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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL
ROOM 112
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, MARCH 28, 2012
TIME: 4:12 P.M.

Reported By: Mary Clark Transcribing
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APPEARANCES

MEMBERS OF THE BOARD PRESENT:

PEDRO REYES, Chief Deputy Director, Policy, designated representative for Ana Matosantos, Director, Department of Finance

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

KATHLEEN MOORE, Director, School Facilities Planning Division, California Department of Education, designated representative for Tom Torlakson, Superintendent of Public Instruction.

SENATOR ALAN LOWENTHAL

SENATOR LONI HANCOCK

SENATOR MARK WYLAND

ASSEMBLY MEMBER JOAN BUCHANAN

ASSEMBLY MEMBER CURT HAGMAN

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer

BILL SAVIDGE, Assistant Executive Officer

REPRESENTATIVE OF THE DEPARTMENT OF GENERAL SERVICES, OFFICE OF LEGAL SERVICES PRESENT:

HENRY NANJO, Staff Counsel

P R O C E E D I N G S

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CHAIRPERSON REYES: Okay. The hour of 4:12 having arrived, we will call the State Allocation Board into order -- the meeting to order. Would you please call the roll.

7

MS. JONES: Yes. Senator Lowenthal.

8

SENATOR LOWENTHAL: Yes, I'm here.

9

MS. JONES: Senator Hancock.

10

SENATOR HANCOCK: Here.

11

MS. JONES: Senator Wyland.

12

Assembly Member Brownley.

13

Assembly Member Buchanan.

14

Assembly Member Hagman.

15

ASSEMBLY MEMBER HAGMAN: Here.

16

MS. JONES: Esteban Almanza.

17

MR. ALMANZA: Here.

18

MS. JONES: Kathleen Moore.

19

MS. MOORE: Here.

20

MS. JONES: Pedro Reyes.

21

CHAIRPERSON REYES: Present.

22

MS. JONES: We have a quorum.

23

CHAIRPERSON REYES: Thank you.

24

MS. JONES: You're welcome.

25

CHAIRPERSON REYES: That's the **Minutes**. There was

1 an issue with the Minutes, Senator Lowenthal? Yes.

2 SENATOR LOWENTHAL: Yeah, there is. The part
3 about the options for the execution of 2012 grants on
4 page 6, I think it was, or 6a and it describes the vote
5 taken on the execution of the construction cost index for
6 2012 which we did at the February State Allocation Board and
7 Staff Option 1 would apply, the CCI increase to new unfunded
8 approvals received in 2012, the Board -- we had a vote to
9 adopt Staff Option 1. It failed.

10 The Minutes state that because there was not a
11 substitute motion or any other motion, the default was
12 Option 1, which means to me that if you vote for something,
13 it fails, then somehow it becomes the option. That makes no
14 sense to me. Absolutely makes no sense how we can vote
15 something down and then it becomes an option. It passes.

16 I don't need to be here if that's what's going to
17 happen.

18 CHAIRPERSON REYES: Okay. Without an action of
19 the Board, you basically fall into status quo. We had this
20 issue come up before.

21 SENATOR LOWENTHAL: I know, but I don't believe
22 that this -- I think that there are real issues and we had a
23 discussion with Jeannie Oropeza also when she was here and
24 she -- and I -- there was another statement about -- my
25 understanding was that her statements about that, that's

1 later on and I think we're going to talk about that also.

2 But I'm so unclear about this. I think that we
3 have to bring this execution back for Board action. I can't
4 see how we can vote something definitely down and then I
5 read the Minutes the next time, it's now passed.

6 I think we have to have Board action for anything
7 that we adopt.

8 CHAIRPERSON REYES: Okay.

9 SENATOR LOWENTHAL: That's what I think should be
10 and if it's not in our rules, it should be in our rules.

11 CHAIRPERSON REYES: Okay. I'm not quite sure how
12 to proceed with that.

13 SENATOR HANCOCK: I have a suggestion.

14 CHAIRPERSON REYES: Yes.

15 SENATOR HANCOCK: I'm just jumping in because I
16 haven't seen the rule.

17 CHAIRPERSON REYES: Okay. Go ahead.

18 SENATOR HANCOCK: Because I think that we should
19 have a meeting of the Rules and Procedures Committee and I
20 think we should ask Greg Schmidt to be here. He is the
21 default arbiter and he should be able to tell us this and
22 then we could adopt an appropriate clarifying language and
23 bring it back.

24 CHAIRPERSON REYES: That's fine. You want to do
25 that as a Rules Committee meeting --

1 SENATOR HANCOCK: Yes.

2 CHAIRPERSON REYES: -- or do you want to bring him
3 in in a full Board meeting?

4 SENATOR HANCOCK: We dither around too much at
5 these Board meetings quite frankly. I think it will be
6 better to have a Subcommittee meeting where we could just
7 focus on it --

8 CHAIRPERSON REYES: Okay.

9 SENATOR HANCOCK: -- and bring something back.

10 CHAIRPERSON REYES: Okay.

11 MS. MOORE: I think -- as I recall we've changed
12 Board members. You were Chair of the Rules --

13 SENATOR HANCOCK: Um-hmm.

14 MS. MOORE: -- and who else is on it?

15 SENATOR HANCOCK: Who else -- well --

16 MS. SILVERMAN: Assembly Member Brownley and it
17 was Assembly Member --

18 MS. JONES: Scott Harvey.

19 MS. MOORE: Fuller?

20 MS. SILVERMAN: -- Fuller.

21 MS. MOORE: So we're down.

22 MS. SILVERMAN: Fuller and Mr. Harvey as well.

23 SENATOR HANCOCK: Well, we're down two because we
24 also had Scott and so now it would have to be Mr. Almanza if
25 we wanted to do that or some other member.

1 CHAIRPERSON REYES: Yeah. I think when it comes
2 to issues like Mr. Almanza or myself, it's really the
3 department that's the representative. So in this case,
4 Mr. Almanza sitting on behalf of Fred Klass, the Director,
5 would be the person who is superintendent of Kathleen or
6 Jeannie or whomever sits in that chair for that person would
7 be the person.

8 We'll talk to Ms. Brownley and check on her
9 interest and then, Mr. Hagman, I don't know if you have an
10 interest in the rules.

11 SENATOR HANCOCK: Sit on Rules already, so I might
12 as well.

13 CHAIRPERSON REYES: Okay. Is that okay? There
14 was an issue that was brought to my attention that when
15 we're dealing with the Subcommittee, since we're going to be
16 voting on the issue that it should be put on the agenda. I
17 thought it was just an issue of consensus on the Board
18 members, then we would move forward, but I guess I'm trying
19 to figure out do we need to put this in an agenda item
20 because we're changing the membership or is it okay since
21 the Committee has already been established to just recognize
22 the membership?

23 MR. NANJO: It would be more appropriate for the
24 Chair to replace the Committee members instead of -- well,
25 with regards to Mr. Almanza, since he sits in for Director

1 Klass, that's not a change. I don't know if you could use
2 the same rationale for the Assembly Member, so you may want
3 to select and appoint an Assembly Member to the
4 Subcommittee.

5 CHAIRPERSON REYES: Do I need to -- the question
6 is do I need to put this in an agenda for future action or
7 can I take care of it now.

8 MR. NANJO: I believe you can take care of it.
9 It's the Board's discretion to set up Subcommittees as you
10 feel -- you deem fit.

11 CHAIRPERSON REYES: Does the Vice Chair concur
12 with that, that it's the Board's discretion to set up
13 Subcommittees as deemed?

14 SENATOR HANCOCK: I -- can -- I think that there
15 were volunteers taken. I don't know -- it was never set up
16 to be a certain group of people.

17 SENATOR LOWENTHAL: It was whoever volunteered for
18 it.

19 SENATOR HANCOCK: Or it was whoever the then Chair
20 appointed. I really can't remember.

21 CHAIRPERSON REYES: Senator Hancock, the way of
22 approaching establishing Subcommittees has come to question.
23 So I want to -- in an abundance of caution, I want to make
24 sure that is it the wishes of the Board that we take this
25 action as an agenda item or do we just dispense with now and

1 appoint the people.

2 SENATOR LOWENTHAL: Yeah. On our rules, I think
3 it says, Section 9, that Subcommittee shall have a number of
4 Board members as designated by the full Board, but no
5 Subcommittee shall have less than three appointed Board
6 members.

7 CHAIRPERSON REYES: Correct.

8 MS. MOORE: So we could take action now --

9 CHAIRPERSON REYES: That's my understanding as
10 long as the Board is okay.

11 MS. MOORE: -- as a full Board?

12 CHAIRPERSON REYES: The question is because we're
13 taking action do we have to have it as an agenda item.

14 SENATOR HANCOCK: Okay.

15 CHAIRPERSON REYES: Madam Chair of the Rules
16 Committee, what are your wishes?

17 SENATOR HANCOCK: That we may not actually have a
18 rule on that. What do we think?

19 CHAIRPERSON REYES: I don't think we have a rule
20 on that, but it has been brought to my attention that it
21 needed to be an agenda item. So in an abundance of caution,
22 I'm raising it.

23 SENATOR HANCOCK: If you would like to -- why
24 don't we put it back on asking you to nominate however many
25 people you think might be willing to serve and it could

1 hopefully on the Consent Calendar at our next meeting.

2 SENATOR HANCOCK: Okay. We'll do this next
3 meeting.

4 MS. MOORE: I get that in caution, but I would
5 just like to indicate that I think that are times that we
6 establish Subcommittees during a Board meeting over issues
7 that become apparent during that Board meeting, and I would
8 certainly not want to hamper our ability to do so by having
9 to then agendize it at a future Board meeting. That means
10 you're two months into an issue before you're able to
11 establish a Subcommittee.

12 So I would just, you know, put that out there that
13 perhaps it's appropriate if the Board agrees for the
14 Subcommittee at a particular Board meeting --

15 ASSEMBLY MEMBER HAGMAN: It's just an
16 informational hearing. I can't see why you have to agendize
17 it.

18 CHAIRPERSON REYES: Well, I -- my view has been to
19 make the appointments of the Subcommittees, create the
20 Subcommittee because it's just the creation of a
21 Subcommittee. As long as --

22 ASSEMBLY MEMBER HAGMAN: We will have a fully --

23 CHAIRPERSON REYES: -- we have people this, we
24 ought to create the Subcommittee. I'm taking that to be
25 consent and we move forward.

1 ASSEMBLY MEMBER HAGMAN: Yeah. And we will have
2 an agendized action item when we come up with whatever the
3 recommendation. So I say go ahead, appoint your Committee.
4 We'll meet before the next meeting and everyone's happy.

5 CHAIRPERSON REYES: Well, let me ask the folks
6 that are up here --

7 ASSEMBLY MEMBER HAGMAN: I'll make a motion.

8 CHAIRPERSON REYES: -- on the dais who actually
9 vote if that's their wishes, to just create the Committee
10 based on consent of the people up here voting. Ms. Moore
11 says yes. There's a motion.

12 MS. MOORE: I'm good with that.

13 SENATOR HANCOCK: I would second that.

14 CHAIRPERSON REYES: Okay. Is there any concern
15 with that motion? Senator Lowenthal, as the Vice Chair?
16 Ms. Moore supports the issue.

17 SENATOR LOWENTHAL: That's fine.

18 CHAIRPERSON REYES: Mr. Almanza. So having said
19 that then, we'll go ahead and call for the Subcommittee on
20 Rules and is there volunteers? Mr. Hagman is a volunteer.
21 I'm volunteering Mr. Almanza.

22 MR. ALMANZA: Yes.

23 SENATOR HANCOCK: I'll continue on the Rules.

24 CHAIRPERSON REYES: Continue to be the Chair. And
25 I don't know if Ms. Brownley, Ms. Buchanan would be

1 interested. I'll check with them, but one or both may be
2 interested. Would you be interested, Ms. Moore?

3 MS. MOORE: I would certainly be interested as
4 well.

5 CHAIRPERSON REYES: Okay. So I will ask one of
6 the two then so we can have a balance, to see if they're
7 interested on that. All right.

