

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CALIFORNIA STATE ALLOCATION BOARD

PUBLIC MEETING

STATE CAPITOL  
ROOM 447  
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, JANUARY 25, 2017

TIME: 4:03 P.M.

Reported By: Mary C. Clark  
Huntington Court Reporters and Transcription,  
Inc.  
301 North Lake Avenue, Suite 150  
Pasadena, CA 91101  
(800) 586-2988  
[www.huntingtoncr.com](http://www.huntingtoncr.com)  
[reports@huntingtoncr.com](mailto:reports@huntingtoncr.com)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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, designated representative for Tom Torlakson, Superintendent of Public Instruction

ASSEMBLYMEMBER ADRIN NAZARIAN

ASSEMBLYMEMBER ROCKY CHAVEZ

ASSEMBLYMEMBER PATRICK O'DONNELL

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

P R O C E E D I N G S

1

2

3

4

5

6

CHAIRPERSON ORTEGA: Okay. Good afternoon, everyone. I'd like to call to order the January 25th meeting of the State Allocation Board. Ms. Jones, if you could call the roll.

7

8

MS. JONES: Certainly. Assemblymember Nazarian. Assemblymember Chavez.

9

ASSEMBLYMEMBER CHAVEZ: Here.

10

MS. JONES: Assemblymember O'Donnell.

11

ASSEMBLYMEMBER O'DONNELL: Here.

12

MS. JONES: Juan Mireles.

13

MR. MIRELES: Here.

14

MS. JONES: Cesar Diaz.

15

MR. DIAZ: Here.

16

MS. JONES: Jeffrey McGuire.

17

MR. MCGUIRE: Here.

18

MS. JONES: Eraina Ortega.

19

CHAIRPERSON ORTEGA: Here.

20

MS. JONES: We have a quorum.

21

CHAIRPERSON ORTEGA: Thank you. The first item of business will be **Minutes** from the December 5th meeting.

23

MS. SILVERMAN: The Minutes are ready for your approval.

24

25

CHAIRPERSON ORTEGA: Any corrections or edits to

1 the Minutes?

2 ASSEMBLYMEMBER CHAVEZ: Move approval of the  
3 Minutes.

4 MR. DIAZ: Second.

5 CHAIRPERSON ORTEGA: It's been moved and seconded.  
6 All in favor of approval of the Minutes please say aye.

7 (Ayes)

8 CHAIRPERSON ORTEGA: Okay. Passes unanimously.  
9 And next, Lisa.

10 MS. SILVERMAN: Yeah. We have the **Executive**  
11 **Officer's Statement**, and we have a few items to share  
12 tonight.

13 We wanted just to advise the Board with the  
14 passage of Proposition 51 that provided \$500 million for the  
15 Charter School Facilities Program that we have a filing  
16 round open up on February 6th and that will close on  
17 June 5th. And so with that, we will be having some outreach  
18 opportunities and some webinars and so we'll be posting  
19 that -- those type of activities in the near future.

20 And we also wanted to share that in August, we had  
21 almost \$80 million in funding that went out to school  
22 districts and we had a deadline of November 15th and we  
23 wanted to share with the Board, there was two projects that  
24 didn't make the filing round deadline. And so with that,  
25 they were two charter school projects, design grants, and

1 they didn't lose their apportionments, but in fact they just  
2 got a new date in line.

3 CHAIRPERSON ORTEGA: Okay.

4 MS. SILVERMAN: And with that, we also wanted to  
5 share there's a scheduled meeting for February 22nd.

6 CHAIRPERSON ORTEGA: Okay. Any questions on that?  
7 All right. Seeing none, we'll move to the **Consent Calendar**.

8 MS. SILVERMAN: Consent is ready for your  
9 approval.

10 CHAIRPERSON ORTEGA: Okay.

11 ASSEMBLYMEMBER CHAVEZ: Move approval of the  
12 Consent Agenda.

13 MR. DIAZ: Second.

14 CHAIRPERSON ORTEGA: All right. Moved and  
15 seconded. Any public comment on any of the items on the  
16 Consent Agenda? Seeing none, all in favor say aye.

