

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 4202  
SACRAMENTO, CALIFORNIA 95814

DATE: MONDAY, OCTOBER 17, 2016

TIME: 2:00 P.M.

Reported By: Eduwiges Lastra  
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 (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

P R O C E E D I N G S

1

2

3

CHAIRPERSON ORTEGA: Good afternoon, everyone.

4

I'm going to call to order the October 17th meeting of the

5

State Allocation Board. Please call the roll.

6

MS. JONES: Senator Hancock.

7

Senator Liu.

8

SENATOR LIU: Here.

9

MS. JONES: Senator Huff.

10

SENATOR HUFF: Here.

11

MS. JONES: Assembly Member Nazarian.

12

Assembly Member Bonilla.

13

ASSEMBLY MEMBER BONILLA: Here.

14

MS. JONES: Assembly Member Chavez.

15

Juan Mireles.

16

MR. MIRELES: Here.

17

MS. JONES: Cesar Diaz.

18

MR. DIAZ: Here.

19

MS. JONES: Jeffrey McGuire.

20

MR. MCGUIRE: Here.

21

MS. JONES: Eraina Ortega.

22

CHAIRPERSON ORTEGA: Here.

23

MS. JONES: We have a quorum.

24

CHAIRPERSON ORTEGA: Okay. Thank you. And before

25

we get started with our action items, we wanted to take a

1 few minutes to recognize the Senators and Assembly Member  
2 Bonilla, who are having their last meetings here with us,  
3 and we have some resolutions for each of the members, and  
4 we, of course, have one for Senator Hancock too, but let's  
5 go ahead and -- should we grab the --

6 (Resolutions are passed out by the Chair)

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

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

13 MR. MIRELES: Thank you.

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

16 MR. MIRELES: Thank You.

17 So let's get into the agenda. We have the minutes  
18 from the August 17th meeting. Any corrections or comments?

19 All right. Seeing none, any public comment on the minutes?

20 Seeing none, is there a motion?

21 SENATOR HUFF: Move.

22 ASSEMBLY MEMBER BONILLA: Second

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

1 ALL: Aye.

2 CHAIRPERSON ORTEGA: It's passed unanimously.

3 And then we'll move to the Executive Officer  
4 Statement.

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

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

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

22 We also wanted to share -- there's going to be an  
23 upcoming priority funding filing round coming up soon and  
24 that opens up November 9th and it wraps up December 8th. So  
25 currently there's six projects that are eligible to submit

1 and those projects had already received a Board approval,  
2 but any projects that get approved tonight on the consent  
3 agenda will also be eligible to submit during certification  
4 round. So, again we'll be sending out reminders and  
5 contacting Districts to advise them of the certification  
6 round coming up.

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

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

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

16 MS. SILVERMAN: Consent is ready for your  
17 approval.

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

21 ASSEMBLY MEMBER BONILLA: Move.

22 MR. DIAZ: Second.

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

1 ALL: Aye.

2 CHAIRPERSON ORTEGA: Okay. Passes unanimously.

3 And status of funds.

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

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

17

18 And that's what we have to share.

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

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

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

24 MR. LAPASK: Good afternoon. Brian LaPask with  
25 the Office of Public School Construction. Richgrove

1 Elementary School District is in Tulare County. So it's a  
2 small District that had a \$146,000 emergency repair program  
3 apportionment in August of 2014 to upgrade a failing HVAC  
4 system. Due to the project needing DSA approval it had a  
5 21-month deadline in order to complete the project and  
6 submit final expenditure reports to us at OPSC. That  
7 deadline was set for May 20th of this year 2016.

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

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

22 We've done our analysis and we feel that they will  
23 be able to meet this timeline. So because the ERP  
24 regulations are clear about the 21-month deadline, we don't  
25 have administrative approval to grant an extension.



1 Therefore, we're seeking Board direction on how to proceed  
2 with this.

3           There was a similar appeal for Montague Elementary  
4 School District in August that where an extension was  
5 granted that that -- the differences between that project  
6 and this project is that the Montague project was requesting  
7 60 days, not 8 months.

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

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

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

21           MR. MILLAN: Good afternoon, everyone. My name is  
22 Mario Millan. I'm the new Superintendent at Richgrove. We,  
23 again, we started a major construction project on our  
24 campus. Once I became the superintendent I asked to speak  
25 to our contractor and asked for a bunch of documentation

1 which -- for compliance issues and he could not provide any.

