

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: TUESDAY, NOVEMBER 25, 2014
TIME: 10:12 A.M.

Reported By: Mary Clark Transcribing
4919 H Parkway
Sacramento, CA 95823-3413
(916) 428-6439
marycclark13@comcast.net

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

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

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

JEANNIE OROPEZA, Deputy Superintendent of Public Instruction, Services for Administration, Finance, Technology & Infrastructure Branch, designated representative for Tom Torlakson, Superintendent of Public Instruction

ASSEMBLYMEMBER JOAN BUCHANAN

ASSEMBLYMEMBER CURT HAGMAN

ASSEMBLYMEMBER ADRIN NAZARIAN

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer
BILL SAVIDGE, Assistant Executive Officer

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

LISA SILVERMAN, Executive Officer

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
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRPERSON ORTEGA: Good morning, everyone. I'll call to order the November 25th meeting of the State Allocation Board. Ms. Jones, if you could call the roll.

MS. JONES: Yes. Thank you. Senator Hancock. Senator Liu. Senator Fuller. Assemblymember Buchanan.

ASSEMBLYMEMBER BUCHANAN: Here.

MS. JONES: Assemblymember Hagman.

ASSEMBLYMEMBER HAGMAN: Here.

MS. JONES: Assemblymember Nazarian.

ASSEMBLYMEMBER NAZARIAN: Present.

MS. JONES: Esteban Almanza.

MR. ALMANZA: Here.

MS. JONES: Jeannie Oropeza.

MS. OROPEZA: Here.

MS. JONES: Cesar Diaz.

MR. DIAZ: Here.

MS. JONES: And Eraina Ortega.

CHAIRPERSON ORTEGA: Here.

MS. JONES: We have a quorum.

CHAIRPERSON ORTEGA: Thank you very much. Thank you everyone for coming to this meeting that we kind of scheduled short notice. The **Minutes** I think are the first item. Lisa.

1 ASSEMBLYMEMBER BUCHANAN: Move approval.

2 CHAIRPERSON ORTEGA: I don't think we have any
3 changes to the Minutes. We have a motion from Ms. Buchanan.

4 MS. OROPEZA: Second.

5 CHAIRPERSON ORTEGA: And a second. All in favor.

6 (Ayes)

7 CHAIRPERSON ORTEGA: The Minutes are adopted. And
8 Item No. 3 is the **Executive Officer's Statement**.

9 MS. SILVERMAN: Yeah. We have a few items to
10 share today -- this morning. And first is the update on the
11 priority in funding apportionments.

12 The Board took action in August for \$100.2 million
13 and we wanted just to give the Board an update. There's
14 only two projects that didn't come in. Everyone else
15 accessed the cash.

16 So the two projects will receive their first
17 strike and one of them is a facility hardship project. And
18 so they'll still have a priority status, but again, it's
19 important for them to provide certification during the open
20 round, and another is a charter project.

21 So again, we'll be working with all those folks
22 that have an unfunded approval to submit a cert during the
23 current round.

24 The next item again is to mention that we have a
25 priority certification round open currently. And again,

1 those folks who have an unfunded approval and those who are
2 receiving unfunded approvals today will be eligible to
3 participate.

4 The certification round closes December 11th and
5 they'll be valid for January 1st through June 30th, 2015.

6 And we also wanted to highlight that we have a new
7 website that we wanted feature. We've been working closely
8 with the Department of Education, the Division of State
9 Architect, and our office to come up with one-stop web
10 portal and we also got some feedback from a good colleague
11 here, Bill -- Mr. Savidge and some other districts as far as
12 how resourceful or useful the information is.

13 So again, we just launched that just a few weeks
14 ago.

15 And the last item we wanted to update is the
16 Overcrowded Relief Grant Program.

17 In August, the Board took action to leave the
18 round open, and so consequently, we do have \$20 million in
19 project unfunded approvals being moved forward in the
20 Consent Agenda. One is for Long Beach and they'll have a
21 whole complement of their project, and the other project is
22 Santa Ana and which Santa Ana was short about a million
23 dollars, so as we go through and find out whether or not we
24 have additional proceeds coming back to the Overcrowded
25 Relief Grant Program, they will be eligible to get a full

1 complement as well on their project.