8 MR. NANJO: Mr. Chair, if I can clarify on Senator
9 Lowenthal's question about the action item.

10 CHAIRPERSON REYES: Um-hmm.

11 MR. NANJO: Because that particular option was
12 basically not to take any action and not to make any
13 adjustments, that does not require a vote. So it really
14 shouldn't have been an option, if you will. That's why it
15 was a default. It's kind of -- basically what the Board has
16 to do is the Board has to -- a majority of the Board has to
17 vote if you're taking an action. But if you're not taking
18 an action, a vote isn't required. So --

19 SENATOR LOWENTHAL: We did take an -- a vote and
20 we voted it down, Option 1, and then it shows up that we now
21 have approved Option 1 as the default. So why did we vote?

22 MR. NANJO: Well -- because the Board has to vote
23 to take an action. The Board doesn't have to vote not to
24 take an action. So that's why it really shouldn't have been
25 an option because that's just what happens if there isn't

1 enough -- a majority to vote for the Board to take an
2 action.

3 The default is not to do anything. So if the
4 Board -- there isn't enough votes to do something, then
5 obviously what you're left with is to do nothing.

6 SENATOR LOWENTHAL: Right.

7 MR. NANJO: So the error was it probably shouldn't
8 have been listed as an option because that really -- to do
9 no action requires no vote.

10 MS. MOORE: So those are the types of issues that
11 the Subcommittee is going to review.

12 CHAIRPERSON REYES: Needs to address and take a
13 look at. Okay. Fair enough.

14 MS. MOORE: And then I just have one other piece
15 on the Minutes if I may, Chair, and that is on the prior
16 Minutes for January -- and I apologize for not catching this
17 last month and I don't know if you can amend the Minutes of
18 two months ago or if we have to bring it back, but it does
19 state -- and it's relevant to this issue and that's why I'm
20 bringing it up -- is that it states that Ms. Oropeza
21 indicated that for all the years that she sat on the SAB,
22 the intent was not to have the SAB take an action.

23 I actually believe the word not should not be in
24 there. Not not -- and that the intent was for the SAB to
25 take an action and I believe in checking with her that that

1 was her exact point.

2 CHAIRPERSON REYES: I think we looked at the
3 transcripts on that before that went out and I think the
4 Minutes reflect what the transcripts actually occur.

5 MS. SILVERMAN: That's actually correct.

6 MS. MOORE: Well, I --

7 CHAIRPERSON REYES: Because we went back and tried
8 to figure out -- because we had that conversation and I
9 asked for a copy of the Minutes to make sure that that's
10 what she said. So what she intended to say may have been
11 one thing, but what she ended up saying was that.

12 MS. MOORE: Well, as I see the transcript before
13 me is that it says they write these differently to make it
14 clear that they expect some action. So I don't know why
15 that would be no action.

16 How this reads is the intent was not to have the
17 SAB take an action which doesn't make sense to me frankly.
18 All of our intent here is to take an action on something.
19 Sometimes we're successful. Sometimes we're not.

20 So if you'd like to bring it back before us --

21 MS. SILVERMAN: I think what we've done in the
22 past is when we're trying to clarify something is state for
23 the record what the -- what you want to clarify and then we
24 can note that for the Minutes this month moving forward that
25 you wanted to clarify that point in January.

1 MS. MOORE: Yes, on behalf of Ms. Oropeza, I would
2 like to have the not removed from the Minutes on her
3 comments.

4 CHAIRPERSON REYES: Okay. So let's step back a
5 minute here though because the Board did approve those
6 Minutes by majority vote --

7 MS. JONES: Um-hmm.

8 CHAIRPERSON REYES: -- and so we're now being
9 asked to revise the Minutes of two months ago.

10 MS. MOORE: That's what I was asking when I
11 started.

12 CHAIRPERSON REYES: Yeah. So --

13 ASSEMBLY MEMBER HAGMAN: On someone who's not here
14 to represent those thoughts too unfortunately, you know.

15 CHAIRPERSON REYES: Yeah.

16 ASSEMBLY MEMBER HAGMAN: So all we have is the
17 transcripts to go by.

18 CHAIRPERSON REYES: Correct.

19 MS. MOORE: Well, I spoke -- it's my -- it's this
20 seat's position and I spoke with the person that was in it
21 at the time and that is their direction.

22 CHAIRPERSON REYES: Okay. So --

23 MR. NANJO: To clarify, there's a couple options
24 the Board has at this time. One, you can bring back the
25 Minutes and have that discussed with the proposed changes in

1 front of the full Board at a future meeting --

2 CHAIRPERSON REYES: Um-hmm.

3 MR. NANJO: -- or alternatively what you could do,
4 Ms. Moore, is you can state the intent that Ms. Oropeza had
5 and make it a part of this meeting's Minutes so that
6 clarifies, you know, two meetings ago she meant to say -- or
7 she did say this or there's some discrepancy.

8 So those are two of the options that the Board has
9 on how they handle this.

10 CHAIRPERSON REYES: Is your wish to --

11 MS. MOORE: Are you asking my wish? I think I'd
12 go with Option No. 1 because as we, you know, are all gone
13 someday and somebody goes back to look at the Minutes,
14 they're not going to read the subsequent Minutes that
15 correct it.

16 CHAIRPERSON REYES: Okay.

17 MS. MOORE: So that would be my preference, but
18 I'm open to what the -- you know, what's easiest for the
19 Board.

20 CHAIRPERSON REYES: If you wanted Option 1, then
21 the procedure would be for you to make a motion to rescind
22 the vote on the Minutes from the prior meeting, take a
23 second, take a vote, and then we bring it back.

24 The alternative -- alternative two would be for
25 you to restate for the record what the intent was and

1 dispense with it that way. It's your call, ma'am.

2 MS. MOORE: So if I want to perfect the first one,
3 you're saying I have to rescind it at this meeting?

4 CHAIRPERSON REYES: You make a request to rescind
5 the votes from the prior because we have -- the Board has
6 approved the Minutes from last time.

7 MS. MOORE: Okay.

8 CHAIRPERSON REYES: And so you need to make a
9 motion that you ask the Board to rescind the vote, we get a
10 second, we vote on it and move on or you can go on the
11 record and state what the intent was.

12 MS. MOORE: I'm going to go on the record --

13 CHAIRPERSON REYES: Okay.

14 MS. MOORE: -- correcting for the Department of
15 Education's representative on the Board the Minutes of
16 January -- of February 22nd, page 6a -- excuse me. I don't
17 have -- page 6 where Ms. Oropeza indicated that for not all
18 the years she sat on the SAB, the intent was to have the SAB
19 take an action.

20 CHAIRPERSON REYES: Okay. Thank you. Anything
21 else on the Minutes?

22 MS. SILVERMAN: Can I clarify?

23 CHAIRPERSON REYES: Yes.

24 MS. SILVERMAN: Assembly Member Brownley does sit
25 on the Rules Committee.

1 CHAIRPERSON REYES: She does sit; okay. She
2 already sits on the Rules Committee. Thank you. All right.
3 Is there a motion on the Minutes?

4 ASSEMBLY MEMBER HAGMAN: With the amendments, so
5 moved.

6 CHAIRPERSON REYES: So moved. Is there a second?

7 ASSEMBLY MEMBER BUCHANAN: Second.

8 CHAIRPERSON REYES: Been moved and second.

9 MS. JONES: Lowenthal.

10 SENATOR HANCOCK: Is the --

11 ASSEMBLY MEMBER HAGMAN: As amended.

12 SENATOR HANCOCK: -- the Minutes -- yeah. As
13 amended by --

14 CHAIRPERSON REYES: With the -- going on the
15 record with those corrections.

16 SENATOR HANCOCK: With her -- that's right. Thank
17 you.

18 MS. JONES: Yes. Lowenthal.

19 SENATOR LOWENTHAL: Aye.

20 MS. JONES: Hancock.

21 SENATOR HANCOCK: Aye.

22 MS. JONES: Wyland.

23 SENATOR WYLAND: Aye.

24 MS. JONES: Buchanan.

25 ASSEMBLY MEMBER BUCHANAN: Aye.

1 MS. JONES: Hagman.

2 ASSEMBLY MEMBER HAGMAN: Aye.

3 MS. JONES: Almanza.

4 MR. ALMANZA: Aye.

5 MS. JONES: Moore.

6 MS. MOORE: Aye.

7 MS. JONES: Reyes.

8 CHAIRPERSON REYES: Aye.

9 MS. JONES: Motion carries.

10 CHAIRPERSON REYES: In keeping with the -- before
11 we move onto the next items, in keeping with our
12 conversation of the Subcommittees, a while back we talked
13 about the change of scope to establish a Subcommittee to
14 look at that. Is there an interest by the Board to consider
15 that?

16 ASSEMBLY MEMBER HAGMAN: The scope?

17 CHAIRPERSON REYES: Change of scope issues?

18 Remember we had the Butte County -- the Butte, the Fresno
19 issues.

20 MS. MOORE: Oh, yeah, yeah, yeah. There you go.

21 CHAIRPERSON REYES: And we talked about, you know,
22 should we take a look at this and -- Ms. Moore. I'm sorry.
23 I thought you were --

24 MS. MOORE: No. I was just turning it off.

25 CHAIRPERSON REYES: Okay. Is there an interest

1 still by this Board -- by this body to establish such a
2 Subcommittee? Ms. Buchanan.

3 ASSEMBLY MEMBER BUCHANAN: I have kind of in a way
4 a broader interest because we're going to run out of funds.
5 We're going to have projects coming in and I'd like to have
6 some kind of discussion. I don't care how we do it, but,
7 you know, as we move forward, I mean I think there needs to
8 be discussions in a number of areas.

9 We may end up leaving everything the way it is,
10 but do you continue with financial hardship the way it is,
11 how to deal with the situation with counties because they're
12 in a unique situation. How do we -- Assembly Member Hagman
13 has brought up, should we, you know, be providing the same
14 level of funding if you're bringing on a portable versus
15 permanent construction. I mean are grants adequate.

16 I just think -- I'd like to see us have a more
17 general discussion over in the coming months so we, you
18 know, maybe have some consensus on what's working, what's
19 not working.

20 There are some other little tweaks I could throw
21 out right now, but I -- you know, and I'm sure -- because
22 I've talked with some of you informally, we all have some
23 different ideas, but I do think this is a good time to begin
24 those conversations.

25 CHAIRPERSON REYES: Do you -- would it be best to

1 have that conversation in Subcommittee and then raise the
2 issues or the full Board? I know the folks have a concern
3 about how late we go and I know in the Senate, they would
4 prefer that we leave early rather than later. So I don't
5 want to -- you know --

6 ASSEMBLY MEMBER HAGMAN: Well, I think that maybe
7 the best way is maybe to put a few categories down because
8 I'm sure there are groups out here would like to put their
9 inputs as well --

10 CHAIRPERSON REYES: Okay.

11 ASSEMBLY MEMBER HAGMAN: -- with the practical
12 experience, have one on the construction types, one of, you
13 know, future funding. You could have maybe two or three
14 different ones and put a couple of members of the Board on
15 each and let the public come air out their choices and we
16 can start kicking it around in the full Board.

17 CHAIRPERSON REYES: Senator Hancock.

18 SENATOR HANCOCK: Well, I think that it might be
19 good to get an overview of where we are before we move
20 forward. My own feeling has been that maybe we needed to
21 ask another body to do that, to help us with that. Possibly
22 the LAO's office.

23 I don't know who is -- I mean I -- we've never had
24 an opportunity to brief new Board members or at least I was
25 never briefed in depth about the history of the bonds and

1 general bond law or whatever.

2 As we're looking at winding down and then perhaps
3 beginning again, I'd like to know how much of the need did
4 we meet in the last 15 years of bonds, how did we organize
5 the funding in the different bonds. Are there some areas of
6 unmet need that are still clearly out there. Do we
7 anticipate ever meeting the need or do we think we're going
8 to have a revolving bond fund forever.