2

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

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

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

25           Is there a motion on the appeal before us?

1 MR. DIAZ: So moved.

2 ASSEMBLY MEMBER NAZARIAN: I have a quick  
3 question.

4 CHAIRPERSON ORTEGA: Yes, please, Mr. Nazarian.

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

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

15 ASSEMBLY MEMBER NAZARIAN: Right, right.

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

20 MR. MILLAN: May.

21 MS. SILVERMAN: -- May. And so at that time they  
22 realized they weren't going to finish the work -- and,  
23 typically, we get expenditure reports when the work is  
24 completed. And so this is definitely an anomaly for us to --  
25 - we don't necessarily get updates when Districts are

1 expending the funds for the ERP program. It's basically  
2 when the project gets finished.

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

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

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

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

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

25 MR. MILLAN: Yes. We're assuming that the

1 contractor -- in the draws that were given to him -- used  
2 that money to buy those -- trying to get the work done very  
3 quickly before the deadline, but we found out that there  
4 weren't DSA approval -- there weren't any DSA approvals for  
5 those units to go on top of our campus -- on our buildings,  
6 so we stopped it there.

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

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

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

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

24           ASSEMBLY MEMBER NAZARIAN: Is intact?

25           MR. MILLAN: Yeah, it hasn't been touched yet.

1 MR. VARGA: We don't want to convolute -- there  
2 was an electrical upgrade. That was one project. The HVAC  
3 upgrade is a separate project from that. So the County  
4 Office is working through this electrical upgrade.  
5 Meanwhile, we are trying to salvage the HVAC upgrade project  
6 and so, again, there has been no money spent to date on that  
7 project.

8 ASSEMBLY MEMBER NAZARIAN: Okay. All right.

9 CHAIRPERSON ORTEGA: Okay.

10 ASSEMBLY MEMBER BONILLA: Second the motion.

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

13 MS. BONILLA: Yes.

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

16 MS. JONES: Senator Liu.

17 SENATOR LIU: Aye.

18 MS. JONES: Senator Huff.

19 SENATOR HUFF: Aye.

20 MS. JONES: Assembly Member Nazarian.

21 SENATOR NAZARIAN: Aye.

22 MS. JONES: Assembly Member Bonilla.

23 ASSEMBLY MEMBER BONILLA: Aye.

24 MS. JONES: Juan Mireles.

25 MR. MIRELES: Aye.

1 MS. JONES: Cesar Diaz.

2 MR. DIAZ: Aye.

3 MS. JONES: Jeff McGuire.

4 MR. MCGUIRE: Aye.

5 MS. JONES: Eraina Ortega.

6 CHAIRPERSON ORTEGA: Aye.

7 MS. JONES: Motion carries.

8 CHAIRPERSON ORTEGA: Thank you.

9 MR. MILLAN: Thank you very much.

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

12 Lisa, you're doing this one?

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

20 So with this after the District was doing the work  
21 and the remediation they understand there's much larger  
22 problems that they had to deal with at those various sites  
23 so they're submitting some additional requests for funding  
24 in which they are eligible for. So with that we are  
25 presenting two projects for Board consideration tonight.

1           In addition there's other actions that we're  
2 seeking for those two projects that the Board take outside  
3 of those projects of the priority funding process and grant  
4 them apportionments. Meaning that they would have access to  
5 the funds should they submit fund release request almost  
6 immediately if they submit the request on time.

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

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

19           And with that, we'll answer any questions.

20           CHAIRPERSON ORTEGA: Any questions from the staff?

21           We do have -- Mr. Jon Ray is here. If you'd like  
22 to come on up.

23           MR. RAY: Good afternoon. Thank you for your time  
24 today, and I would like to publically recognize and  
25 acknowledge Lisa and the entire OPSC staff.



1           But we're a small District about 1,000 students,  
2 so as you can imagine there's not a large workforce and so  
3 navigating our way through this has been -- well, it's been  
4 interesting. It's been kind of a learning process for all  
5 of us involved. But just sometimes hearing a voice and the  
6 help -- their customer service I should say, is -- has been  
7 -- thank you very much for all that you've done. And I'm  
8 here to answer any questions that you might have as we  
9 navigate our way through this process.

