

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, December 15, 2010

SCHOOL DISTRICT DATA

School District:LONG BEACH UNIFIED County:.....LOS ANGELES
Application Number:.....50/64725-00-000 School Name:.....AVALON
Total District Enrollment:.....87,509 Project Grade Level:.....K-12
Financial Hardship:.....NO

PURPOSE OF REPORT

To present the District's request to amend School Facility Program (SFP) regulation section 1859.83(a) regarding excessive cost due to geographic location, changing the Geographic Percentage Factor (GPF) for Santa Catalina Island from "As approved by the Board" to a set 50 percent.

BACKGROUND

The SFP Regulations provide additional funding to districts as a result of unusual circumstances that create excessive projects costs beyond the control of the district. Excessive costs due to geographic location are based on geographical boundaries and are determined by factors such as an area's proximity to freeways, accessibility and weather conditions (for instance, snow load requirements can increase construction costs).

The GPF is a multiplier which increases the base grants and eligible supplemental grants by a percentage amount.

Initially, SFP regulations provided the entire Santa Catalina Island with a GPF increase of 35 percent. In May of 1999, the State Allocation Board (Board) adopted amendments to the regulations. The new regulations removed the 35 percent GPF for Santa Catalina Island and replaced it with the instructions, "As specifically approved by the Board."

Based on the *Final Statement of Reasons* (of change) and the OPSC's *Response to Public Comment*, the regulation change appears to have occurred because costs in this location vary.

The *Final Statement of Reasons* states that each project on Catalina Island must be judged on the current cost of construction since "cost of construction at this location varies from year to year." Furthermore, OPSC's *Response to Public Comment* states that, "The case-by-case factor for Santa Catalina Island is provided based on specific data presented by the district."

AUTHORITY

Section 1859.83 of the School Facility Program (SFP) Regulations states that, "a district is eligible for funding as a result of unusual circumstances that created excessive project costs beyond the control of the district." Section 1859.83(a) further stipulates that a district with a project located in the geographic area designated in the Geographic Percentage chart (located in Section 1859.83 of the SFP Regulations) is eligible for the Excessive Cost Hardship Grant(s) determined by the indicated percentage factor. The GPF for Santa Catalina Island is listed, "As specifically approved by the Board."

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STAFF COMMENTS

Santa Catalina Island is located 22 miles off the coast of California and contains one K-12 school (Avalon K-12). Due to the excessive costs and time requirements of transporting students off, and back to, the island, educating pupils locally is the only option for families living there.

Construction projects are significantly more expensive on Santa Catalina Island for many reasons. The biggest costs are associated with the fact that construction materials must be ferried in through the island's only barge company and contractors and their staff must either be ferried in everyday or obtain lodging in a resort community.

So that it may plan its upcoming projects, the District has requested that the Board establish, in regulations, the GPF for these excessive costs. To determine the GPF, costs for an actual project previously completed in the district were submitted along with an estimate of what the same project would cost if constructed on Santa Catalina Island. The cost estimate submitted by the District requested an increased amount of 56 to 75 percent. Staff analyzed the allowable costs with the Saylor Construction Cost Index and researched prices with local Catalina businesses that would affect construction costs (the barge company, hotels, etc.). After this analysis was performed, the OPSC concluded that a 50 percent GPF would be supported and the District concurred.

Staff supports the increase amount justified by this methodology. However, the decision to make this increase permanent in regulations as opposed to evaluating on a project-by-project basis is a policy decision for the Board. Below, Staff has provided options related to this request.

OPTIONS

Option 1: Grant the District's request and amend the Regulations to set the GPF for Santa Catalina Island at 50 percent.

If the Board selects this option, the regulations would be changed so that the GPF for Santa Catalina Island is set at 50 percent with no case by case approval necessary (please see the Attachment).

Applications filed between now and when the new regulation became effective would need a determination by the Board as to what the GPF would be set at. If the Board adopts Option 1, it is possible to also declare now that any projects that are submitted prior to the new regulations becoming effective would also receive the 50 percent GPF.

If the Board adopts this option, as part of the motion it is necessary for the Board to authorize the Executive Officer to file the regulation changes shown on the Attachment with the Office of Administrative Law.

Pros:

- Having a set amount will aid the district in the planning of future projects.

Cons:

- A set amount may not be reflective of construction costs at the time of the application submittal and approval for future projects.

Option 2: Require that the District request their GPF on a case-by-case basis

No GPF would be set at this time. The District would be required to provide a cost analysis with each application submitted. The 50 percent amount determined for purposes of this item would not apply to projects in the future.

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OPTIONS (cont.)

Pros:

- The GPF for each project would be based on construction costs at the time of the submittals of the applications.

Cons:

- The District would not have exact figures for planning future projects.
- The District would be required to submit a cost comparison analysis for each application submitted.

RECOMMENDATION

Seek Board direction.