9 Should we require all schools to be high
10 performance schools or be seismically safe instead of having
11 carve-outs. Might there be another place in the State
12 organization to place school construction.

13 I think there are many really pretty profound and
14 interesting issues out there and that it might be good to
15 ask some overview organization to have a look at what we've
16 done and what we might want to do in the future.

17 CHAIRPERSON REYES: I have Senator Wyland then
18 Ms. Moore.

19 SENATOR WYLAND: I concur with that and I'll just
20 mention a couple of things that trouble me and I'd like an
21 answer to.

22 One is that in that last bond issue, we had I
23 think a half billion dollars for CTE classrooms. I'd like
24 to make -- I'd like to know how that money was actually
25 spent. I know early on at least there was talk by many

1 representing districts to game it, to use funds in ways that
2 they wanted construed as CTE but wasn't really. So you
3 build a theater arts building which I have no problem with,
4 but that's not really what that money was for.

5 Another issue which I think is -- I'd really like
6 to -- actually I'd like to have the joint audit committee
7 take a look at is how you can spend over a half a billion
8 dollars for a high school in Los Angeles that is a monument
9 to excess -- a monument to excess.

10 My understanding is that the State contribution to
11 that was about just shy of \$200 million and I looked at all
12 the other -- if I have that correct -- all the other -- I'm
13 curious what is number; do you know?

14 CHAIRPERSON REYES: Eric, what is it, in the 80s?
15 What was the contribution? I'm sorry. Not to put you on
16 the spot, but --

17 SENATOR HANCOCK: Do we know what --

18 CHAIRPERSON REYES: I don't remember what the
19 number is.

20 ASSEMBLY MEMBER BUCHANAN: I mean ask the number
21 of students it serves as well.

22 CHAIRPERSON REYES: Yeah. So --

23 SENATOR WYLAND: It's about 4,000 student is my
24 understanding. Now, if the district -- I'm sorry. Go
25 ahead.

1 MR. BAKKE: Eric Bakke with Los Angeles Unified.

2 CHAIRPERSON REYES: Sorry.

3 MR. BAKKE: I may not have all the details. It's
4 been a little bit since the issue was discussion, but it's
5 roughly 4,000 children at a single site, six schools on one
6 location -- excuse me. And I think the earlier question
7 what is the State's share, don't have the numbers
8 unfortunately, but I do know most of that was related to the
9 site acquisition. That was the largest chunk of the State.

10 SENATOR WYLAND: With all due respect, I think the
11 Los Angeles folks who contributed -- I think it was a
12 monument to excess. I think it's really difficult -- really
13 difficult to actually talk about education funding, which we
14 need in this State, at all when you see money, even though
15 we all know the difference between capital expense and the
16 rest of it -- when you see something like that.

17 The photographs in the LA Times tell the whole
18 thing. We all know, any of us who have been on a school
19 board, when you go to the CSBA meetings, the architects are
20 there competing with how beautiful their schools are.

21 I will guarantee you without knowing this that
22 those architects have probably already won awards for that
23 building and so, you know, part of it we can't control is
24 what the locals do, but I'm raising the issue and it is an
25 emotional one for me because in my old district, which

1 didn't have a lot of money and is probably at least
2 two-thirds minority, Latino, we didn't have the kind of
3 money to do that and we had to use really, really -- you
4 know, save every dollar.

5 So I'll just leave it at that. I think we ought
6 to know if we look at that how that money's spent because
7 that money could theoretically be spent somewhere else.

8 I realize the site acquisition issues are big, but
9 that doesn't mean there might not have been other
10 alternatives. So I just think we need to take a look at
11 that.

12 MR. BAKKE: If you want, we can certainly talk
13 with you about that.

14 CHAIRPERSON REYES: Okay. So I think what I'd
15 like to do with the Board's permission is between now and
16 the next Board meeting talk to staff and the staff on the
17 Implementation Committee and look at some of these issues
18 that we can bring forward and follow Mr. Hagman's suggestion
19 of -- a Subcommittee according to the rules has to have at
20 least three Board members or four Board members. I forget
21 which one of the two, but, you know, some sort of working
22 group to get some of these issues and --

23 ASSEMBLY MEMBER HAGMAN: Different subjects, maybe
24 two or three of them.

25 CHAIRPERSON REYES: Yeah, different subjects.

1 Yeah. Because there's -- I know the scope was a big issue
2 when we were looking at Butte school and Fresno school and
3 it's come up before and there was an interest on how do we
4 address when there are change of scope issues and to be fair
5 and not to penalize schools for doing the right thing or
6 taking advantage of the situation to the benefit of the
7 students. And so we want to have that as part of the
8 conversation.

9 ASSEMBLY MEMBER BUCHANAN: In response to Senator
10 Hancock's comment, I think you also were suggesting -- and
11 maybe it would be optional for members, but that we have
12 some kind of workshop that OPSC might put on so that
13 everyone -- new members, everybody could have a refresher
14 course on exactly what the bonds were, what the scope -- you
15 know --

16 ASSEMBLY MEMBER HAGMAN: We'll get this down as --
17 by the time we run out of money, we'll know how to do it.

18 CHAIRPERSON REYES: Yeah. And have some -- we're
19 collecting some of the data and a presentation of what it is
20 that we're accomplishing, the students we're impacting.

21 ASSEMBLY MEMBER BUCHANAN: What the -- I think
22 that came out of a Committee -- didn't you chair with -- we
23 were talking about -- a year ago we talked about that there
24 should be an orientation. I mean I don't know. I'm just --

25 SENATOR HANCOCK: I think what you're suggesting

1 would be a good idea. I think because of the difficulty of
2 scheduling, if there was an orientation session, it probably
3 would need to be at a regular Board meeting.

4 CHAIRPERSON REYES: Um-hmm.

5 SENATOR HANCOCK: But I do think we're reaching a
6 point winding down one activity and looking at what
7 activities, if any, will be taken up in the future.

8 CHAIRPERSON REYES: Um-hmm.

9 SENATOR HANCOCK: It's a good time to say where
10 are we and what have we learned.

11 CHAIRPERSON REYES: Um-hmm. Okay.

12 SENATOR HANCOCK: And then how do we all
13 understand how to be an effective Board member. I know I
14 feel like I sat here for at least six months trying to
15 figure out what people were talking about.

16 Mr. Hagman seems to have come up to speed faster.
17 He's probably --

18 CHAIRPERSON REYES: Ms. Moore.

19 MS. MOORE: I just wanted to offer that in the
20 context of perhaps looking at those issues that we did at
21 the Department of Education contract with the Center for
22 Cities and Schools at U.C. Berkeley about looking at what we
23 have done and what were the recommendations that they as a
24 research institute would recommend around going forward in
25 the future on policy issues around the School Facilities

1 Program.

2 They also surveyed the nation and looked at what
3 other states are doing and tried to provide into that
4 contextually -- no state has this down, but that this is
5 what's going on in other areas of the State and it could be
6 a source of -- a resource during those discussions.

7 SENATOR HANCOCK: When was it done?

8 MS. MOORE: It's just being completed.

9 SENATOR HANCOCK: Yea.

10 MS. MOORE: And so I would just offer that as a
11 resource. It's not -- you know, it's not an official belief
12 of the Department of Ed, but it was an attempt to ask a
13 third party how do you view what we've done over the last
14 ten years and what -- looking at that, what do you think we
15 should maybe think policy-wise in the future as we discuss
16 the future of our program.

17 CHAIRPERSON REYES: Okay. Mr. Wyland.

18 SENATOR WYLAND: We seem to be talking about
19 larger issues which this may not be the meeting we want to
20 do all of it, but I think that's important and, Senator
21 Hancock, you talked about taking a while to come up to
22 speed. I think that's because a lot of these issues that we
23 actually deal with are narrow. Some of them are quite
24 technical and they need to be done.

25 But I think we don't want to lose sight of the

1 forest for the trees and I think the larger issue -- and the
2 Chair has brought this up -- is -- and Senator Hancock has
3 brought this up -- what is the need, how -- are we really
4 going about addressing the need in the best possible way.

5 And the reason I raise this issue of spending is,
6 in an ideal world, I would like very public building,
7 including the schools, to be not extravagant but really,
8 really nice and do extra things. But we don't have that
9 luxury and the reason that I think that's so important is I
10 came from a district where we had no choice but to watch
11 every single dollar and we actually built a school that I
12 think is kind of a model because it turned out, without
13 getting into more detail about it, that there is a type of
14 school you can build that staff really loves because it's
15 been replicated and it conforms to what their needs are,
16 especially when you get to K through 8.

17 So I think we need to look at some of those issues
18 too as -- even though we don't vote on those all the time
19 because that's kind of our mission ultimately is how are we
20 going to provide for all these kids.

21 CHAIRPERSON REYES: Thank you, Mr. Wyland.
22 Ms. Buchanan.

23 ASSEMBLY MEMBER BUCHANAN: I just want to add --
24 you know, I don't want to get into the weeds in this, but at
25 some point in time, I also want to get to the level where,

1 you know, we have rules that say if a school district -- if
2 you're building a new school and you take occupancy before
3 you submit your final form, you're not eligible for funding
4 anymore even though for a new school -- for a school
5 district, I mean if you had -- if you were a month off in
6 construction because you have such a narrow window, do you
7 send the kids somewhere else and disrupt everything. I mean
8 I've often looked at that rule and at the same time, we have
9 a rule that you can apply five years after you've modernized
10 a school and get modernization funding.

11 And so -- I mean I'd like to see us really take a
12 holistic view of the whole program in terms of, you know,
13 what kind of schools do we want to build, what do we want to
14 incentivize through the program, and how do we want the
15 rules of the program to be written in such a way that it
16 works as efficiently as it can with the least amount of
17 paperwork, the easiest to understand, and -- you know, and
18 we just sort of, you know, really talk about some of those
19 issues.

20 CHAIRPERSON REYES: Okay. Thank you. And that
21 was just Tab 2.

22 Before we go to Tab 3, I'd like everybody if you
23 would be so kind to join me congratulating Lisa on her
24 appointment to now the Executive Officer of the Office of
25 Public School Construction and the State Allocation Board.

1 Congratulations.

2 (Applause)

3 CHAIRPERSON REYES: This will be her first
4 **Executive Officer's Statement** and I know that attempts were
5 made to get us an electronic copy, but we're going to
6 continue to work on that so that folks have it earlier on,
7 but thank you for trying to get that to us.

8 MS. SILVERMAN: That's our goal and thank you
9 again. We have definitely a few items to report to you
10 tonight.

11 We want to give the Board an update about the
12 priority in funding apportionments. We actually had a big
13 opportunity in December to put out almost \$923.6 million
14 which represents close to 400 projects. And again the
15 deadline to submit those projects was mid March. We
16 actually received over 900 million requests so far and we've
17 actually put out over \$887 million out on the street.

18 And so we're still processing a few of those items
19 left and so I can definitely report out that this priority
20 in funding process for December has been definitely
21 successful. So that's definitely great news for a lot of
22 the school districts out in the community who've been
23 waiting for cash.

24 We also want to give the Board an update on the
25 Santee item. The item was pulled last month and the goal

1 was obviously for the Department of Industrial Relations had
2 stepped in and they wanted to do a review of the Labor
3 Compliance Program that the district had in place.

4 So at this point in time, it's in their court and
5 we're just waiting for some feedback from them whether or
6 not they were compliant or they're not. If they are
7 compliant, then administratively the project goes away.
8 They will qualify for the funds.

9 CHAIRPERSON REYES: The appeal goes away not the
10 project.

11 MS. SILVERMAN: Right. Right. The appeal goes
12 away and if it's not favorable, then it would be back before
13 the Board for a discussion.

14 And we're happy to announce -- and the next item
15 is the Labor Compliance Program regulatory amendments are in
16 effect and that was in effect as of March 26, 2012. So
17 districts may now submit applications to receive a
18 prevailing wage grant adjustment that we've actually put out
19 there for implementation and the Board did adopt that.