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

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

18           So is there a motion on the staff recommendation?

19           MR. DIAZ: So moved.

20           CHAIRPERSON ORTEGA: Okay. Moved by Mr. Diaz.

21           ASSEMBLY MEMBER BONILLA: Second.

22           CHAIRPERSON ORTEGA: Seconded by Ms. Bonilla.

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

25           ALL: Aye.

1           CHAIRPERSON ORTEGA: Okay. So approved  
2 unanimously. Thank you.

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

5           Barbara.

6           MS. KAMPMEINERT: Thank you.

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

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

19           The reason that this came as an appeal is because  
20 of the way the regulations for the seismic mitigation  
21 program and the facility hardship program were structured --  
22 the way the regulations read is that if the cost estimate  
23 for rehabilitation work exceeds 50 percent of the  
24 replacement value calculated per the regulations, the  
25 District qualifies for replacement funding.

1           And in this case, the cost estimate for the  
2 rehabilitation work was 94 percent of the replacement value.

3           So -- but the District -- technically by leaving those  
4 structures there it is still a rehabilitation project. So  
5 the District is requesting funding that is outside of what  
6 the regulations allow us to do administratively.

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

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

22           We also have Klamath-Trinity which was a similar  
23 circumstance where the District was seeking replacement  
24 funding for rehabilitation work and given the unique  
25 circumstances of that District the regulations didn't

1 contemplate an instance where an entire District would be  
2 shut down in a very remote location of the state where cost  
3 to replace would actually be nowhere near what the state  
4 formula would allow.

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

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

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

22           So the date for the building becomes the date that  
23 the new replacement facility is constructed. The concept  
24 being that if the building is replaced in its entirety then  
25 there's not a necessary modernization eligibility component

1 so you don't need to modernize a brand new building.

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

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

15           Option two would provide rehabilitation funding at  
16 the rehabilitation amount. This would provide almost the  
17 amount of replacement funding. It would be just 6 percent  
18 shy of that 94 percent amount, but it would allow the  
19 District to retain modernization eligibility for use at that  
20 campus in the future when the building became of age.  
21 Again, based on its original date or its last modernization  
22 date.

23           And then option three is similar to option one  
24 although it caps the amount of funding instead of providing  
25 the full 100 percent replacement funding, it would cap it at

1 the 94 percent represented by the rehabilitation cost  
2 estimate.

3           It is our understanding that the District is  
4 seeking option two to provide -- for the Board to provide  
5 the rehabilitation funding as there are some elements of the  
6 project that they would be doing that are in excess of that  
7 94 percent amount that they feel modernization eligibility  
8 could be used for.

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

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

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

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

25           MR. MITCHELL: There we go. Thank you. I can't

1 raise it up any farther, sorry. So I'll have to bend over.

2

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

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

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

16 And we elected to rehabilitate those buildings for three  
17 reasons.

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

25 But at the onset, we did believe that it was a

1 prudent thing to do for the District with its funds. And  
2 most importantly we felt like it was the most  
3 environmentally sustainable process for the District and for  
4 -- at Bella Vista. So for those three reasons we began a  
5 process of rehab.

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

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

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



1 originally estimated under the replacement cost.

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

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

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

22           First, it allows the building to maintain its age  
23 as was mentioned by Ms. Kampmeinert it does allow us for  
24 modernization money. I would like to put it into  
25 perspective though in terms of the process of potentially

1 double dipping.

2           What was disallowed under the original estimate  
3 for rehab was about \$800,000. Should we maintain our age of  
4 the building and be able to come back in at a later date for  
5 modernization funds, the impact of that overall campus wide  
6 is about \$600,000 to \$700,000, conservatively.

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

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

21           We do believe that the law and the regulations are  
22 permissive regarding this request. We know there's a  
23 concern and I mentioned that about the double dipping.  
24 Hopefully, I addressed that for you. The magnitude of that  
25 is such that, again, we were disallowed about \$800,000 in

1 estimate. Perfectly allowable under a modernization and so  
2 allowing us to retain modernization eligibility allows us to  
3 recuperate some of those costs.

