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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL
ROOM 126
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, JANUARY 27, 2016
TIME: 4:07 P.M.

Reported By: Mary Clark Transcribing
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APPEARANCES

MEMBERS OF THE BOARD PRESENT:

ERAINA ORTEGA, Chief Deputy Director, Policy, Department of Finance, designated representative for Michael Cohen, Director, Department of Finance

DANIEL C. KIM, Director, Department of General Services

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

SENATOR LONI HANCOCK

SENATOR CAROL LIU

SENATOR SHARON RUNNER

ASSEMBLYMEMBER ADRIN NAZARIAN

ASSEMBLYMEMBER SUSAN BONILLA

ASSEMBLYMEMBER ROCKY CHAVEZ

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer

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

LISA SILVERMAN, Executive Officer
BARBARA KAMPMEINERT, Deputy Executive Officer

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

JONETTE BANZON, Staff Counsel

P R O C E E D I N G S

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CHAIRPERSON ORTEGA: Good afternoon, everyone.

4

I'd like to call to order the State Allocation Board meeting
on January 27, so please call the roll.

6

MS. JONES: Certainly. Senator Hancock.

7

Senator Liu.

8

Senator Runner.

9

SENATOR RUNNER: Here.

10

MS. JONES: Assemblymember Nazarian.

11

Assemblymember Bonilla.

12

ASSEMBLYMEMBER BONILLA: Here.

13

MS. JONES: Assemblymember Chavez.

14

ASSEMBLYMEMBER CHAVEZ: Here.

15

MS. JONES: Nick Schweizer.

16

MS. JONES: Cesar Diaz.

17

MR. DIAZ: Here.

18

MS. JONES: Daniel Kim.

19

MR. KIM: Here.

20

MS. JONES: Eraina Ortega.

21

CHAIRPERSON ORTEGA: Here.

22

MS. JONES: We have a quorum.

23

CHAIRPERSON ORTEGA: Thank you.

24

SENATOR HANCOCK: I'm here also.

25

MS. JONES: Yes. Thank you, Senator.

1 CHAIRPERSON ORTEGA: Thank you. We have you,
2 Senator. We'll start with the Executive Officer's
3 Statement.

4 MS. SILVERMAN: Do you want to do Minutes?

5 CHAIRPERSON ORTEGA: Oh, sure. Let's start with
6 the **Minutes**. We have the Minutes from the December 9th
7 meeting. Does anybody have any comments or --

8 ASSEMBLYMEMBER CHAVEZ: Move approval.

9 MR. DIAZ: Second.

10 CHAIRPERSON ORTEGA: Moved by Mr. Chavez. Second
11 by Mr. Diaz. All in favor of adoption of the Minutes say
12 aye.

13 (Ayes)

14 CHAIRPERSON ORTEGA: No opposed or abstentions?
15 No. Adopted unanimously. Item 3, the **Executive Officer's**
16 **Statement**.

17 MS. SILVERMAN: I just have a few announcements
18 tonight. Just wanted to share with the Board that when they
19 had the apportionments in September, a number of projects
20 did come in within the deadline. So those folks that did
21 have the opportunity did come in, so that's great news.

22 There were several projects that didn't quite make
23 the timeline, but, however, they're not losing their
24 apportionment or their award. They just get a new date in
25 line and that with respect to the charter reservations of

1 funds.

2 And the career tech education projects, they have
3 an extended period of time, so they didn't have to abide to
4 those timelines. And so that's one update.

5 We did have a priority in funding final round that
6 opened and closed in December and so we had numerous
7 projects, 21 projects to be exact, for \$80 million, and so
8 those certifications are valid through the end of June.

9 And then we also had a few regulations that were
10 also enacted and we did share that announcement at the
11 December meeting. So those regulations are in effect as of
12 January 1st.

13 I also wanted to share that we are not going to
14 have a February meeting and we will have an early March
15 meeting and that will also take place March 9th and that
16 will also replace the latter March meeting on the schedule.
17 So with that --

18 CHAIRPERSON ORTEGA: Okay. Any questions? Okay.
19 Seeing none, we'll move to Item No. 4, the **Consent Agenda**.

20 MS. SILVERMAN: Consent is ready for your
21 approval.

22 CHAIRPERSON ORTEGA: Okay. Are there any comments
23 from the Board on the Consent Agenda? Seeing none, is there
24 any public comment on any of the items on the Consent
25 Agenda? All right. Is there a motion?

