting funding that is outside of what the regulations allow us to do administratively.

If you look at page 273, we've provided a chart there of the actions that the Board has taken on similar projects in the past. And we have four Districts there, two of which Simi Valley and Palm Springs were in very similar circumstances where their rehabilitation cost estimates were very high compared to the replacement values. Yet, the District needed to do rehabilitation work and in these buildings it was due to having historic buildings.

So on those two buildings the Board did approve the replacement funding and allowed the District to do the rehabilitation work. And then subsequently, directed the staff to come back with regulations to allow us to do those pieces administratively. This project would not have fallen under those regulations because it's not an historic building.

We also have Klamath-Trinity which was a similar circumstance where the District was seeking replacement funding for rehabilitation work and given the unique circumstances of that District the regulations didn’t
contemplate an instance where an entire District would be shut down in a very remote location of the state where cost to replace would actually be nowhere near what the state formula would allow.

         And then our last example there is Coalinga-Huron, which that District was also doing rehabilitation work. The cost estimate was only at 57.9 percent, so it was much closer to the threshold that was set in regulation.

         And at the time the Board had expressed some concern during the meeting that providing the replacement funding it would be overfunding that project. And with it being a no savings program it would tie up much needed Bond Authority for a while, while the project was completed. So for that one the Board did award the rehabilitation funding at the 57.9 percent amount.

         The distinction between the replacement funding and the rehabilitation funding when the state provides the replacement funding it's replacing the building, the building that's come back as brand new. So the way the regulations read is that the modernization eligibility for that facility is -- the time is reset.

         So the date for the building becomes the date that the new replacement facility is constructed. The concept being that if the building is replaced in its entirety then there's not a necessary modernization eligibility component
so you don’t need to modernize a brand new building.

So we have put forth some options on page 274 for the Board’s consideration. And it’s important to note that for any of these options to move forward we need Board action because we are outside of the regulations. So administratively staff cannot do anything with any of these options. But there are three options.

One would be to provide the replacement funding at the replacement amount at the full 100 percent replacement amount calculated per regulations. The District would receive essentially 100 percent of the replacement cost there and the date would be reset on the buildings. So they would not qualify for modernization eligibility for 25 years on a permanent facility.

Option two would provide rehabilitation funding at the rehabilitation amount. This would provide almost the amount of replacement funding. It would be just 6 percent shy of that 94 percent amount, but it would allow the District to retain modernization eligibility for use at that campus in the future when the building became of age.

Again, based on its original date or its last modernization date.

And then option three is similar to option one although it caps the amount of funding instead of providing the full 100 percent replacement funding, it would cap it at
the 94 percent represented by the rehabilitation cost estimate.

It is our understanding that the District is seeking option two to provide -- for the Board to provide the rehabilitation funding as there are some elements of the project that they would be doing that are in excess of that 94 percent amount that they feel modernization eligibility could be used for.

However, staff has a concern with that option because it is so close to fully replacing the building that in essence the building is being replaced and it feels like there may be some double funding of that facility. The program was designed with that 50 percent threshold so that we wouldn't basically need to modernize buildings that were replaced. And since this building qualifies for replacement it may not be fair necessarily to also provide modernization eligibility as well.

But we are seeking Board direction on these funding options, and I believe the District has a representative here as well.

CHAIRPERSON ORTEGA: Okay. Shall we bring the District representative up?

Please -- I don’t have a speaker card so whoever is here to speak on the San Juan project.

MR. MITCHELL: There we go. Thank you. I can't
raise it up any farther, sorry. So I'll have to bend over.

Good afternoon members of the Board. My name is Brett Mitchell. I'm the director of facilities at the San Juan Unified School District. It's great to be here with you today and thank you for hearing our appeal on this.

I will try and stay on script otherwise if I just talk about schools I'll go on all day and there's already wagers going on about how long the meeting will go so I'll try and be brief as possible.

We did begin a process -- we had -- well the shop buildings really at our Bella Vista High School that we have a very successful science program that needed space and we underwent the process of modernization for the shop buildings to house our science projects or science programs.