17 (Ayes)

18 CHAIRPERSON ORTEGA: I will hold that item open so  
19 Mr. Nazarian can add on when he joins us, if he chooses.

20 Item 5, the **Financials**.

21 MS. SILVERMAN: Yeah. On page -- highlight your  
22 attention, on page 42, we've been summarizing with the Board  
23 the activity of when we've been liquidating the cash. And  
24 so we didn't have financial information shared with the  
25 Board at the December meeting since it was a short,

1 abbreviated meeting.

2 But on page 42, we wanted to share with the Board  
3 that \$42.2 million went out to school districts as a result  
4 of the apportionments that were enacted in August. So we  
5 just wanted to share that with the Board.

6 And then if I can direct your attention to  
7 page 45, and that is the **Status of Funds** which we shared  
8 with the Board just the financial availability. And so we  
9 wanted to share there's a posting of Proposition 51 and it's  
10 now in the upper tier bracket and it shows \$7 billion that's  
11 there for the program.

12 With the activity that was approved in the Consent  
13 Agenda, we had one rescission in the Charter Program and  
14 that was in Proposition 1D and that's in the orange  
15 category.

16 And then we also wanted to share that there was  
17 close-out activity that resulted in nearly a half million  
18 dollars that came into the program as a result of the  
19 close-out recoveries.

20 And on page 46, we wanted to highlight also to the  
21 Board that there were nine projects for nearly \$3 million  
22 that went out for the Emergency Repair Program, and those  
23 are the result of additional funds that came back in the  
24 program of \$9.2 million as a result of districts returning  
25 back savings. And with that --

1 CHAIRPERSON ORTEGA: Okay. Any questions? All  
2 right. Seeing none, we move to Item 6. This is the **Review**  
3 **of the Office of State Audits and Evaluations Report and the**  
4 **Accountability Program.**

5 MS. SILVERMAN: So on page 70, we wanted to  
6 provide the Board a follow-up to the audit that was issued  
7 back in August. And I know we shared with the Board briefly  
8 that -- and we didn't have a report in its full detail, but  
9 I did share with the Board that we also wanted to provide  
10 some updates once we had a clear vision of whether or not  
11 Proposition 51 had passed. And that was also part of my  
12 response to the audit as well.

13 So with that, now that we're here -- we're here  
14 and the passage of Prop. 51 and we thought there is some key  
15 information that we wanted to share with the Board.

16 Back in 2007, after the 2006 bond initiative,  
17 there was an executive order and that executive order called  
18 for upfront in-progress and close-out accountability and  
19 that also provided with the passage of those bond  
20 initiatives and any future bond initiatives, that would  
21 provide -- the executive order -- an oversight  
22 responsibility to the Department of Finance to audit the  
23 program to ensure that the bond funds were appropriately  
24 spent in accordance with the bond requirements.

25 So we highlighted that as an important indication

1 of some of the gaps that we may have in the current program.  
2 One of the audit objectives OSAE had pointed out in their  
3 August 2016 report, they actually followed up on some 2011  
4 findings and also conducted some field audits of some school  
5 district projects.

6 So on page 71, there's a summary -- a short list  
7 of findings that were critical findings that they wanted to  
8 share with the program.

9 One of the critical findings that they outlined  
10 was that we weren't conducting field audits, again, a  
11 critical component of the bond program. And they also had  
12 some questioned costs that they identified in the projects  
13 that they audited with the school districts.

14 They also highlighted that we had inadequate  
15 accountability of project savings.

16 So with that -- with the passage of  
17 Proposition 51, we think it's appropriate and imperative and  
18 timely to address the findings and to prevent these issues  
19 from recurring again and to ensure greater accountability of  
20 the bond funds.

21 So OPSC and the Board have a responsibility to  
22 Californians to ensure that the bond funds are appropriately  
23 accounted for in an expedient and approved process.