2 So that's all I have to report.

3 CHAIRPERSON ORTEGA: Okay. Any questions? Any
4 public comment on any of those items? Seeing none, we'll
5 move onto the **Consent Agenda**.

6 I'm going to propose that we add the items under
7 Tabs 9, 10, and 11 which are the reports on the annual
8 legislative update, the Small High School Program Status
9 report, and the surplus site sales proceeds report to the
10 Consent Agenda, if there isn't any objection.

11 MR. DIAZ: So moved.

12 ASSEMBLYMEMBER BUCHANAN: So move.

13 CHAIRPERSON ORTEGA: Moved by Mr. Diaz and
14 seconded by Ms. Buchanan.

15 Any public comment on any of the items on the
16 Consent Calendar including the Tabs 9, 10, and 11?

17 No public comment. All in favor.

18 (Ayes)

19 CHAIRPERSON ORTEGA: Any opposed or abstentions?
20 None. Consent Calendar is adopted.

21 Item 5 is the **Status of Fund Release**.

22 MS. SILVERMAN: Yeah. On page 106, again wanted
23 to highlight just for the month of October, we have released
24 \$9.9 million, but again we had just an update the last
25 several weeks.

1 Just in relationship to the hundred million
2 dollars that we were apportioning in August, again a good
3 portion of those proceeds will be reflected in the next
4 month's update -- in January. Excuse me.

5 So about \$90 plus million has and will be
6 activated in the next few weeks.

7 CHAIRPERSON ORTEGA: Okay.

8 MS. SILVERMAN: And that's it as far as Status of
9 Fund Releases.

10 And as far as Status of Funds -- and that's
11 actually on page 110 -- there is a series of closeout
12 activities and rescissions and savings being returned back
13 to the program, and that's in your left-hand column.

14 So \$1.9 million has come back into the program
15 collectively in new construction and career tech and
16 modernization, and a complement of projects being presented
17 for unfunded approvals, we have 19 and a half million
18 dollars also being presented. Charters will be presented as
19 well tonight.

20 We had some conversions as well that we wanted to
21 reflect in the High Performance Incentive Grant, also part
22 of the agenda.

23 And so again, just to remind, we have about
24 \$32.2 million remaining in the High Performance Incentive
25 Grant Program along with a small fraction in Career Tech

1 Education and those proceeds will be moved over effective
2 January 1st as part of the budget.

3 And the following page is 111. We wanted to
4 highlight that there is rescission of a few projects that
5 districts have requested to have their projects in the
6 Emergency Repair Program voluntarily rescind, and those four
7 projects will be reflected and a million dollars will be
8 awarded back in January.

9 So again, I know you had taken some action a few
10 weeks ago to present Emergency Repair Program projects, but
11 some of them had a slight haircut, didn't have a full
12 complement of funds. So we'll be awarding that million plus
13 dollars to those projects. And that's it.

14 CHAIRPERSON ORTEGA: Any questions/comments from
15 the Board members? Any public comment on either of those
16 items? Okay. Those are not action items, so we'll move to
17 Tab 7, the **Charter Preliminary Apportionments**.

18 MR. WATANABE: Good morning. Michael Watanabe,
19 OPSC.

20 In November 2013, as a result of authority
21 returning to the Charter School Facilities Program, the
22 Board created a new filing round that began April 1st, 2014,
23 and continued through May 30th, 2014.

24 In total, the OPSC received 72 applications of
25 which 61 remained eligible for possible apportionments.

1 At the March 2014 meeting, the Board did take
2 action to have the hundred million available in authority.
3 The Board set aside 7.6 million for projects that received
4 approvals back in 2008, but we never gave them their
5 6 percent add-on for their new construction pupil grant
6 adjustment. So we took 7.6 off the top.