20 So again staff will also take grant adjustments
21 for prior eligible projects to a future Board.

22 And we also wanted to share an update report on
23 the Lease-Purchase Program transfer item for joint use and
24 we have been having major dialogues with the Attorney
25 General's office and right now they're still working on the

1 first item which was can we transfer the lease-purchase
2 funds and that's still in their Court. And we're actually
3 waiting for feedback.

4 Currently they're reviewing the Leg. Counsel
5 opinion on whether or not Proposition 1A funds are available
6 for that stated purpose. So again we're hoping that this
7 gets pushed along and we can bring back something.

8 CHAIRPERSON REYES: If I may interrupt. We'd like
9 to have that on the next agenda -- next month's agenda,
10 please, for consideration.

11 MS. SILVERMAN: Definitely will.

12 CHAIRPERSON REYES: Thank you.

13 MS. SILVERMAN: And for the Seismic Program, we
14 have -- just as far as announcing what activity has been
15 going on, the regulations as we all know became effective on
16 September 9, 2011, and there have been numerous projects
17 that have been progressing along at DSA, about 160 to date.

18 So they're in various stages at this point in time
19 and so that obviously should be triggering a lot of
20 applications coming our way. So that's great news.

21 We have reported in the past that we had actually
22 apportioned \$4.7 million for three projects and we actually
23 received a funding app for a conceptual approval that was
24 approved for West Contra Costa and speaking to my pal here.

25 And so they actually did convert the project to --

1 from a conceptual to a funding app, so that's great news.
2 So we're working on that project and will bring that forward
3 to the Board.

4 On the High Performance Incentive Grant update,
5 we've changed the regulations perhaps about a year ago, over
6 a year and a half ago. We are actually making a lot of
7 progress in that area.

8 Currently there's 22 projects in-house at the
9 Office of Public School Construction which is in total about
10 \$7.3 million. So we'll be ushering those projects along.
11 So it's great to see that we actually have some changes to
12 the program and people actually are applying for that grant.

13 And there's about 12 other projects at the
14 Division of State Architect which is about \$5.5 million as
15 well. So again there's a lot of progression for some of the
16 changes we've made.

17 And the last item as you see, we now have -- a few
18 of us have some nifty devices and some of our other members
19 already have devices. Our goal is to transition to a fully
20 electronic agenda. We do post it online, but the goal is to
21 reduce our paper for print and actually save money.

22 And so again we're piloting this right now. Our
23 goal is to fully complement our Board members with having a
24 device accessible to them or if they have their own device,
25 but again the goal is to shift from this paper-driven

1 process to an electronic process and with a goal set of
2 July 1st, 2012. So --

3 CHAIRPERSON REYES: Great. Thank you.

4 MS. SILVERMAN: Oh, I'm sorry. Audit
5 Subcommittee, I apologize. Thank you, Bill. Just really,
6 really fast. We do have an Audit Subcommittee meeting set
7 for April 10th at 3:00 o'clock and the location is to be
8 determined.

9 CHAIRPERSON REYES: Okay. Thank you. I do have
10 an additional comment to the agenda. The Compton Unified
11 School District appeal was pulled at the request of the
12 Chair. They submitted some legal documents or some
13 documents that I wanted our DAG -- Deputy Attorney General
14 to take a look at and see if, you know, what was in there
15 was doable. And I did not want to bring the issue and then
16 say but we're going to take it to the Attorney General.

17 So I'm going to have the Attorney General spend
18 some time with it and then bring it back up. I know it's a
19 sensitive issue for those folks and it's significant
20 resources for them and I want to make sure that our Attorney
21 General gets a chance to look at it -- or staff. Thank you.

22 Next item.

23 MS. SILVERMAN: Tab 4, the **Resolution**.

24 CHAIRPERSON REYES: Okay. Any comments so far
25 from the public? All right. Thank you. Moving forward.

1 Tab 4.

2 MS. SILVERMAN: Is the Resolution.

3 CHAIRPERSON REYES: And I signed that already.

4 Thank you. Tab 5.

5 MS. SILVERMAN: Moving on, is the **Consent Agenda**.

6 ASSEMBLY MEMBER HAGMAN: Mr. Chair, a suggestion.

7 CHAIRPERSON REYES: Mr. Hagman.

8 ASSEMBLY MEMBER HAGMAN: I was going to add on

9 Action Items 10, 11, and 13 to the Consent Agenda.

10 MS. JONES: Microphone.

11 ASSEMBLY MEMBER HAGMAN: I was going to propose
12 that we add on Action Items 11, 12, and 13, those tabs, onto
13 the Consent Agenda.

14 CHAIRPERSON REYES: 11, 12, and 13. Okay. Not
15 10, but 11, 12, and 13?

16 ASSEMBLY MEMBER HAGMAN: Correct.

17 CHAIRPERSON REYES: Any objection? Is there a
18 second?

19 ASSEMBLY MEMBER BUCHANAN: Second.

20 CHAIRPERSON REYES: Second. Ms. Moore, do you
21 have a comment?

22 MS. MOORE: I have a comment and that is on the --
23 today in the Consent Agenda, we are funding approximately in
24 actual cash 56.8 -- correct -- million in projects and since
25 we have typically -- well, there's no typical.

1 The last time we did this, we did it not as a
2 consent item and we also had the entire list of projects
3 that are eligible now in this funding -- second funding
4 round I think that we've had that closed on February 9th and
5 I would just ask that if we're going to apportion funding
6 each month if we could have this as a special item.

7 It could be moved into the Consent Calendar like
8 we're doing with the others today, but it is -- because cash
9 is so valuable and it has been outside the Consent Calendar
10 in the past, I'd just like to highlight it if other Board
11 members are agreeable for the future.

12 CHAIRPERSON REYES: So future items don't put as
13 part of the Consent.

14 MS. MOORE: And have the list of all -- so we can
15 follow down the list and see that indeed, you know, where
16 anybody -- everybody can look at the list. If they think
17 there's a correction that needs to be made on it, they can
18 make it and that we can all watch as we fund down the list.

19 CHAIRPERSON REYES: Okay. That sounds reasonable.
20 Okay. Moving forward. So next month, we'll do it that way.

21 MS. SILVERMAN: Yeah. We can definitely
22 accommodate that.

23 CHAIRPERSON REYES: Okay. Thank you.

24 MS. SILVERMAN: So Consent --

25 CHAIRPERSON REYES: So there was a move on the

1 Consent and the addition of the three items. Was there a
2 second? I missed --

3 ASSEMBLY MEMBER BUCHANAN: Yeah. Second.

4 CHAIRPERSON REYES: There was a second. Any
5 additional comments or questions? Any public comment on the
6 items? Please call the roll.

7 MS. JONES: Hancock.

8 SENATOR HANCOCK: Aye.

9 MS. JONES: Wyland.

10 SENATOR WYLAND: Aye.

11 MS. JONES: Buchanan.

12 ASSEMBLY MEMBER BUCHANAN: Aye.

13 MS. JONES: Hagman.

14 ASSEMBLY MEMBER HAGMAN: Aye.

15 MS. JONES: Almanza.

16 MR. ALMANZA: Aye.

17 MS. JONES: Moore.

18 MS. MOORE: Aye.

19 MS. JONES: Reyes.

20 CHAIRPERSON REYES: Aye.

21 MS. JONES: Motion carries.

22 CHAIRPERSON REYES: And I'll ask that for all the
23 motions that we've done so far that we keep the roll open
24 for Ms. Brownley and Senator Lowenthal in the event that
25 they make it back.

1 MS. JONES: Okay.

2 CHAIRPERSON REYES: Okay? I mean the motion
3 carried, we have enough votes, but just keep it open for
4 them to add on.

5 MS. JONES: Very good.

6 CHAIRPERSON REYES: Thank you.

7 MS. JONES: Thank you.

8 MS. SILVERMAN: Tab 6.

9 CHAIRPERSON REYES: Tab 6.

10 MS. SILVERMAN: Tab is just the **Financials** and
11 again if I can draw your attention. The quick summary is on
12 page 69.

13 What we have highlighted to the Board as a moving
14 target is the bond releases or the bond sales that we've had
15 over the years and on a month-to-month basis.

16 So since we enacted the priorities of funding, we
17 actually did disburse again 163 million in the last few
18 weeks and again that actually does show a drawdown in the
19 super funds then of 62 percent as of the tail end of
20 February, but as I reported to you earlier, the drawdown
21 would be almost down to zero for that particular pot in
22 October 2011. So that's great news.

23 Again we're still processing some items. So the
24 goal is to have -- report that next month. So October bond
25 sale for the priorities of funding again a complete success

1 and we do have some to process and there were a few
2 districts that didn't make it, but obviously we're still
3 trying to work out those details. But again this is to show
4 that we are being fluid in our program and we're not sitting
5 on the cash.

6 CHAIRPERSON REYES: Okay.

7 MS. SILVERMAN: And if I can direct your
8 attention -- actually on page 71, we do show a list of
9 projects and the timelines that we have. Again the goal is
10 to be transparent about who's coming in and who's obligated
11 to come in and how much cash is associated with those
12 projects.

13 So we still show a line for some projects that
14 haven't moved forward in March, but again we have until the
15 end of the month and again we do show a history of what
16 happens to those projects.

17 So we do show 22 projects as of March, but again
18 I'm sure the line will be shrinking because we'll be able to
19 liquidate some more projects.

20 CHAIRPERSON REYES: Thank you.

21 MS. SILVERMAN: And if we don't have any other
22 questions, we definitely move onto **Status of Funds**.

23 CHAIRPERSON REYES: Any comments from -- public
24 comments on this item? Moving on. Go ahead. Next.

25 MS. SILVERMAN: So on Status of Funds, it's on

1 page 73. We made some corrections in this area and again
2 thank you, Ms. Moore, for your comment.

3 We've actually received a lot of dialogue. Again
4 we are presenting items, actually bringing cash forward for
5 some projects on the unfunded list which represents almost
6 60 million.

7 But the adjustments that we're posting actually
8 got lost in the translation of actually what we're bringing
9 forward of unfunded approvals.

10 So we actually made the adjustments so you
11 actually can see the activity that was going on in the
12 consent agenda. So as a result, you see a lot of yellow
13 going on because we wanted to demonstrate to the Board we
14 did process some unfunded approvals this month.

15 So in the category of Proposition 1D, which is in
16 your top column, we did process two projects in the new
17 construction category for \$3.6 million; modernization
18 \$8 million in projects.

19 High performance, there were some adjustments for
20 some high performance projects that actually rescinded.

21 And then -- so that represents a total of
22 \$11.2 million in Proposition 1D.

23 The middle category is Proposition 55. We
24 actually did provide 25.2 million in unfunded approvals that
25 represent seven projects. We actually do also reflect a

1 conversion of a critically overcrowded school project for
2 13 million and that's one project. And so in total
3 \$38.2 million being drawn down in the bond authority for
4 Proposition 55.

5 And no activity in the lower category which is
6 Proposition 47. So in total for the month, we actually did
7 activate \$49.4 million in 16 projects this month.

8 So again the goal was not to diminish what we
9 actually are doing this month, but to show posting of the
10 apportionments on the back end. So again we just want to
11 make that clear.

12 CHAIRPERSON REYES: Okay.

13 MS. SILVERMAN: And if there's no other questions,
14 I think that wraps up Status of Funds.

15 CHAIRPERSON REYES: Comments -- public comments on
16 this item? Thank you. Next item.

17 MS. SILVERMAN: Is Tab 8 which is
18 **Fairfield-Suisun.**

19 MS. SHARP: Hello. I'm Tracy Sharp with the
20 Office of Public School construction and I am presenting the
21 appeal request from the Fairfield-Suisun Unified School
22 District.

23 The district is requesting the Board to allow an
24 exchange of a site that was abandoned and replaced under the
25 prior -- under the facility hardship project -- excuse me --

1 under the Facility Hardship Program in lieu of selling the
2 site that was abandoned under that project.