1 MR. DIAZ: Motion to approve.

2 ASSEMBLYMEMBER CHAVEZ: Second.

3 CHAIRPERSON ORTEGA: Moved by Mr. Diaz, second by
4 Mr. Chavez. All in favor of the Consent Calendar, please
5 say aye.

6 (Ayes)

7 CHAIRPERSON ORTEGA: Any abstentions or opposed?
8 None. Passes unanimously. Move on to Item No. 5 which is
9 the **Status of Fund Releases**.

10 MS. SILVERMAN: Yeah. The fund release report is
11 on page 79. We just wanted to highlight to the Board with
12 all that activity of folks coming in within the timelines,
13 we did release close to \$76 million in the month of
14 December. So that's great news for those projects.

15 And then as far as the financial reports, given
16 the balance of the status of funds, there were numerous
17 projects that did go through the Consent Agenda and numerous
18 closeout activities. So we had \$31 million in projects that
19 also converted and unfunded approvals as well. And so
20 that's 11 projects, \$31 million, and we also had numerous
21 recoveries and rescissions. So that represents \$4.6 million
22 in that area.

23 So with that, I'll open it up to any questions.

24 CHAIRPERSON ORTEGA: Okay. Any questions from the
25 Board? Okay. Any public comment on any of the financial

1 statements? Okay. Seeing none, we'll move on to Item 6
2 which is the **Palm Springs** issue. Start with staff.

3 MR. LaPASK: Good afternoon. Brian LaPask with
4 the Office of Public School Construction.

5 This appeal is a Seismic Mitigation Program
6 project at the -- for the auditorium building at the Palm
7 Springs High School. And this project qualifies for
8 replacement funding; however, the district has chosen to
9 rehabilitate the building.

10 It does have some historical significance in the
11 area, and for that reason, they are keeping three of the
12 walls -- of the exterior walls and part of the foundation to
13 maintain the look of the building.

14 And therefore, when this project was presented to
15 the Division of State Architect and went through its
16 approval process, it was put forward as a rehabilitation
17 project.

18 For that reason, staff is unable to approve
19 replacement funding as it's a rehab project. That's why
20 this project is before you today.

21 We do have a couple of projects that we've heard
22 before that are largely similar to this one. One of them is
23 in Simi Valley Unified, and the Board funded that project at
24 the full replacement amount for rehabilitation. However,
25 the discrepancy in the rehabilitation costs and the

1 replacement costs were very close to each other.

2 Another project in Coalinga was approved for
3 replacement funding but capped at the rehabilitation amount.
4 In that project, the discrepancy between the rehabilitation
5 amount and the replacement amount of the building was a
6 little bit larger. It was about 57 percent of the
7 replacement value in that project.

8 In this project we have before you today, the
9 rehab costs are about 72 percent of the replacement value of
10 the building. And so the discrepancy's about 72 percent of
11 the replacement value.

12 And so in looking at these different things the
13 Board has flexibility to do, we're presenting three options
14 to approve this project.

15 Option 1 would be to provide actual rehabilitation
16 funding at the rehabilitation amount. This would give the
17 district the amount that was approved in their cost estimate
18 as well as maintain the building's eligibility.

19 Option No. 2 would be to give them replacement
20 funds but cap it at the rehab amount which is similar to
21 Coalinga. And in that particular case, they would lose
22 modernization eligibility for the building.

23 And finally, Option 3, which is what the district
24 is requesting, is full replacement value for the building,
25 not capped like we did with Simi, and they would also lose

1 their modernization eligibility in that option, and I can
2 answer any questions that you have.

3 CHAIRPERSON ORTEGA: Are there any questions of
4 staff at this time? Do you want to hear from the folks from
5 Palm Springs?

6 ASSEMBLYMEMBER BONILLA: Yes.

7 CHAIRPERSON ORTEGA: Yes? Please come on up those
8 of you here to represent the district.

9 MS. ARTHUR: Hi. Good evening. My name is Julia
10 Arthur. I'm the Director of Facilities, Planning and
11 Design, Palm Springs Junior High. Thank you for allowing us
12 to come and present and speak to you this afternoon on our
13 appeal.

14 As staff -- and thank you so much for a great job
15 on how you presented that. I think that really kind of
16 presented it in a nutshell out there, but we truly believe
17 that the building and what we did with the auditorium was
18 not really discretionary.