24 So in the Governor's budget for 2017-'18, the  
25 administration highlighted they intend to work with the



1 State Allocation Board, the Office of Public School  
2 Construction to revise policies and regulations to improve  
3 front-end grant agreements, and to complement this front-end  
4 accountability, the administration will also introduce  
5 legislation requiring facility bond expenditures to be part  
6 of the K-12 audit guide.

7 In this case, independent auditors will verify the  
8 local agencies' expenditures and they were appropriately  
9 spent in accordance to the bond program.

10 So with that, we wanted to introduce grant  
11 agreements concepts and define -- grant agreements are a  
12 useful tool and they obviously define the basic terms and  
13 conditions and accountability measures in which one would  
14 receive funding.

15 It also clarifies expectations and rights and  
16 responsibilities of all parties from beginning to the end.  
17 And it also addresses some of OSAE's key recommendations.  
18 It also makes really clear mutually agreed-upon requirements  
19 and also aids in restructuring the application process as it  
20 currently exists.

21 As you see on the bottom of page 72 is a chart --  
22 or a diagram of some sort that actually explains from the  
23 time we receive an application process to the time that the  
24 district has three to four years to build the project and  
25 the timely requirements of submitting expenditure reports to

1 our program, it may take nearly eight to nine years before  
2 we come back to the district and may have some  
3 recommendations or findings that may have some issues with  
4 the project.

5 That's a long period of time in order for a  
6 district to try to correct any wrongdoings in some of their  
7 projects. So -- and that actually leads to the appeal  
8 workload being elevated to the Board because we didn't have  
9 the ability to catch those issues sooner.

10 So grant agreements are commonly used with other  
11 government agencies including federal programs. And on  
12 page 73, we highlight and share some of those programs that  
13 are currently administrating grant agreements.

14 So with grant agreements, staff essentially can  
15 monitor how bond funds are spent and confirm that the  
16 project's hitting its milestones and they're met. Grant  
17 agreements will provide additional transparency and clearly  
18 defined expectations and responsibilities under the School  
19 Facilities Program.

20 So at this time, staff is seeking Board direction  
21 to proceed with the development of grant agreements and  
22 companion regulations and come back to a future Board  
23 meeting.

24 CHAIRPERSON ORTEGA: Okay. Thank you for the  
25 report. Any questions or comments? Mr. O'Donnell.

1 ASSEMBLYMEMBER O'DONNELL: Yeah. I have a  
2 question -- maybe a couple. So I understand -- I get that  
3 there's concerns out there. One of my concerns, though, is  
4 the timeline because I don't want to slow down our efforts  
5 to get this money out, et cetera.

6 So can you give me suggested timelines for us to  
7 take a look at the grant agreement concept? When will you  
8 bring it back? What's your prediction, et cetera?

9 MS. SILVERMAN: I mean once we come back with  
10 grant agreements, it's going to take a short timeline to  
11 develop that and then also get some input as well. So I  
12 think we -- I think February is probably a little short on  
13 our timelines. Maybe potentially move that back to a March  
14 meeting.

15 But we can also present on an emergency basis  
16 emergency regulations as part of that package. And in fact,  
17 if that's the case, then it could take 30 to 45 days before  
18 they became effective.

19 ASSEMBLYMEMBER O'DONNELL: And maybe you can help  
20 me understand the protocol of the process. So you would  
21 bring them back to this body.

22 MS. SILVERMAN: Um-hmm.

23 ASSEMBLYMEMBER O'DONNELL: And then ultimately the  
24 regulations would have to be adopted as well.

25 MS. SILVERMAN: Collect.

1 ASSEMBLYMEMBER O'DONNELL: Which would reflect the  
2 grant agreement --

3 MS. SILVERMAN: Correct.

4 ASSEMBLYMEMBER O'DONNELL: -- and the timeline for  
5 that is unknown.

6 MS. SILVERMAN: Well, that could be March -- as  
7 early as March.

8 ASSEMBLYMEMBER O'DONNELL: Okay. Again just, you  
9 know, I think the voters have spoken. They supported the  
10 bond. We need to do all we can inside this room for sure to  
11 get these projects up and running. So thank you.