3 On this request, staff is seeking Board direction.
4 So a little bit of background. In January 2001, the Board
5 approved a conceptual approval for the district to abandon
6 and replace the Green Valley Middle School site. It was
7 abandoned due to traffic hazards, pollution, and its
8 proximity to the 86/80 interchange.

9 That conceptual approval was approved in 2001,
10 included as Attachment A with your Board item there, and it
11 included a requirement that the district sell the abandoned
12 site upon completion of the new school.

13 In 2003, the district received a funding
14 apportionment for the project and that is also included as
15 Attachment B.

16 The new site was opened in 2004 and the district
17 still owns the site at this time. The district realized
18 that it had not completed the sale of the site and in late
19 2010, they contacted us and began discussions about the
20 issue and submitted a request to exchange the site.

21 Due to some changing conditions surrounding the
22 site, including the proposed permanent installation of a
23 natural gas valve lot, the district withdrew its original
24 request and submitted the current one.

25 So the request is to -- for the district to be

1 allowed to exchange the site in lieu of selling it. The
2 exchange would be for a property adjacent to the current
3 Willow Creek Elementary School site which is a K-5 school
4 and could potentially be expanded to a K-8 school in the
5 future.

6 In the district's proposal, the district is asking
7 that they forgo future site acquisition if the exchange is
8 allowed on this property in the future.

9 Staff's position on stamped page 85 -- 87 --
10 excuse me -- is that staff is seeking Board direction on
11 this.

12 Since the Board already took an action on the
13 item, this would be a new action for the Board today if the
14 exchange is approved.

15 Basically Regulation 1859.82 states the
16 district -- that the facility hardship grant would be
17 reduced by 50 percent of the net proceeds available from the
18 disposition of any displaced facilities. So it doesn't
19 consider an exchange.

20 In considering the district's request, I'd like to
21 highlight some considerations that we've taken into account
22 in presenting the options.

23 First of all, a sale would guarantee some return
24 of cash to the program. If an exchange is approved, there
25 may or may not be cash returning to the program.

1 In forgoing future site acquisition for the new
2 site, the district in some respects potentially would
3 reserve future authority or future -- excuse me -- reserve
4 cash for a future potential project.

5 It also assumes that the district would have
6 eligibility at the time in the program when they submitted
7 an application. And then also it doesn't address what would
8 happen if the exchange doesn't go through.

9 So in the options that we've prepared for the
10 Board under Option 1, we've taken some of these things into
11 consideration.

12 Basically the first option would be to approve the
13 site exchange and allow the district to forgo future site
14 acquisition in the future. It -- detailed here about the
15 site exchange and the -- and if a site sale doesn't occur,
16 it would -- the district would start the sale process within
17 12 months -- puts a timeline on there.

18 District would also provide progress updates to
19 staff every six months as to what's happening with it and
20 also ask for a governing board resolution agreeing --
21 acknowledging the terms of the Board's approval.

22 Option 2 is very similar, only it has one major
23 change to it and that is that the district could proceed
24 with the exchange and the one change -- the significant
25 change would be the compensation.

1 Basically the district would be asked to remit
2 50 percent of the appraised value of the site within a time
3 frame determined by the Board, somewhere between -- staff
4 proposes 12 and 16 months.

5 All the other basic requirements are the same as
6 in Option 1.

7 And the last option for the Board is basically to
8 deny the district's request. This would maintain the
9 original Board action and would also ask that the district
10 supply updates on the progress of the sale every six months
11 to staff until it occurs. So with that --

12 CHAIRPERSON REYES: Okay. So I hate to pick on
13 you guys for this, so I apologize.

14 This is one of those cases where we already took
15 action back in January of 2001. In the absence of any
16 action by the Board, that action is in place. The same way
17 that we do some of the stuff that comes in.

18 They don't qualify for a program and the issue
19 then comes to the Board to find the exception to the
20 program.

21 In the absence of a vote by the Board to grant
22 that exception, then the request is denied because it
23 doesn't fit into the category. So there's no need to take
24 an action.

25 So technically Option 3 is not really an option.

1 So you shouldn't present it as an option because -- or you
2 can just tell us that in the absence, then the option of
3 January 1st, 2001, is in place. Is there --

4 ASSEMBLY MEMBER HAGMAN: Mr. Chair, no one's ever
5 said that government's bureaucratic at all --

6 (Laughter)

7 CHAIRPERSON REYES: But -- I just wanted to -- and
8 I don't mean to pick on you, but this issue came up earlier
9 whether or not there's an action by the Board, no action by
10 the Board, and this is a clear example where the Board has
11 already taken an action. Mr. Hagman.

12 ASSEMBLY MEMBER HAGMAN: I just have a -- first
13 background question. This deal was made in 2001, completed
14 in 2004. The school self-reported this a year ago, so what
15 happened to any kind of oversight from us to see if their
16 end of the deal was going to be completed way back when?

17 So we're here six, seven years later after that
18 first deal was supposed to be made and we're just -- if it
19 wasn't for them coming up, it could be another 20 years.

20 Do we have anything in place so these things don't
21 pop up like this? I mean do we have some kind of tracking
22 ability or how many more of these type of deals are out
23 there.

24 MR. MIRELES: This was a problem. Obviously we
25 didn't have the appropriate mechanism in place. We have

1 this new procedure to track in the future, but we didn't.
2 We didn't keep track in this particular case until the
3 district brought it to our attention.

4 ASSEMBLY MEMBER HAGMAN: And -- just my idea of a
5 motion out there already. I have listened to the
6 presentation by the school district and I see if they -- if
7 we force their sale of their property right now, which I
8 assume that if we adopted 1 or 2 that you go through and
9 check their appraisals and stuff. But apparently it's worth
10 approximately a million dollars right now. Half of that
11 would be 500,000 for us.

12 And it makes total sense to have this school
13 expanded or to go to another site, but we don't know if
14 there are going to be funds for it to go to another site.

15 So I like kind of Option 2 where we let them
16 exchange the land, let the three switch thing happen. We
17 put our lien or we do on that new property but make the deal
18 with the appraised value now. A million dollars, we get a
19 half million over the five years to repay. I think that's
20 something that they were acceptable to.

21 We get our money, unless you come up with a new
22 site somewhere and we could try to balance it out later or
23 something. But I guess that was Option 2 relatively for the
24 five years repay. That's my suggestion.

25 MS. MOORE: I'd second the motion.

1 CHAIRPERSON REYES: Okay. Option 2 with a
2 five-year repayment has been moved and seconded. Any
3 questions or comments from Board members? You're --

4 ASSEMBLY MEMBER HAGMAN: You guys can make a
5 presentation. I don't know if you want --

6 CHAIRPERSON REYES: Do you want to make a
7 presentation or do you want to just -- there's a thing in
8 testimony training that if you already have a -- if you want
9 don't add to it because you can lose it, but it's up to you.

10 MS. VAN GUNDY: Yeah, we don't want to add too
11 much more to it.

12 There is one additional consideration if the Board
13 is willing to consider it and this is not --

14 CHAIRPERSON REYES: Three years. Okay. Go ahead.

15 MS. VAN GUNDY: Nope. Five years. If we could
16 also --

17 CHAIRPERSON REYES: She's going for two years. Go
18 ahead.

19 MS. VAN GUNDY: Okay. If we could -- if the Board
20 is willing to allow us to submit an application for future
21 site in lieu of those funds, that would be another
22 consideration that we would ask --

23 CHAIRPERSON REYES: Yeah. I think it's shown
24 enough flexibility with --

25 ASSEMBLY MEMBER HAGMAN: It does complicate

1 things. Technically that's the people's dollars that are
2 promised to them back in 2005. Yes, we have the ability to
3 grant you more dollars for a new thing, but it has to go
4 through a whole new procedure.

5 You start mixing those things together. If for
6 some reason your application pops up a year and a half from
7 now and you're 150,000 into it and we've got a balance of
8 350- we owe you -- 700,000 -- then come back for another,
9 you know, appeal. But right now, let's keep it clean --

10 MS. VAN GUNDY: Yeah. And we completely
11 understand. Our governing board did want us to ask, so
12 doing our due diligence.

13 CHAIRPERSON REYES: Okay. So we're on five then.
14 Five-year repayment.

15 ASSEMBLY MEMBER HAGMAN: Yep.

16 CHAIRPERSON REYES: Okay. It's been moved and
17 seconded. Call the roll.

18 MS. JONES: Hancock.

19 SENATOR HANCOCK: Aye.

20 MS. JONES: Wyland.

21 SENATOR WYLAND: Aye.

22 MS. JONES: Buchanan. Stepped away.

23 Hagman.

24 ASSEMBLY MEMBER HAGMAN: Aye.

25 MS. JONES: Almanza.

1 MR. ALMANZA: Aye.

2 MS. JONES: Moore.

3 MS. MOORE: Aye.

4 MS. JONES: Reyes.

5 CHAIRPERSON REYES: Aye.

6 MS. JONES: Motion carries.

7 CHAIRPERSON REYES: Okay. And we'll keep it open
8 for the missing members.

9 MS. JONES: Very good.

10 CHAIRPERSON REYES: Okay. Thank you. Item 9 has
11 been pulled. I explained that. Item 10. Jason.

12 MR. HERNANDEZ: Good evening. This is Jason
13 Hernandez from the Office of Public School Construction and
14 I'm here today to talk about the item on stamped page 102,
15 Tab 10, for the **Aromas-San Juan Unified School District**.

16 The item is basically the district's request for
17 financial hardship status based upon other evidence as
18 approved the Board.

19 The district did submit a financial hardship
20 package in August of 2011 for financial hardship
21 consideration for a facility hardship evaluation and
22 remedial action funding project.

23 This project involves some buildings on a school
24 site which met the definition of a Most Vulnerable
25 Category 2 buildings under the Seismic Program and they are

1 requesting hardship in order to proceed with the plans,
2 geotech, and other things needed for the project.

3 We did the hardship review for the project and it
4 didn't meet one of the four standard qualifying criteria.
5 Their bonding capacity wasn't at least 60 percent of their
6 total bonded indebtedness. It was at a level of 35 percent.

7 They did pass a Prop. 39 bond within the last two
8 years. However, the proceeds of those bonds were not used
9 for a School Facility Program project.

10 Their total bond capacity was not below the
11 5 million threshold and then obviously there by the County
12 Office of Education. So therefore that's why they have this
13 item in front of you today under other evidence.

14 One thing that's important to remember when we
15 consider any item under other evidence is to -- when we look
16 at these items, we look at obviously the financial
17 situations of the district at the time, not necessarily what
18 type of funding they're coming in for, whether it's some
19 other type of facility hardship, in this case the seismic
20 attachment of a facility hardship project or something under
21 the regular new construction and modernization project.

22 We're basically just looking at the financial
23 situation of the district at the time.

24 If you look over at stamped page 103 under the
25 background section, it kind of goes over some of the things

1 I just said when we did the regular review. Also another
2 thing to consider is when we did the review the district had
3 previously expended \$41,000 in previous contribution that
4 would be applied to a project if funding -- or if this item
5 is approved and they had an additional 40,000 of their funds
6 that could be applied to the project.

7 If the Board is to approve this item today, the
8 district would then have six months to submit an SAB 50-04
9 or application for funding and if they aren't able to do it
10 within the six months, then the district would have to
11 reestablish their financial hardship eligibility at that
12 time.

13 Some of the standard things that we usually let
14 the Board know when we do a funding item under other
15 evidence is, is this district in danger of becoming an
16 AB1200 district. Have they had in the past any negative
17 certifications.

18 They did have a negative certification with their
19 first interim report in the fiscal year 2009-2010, but
20 currently the district has a positive certification.

21 CHAIRPERSON REYES: For the benefit of the
22 audience and those listening because I'm sure there's a lot
23 of people listening, what is AB1200?

24 MR. HERNANDEZ: AB1200, it was basically a system
25 that was put in place so that districts can report on their

1 financial condition. They report these to the Department of
2 Education. They have two interim reports that they submit
3 at various times during the year, and usually their County
4 Office of Education for a district will submit whether they
5 are positive certification and they can meet their financial
6 obligations for the next three years.