And we elected to rehabilitate those buildings for three reasons.

First of all, staff become very attached with our buildings they like the look, they like the feel. And so there was some intent there to try and maintain the look and feel of that campus. We also felt that it was prudent at the time -- anybody that's undergone a modernization would know that eventually those modernizations take on more of a life than you originally anticipated.

But at the onset, we did believe that it was a
prudent thing to do for the District with its funds. And
most importantly we felt like it was the most
environmentally sustainable process for the District and for
-- at Bella Vista. So for those three reasons we began a
process of rehab.

After the design was underway the District
determined that it was eligible for seismic mitigation funds
under Assembly Bill 300 and began to pursue those costs. At
the time of that application, however, our estimates then
showed that the cost to rehabilitate were more than what the
OPSC calculated replacement costs were.

And in all reality the cost of that building
despite the estimates that you see it's far more expensive
just because of today's market, I think. But it's -- those
buildings are costing far more than any of the estimates
really reflect.

We, therefore, filed an application for the
rehabilitation project asking for a lesser of the rehab cost
versus the replacement cost as we felt that this was the
fair thing to do. Keep in mind that some of the costs that
were disallowed as part of the rehabilitation estimate were
parts that are necessary to the building to operate, HVAC
units, plumbing. And so when those were disallowed under
the -- in the original rehabilitation cost estimate, those
rehabilitation costs then went lower than what was
originally estimated under the replacement cost.

And I apologize, I realize this whole process is confusing. I am a bit confused by it sometimes when I'm talking about it. But in essence, we felt like the prudent thing to do under the original rehab cost was because it was costing more to be fair and ask for just what the replacement value was.

Once we pushed beyond what the replacement value was and then the costs were disallowed we decided that we needed to maintain the age of the building because some of the costs that were disallowed are eligible under modernization. And so that's why we came back today.

However, OPSC's review and determination of the rehab cost I talked about this wound up being less than what the replacement costs were, and as a result in line with our initial request for the lesser of two calculations, we are requesting that the State Allocation Board approve option two and provide the District with 50 percent of the rehab cost even though the rehab grant is approximately $160,000 less than what the replacement value would be, we would prefer this option for three reasons.

First, it allows the building to maintain its age as was mentioned by Ms. Kampmeinert it does allow us for modernization money. I would like to put it into perspective though in terms of the process of potentially
What was disallowed under the original estimate for rehab was about $800,000. Should we maintain our age of the building and be able to come back in at a later date for modernization funds, the impact of that overall campus wide is about $600,000 to $700,000, conservatively.

So I really want to make that point that even if we do come back for modernization costs, it's still less than the amount we ask for under the rehabilitation cost. The rehab funding would match what OPSC defines this project to be, which is a rehab project. There was components to that building left in place. You saw the pictures of it. It's not a total replacement, and there's still parts of that what they would term as replacement that are not eligible under the estimate right now as it stands.

Furthermore, maintaining the modernization eligibility allows the District to seek funding for the non-seismic work that is also being completed in these facilities such as replacement of HVAC, roofing, insulation, et cetera, and I covered that a little bit a minute ago.

We do believe that the law and the regulations are permissive regarding this request. We know there's a concern and I mentioned that about the double dipping. Hopefully, I addressed that for you. The magnitude of that is such that, again, we were disallowed about $800,000 in
estimate. Perfectly allowable under a modernization and so allowing us to retain modernization eligibility allows us to recuperate some of those costs.

And aside from that, I just want to thank you. I do want to say it was great to meet some of the staff on Thursday. But I do want to compliment the legislatures, assemblymen, and senators on their staff. It was a great process of meeting them on Thursday. I want to compliment all of them on how cordial they were and really willing to listen.

So with that I'll say thank you.

CHAIRPERSON ORTEGA: Okay. Are there any questions or comments at this point?

MR. MCGUIRE: I did just have one question. Where you say in like option two you're really just requesting the rehabilitation at 50 percent, not at the 94 percent. So that's different than I think what was -- we understood in the briefing, previously.