12 CHAIRPERSON ORTEGA: Okay. Any other comments on  
13 the grant agreements? Is there any public comment on this  
14 item? Please come on up.

15 MS. HANNAH: Hi. Good afternoon. I'm Jenny  
16 Hannah. I am the Chair of the Coalition for Adequate School  
17 Housing and I represent Kern County Superintendent of  
18 Schools as my employer.

19 We agree -- CASH and our member districts are  
20 confident that we support transparency and consistency in  
21 terms of what's the expectation level for school districts  
22 for audit procedures and so we're hopeful to be included in  
23 those conversations.

24 We think that we can help with communicating an  
25 effort to not be duplicative or redundant in some of the

1 other local accounting and reporting procedures that we  
2 already do have for local bond funds and things of that  
3 nature. So we'd like to see some alignment with that  
4 process.

5 We also are hopeful and would encourage an  
6 expeditious process as well. We see an effort to do so and  
7 we're anxious to see that the districts that are ready and  
8 able to do school construction projects that are very needed  
9 in a lot of areas to be able to get the funding out and  
10 available to those districts.

11 So we just offer that CASH and our member  
12 districts and many of us are available to help in those  
13 conversations and studies. So thank you.

14 CHAIRPERSON ORTEGA: Thank you. Okay. Any other  
15 public comments on this item?

16 So this isn't an action item per se, but we were  
17 hoping that as a Board we could affirm that the grant  
18 agreements were important and necessary to move the program  
19 forward and direct staff to bring something back and that  
20 would be targeted for the March Board meeting to bring back  
21 kind of a draft of what this would look like.

22 So without any objection on that point, that will  
23 be the direction to staff.

24 MS. SILVERMAN: Okay.

25 CHAIRPERSON ORTEGA: Okay. Thank you. Next is

1 the **Overview of the Informational Lists.**

2 MS. KAMPMEINERT: Yeah. So the next item is a  
3 report item on the informational lists that are existing  
4 under the School Facility Program. And we wanted to bring  
5 this item forward just as a refresher or as an introduction  
6 for Board members.

7 It's been a number of years since the lists that  
8 we refer to in this program have been created, so at the  
9 bottom page 115, we have a little graphic there that  
10 displays the three different lists that we have in the  
11 program.

12 And the green-colored graphic is representing the  
13 unfunded list (lack of AB-55 loans). And this list is the  
14 one that we have been operating off of for the existing bond  
15 funds prior to the passage of Proposition 51 where the Board  
16 is providing unfunded approvals and then projects go onto  
17 this list to await cash from a future bond sale.

18 So that process is currently working and in place.  
19 But we have two additional lists that we believe are going  
20 to require further Board action at a future meeting.

21 The middle category is the unfunded list which is  
22 sometimes referred to as the true unfunded list and that is  
23 a batch of projects that came in from October of 2012 and  
24 also from May 2012, depending on whether it was new  
25 construction or modernization.

1           It was just a short window of time and that list  
2 existed under the School Facility Program regulations for a  
3 number of years and it was during this time frame that the  
4 Board had discussions on whether or not this list should be  
5 continued in the light of the fact that bond authority had  
6 been exhausted in the program.

7           So the Board had made a decision to stop accepting  
8 applications under this regulation and created new  
9 regulations for the applications received beyond bond  
10 authority list which is the blue list category there. But  
11 until those regulations took effect, we had projects that  
12 were still coming in under the old regulations.

13           So the unfunded list represents projects that were  
14 processed by OPSC during that time frame, and on page 117,  
15 we break down the projects that are on that list and we have  
16 26 applications for new construction representing the  
17 178 million in funds, and in modernization, we have 103  
18 applications for about -- just under \$190 million worth of  
19 funding.