7 In addition, the Board also took action to reserve
8 5.3 million for the administration of the program.

9 In total, that left 89.9 available for funding for
10 this round.

11 We did exceed authority of the 89. A total of 62
12 applications requested approximately 650 million in bond
13 authority from our program.

14 Being oversubscribed, statute requires us to do an
15 even distribution throughout the state.

16 On stamped page 126, we outline how that scoring
17 matrix kind of rolled out, and in total, we were able to
18 fund the first five projects on that list. They're shown
19 larger on page 124. Those five projects are shown for a
20 total 89.9 million.

21 I want to point out that the last project for
22 Santa Ana Science and Arts Academy, they're actually
23 eligible for 25 million, but we don't have enough to fully
24 fund them. They accepted a partial preliminary
25 apportionment at this time for 17 million.

1 In March, the Board did say that these
2 applications received are valid for another eight months
3 after today's Board meeting, so if any authority returns to
4 the program during that eight months, it would be available
5 to make them whole.

6 If we receive enough to make them whole, we'd
7 continue down that funding list.

8 After the eight months over, any authority not
9 used for the program will be available for future projects
10 that were approved but want to convert higher.

11 Any questions?

12 CHAIRPERSON ORTEGA: Go ahead, Ms. Oropeza.

13 MS. OROPEZA: So you said prior to allocating any
14 money, you make people whole that previously received an
15 apportionment; is that correct?

16 MR. WATANABE: We'll make this project whole
17 because they're a part of the 2014 filing round and then
18 we'll keep going down that list on page 126 until the eight
19 months is expired.

20 At that point, we send all the applications that
21 were unfunded back to the charters.

22 ASSEMBLYMEMBER BUCHANAN: I think all of us have
23 received both through OPSC and individually considerable
24 information on the YPI Charter School situation.

25 So what I'd like to do is make a motion to accept

1 the staff's recommendation and also ask separately, not as
2 part of the motion, that you work with YPI between now and
3 the January Board meeting to determine if there's some sort
4 of resolution that you can work out to their situation so
5 they're able to move forward with their construction because
6 I don't -- I'm not prepared to take money away from any of
7 the schools to which we've allocated funds. I don't think
8 that's the direction we want to go.

9 But I do have some sympathy to a school that's in
10 the middle of a project and seeing the costs go up. So --

11 MR. DIAZ: Second.

12 MS. OROPEZA: And I have one more question after
13 she's done.

14 CHAIRPERSON ORTEGA: And we will take public
15 comment on this item as well.

16 MS. OROPEZA: At our briefing, I understood that
17 you believe that there would be quite a bit of rescissions
18 in this program. Can you talk to us about that?

19 MR. WATANABE: Historically, about half the
20 projects that receive preliminary apportionments have not
21 moved forward with their project. So if they don't move
22 forward in their four-year timeline, that authority would
23 return to the program.

24 Additionally, for the next 30 years as school
25 districts make their repayments back through the lease

1 payments, we'll continue to get authority continuously.

2 MS. OROPEZA: And how much do you estimate that
3 will be roughly?

4 MR. WATANABE: I don't think we can predict that
5 number.

6 MS. SILVERMAN: Yeah. We have several projects
7 that are timeline to conversion in May and also October and
8 November. Key issue of that timeline is they have an
9 extension.

10 They have the ability to extend the project for
11 another year. We do know there are some projects that are
12 moving through DSA right now currently. We did hear some
13 feedback in March that was likely a project that won't move
14 forward. So that's probably a big outcome there.

15 So again, we'll keep the Board updated as projects
16 start to move forward and give you some more information as
17 we proceed.

18 CHAIRPERSON ORTEGA: And this round was created
19 because of funds that returned back to the program.

20 MS. SILVERMAN: Correct.

21 CHAIRPERSON ORTEGA: There's a strong sense that
22 history will show that funds will return back to the
23 program.

24 MS. SILVERMAN: Right.

25 CHAIRPERSON ORTEGA: Are there any other questions

1 from the Board members? If not, let's take public comment
2 on this. I know I have at least one person, Mr. Duenas, who
3 would like to speak on this item, and if there's anyone
4 else, please come forward.