19 We believe that it was mandated by our community,
20 our love of architecture of this building, and to preserve
21 something that our students should be able to enjoy and
22 really observe and honor.

23 So this is a project that's near and dear to our
24 hearts and we do believe, regardless of the amount of
25 seismic funding difference, that if the code actually allows

1 us to receive replacement funding that we should be allowed
2 to do that.

3 CHAIRPERSON ORTEGA: If I could just ask one quick
4 question. Can you speak a little bit to one -- one of the
5 things that concerns me about the Board taking an action
6 that says that this is a replacement is that when the
7 project was planned and permitted and you did your
8 environmental review locally, it was called a
9 rehabilitation.

10 And so it feels like the Board is making a reach
11 to then determine something different from how the project
12 was described and how it went through the various local and
13 state processes.

14 So could you talk a little bit about the decisions
15 there and how I may think differently about that.

16 MS. ARTHUR: Well, it's interesting because the
17 way the seismic program works and how you submit your plans
18 with the Division of State Architect, we actually had to
19 submit two separate plans. One is a plan that is for the
20 seismic which shows the essential required minimum, and then
21 the second is your full set of plans that you're actually
22 going to construct.

23 And so with that, that's part of how the program
24 works. We knew that we would be extremely into this
25 building. This building itself, if we'd actually had taken

1 it down, would have been less expensive and actually quicker
2 to do.

3 But again, because of historic value to the
4 community, we felt we had no option but to leave those.

5 So as we worked through our planning, it -- in
6 looking at the building -- the project itself, yes, because
7 we left three walls up, that is -- that manner would --
8 building would be called -- be a rehab.

9 But because the Ed Code does allow replacement
10 funds -- doesn't have to be a replacement project, but it
11 does allow replacement funds when you've met that 50 percent
12 threshold.

13 CHAIRPERSON ORTEGA: Are there any -- Ms. Bonilla.

14 ASSEMBLYMEMBER BONILLA: I'm inclined to support
15 the replacement funds, but I guess my question, when I look
16 at kind of the recommendations or the choices being given
17 here, when we talk about No. 2, for instance, capping it,
18 the rehabilitation amount, that's not -- that's kind of like
19 calling it a replacement but only giving them the amount of
20 money for the rehab.

21 MR. LaPASK: Well, the project qualifies for
22 replacement because the cost benefit analysis came in above
23 the 50 percent of the replacement value.

24 ASSEMBLYMEMBER BONILLA: Right.

25 MR. LaPASK: And so that automatically qualifies

1 it for replacement. Capping it at the rehab amount would
2 essentially be awarding the amount that the district said it
3 would cost to rehabilitate the building in their estimate.

4 ASSEMBLYMEMBER BONILLA: Right. But I mean it's
5 kind of like where they are right now; right? I mean that's
6 the situation we're in. It's just saying we're capping it,
7 but if we don't do the appeal, we -- we've really done that
8 anyway. I mean that's all they're going to get is the rehab
9 amount.

10 MR. LaPASK: If you award them the replacement
11 amount, they would get a higher amount. Replacement funds,
12 they would qualify for 4.7 million approximately and for
13 rehabilitation, it would be 3.3.

14 ASSEMBLYMEMBER BONILLA: Right. But I'm saying
15 that's Option 3; right?

16 MS. KAMPMEINERT: However, if the Board does not
17 take an action administratively, we cannot award replacement
18 funding for a rehabilitation project administratively
19 because the district is not doing a replacement project. So
20 we would have to send the project back and it meets all the
21 other program criteria. It is a building seismic issue.

22 They've demonstrated all the components of the
23 program to be eligible. It's just that the regulations
24 don't allow us to provide funding for this type of
25 project --

1 ASSEMBLYMEMBER BONILLA: So we have to take the
2 action as a Board if it is to be -- for them to get the
3 replacement funds, but they have met all the other criteria.

4 MS. KAMPMEINERT: Basically, to get any funds
5 right now because they've already started the construction
6 on this project. So I'm not sure that it would be feasible
7 for them to stop and then do the full replacement just to
8 come in for the funding, but they --

9 ASSEMBLYMEMBER BONILLA: Um-hmm. Well, I am
10 supportive of Option No. 3, providing the replacement
11 funding, but I'll hear from the other members.