20           And those applications have been processed and are  
21 awaiting bond authority.

22           The third list, the applications received beyond  
23 bond authority, that was the list that the Board had created  
24 that was allowing school districts to continue submitting  
25 projects, but OPSC was not to review them.

1           So they have not been processed or reviewed by our  
2 office. They have come into our office in just a very basic  
3 document intake process to make sure that we log that  
4 they've come in and what type of application it is, but they  
5 have not been reviewed.

6           As a condition of submitting that type of  
7 application, districts were required to certify that they  
8 understood that there was no obligation on the part of the  
9 Board for future funding, that projects may or may not  
10 qualify in the future depending on what the rules and  
11 regulations are at the time.

12           So that certification does come in with those  
13 projects. So there is about \$2 billion worth of  
14 applications on that list. In new construction, we have 259  
15 applications totaling 1.3 billion in funds, and  
16 modernization is 383 applications with 683 million in  
17 funding requests.

18           Those amounts are as submitted by the districts  
19 because we have not verified these projects as they've not  
20 been processed.

21           So we wanted to just refresh everyone's memory on  
22 where the lists stand. They can be found in the back of the  
23 agenda as well.

24           However, we anticipate the need to come back to  
25 the Board with a discussion -- a policy discussion on how we



1 handle these projects because it's been a number of years.  
2 It's been four plus years for some of these projects, so  
3 some of the circumstances may have changed with these  
4 applications.

5 We don't know if the applications were valid at  
6 the time they were submitted. We don't know if we were to  
7 look at the eligibility today whether the circumstances  
8 would be the same. So we would propose to bring back an  
9 item to have that conversation at a future Board meeting.

10 With that, I'd be happy to answer any questions.

11 CHAIRPERSON ORTEGA: All right. Any questions at  
12 this time? Any public comment on this item? Okay. Seeing  
13 none, move on to the **Legislative Update**.

14 MS. KAMPMEINERT: Okay. And the Legislative  
15 Update can be found on page 118 and this is the annual item  
16 that we present to the Board. And it's a listing of bills  
17 that have passed in the past session -- the last session  
18 that may have an impact to the program or are related to the  
19 program.

20 And this year, we do not believe there's any Board  
21 action required as a result of any of these bills passing,  
22 but we did want to put them on your radar and on the radar  
23 of school districts that may be impacted because some of  
24 these topics relate to school construction.

25 CHAIRPERSON ORTEGA: Okay. Any questions on the

1 Legislative Update? Any public comment on this item? All  
2 right. Seeing none, back to Lisa.

3 MS. SILVERMAN: So we have the workload report.

4 CHAIRPERSON ORTEGA: Okay.

5 MS. SILVERMAN: And that's it.

6 CHAIRPERSON ORTEGA: All right.

7 MS. SILVERMAN: If you have any questions about  
8 the workload.

9 CHAIRPERSON ORTEGA: Any questions? No? All  
10 right. Any public comment on any of the items not on the  
11 agenda? Okay. Well, that concludes our business. We  
12 will -- I'll hold off on adjourning for a couple minutes to  
13 see if Mr. Nazarian is joining us, but you are free to go.  
14 Thank you, everyone.

15 (Off record)

16 MS. JONES: We'd like to know how you would vote  
17 on the Consent Calendar.

18 ASSEMBLYMEMBER NAZARIAN: Aye.

19 MS. JONES: And the Minutes?

20 ASSEMBLYMEMBER NAZARIAN: Aye.

21 MS. JONES: Okay. Thank you.

22 CHAIRPERSON ORTEGA: Okay. Thank you. Meeting's  
23 adjourned.

24 (Whereupon, at 4:38 p.m. the proceedings were  
25 adjourned.)

REPORTER'S CERTIFICATE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF CALIFORNIA            )  
  )  ss.  
COUNTY OF SACRAMENTO        )

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 26, 2017.

\_\_\_\_\_  
Mary C. Clark  
AAERT CERT\*D-214  
Certified Electronic Court  
Reporter and Transcriber