5 MR. DUENAS: Good morning, members of the Board.
6 My name is Ruben Duenas. I'm the Chief Operations Officer
7 for YPI Charter Schools.

8 After listening to the conversation and it's a
9 holiday week and I don't want to take too much time, I just
10 wanted to thank you for the consideration that you've given
11 to our concerns and our project and we look forward -- will
12 continue to work with you and with the staff to try to find
13 a solution for our project.

14 I had a much longer conversation, but I think
15 you've already addressed that and I don't want to take any
16 more time.

17 CHAIRPERSON ORTEGA: Thank you.

18 MR. DUENAS: So thank you very much for your time
19 and we appreciate your support.

20 CHAIRPERSON ORTEGA: Any other public comment on
21 this item? Okay. Any other questions on the -- okay.

22 We have a motion and a second on the floor. So do
23 we need to call the roll on this or --

24 MS. JONES: Only if you want.

25 CHAIRPERSON ORTEGA: I think we can just say all

1 in favor.

2 (Ayes)

3 CHAIRPERSON ORTEGA: Any opposed or abstentions?

4 No. All right. Passes unanimously.

5 And Item 8 is the **Livermore Valley Joint Unified,**
6 **Alameda,** issue.

7 MR. RYAN: Good morning. Joel Ryan from OPSC.

8 We're presenting the Board with information that
9 we received regarding two Livermore Valley School District
10 projects.

11 In March 2010, the Alameda County Superior Court
12 found that the district's construction practices violated
13 the competitive bidding requirements. The reason the Board
14 should know is that these projects received state funding.
15 There were two high school projects which received
16 approximately \$5 million apiece from the state.

17 The district did not agree with the court finding.
18 The district worked with its legal counsel at the time and
19 felt that everything that it did was proper.

20 The district isn't going to appeal the ruling, but
21 it will not do its construction in this way in the future.

22 The reason that we're bringing it to you today is
23 that we haven't seen this before. Our regulations don't
24 really address what happens when there is a violation of
25 California code that's not Education Code.

1 So we're seeking Board direction today and leaving
2 it in your hands.

3 CHAIRPERSON ORTEGA: Okay. Thank you, Mr. Ryan.

4 So this item does not require action. What it
5 does, the staff are seeking the Board's direction, so what
6 is the rule of the Board. Mr. Diaz.

7 MR. DIAZ: Thank you. I did read the item and was
8 briefed on it yesterday by staff.

9 I think members of the Board can understand how I
10 feel a lot about labor compliance and the public contract
11 code, but I think that being said, the court has ruled and
12 the district has acknowledged that it must move forward with
13 future projects under the contract code, in compliance with
14 that.

15 So I think that my recommendation for this Board
16 will be for no further action and to basically approve them
17 getting their funding.

18 CHAIRPERSON ORTEGA: Okay. Any other comments
19 from the Board? Any public comment on this item? Okay.
20 Seeing none, thank you, Mr. Ryan. We're down to Item 12.

21 MS. SILVERMAN: **Workload reports** for the next 90
22 days and --

23 CHAIRPERSON ORTEGA: Okay.

24 ASSEMBLYMEMBER HAGMAN: I bet those reports get
25 smaller and smaller --

1 ASSEMBLYMEMBER BUCHANAN: When I looked at the
2 funding, a hundred percent, 97 percent, so -- and that may
3 impact the charter schools coming in because people are
4 beginning to realize it's now or never.

5 CHAIRPERSON ORTEGA: And then Item 13, just a
6 series of informational items including the calendar for
7 next year. That's it; right?

8 MS. SILVERMAN: That's it.

9 CHAIRPERSON ORTEGA: Okay. Any other comments?
10 Thank you, Board members, for getting one more in before
11 the -- any other public comment on any items? Seeing none,
12 the meeting's adjourned.

13 (Whereupon, at 10:27 a.m. the proceedings were
14 adjourned.)

15

16

17

18

19

20

21

22

23

24

25

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 November 29, 2014.

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