BOARD ACTION

In considering this Item, the Board approved staff's Option #1, which granted the District's request and amended School Facility Program Regulation Section 1859.83, as shown on Attachment A, so that the Geographic Percentage Factor for Santa Catalina Island would be set at 50 percent. In addition, the Board authorized the Executive Officer to file the regulatory amendment with the Office of Administrative Law.

Attachment A

Section 1859.83. Excessive Cost Hardship Grant.

In addition to any other funding authorized by these Regulations, a district is eligible for funding as a result of unusual circumstances that created excessive project costs beyond the control of the district. The Excessive Cost Hardship Grant shall be based on any of the following:

(a) Excessive Cost due to Geographic Location.

A district with a project that is located in a geographic area designated in the Geographic Percentage Chart below is eligible for the sum of the Excessive Cost Hardship Grant(s) determined by multiplying the indicated percentage factor shown in the Geographic Percentage Chart below by each of the following amounts:

- (1) The New Construction Grant and the Modernization Grant.
- (2) The funding provided by Sections 1859.71.2, 1859.71.3, 1859.72, 1859.73, 1859.73.2, 1859.76(d)(1) and (2), 1859.78.4, 1859.78.5, 1859.82(a) and (b), 1859.83(b), (c), (d) and (f) and 1859.125(a)(1) through (a)(2).

GEOGRAPHIC PERCENTAGE CHART

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Los Angeles, Santa Catalina Island only	* <u>50</u>	The entire Santa Catalina Island.
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~~*As specifically approved by the Board.~~

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Note: Authority cited: Sections 17070.35 and 17075.15, Education Code.

Reference: Sections 17072.32, 17074.15, 17074.16, 17075.10, 17075.15, 17077.40, 17077.42 and 17077.45, Education Code.

Attachment B

STATE OF CALIFORNIA
SCHOOL DISTRICT APPEAL REQUEST

STATE ALLOCATION BOARD
OFFICE OF PUBLIC SCHOOL CONSTRUCTION

SAB 189 (REV. 02/04)

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SCHOOL DISTRICT Long Beach Unified School District	COUNTY Los Angeles
APPLICATION NUMBER	SCHOOL NAME Avalon K-12 School

Fiscal Information:

1. DISTRICT'S BONDING CAPACITY (100%) \$ _____
2. AMOUNT OF BONDS AUTHORIZED: \$ _____
3. DISTRICT'S CURRENT BONDED INDEBTEDNESS: \$ _____
4. DISTRICT'S CURRENT DEVELOPER FEE RATES:
 - COMMERCIAL/ INDUSTRIAL (Per Square Foot) \$ _____
 - RESIDENTIAL (Per Square Foot) \$ _____

Purpose of Request:

To request a 50 percent Geographic Index be established in regulation 1859.83 for the Avalon K-12 School, located on Santa Catalina Island, 22 miles off the shore of Long Beach, CA.

Description:

The SAB allows a percentage increase in per pupil grants to school districts as a result of unusual circumstances that create project costs beyond the control of the district. This Excessive Cost Hardship Grant is based on excessive costs, mainly due to the remoteness of the geographic location of the schools. Regulation Section 1859.83 already includes Santa Catalina Island for this increase, but instead of a percentage includes an asterisk indicating it is to be established by the SAB. It is critical for the district to get a percentage established in regulation for the purpose of planning several projects which are scheduled for construction.

The Avalon school is the only school located on an island in the State of California. Avalon K-12 School is located 22 miles from the mainland and is home to approximately 700 pupils in grades K-12. Due to the excessive costs of transporting pupils to and from the mainland, educating pupils on the island is the only option for families residing in Avalon.

Likewise, the cost for construction and modernization on the island are also inordinate. There are no sources of building material native to the island, and as such all building materials must be barged in from the mainland. This need extends to construction equipment as well. Public Works projects typically run over 50 percent higher than like projects on the mainland (based upon information submitted to OPSC) and the District has experienced a similar increase in costs over projects delivered on the mainland in the LBUSD. In addition, often mainland contractors unfamiliar with project delivery on the island underestimate the transportation charges, resulting in the underbidding of projects. This has led to contractor insolvency and project delays, which ultimately leads to increased costs.

The district has been working with OPSC on the establishment of the index and has concurrence from OPSC on the proposed methodology for calculating this increase. Although the district estimates an increased cost for projects ranging from 55 to 75 percent over costs to build projects on the mainland, we have agreed with staff based on current estimates that a 50 percent increase indicated in regulation would provide a sufficient amount for the district in their planning efforts.

Because of the uniqueness of this remote island site and the high cost of construction, we are asking for your support of this critical request for a 50 percent increase in regulation, to the pupil grant amount for Avalon K-12 School projects.

SIGNATURE OF DISTRICT REPRESENTATIVE	DATE
	11/5/10