7 If they have a qualified certification, they may
8 not be able to meet their financial obligations for the
9 current year and for the next two years and if they're
10 negative, then it's basically a certification saying they
11 will not be able to meet those financial obligations.

12 ASSEMBLY MEMBER HAGMAN: So, Mr. Chair, if I could
13 summarize that just --

14 CHAIRPERSON REYES: Thank you. Yes, Mr. Hagman.

15 ASSEMBLY MEMBER HAGMAN: -- the operation, red or
16 the black; right?

17 CHAIRPERSON REYES: Yes.

18 ASSEMBLY MEMBER HAGMAN: It's a great way to show
19 it.

20 MR. HERNANDEZ: We have a couple options there.
21 First is to deny the district's appeal and Option 2 would
22 approve the district's request for financial hardship for
23 the design phase only.

24 Under the recommendation, we're just seeking Board
25 direction for this item. And then also if you turn to

1 stamped page 106, you can look at some past Board action
2 that the Board has done -- the past issues that have come in
3 under other evidence.

4 This doesn't encompass every district that was
5 seeking financial hardship status under other evidence, but
6 just ones that actually made it to Board meetings where
7 there was some type of decision made.

8 CHAIRPERSON REYES: Mr. McCabe.

9 MR. McCABE: Yes.

10 CHAIRPERSON REYES: I understand you have an
11 alternative option -- or an alternate option, another
12 alternative.

13 MR. McCABE: Yes. And I'd like to thank the Board
14 for giving us the opportunity to come and request your
15 consideration of our appeal.

16 My other alternative is I believe we should
17 reframe this. The district has evaluated its financial
18 conditions and obviously you're not wanting me to go into
19 that, so I'll be concise.

20 What I'd like to -- the district -- the State
21 Allocation Board to consider is the State paid for an
22 initial evaluation from ZFA Engineers to see what the
23 condition of those buildings were.

24 Those buildings, I want to remind you, are --
25 there are 23 buildings initial through AB100 were the most

1 vulnerable buildings. 7 of those 23 are currently on my
2 site. And so they're the highest priority, the worst of the
3 worst so to speak, a list I don't really care to be on as
4 many other lists that I've walked into this job that we were
5 on.

6 The alternative right now is we don't know what we
7 don't know and simply we can't plan appropriately. A board
8 can't make an informed decision if they don't have all the
9 information on the table.

10 The initial assessment said there were critical
11 path load initials and that something needed to be done.
12 It kind of put us all on notice, the State and the district,
13 that we have a serious issue here and the fact that we sit
14 170 feet off the San Andreas fault also would raise one's
15 eyebrow and say maybe there is consideration.

16 What we'd like to do is finish the job and ask the
17 State to pay just for the geological assessment and that's
18 paying for a 450-foot trench that would be 15-foot deep that
19 would determine if we have spider faults that would come
20 within 50 feet of our buildings and if those spider faults
21 are there, the site may have to be condemned.

22 And the reason I say I don't know what I don't
23 know is basically is this a \$4 million project or a
24 \$30 million project and it seems wasteful to spend resources
25 in designing an application to do the phase four if we

1 really don't know where we're at and what we need to do.

2 I do know that we owe it to our children to act
3 responsibly and that's why I'm coming in because there's
4 sensitivity to resources throughout the State and I think
5 it's the only responsible position that we come in and
6 attempt to frame this in such a way that the resources
7 are -- the request is \$250,000 and we're asking your due --
8 respectful consideration of this because we really believe
9 we need to know what we're getting into before we launch
10 plans to rectify the situation.

11 CHAIRPERSON REYES: Mr. Hagman.

12 ASSEMBLY MEMBER HAGMAN: Thank you, Mr. Chair.
13 And I did have a chance to sit down with the applicant
14 earlier and this is one of these things we talk about, the
15 system.

16 We do the initial tests and find out there's a
17 problem, but we don't know how big the problem is, but the
18 next phase for this district is to do all the plans to get
19 to that stage of looking where the problem is and I think
20 it's something we could address maybe in our rescoping
21 project later.

22 I mean it makes no sense to me whatsoever to spend
23 one dollar on design, architects, or anything until you know
24 if you're going to keep your buildings there or not or if
25 you have to have a site till we move to go out.

1 And being that this is so close to one of our
2 major faults in this State and the fact that we do have
3 money that earthquake zone, I would suggest -- or make a
4 motion to fund the testing only at that site and then once
5 we get those results, the district will come back in and
6 figure out where we go and up to the 250,000 cap.

7 CHAIRPERSON REYES: This is the testing that's via
8 the geological trenching.

9 MR. McCABE: That's correct and it's estimated.

10 CHAIRPERSON REYES: Ms. Buchanan.

11 ASSEMBLY MEMBER BUCHANAN: I think it's a slippery
12 slope we go down because you have money available to fund
13 this. You have -- I mean clearly there are funds there and
14 I'm a little -- I'm very familiar with what you're doing
15 because we've done this on campuses in my school district.
16 And the school district where I was on the board was the
17 first to qualify for seismic funds and we had to pay for all
18 of the geological, all the engineering, everything else.

19 And if we're going to become basically, you know,
20 start funding planning -- what I would call planning
21 departments for school districts, the ones that when you've
22 got money, you'll never put any of the seismic money into
23 the actual repairs.

24 I mean basically financial hardship is -- you
25 know, I can appreciate -- I'm not sure I agree that you --

1 that you sold capital appreciation bonds and everything
2 else. I'm not sure I agree with that decision financially
3 because the -- your voters in your district are going to pay
4 about two to three times more than they would have otherwise
5 to retire them.

6 But you have money there and I just don't -- I
7 mean you could -- one of the things we talked about at
8 length on the Seismic Committee is that if you want to take
9 into consideration just strictly, you know, where faults are
10 or whatever, I mean you could -- you're going to include
11 this many schools and you may only have -- you may have a
12 few or you not that don't have that.

13 I think that's your responsibility as a district
14 and I don't think that's -- I don't think financial hardship
15 was intended to be planning money especially when a district
16 has money. I think it's just a slippery slope that you go
17 down.

18 If you don't believe your schools are safe, then
19 I -- and you've got bond money and other money, I think
20 you -- that should be a priority for you.

21 MR. McCABE: I need to share a story if you will
22 so we can back up and frame where my district is and the
23 issues that surround. It's kind of awkward because I'm
24 trying to address all and not speak to just one.

25 But we're a small rural school district, 1,270

1 students, three county jurisdiction.

2 In 2006, we went out to our voters and attempted a
3 bond. It failed miserably. In 2008, the district once
4 again attempted a bond. It failed miserably.

5 I came aboard this district in 2009 and frankly if
6 we did not pass a bond, we were going to go under as a
7 school district. So desperate times require desperate
8 measures.

9 And I agree with you. This is not the best
10 format, but it's a format that resonated with our voters and
11 they were willing and what we stipulated to them is that we
12 would not raise their taxes and we could structure it that
13 way. That means we can't sell all those bonds at one time.
14 We have to sequence them.

15 It also -- we had a project list that was very
16 concise that we're going to do that resonated with voters
17 and we're going to pay off the COPs.

18 So the voters based on that information -- and we
19 were very transparent with them. We communicated very
20 strongly with them. They came back with over a 60 percent
21 approval rating indicating that they endorse where we're at.

22 Now, before the bond measure, we had voter
23 acceptance -- is our district going in the right direction,
24 and 58 percent said we were not. So we had a very steep
25 hill to climb and we had a challenge before us and we took

1 it head-on and we took the responsibility as a district to
2 change the direction of our district, that is from going --
3 turning the ownership over to the State of California, which
4 would have been a much more expensive proposition,
5 addressing poor performing schools, et cetera.

6 And I understand exactly where you're at, but to
7 sell my bonds at this time, I want you to know that those
8 buildings were built in 1961 and they were built in
9 compliance with the Field Act and all State regulations that
10 existed at that time and I've had an individual tell me that
11 my board and I would have personal liability. That is
12 absolutely incorrect after a legal analysis because they
13 have been built in compliance with the Field Act.

14 We have an issue that I think that we all own part
15 of the solution to this or we're all part of the problem and
16 I want to plead to you because I have no leverage in this
17 situation other than to plead to you that for us to launch
18 this process, I need your support and the kids in my
19 district need your support.

20 And could a catastrophic event occur -- and I want
21 you to know there's two catastrophic events that occurred,
22 Coalinga, Loma Prieta. Those buildings sustained that
23 issue, although the epicenter was not targeted around our
24 general area.

25 The probability that it could happen exists. May

1 it ever happen? Maybe not. But again I -- it is really
2 important because we'll probably not move forward with this
3 project and that would be a travesty because we don't have
4 the resources to do it.

5 And as a district, we're still on the financial
6 edge. For one to say that school financing is sound and
7 solid is a real -- is not where we're at.

8 Next year we face -- we have to have a proposition
9 to pass in order to get funding. Our transportation is
10 going to be reduced and we're looking at a swing of \$700,000
11 in a budget that is right now probably going to go, if those
12 things occur, to a negative cert again.

13 ASSEMBLY MEMBER BUCHANAN: You know, I want to be
14 sympathetic. My own district, it took us three times to
15 pass a bond and there are others that have taken, you know,
16 several attempts and I don't know too many districts within
17 my Assembly District -- I know I could add them up, 14, 15,
18 16 districts that are all struggling.

19 When staff -- I mean you have to -- I mean maybe
20 you could address for me more clearly according to the staff
21 report, you -- there are funds available. So maybe I'm not
22 understanding exactly why there are not funds available for
23 this.

24 CHAIRPERSON REYES: I have Mr. Hagman, then I have
25 Ms. Moore.

1 ASSEMBLY MEMBER HAGMAN: I was going to say, you
2 know, I'm not the softest guy on this Board most of the
3 time, but I think at some times, you know, that's why we're
4 here is to look at this.

5 I begrudgingly approved change orders after big
6 projects have -- solar panels on top of roofs and things
7 like that and here to find out -- now, I agree once you
8 figure out what that's there, you're going to have to build
9 your own school or if we have any money left and if we have
10 a new bond offering, you know, whatever the program is. We
11 may not have anything to help you once you know what you
12 don't know right now.

13 But I think we have these dollars that were
14 intended by the voters to be spending to try to get our
15 students safe. That's 250,000. I think -- that's why I'm
16 more sympathetic to this cause than other ones in the past.

17 I think, you know, this is not something -- with
18 1,200 students in a school district, it's not a big district
19 to absorb a lot of testing and a lot of outside the regular
20 course of business, especially in these times, and that's
21 why I went ahead and made that motion, Mr. Chair.

22 CHAIRPERSON REYES: Thank you. Ms. Moore.

23 MS. MOORE: I think it is a difficult issue and I
24 see your points, Assembly Member Buchanan, although I did
25 read the agenda that the district contends it does not have

1 funds for this -- out of the remaining bond authority and I
2 took it at their -- I took them at their word on that.

3 I don't know if there's further investigation
4 that's necessary by our staff around that and because of
5 that, I felt they're asking us to consider other -- the
6 other category in terms of financial hardship a little bit
7 different wrinkle than I think what the motion is currently.

8 And I'm willing to support that and I'm willing to
9 support that because I do think that it is important that
10 this investigation be done and that we determine what course
11 of action is necessary for the students in that community.

12 They're only asking for design and so once the
13 issue -- after the trenching is done, we'll have a better
14 picture as to what really needs to occur with that campus.
15 And so I'm willing to support it on that level.

16 I do, however, believe that by granting financial
17 hardship for design of this does not actually get them
18 \$250,000 that is necessary for them to do. It's a bit of
19 the chicken or the egg.

20 And so with that, I'm -- I do think that we have
21 to remain within the constraints of the program. There
22 could -- I agree with your slipper -- I can't say it --

23 ASSEMBLY MEMBER BUCHANAN: Slippery.

24 CHAIRPERSON REYES: Slippery slope.

25 MS. MOORE: -- that slope. I agree with that

1 because everyone that is facing a seismic issue could come
2 to us and say will you pay my half -- quarter million in
3 cost to do the trenching that is necessary.