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

11 So with that I'll say thank you.

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

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

19 MR. MITCHELL: I believe under the program of AB  
20 300 all that's allowed is 50 percent. So, yes, 50 percent.

21 CHAIRPERSON ORTEGA: Barbara.

22 MS. KAMPMEINERT: So to clarify, the funding would  
23 be based off of the 94 percent of the estimate and then the  
24 state would be matching part of that and the District would  
25 be matching part of that or are you asking --

1 MR. MITCHELL: That's correct.

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

4 MR. MITCHELL: Right. And I think the difference  
5 is about 160 -- 2.1 million versus 2.3 million. The  
6 replacement was offering was 2.3 million. Rehab would be  
7 2.1 million. So we are asking for actually less now, but it  
8 allows us to retain some modernization eligibility.

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

16 MR. MITCHELL: That's correct.

17 CHAIRPERSON ORTEGA: And then option three is 1.9  
18 million.

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

20 CHAIRPERSON ORTEGA: Yeah. So you prefer not  
21 three.

22 MR. MITCHELL: Correct.

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

25 MR. MITCHELL: That's correct.

1           CHAIRPERSON ORTEGA: Okay. So, I mean, I think  
2 one thing that is concerning to me and the way you described  
3 it is that you want to keep the modernization eligibility  
4 essentially to make up for the fact that the grant that  
5 would be approved here does not fully cover the cost of the  
6 project, right?

7           MR. MITCHELL: Yes.

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

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

15           CHAIRPERSON ORTEGA: Right.

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

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

24           MR. MITCHELL: Yeah, I don't understand the  
25 question. I'm sorry.

1           CHAIRPERSON ORTEGA: Well, if we took no action  
2 today, you would get --

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

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

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

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

13          MS. KAMPMEINERT: If the Board took no action,  
14 administratively the District could refile the application,  
15 reducing the cost estimate down to 49.99 percent allowing us  
16 to process it administratively as a rehabilitation project.

17          But it would be half of the amount that the District is  
18 requesting as part of this item.

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

22          CHAIRPERSON ORTEGA: Sure. Any other questions or  
23 comments?

24          Senator Liu.

25          SENATOR LIU: This may be kind of a non-sequitur,

1 but do you have a bond issue -- a local bond in November?

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

6 SENATOR LIU: And how large is your bond?

7 MR. MITCHELL: \$750 million.

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

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

14 SENATOR LIU: Thank you.

15 CHAIRPERSON ORTEGA: Any other comments or  
16 questions?

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

22 So I'm assuming that would be an application later  
23 on in the modernization program, but, again, there would be  
24 other folks who would want to be applying for modernization  
25 who didn't receive anything for a project at all. So that's

1 the part that I'm still struggling with about why that would  
2 be appropriate.

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

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

14

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

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

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

25 SENATOR LIU: I would move that. I would move



1 option one.

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

4 MR. DIAZ: Second.

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

7 MS. JONES: Senator Liu.

8 SENATOR LIU: Aye.

9 MS. JONES: Senator Huff.

10 SENATOR HUFF: Aye.

11 MS. JONES: Assembly Member Nazarian.

12 ASSEMBLY MEMBER NAZARIAN: Aye.

13 MS. JONES: Assembly Member Bonilla.

14 ASSEMBLY MEMBER BONILLA: Aye.

15 MS. JONES: Juan Mireles.

16 MR. MIRELES: Aye.

17 MS. JONES: Cesar Diaz.

18 MR. DIAZ: Aye.

19 MS. JONES: Jeffery McGuire.

20 MR. MCGUIRE: Aye.

21 MS. JONES: Eraina Ortega.

22 CHAIRPERSON ORTEGA: Aye.

23 MS. JONES: And that motion carries.

24 CHAIRPERSON ORTEGA: Thank you.

25 MR. MITCHELL: Thank you for your time.

1           CHAIRPERSON ORTEGA: Thank you. All right.

2           We'll move to item 7 which is reports discussion -  
3 - anything you want to -- any additional comments from any  
4 members? Assembly Member Bonilla.

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

13           CHAIRPERSON ORTEGA: Thank you. Anything else?

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

18           ASSEMBLY MEMBER BONILLA: Thank you. Thank you.

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

1 You can read that however you want.

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

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

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

13

14

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 SAN JOAQUIN        )

I, Eduwiges C. Lastra, a Certified Electronic Court Reporter, 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 October 20, 2016.

\_\_\_\_\_  
Eduwiges C. Lastra  
AAERT CERT  
Certified Electronic Court  
Reporter