MR. MITCHELL: I believe under the program of AB 300 all that's allowed is 50 percent. So, yes, 50 percent.

CHAIRPERSON ORTEGA: Barbara.

MS. KAMPMEINERT: So to clarify, the funding would be based off of the 94 percent of the estimate and then the state would be matching part of that and the District would be matching part of that or are you asking --
MR. MITCHELL: That's correct.

MS. KAMPMEINERT: Okay. So you're not asking to reduce the cost estimate?

MR. MITCHELL: Right. And I think the difference is about 160 -- 2.1 million versus 2.3 million. The replacement was offering was 2.3 million. Rehab would be 2.1 million. So we are asking for actually less now, but it allows us to retain some modernization eligibility.

CHAIRPERSON ORTEGA: Now, I'm getting confused. Are you still asking -- what I have from the staff report and this is what is in the report that everyone can see is that of the different options before the Board there's -- the option one which is about 2.3 million. Option two is about 2.1 million and maintaining eligibility in the modernization program.

MR. MITCHELL: That's correct.

CHAIRPERSON ORTEGA: And then option three is 1.9 million.

MR. MITCHELL: Yeah, and we prefer not that one.

CHAIRPERSON ORTEGA: Yeah. So you prefer not three.

MR. MITCHELL: Correct.

CHAIRPERSON ORTEGA: We all got that. You prefer option two, the 2.1 million and maintaining modernization?

MR. MITCHELL: That's correct.
CHAIRPERSON ORTEGA: Okay. So, I mean, I think one thing that is concerning to me and the way you described it is that you want to keep the modernization eligibility essentially to make up for the fact that the grant that would be approved here does not fully cover the cost of the project, right?

MR. MITCHELL: Yes.

CHAIRPERSON ORTEGA: So I guess what I don’t understand about that is that seems like then you'd essentially be getting two grants for one project, and I'm not sure how that's fair to other folks who might be trying to get one grant in the modernization program.

MR. MITCHELL: So you're talking about two grants. You're talking about future modernization?

CHAIRPERSON ORTEGA: Right.

MR. MITCHELL: I don’t -- I can't really address the unfairness of it. It's eligible funds that we're eligible for like any other District.

CHAIRPERSON ORTEGA: But I guess if you wanted to be eligible for that and get that second grant later, then it seems to me you should get the 49 percent, the original rehab amount which would be considerably less than 1.9, right -- or 2.1?

MR. MITCHELL: Yeah, I don’t understand the question. I'm sorry.
CHAIRPERSON ORTEGA: Well, if we took no action today, you would get --

MR. MITCHELL: Yeah, we prefer that not to happen again.

CHAIRPERSON ORTEGA: Yeah. If we took no action, you would get considerably less than 2.1, right, under what the staff would be able to approve?

MR. MITCHELL: Well, if you approve option one, it's actually a little bit more.

CHAIRPERSON ORTEGA: Yeah, that wasn't the question. Barbara, if we took no action, what would be the amount of the grant?

MS. KAMPMEINERT: If the Board took no action, administratively the District could refile the application, reducing the cost estimate down to 49.99 percent allowing us to process it administratively as a rehabilitation project. But it would be half of the amount that the District is requesting as part of this item.

MR. MITCHELL: And for timing sake for the school District, we are under construction, so we're hoping to have some action today. We're moving pretty fast out there.

CHAIRPERSON ORTEGA: Sure. Any other questions or comments?

Senator Liu.

SENATOR LIU: This may be kind of a non-sequitur,
but do you have a bond issue -- a local bond in November?

    MR. MITCHELL: Yes, we do. We have one --
    actually we had one in 2012, which was Measure N. It's the
    matching fund actually for this project. And then we do
    have Measure P on the ballot for November 8th.

    SENATOR LIU: And how large is your bond?

    MR. MITCHELL: $750 million.

    SENATOR LIU: And what's your demand? What's your
    project demand? I mean, how much do you need to build that
    or what?

    MR. MITCHELL: The total project cost for this
    project is 14 1/2 million. However, our master plan
    dictates about 2.4 billion districtwide.