4 I think yours is probably a more severe case
5 because of the closeness and the potential there. But I
6 think their financial situation -- they're asking for our
7 help and I would support that.

8 I'd support both finding them financial hardship
9 for purposes of design and then I would also support putting
10 them at the top of the list for the \$250,000 because
11 otherwise we're going to sit and have -- you'll have a
12 designation and no action.

13 CHAIRPERSON REYES: Ms. Moore, if I could seek
14 clarification. The request was amended to be financial
15 hardship for geological trenching only. So it's no longer
16 for design.

17 MS. MOORE: Oh, okay.

18 CHAIRPERSON REYES: The problem with the design is
19 you don't know what you're designing to.

20 MS. MOORE: Right.

21 CHAIRPERSON REYES: So there's nothing --

22 MS. MOORE: Is that what it was?

23 ASSEMBLY MEMBER HAGMAN: Yeah. That's what it
24 was --

25 MS. MOORE: I support --

1 CHAIRPERSON REYES: Yeah. So we

2 ASSEMBLY MEMBER HAGMAN: -- strictly for the
3 geological survey.

4 MS. MOORE: But I also say that the financial
5 hardship designation does not get them cash. So are you
6 also saying --

7 ASSEMBLY MEMBER HAGMAN: Well, no. I just -- I --
8 in fact I'm not even looking at the financial hardship
9 because that's -- start charging all our rules and that's --
10 so I don't want to start a precedent at changing the rules.

11 I'm trying to task the staff to figure out a way
12 to get 250,000 out strictly for the trenching of that school
13 for this project and keep the staff informed of the updates.

14 Once they figure that out, then they go through
15 the normal process with their bonding and all the rest if
16 they can build there to design all the rest of it. But just
17 take the first chunk first.

18 ASSEMBLY MEMBER BUCHANAN: So where's the money
19 coming from?

20 CHAIRPERSON REYES: So let me move to staff.

21 ASSEMBLY MEMBER HAGMAN: Out of the geological
22 stuff.

23 ASSEMBLY MEMBER BUCHANAN: Out of the seismic?

24 CHAIRPERSON REYES: Is there a potential funding
25 source for this? I mean if it's -- if we move away from the

1 financial hardship and part of the design is the 20 percent
2 of the scope of the project and you can't scope the project
3 because you don't know if it's going to be 4 million or
4 30 million. So it'd be difficult for us to say yes, design
5 20 percent of unknown amount a project that we haven't seen.

6 So Mr. Hagman is asking is -- if I'm understanding
7 you correctly, sir, is that you recognize -- you're saying
8 we ought to recognize as a Board the --

9 ASSEMBLY MEMBER HAGMAN: Uniqueness.

10 CHAIRPERSON REYES: -- uniqueness of committing
11 \$250,000 for the geological trenching that would be required
12 but not do it out of the financial hardship program, but
13 rather is there an alternative funding source.

14 ASSEMBLY MEMBER HAGMAN: Other than seismic.

15 ASSEMBLY MEMBER BUCHANAN: Seismic is 50 percent.

16 MS. SILVERMAN: It would have to be out of the
17 Seismic Program because there is no set-aside for just
18 financial hardship.

19 CHAIRPERSON REYES: Right.

20 MS. SILVERMAN: Financial hardship is the status
21 and then they qualify --

22 CHAIRPERSON REYES: Under that program; correct.

23 MS. SILVERMAN: -- for the other matching under
24 different programs. But I think that's somewhat of the
25 challenges. If we did post the \$250,000, it would have to

1 be a drawdown from the Seismic Program.

2 But, you know, obviously the uniqueness of the
3 issue is, you know, you could spend money from your design
4 phase for items such as this. It's just we need to find a
5 unique way to --

6 ASSEMBLY MEMBER HAGMAN: Well, if you could check
7 on that and also with the group that gave us the initial
8 grant to go check some of these schools out in the first
9 place. What department was that --

10 CHAIRPERSON REYES: Seismic Commission -- Seismic?

11 ASSEMBLY MEMBER BUCHANAN: That came out of
12 Seismic.

13 MS. SILVERMAN: Seismic Safety Commission.

14 ASSEMBLY MEMBER HAGMAN: Seismic Safety
15 Commission. I mean if there was a poster child for that
16 type of program, this would be it. So maybe we could go
17 back to them and see if they got any funds around or
18 something like that too, but is there a way that you could
19 find that strictly for this portion of it.

20 I don't want to commit to 20 percent of something
21 that we don't know what's --

22 CHAIRPERSON REYES: Right.

23 ASSEMBLY MEMBER HAGMAN: -- going to be there yet.

24 CHAIRPERSON REYES: Right. That's a concern for
25 me too. Just go and -- blindly go.

1 ASSEMBLY MEMBER HAGMAN: It just makes no sense.

2 And that just goes back to the whole scope issue of --

3 CHAIRPERSON REYES: Right.

4 ASSEMBLY MEMBER HAGMAN: -- you know, site
5 acquisition, how do you know if it's a good site. I mean
6 the appeals that we heard were we built a school on top of a
7 toxic dump or a fault. I mean these things should be known
8 before we dump any money into the design phase of the site,
9 is it adequate for a school or not.

10 MS. SILVERMAN: There is funds from the seismic
11 engineering reports that we have, this template review, in
12 which the Seismic Safety Commission did grant us \$200,000
13 that we have. We've been reconciling some of the funds we
14 have available and we believe it's somewhere around \$40,000,
15 but the scope of interagency agreement was just for the
16 templates.

17 But we're trying to reach out to the Seismic
18 Safety Commission to see if there's any flexibility with the
19 funds that we do have available -- residual funds if we can
20 use it for this stated purpose.

21 So that's something we are seeking and see if they
22 have any other additional funds that could actually be used
23 for this very purpose.

24 SENATOR HANCOCK: What's the time frame?

25 CHAIRPERSON REYES: Yeah. What would be the time

1 frame of finding that out from the Commission?

2 MS. SILVERMAN: We have some calls in to those
3 folks today and we --

4 CHAIRPERSON REYES: Okay.

5 MS. SILVERMAN: -- have been communicating --

6 ASSEMBLY MEMBER HAGMAN: Is it something that we
7 just direct staff to try to find a solution and come back to
8 us or do we have to give them precise direction now because
9 I don't know -- unless you have a path -- I mean you know
10 what the end goal is.

11 CHAIRPERSON REYES: Well, let me go back to your
12 motion and I think -- you second that motion of funding, but
13 the question was where do you find -- what's the appropriate
14 pot of money for this.

15 MS. MOORE: Did I second the motion?

16 CHAIRPERSON REYES: No. I'm asking. That's what
17 I'm asking. Are you -- you were supportive of the motion,
18 but I'm --

19 MS. MOORE: I was supportive, but I don't think I
20 seconded because I didn't --

21 CHAIRPERSON REYES: Supportive. Okay.

22 MS. MOORE: I actually -- you clarified it for me
23 and I'm -- I do think there's some --

24 CHAIRPERSON REYES: Is your mic on?

25 MS. MOORE: I'm sorry. I do think there's a bit

1 of a slippery slope on that, but -- so you're saying don't
2 put it in financial hardship and grant 250,000 -- or 225,000
3 to this --

4 ASSEMBLY MEMBER BUCHANAN: You can't.

5 ASSEMBLY MEMBER HAGMAN: I don't know if we can or
6 not. I'm just saying that to change the definition of
7 financial hardship, they do not qualify under our terms that
8 we set under the rules. That's the quagmire here. Okay?

9 CHAIRPERSON REYES: Right.

10 ASSEMBLY MEMBER HAGMAN: Because they do have
11 unused bond authority even though they have a certain reason
12 why they can't utilize that right now, but we do have this
13 pot of money for seismic.

14 I'm trying to figure out either you make one rule
15 or one standard of defining what financial hardship, which I
16 think opens up a bigger problem later. I mean we do have
17 the authority to do that I believe, to qualify strictly for
18 this thing, and I'm okay if that's the best route.

19 I'm just trying to figure out if there is a better
20 one, if staff could be creative either going back to other
21 departments see if you got some funds there or -- I mean the
22 voters' intention for that money in the Seismic was to do
23 exactly this and I think it's a cheaper way of doing it for
24 them, to just do the testing first versus saying we're going
25 to need a bunch of money for a new school and when you get

1 halfway into it or designing phase and you finally do the
2 testing, it's no longer 4 million. It's 25 million and now
3 we're committed to a bigger chunk. It makes no sense to me.
4 Figure out the problem first before we --

5 CHAIRPERSON REYES: So -- but if we went Seismic
6 only, then it would only be 125-. They'd have to come up
7 with the 125- themselves?

8 ASSEMBLY MEMBER BUCHANAN: Right.

9 CHAIRPERSON REYES: Is that right? Because it'd
10 be 50-50. Ms. Buchanan.

11 ASSEMBLY MEMBER BUCHANAN: I just want to -- maybe
12 I'm missing something, so I want to clarify. When we read
13 down here on page 103, the district is not [sic] a County
14 Superintendent of Schools, its total blah, blah -- it says
15 the district expended 41,106 of its own funds in this
16 project and has an additional \$40,000. Then the staff
17 analysis goes on to talk about, you know, the issuance and
18 sale.

19 So could you please explain to me what prohibits
20 you from selling more bonds now? What legally prohibits you
21 from selling more bonds.

22 MR. McCABE: Well, to sell a bond for \$250,000 --
23 I want you to know that \$2 million we retired and I will
24 answer your question. I --

25 ASSEMBLY MEMBER BUCHANAN: Right. That's in the

1 report here.

2 MR. McCABE: The 2 million, we sold to retire the
3 COPS will cost voters \$22 million to retire because our
4 existing bond will -- its course will run through 2027 --

5 ASSEMBLY MEMBER BUCHANAN: Right.

6 MR. McCABE: -- and then voters will start paying
7 on that. Our promise to our voters was that we would not
8 raise their taxes. So sequencing to sell the bonds is
9 critical.

10 ASSEMBLY MEMBER BUCHANAN: I just want to know
11 what legally because I understand capital appreciation
12 bonds. I mean Mount Diablo just did capital appreciation
13 bonds for solar and all that. I understand how they work.
14 I understand when you go to voters that you have --

15 MR. McCABE: It's a covenant.

16 ASSEMBLY MEMBER BUCHANAN: -- you put a resolution
17 on and you have to then provide an analysis of what you
18 think the amounts are going to be because the reality is the
19 amounts you think could be higher or lower depending on what
20 happens to assess values, what happens to the exact interest
21 rate you get at the time you sell the tranches and
22 everything else.

23 But I'm trying to find out what legally prevents
24 you from issuing any other bonds now so you can cover this
25 cost because if we do this, you know, you could have a

1 hundred school districts in here that say we don't have any
2 bonding authority right now and, you know, we're in this --
3 we're in -- you know, I mean the school trenching -- we did
4 trenching, the same thing.

5 I mean so they could be right -- doing the same
6 thing. So I just want to know what legally -- you may not
7 want to. I can to know what legally prevents you from
8 selling those to be able to pay for this project because
9 that is critical I believe to the financial hardship
10 designation.

11 MR. McCABE: I can answer your question and add
12 some embellishment, so I would plead for your indulgence.

13 There is no legal restriction. Okay? However, we
14 made a covenant with our voters and I want you to know the
15 sequencing of how our bond occurred and then our knowledge
16 of the Seismic Program and that we had a concern.

17 In October of 2010, I received a call from the San
18 Francisco Chronicle asking what we're doing about AB300. I
19 didn't even know what AB300 was. It wasn't identified as an
20 issue in a new district that I arrived in and so I had to
21 come up to speed very quickly as to what that was and how
22 that affected us.