12 CHAIRPERSON ORTEGA: Senators.

13 SENATOR HANCOCK: I would be happy to second your
14 motion.

15 ASSEMBLYMEMBER BONILLA: I would make a motion to
16 that effect.

17 SENATOR HANCOCK: My understanding is they'll have
18 to come back later, go through much more bureaucracy and why
19 not just have it move forward and get the replacement done.

20 SENATOR LIU: Ditto. But, you know, actually we
21 did have a little conversation about that. Whoever does the
22 rule making, I mean I would suggest that we try to better
23 define what the rule ought to be or amend the rules so this
24 kind of stuff wouldn't come back to the Board.

25 I'm -- you know, this is -- seems to be a lot of

1 effort that needs -- that, you know, probably for the staff
2 reason, we probably need more clarification.

3 ASSEMBLYMEMBER BONILLA: And through the Chair.

4 CHAIRPERSON ORTEGA: Um-hmm.

5 ASSEMBLYMEMBER BONILLA: We had discussed also
6 that when you have a situation that's a historical
7 building --

8 SENATOR LIU: Yes.

9 ASSEMBLYMEMBER BONILLA: -- you know, maybe
10 something like that could be added into the rules that there
11 are exceptions for something that would -- either is --
12 would qualify for historical status or has qualified for --

13 SENATOR LIU: Um-hmm.

14 ASSEMBLYMEMBER BONILLA: -- historical protection.

15 SENATOR LIU: -- generation; right.

16 ASSEMBLYMEMBER BONILLA: Yeah. I think that's a
17 unique situation with having to leave these three walls up,
18 that, you know, could avoid the appeal in the future.

19 CHAIRPERSON ORTEGA: So we can ask staff certainly
20 to look at if there is any way to clarify the staff's
21 discretion in a situation like this to be able to make a
22 decision without bringing it back to the Board. We can
23 see what -- Mr. Kim.

24 MR. KIM: Yes. I had a question. I'm trying to
25 determine what the precedent would be, but -- either kind of

1 option that we choose, and it seems like in the two cases
2 that you mentioned, there wasn't a precedent per se because
3 we made different decisions.

4 But it seems like in both those decisions that the
5 spirit or intent was to fund it at the -- more or less the
6 original amount. Is that -- do you have any sense of what
7 the Board at that time had intended with those two decisions
8 or were those very different types of circumstances?

9 MS. KAMPMEINERT: Well, I think in the first
10 instance, the difference was less than \$6,000 between the
11 replacement and the rehabilitation amounts. So there wasn't
12 as much of a discussion. We just needed the Board to take
13 an action to provide the funding. So that didn't really
14 matter much which way the Board went.

15 And I think there was some conversation with
16 Coalinga because the difference between rehabilitation and
17 replacement was higher, that if the rehabilitation -- if the
18 funds were not necessary, then it would potentially be tying
19 up bond authority because the replacement amount was being
20 provided.

21 The district would have the bond authority for
22 some time and then would ultimately return it to the state
23 because this is a no-savings program. So that was part of
24 the conversation at the time.

25 MR. KIM: And I guess -- I mean I applaud the

1 district for wanting to save the historic facade and it
2 means a lot to the community.

3 I'm just wondering to what extent the state should
4 be required to pay for something that seems discretionary
5 because my understanding is the cost to rehab it versus to
6 do what you did -- I mean to gut the entire thing would have
7 been a lot cheaper than to do what you did which is to
8 maintain the historic facade.

9 And that would have been permitted under the state
10 rules of funding. But the district chose to -- at their own
11 discretion and for very good reasons to spend a little more
12 to keep the facade.

13 MS. ARTHUR: If I may answer that. We actually,
14 in working with the City of Palm Springs and the city's
15 historic society, we probably would have been sued by the
16 historic society to stop any demolition which would have
17 basically stopped the project and actually cost us quite a
18 bit of money out of our general fund to defend that.

19 CHAIRPERSON ORTEGA: Senator Runner.

20 SENATOR RUNNER: Thank you, Madam Chair. In
21 listening and talking to the group from Palm Springs, I
22 would think maybe what they getting into as far as the
23 historic role of this, the presenter has talked about there
24 could have been even more money if they ended up tearing it
25 down and being sued because they did that.

1 In talking about it a little bit, she said there
2 were very many famous people, the old Frank Sinatra, the
3 biggest facility in town that could hold all of the old Rat
4 Pack singers and all of that.