    SENATOR LIU: Thank you.

    CHAIRPERSON ORTEGA: Any other comments or
    questions?

    I think -- you know, I think that recognizing that
    the cost of the project is much more than what you would be
    receiving here, I'm still not -- I'm still uncertain about
    how we could defend approving the amount and keeping the
    modernization eligibility.

    So I'm assuming that would be an application later
    on in the modernization program, but, again, there would be
    other folks who would want to be applying for modernization
    who didn't receive anything for a project at all. So that's
the part that I'm still struggling with about why that would be appropriate.

MR. MITCHELL: I'm sure that we would fall in line in place wherever our priority is with OPSC should that money become available if that bond passes in November. However, it is eligible cost -- the amount that was disallowed in the rehab facility is eligible monies for modernization.

It's not anything that wouldn't be allowed under a modernization. So we're not asking for priority over any other Districts just that for the modernization that it's available that we get that money. And I'm still not sure that I'm answering the question. I'm sorry.

CHAIRPERSON ORTEGA: No, I'm not sure that we're going to have a meeting of the minds on the point, so that's fine. Thank you.

Are there any comments or questions? Is there any other public comment on this item? All right.

I will just say that I could support the option one that's before the Board, which would be providing the replacement funding at the replacement amount, but would not maintain the modernization eligibility. I would not be able to support option two that the District has requested, so.

SENATOR LIU: I would move that. I would move
option one.

CHAIRPERSON ORTEGA: Okay. So option one is moved by Senator Liu.

MR. DIAZ: Second.

CHAIRPERSON ORTEGA: Second by Mr. Diaz. Please call the role on that.

MS. JONES: Senator Liu.
SENATOR LIU: Aye.

MS. JONES: Senator Huff.
SENATOR HUFF: Aye.

MS. JONES: Assembly Member Nazarian.
ASSEMBLY MEMBER NAZARIAN: Aye.

MS. JONES: Assembly Member Bonilla.
ASSEMBLY MEMBER BONILLA: Aye.

MS. JONES: Juan Mireles.
MR. MIRELES: Aye.

MS. JONES: Cesar Diaz.
MR. DIAZ: Aye.

MS. JONES: Jeffery McGuire.
MR. MCGUIRE: Aye.

MS. JONES: Eraina Ortega.
CHAIRPERSON ORTEGA: Aye.

MS. JONES: And that motion carries.
CHAIRPERSON ORTEGA: Thank you.

MR. MITCHELL: Thank you for your time.
CHAIRPERSON ORTEGA: Thank you. All right. We'll move to item 7 which is reports discussion - anything you want to -- any additional comments from any members? Assembly Member Bonilla.

ASSEMBLY MEMBER BONILLA: I just want to say thank you to the staff and thank you for the recognition of serving, but really we know that you all have put in hours and hours of work, and work every day on these issues to represent to the best of your ability all the Districts within the state of California and all of their competing interests and I just want to thank you very much for your hard work for the State Allocation Board. Thank you.

CHAIRPERSON ORTEGA: Thank you. Anything else?

SENATOR LIU: Ditto. Thank you very much and thank you for your leadership, Eraina, and appreciate joining you here and wish you the best of luck going forward.

ASSEMBLY MEMBER BONILLA: Thank you. Thank you.

SENATOR HUFF: Well, it's been a pleasure to serve for a while and be off for a while. That part was particularly enjoyable and then come back on. But we sometimes lose track. This is important work we're doing here. It is nice to be part of the process and trying to make sure schools are as equipped as we can be for the service they're doing to our state. And I will miss you.
You can read that however you want.

CHAIRPERSON ORTEGA: And we want to say thank you to Senator Hancock too. Unfortunately, she couldn't make it, but we will certainly give her her resolution. And she has spent countless hours also working on improving the program and working for the Board. So thank you also to her and to everyone else.

Was there any other public comment to come before the Board? Okay. Seeing none, we will be adjourned. Thank you everyone.

(Whereupon, at 2:45 p.m. the proceedings were adjourned.)
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