23 We had a covenant with our taxpayers we weren't
24 going to increase their taxes. We had a specific project
25 list. We were going to pay off our COPs and unfortunately

1 it matters to our district that we maintain the highest
2 integrity as we implement this, but --

3 ASSEMBLY MEMBER BUCHANAN: I think that matters to
4 every district. We had a covenant with our voters that we
5 were going to do certain things and sometimes something
6 comes up. Something came up --

7 MR. McCABE: So your voters didn't realize -- I'm
8 sorry.

9 ASSEMBLY MEMBER BUCHANAN: Something came up with
10 the San Ramon High gym. We were going to modernize it. We
11 did a bunch of engineering studies and found that we had
12 liquefaction and we had to spend money to replace it instead
13 of modernizing it which cost more money which forced us to
14 make other decisions based on our bond.

15 I mean districts all have covenants and sometimes
16 you have to reprioritize based on the circumstances at the
17 time. But what you're telling me is there's no legal
18 restriction given this emergency that you have to be able to
19 access -- to sell bond funds to pay for this.

20 And so -- I mean again what happens then with
21 every other district that has bonding authority but we
22 didn't -- we weren't planning to sell the next tranche for
23 two years or four years and therefore we should be financial
24 hardship because the State is here to be a partner, but we
25 are not here to -- I mean there's -- we have limits in terms

1 of what we can do and if voters in other districts all tax
2 themselves and pay for this and, you know, why do we have --
3 why a double standard then.

4 CHAIRPERSON REYES: Mr. Savidge, you have some
5 input?

6 MR. SAVIDGE: Well, I just wanted to explore one
7 of the issues because I think what Ms. Moore said initially
8 about the issue -- one issue with going through with the
9 financial hardship application is that there's no cash
10 available. So it's kind of a chicken and egg piece here.

11 We print financial hardship in order to fund the
12 study, but there's no actual cash available in the program
13 in order to do that.

14 Maybe one of the things that staff could explore
15 is the Seismic Program is part of facility hardship and the
16 State -- it's a 50-50 match program. If we could -- the
17 issue before the district is another chicken and egg piece
18 which is they have a DSA evaluation -- a structural
19 evaluation and a DSA concurrence that the buildings meet the
20 criteria for the participation in the Seismic Program.

21 The next step for them is to go to --

22 ASSEMBLY MEMBER BUCHANAN: Excuse me. I believe
23 that concurrence is that they fall into that category and
24 may meet it if it's determined they're unsafe.

25 MR. SAVIDGE: No. These have already been --

1 ASSEMBLY MEMBER BUCHANAN: They've already done
2 the engineering?

3 MR. SAVIDGE: There is a structural engineering
4 evaluation which indicates a --

5 ASSEMBLY MEMBER BUCHANAN: Okay.

6 MR. SAVIDGE: -- collapse potential.

7 ASSEMBLY MEMBER BUCHANAN: All right. Okay.

8 MR. SAVIDGE: So these buildings are eligible for
9 the program. But the next step is that they have to go to
10 DSA with a set of plans that would include doing the
11 trenching study to identify the minimum work required under
12 the program and then seek funding from OPSC for the minimum
13 work required.

14 The chicken and egg problem that we have is that
15 they can't get to the minimum work required without doing
16 the trenching.

17 So perhaps we could explore waiving that
18 requirement for the Financial Hardship Program and allow
19 them to get in line and that puts them to the top of the
20 list for funding when it becomes available for facility
21 hardship, like the projects that were funded today. There
22 were five projects in facility hardship that were given cash
23 in today's Board on PIF.

24 So if we could explore waiving that in this --
25 this is a real special circumstance.

1 ASSEMBLY MEMBER BUCHANAN: So then what happens
2 when you move forward with Seismic? I assume if you've got
3 bonding capacity, that becomes a 50-50 project?

4 MR. SAVIDGE: Yes, ma'am. I'm just sensing some
5 reluctance on the financial hardship and there's kind of a
6 dead end with -- through the financial hardship anyway
7 because of the lack of cash.

8 So if we waive the requirement for identifying
9 minimum work up front to give them the funding to identify
10 the minimum work, which is the trenching, then -- doing that
11 rather than what we're embarked on now.

12 MS. MOORE: So what would a motion look like that?

13 MS. SILVERMAN: It would be basically -- there's a
14 facility hardship appeal next month and you would basically
15 embellish on whether or not you want to waive the
16 requirements for the minimum work was Bill suggested and
17 just come up with the cost estimate for the trenching work
18 and maybe we can move that forward as an item to elevate to
19 the top of the list and then when we do have cash, we can
20 definitely fund it in that manner.

21 But that's something that we need to explore, make
22 sure it's --

23 CHAIRPERSON REYES: Do we need to run it
24 through the traps --

25 MR. NANJO: Right.

1 CHAIRPERSON REYES: -- and see whether or not we
2 have that as an option.

3 MR. NANJO: Yeah. If that's the direction the
4 Board's interested in, my recommendation would be to direct
5 staff to explore that and bring it back next month.

6 CHAIRPERSON REYES: Run it through all its traps
7 to make sure we're okay.

8 MR. NANJO: Yes.

9 CHAIRPERSON REYES: And I think, Mr. Savidge, you
10 hit on something there. I mean this is a unique case. It's
11 just the problem is the funding -- the programs that we have
12 doesn't fit into it and I share the concern by Ms. Buchanan
13 is that we start getting into this covering some of those
14 functions ahead of ourselves.

15 Mr. McCabe, what are your thoughts on that?
16 Because you -- I think you can count and you can see where
17 folks are concerned here and --

18 MR. McCABE: Correct. I -- we appreciate
19 everything the State Allocation Board can do for us and we
20 appreciate your consideration here today.

21 CHAIRPERSON REYES: So with the Board's
22 indulgence, we're asking staff to go back and work with you
23 and work and look at alternatives so we can get you
24 resources for this purpose and bring it up next month? Is
25 that -- Ms. Hancock, is that okay?

1 SENATOR HANCOCK: That's fine. I think honestly
2 we should be doing that as proactively as we can on
3 everything.

4 CHAIRPERSON REYES: As possible, yeah.

5 ASSEMBLY MEMBER HAGMAN: Yeah. And that could be
6 part of the scope thing. Again it's like -- to go off of
7 what you're saying is facility hardship has to do the plans
8 and everything else. That's going to cost us a lot more
9 money even at our 50 percent match to find out that we may
10 not even be able to build a school on site or may have to
11 totally redesign it later once the results of the trenching
12 goes.

13 So maybe when we have our workshops, we can figure
14 out, you know, test that site first before you spend any
15 money on anything else and then figure out how to do that,
16 just like we give money up front to -- for site location and
17 stuff too. It might not be a bad idea to do.

18 ASSEMBLY MEMBER BUCHANAN: Mr. Chair.

19 CHAIRPERSON REYES: Ms. Buchanan.

20 ASSEMBLY MEMBER BUCHANAN: I have a 5:45 meeting
21 with the speaker. Could I add on to the Fairfield before I
22 leave --

23 CHAIRPERSON REYES: Please. You want to call the
24 roll? If anything else is missing -- it's the only one.

25 SENATOR HANCOCK: -- because you may be done

1 before I get back.

2 CHAIRPERSON REYES: Okay.

3 ASSEMBLY MEMBER BUCHANAN: Okay. Thank you.

4 MS. JONES: As an aye?

5 CHAIRPERSON REYES: Yes.

6 ASSEMBLY MEMBER BUCHANAN: Right.

7 CHAIRPERSON REYES: Okay. Thank you.

8 MS. JONES: Thank you.

9 CHAIRPERSON REYES: Okay. And I think too,
10 Senator Hancock's point is -- and I know that there's --
11 there was information going back and forth as late as this
12 week. But to the extent that we can, we need to be able to
13 be as proactive as we can in looking for these alternative
14 solutions.

15 Even though the school board has come in with one
16 option, one request, when it looks like it's a sensitive
17 issue that we really need to -- I mean I'd like to think
18 that the fact that 99 percent of all requests that come in,
19 staff is able to take care of them. You have looked at
20 those options.

21 And I know I've sat with staff before and been on
22 the phone when we look and we say can we stretch this, does
23 this fall under this, can we move it to that and staff has
24 been very, very receptive to that if they're correct. In
25 fact we've done it with the labor compliance issues. Staff

1 has come up and found alternative funding sources now to our
2 detriment now because a lot of folks expect that to occur.

3 So I think we -- staff does do that, Senator. I
4 think sometimes in talking amongst ourselves, in talking to
5 the proponents, then we start getting a sense of what is
6 doable and there are times when -- and I'm not speaking to
7 you, sir, but there are times when school board folks or
8 proponents are not open to the changes until they start
9 seeing where the votes are going to be and then the
10 alternatives are more acceptable than what had proposed.

11 So -- but I think -- I just want staff to continue
12 to look for those alternatives, continue to be creative in
13 trying to resolve some of those issues of sensitive matter.
14 So thank you.

15 Okay. Next tab. Thank you.

16 MS. SILVERMAN: Well, we're actually at the
17 **workload report.**

18 CHAIRPERSON REYES: Tab 14. Okay.

19 MS. SILVERMAN: Tab 14. No comments on the
20 workload?

21 CHAIRPERSON REYES: Thank you.

22 MS. SILVERMAN: Do we have comments on the
23 workload?

24 CHAIRPERSON REYES: Ms. Moore, you want to add to
25 this or not yet?

1 MS. MOORE: Not to 14, no.

2 CHAIRPERSON REYES: Okay. Any comments -- no
3 comments? Comments from the public? Hearing none, next
4 tab.

5 MS. SILVERMAN: We're done.

6 CHAIRPERSON REYES: We're done. Ms. Moore, you
7 had one comment?

8 MS. MOORE: I do. With agreement of the Board, I
9 am wondering if it's possible to work with staff to bring
10 before you next month just an informational item about the
11 U.S. Department of Defense is investing in base schools
12 throughout the nation.

13 There are seven in California. They've had two
14 \$250 million tranches. So they have a total of 500 million
15 in the program right now.

16 In California, we have seven schools that are
17 potentially in that program. There is a 20 percent match
18 required by the Federal Government and I just wanted the
19 Board to be aware of it and to look at if there's any
20 leveraging possibilities because these projects, most likely
21 if they had eligibility for modernization, the Federal
22 Government is funding a major portion of it and if they
23 already were modernized, that might be something we'd want
24 to know.

25 And then if there's any possibilities of

1 leveraging around it, I think the U.S. Department of Defense
2 would ask that of California.

3 So just an informational item.

4 CHAIRPERSON REYES: Thank you. Sure.

5 MS. MOORE: If that is --

6 CHAIRPERSON REYES: Sure. We'd be good.

7 MS. MOORE: -- with your pleasure and I can work
8 with Lisa on that for the next Board.

9 MS. SILVERMAN: And our meeting's midway in April;
10 right? Is that correct?

11 MS. MOORE: Yes, we're -- all the agencies are
12 meeting with -- to be knowledgeable of the projects, but I
13 wanted -- I just wanted the State Allocation Board to be as
14 well.

15 MS. SILVERMAN: Okay. And then if we have the
16 information as far as websites are available, then we can
17 definitely do our homework in advance and -- of the meeting
18 so we can find out whether or not there's eligibility.

19 MS. MOORE: On that and then just hopefully bring
20 it before -- the U.S. -- the Department of Defense personnel
21 would be out here in April. So it might be they could
22 answer any questions if the Board had it on --

23 CHAIRPERSON REYES: Okay. I'm stalling to see if
24 Senator Lowenthal comes back. Is there any public comments?

25 Okay. Seeing none, unfortunately if we adjourn,

1 then he cannot add on because we will have shut down.

2 Mavonne?

3 MS. GARRITY: He says he's coming --

4 CHAIRPERSON REYES: Pardon? He says he's coming?

5 Okay.

6 MS. MOORE: I could talk on another thing if you'd
7 like.

8 (Laughter)

9 CHAIRPERSON REYES: Okay. So we'll have a
10 conversation with staff. Any good jokes. None. We're
11 going to adjourn. Thank you, everybody. Good night.

12 (Whereupon, at 5:49 p.m. the proceedings were recessed.)

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA)
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