5 So I would support it as something that we could
6 do to help in the historical side of that, and I really
7 don't believe they knew all the ramifications when they
8 asked for the money before. I wasn't here, but -- so I'm
9 leaning to support it. Thank you.

10 CHAIRPERSON ORTEGA: Thank you. Thanks, Senator
11 Runner. Mr. Diaz.

12 MR. DIAZ: Just a question about the historical
13 commission that contacted you. Is there any resources there
14 that they have made available to you at all for trying to
15 mitigate for your incurred costs?

16 MS. ARTHUR: Unfortunately, the city's historic
17 society itself, they are made up a group of architects and
18 they look through different buildings throughout the city,
19 put those together, and they usually make the property owner
20 foot the bill for anything that has to do with that.

21 MR. DIAZ: And they're involved in a lot of the --
22 basically, when we started with the plans, were they
23 contacting you before construction?

24 MS. ARTHUR: We actually had to walk them through
25 the building and talk about what the rehab would be, and

1 believe it or not, there were some negotiations on how the
2 building would come back together because in order to keep
3 the interior looking -- even though the interior will be
4 new, it needed to look like the original.

5 MR. DIAZ: Okay.

6 CHAIRPERSON ORTEGA: Can I ask a question about
7 your program overall. Do you have additional local bond
8 authority or -- and kind of maybe say a little bit about
9 what the projects you have locally planned.

10 MS. ARTHUR: At this time, we have spent our last
11 series of bond funds or have that reserved. We have one
12 elementary school that is also from the '60s that will go
13 down -- we'll be taking those buildings down and rebuilding
14 that one completely.

15 But those two projects, the auditorium and the --
16 coming in will basically take all our funds that we have
17 right now. So due our evaluation, we're not able to sell
18 another tranche at this time.

19 CHAIRPERSON ORTEGA: Okay. Thank you. Any other
20 questions? Is there any additional public comment on this
21 item? Okay. Seeing none, we have a motion and a second on
22 the floor. So please call the roll.

23 MS. JONES: Senator Hancock.

24 SENATOR HANCOCK: Aye.

25 MS. JONES: Senator Liu.

1 SENATOR LIU: Aye.

2 MS. JONES: Senator Runner.

3 SENATOR RUNNER: Aye.

4 MS. JONES: Assemblymember Nazarian.

5 ASSEMBLYMEMBER NAZARIAN: Aye.

6 MS. JONES: Assemblymember Bonilla.

7 ASSEMBLYMEMBER BONILLA: Aye.

8 MS. JONES: Assemblymember Chavez.

9 ASSEMBLYMEMBER CHAVEZ: Aye.

10 MS. JONES: Cesar Diaz.

11 MR. DIAZ: Aye.

12 MS. JONES: Daniel Kim.

13 MR. KIM: Nay.

14 MS. JONES: Eraina Ortega.

15 CHAIRPERSON ORTEGA: No.

16 MS. JONES: The motion carries.

17 CHAIRPERSON ORTEGA: Thank you, everyone. The
18 next issue No. 7, the **annual adjustment to the School**
19 **Facilities Program grants.**

20 MS. KAMPMEINERT: Thank you. So the item
21 beginning on page 123 is our annual adjustment item to
22 adjust the School Facility Program grants for changes in
23 construction costs over the past year.

24 And if you'll recall, last year when we brought
25 this item before you, we had a larger discussion because we

1 needed to switch the cost index that we used to make these
2 adjustments.

3 Previously in the program, we had used Marshall &
4 Swift as the cost index, and they were purchased by another
5 company and we were unable to obtain the Marshall & Swift
6 data last year because they were not interested in selling
7 it to us for these purposes.

8 So we came to the Board with three cost indices to
9 look at that would be considered a statewide Class B
10 Construction Cost Index. And the three that we found last
11 year included RS Means, the Sierra West Group, and
12 Engineering News Record.

13 And the recommendation from staff last year was to
14 make the adjustment based on RS Means because we felt that
15 that index was the most representative of California.

16 That index included 12 California cities, whereas
17 Sierra West included 20 U.S. cities, 2 of which were in
18 California, San Francisco and Los Angeles, and Engineering
19 News Record was 2 California cities, San Francisco and Los
20 Angeles.

21 The Board did approve the adjustment based on
22 RS Means last year and at the time, in that item, we had
23 recalculated the grant amounts as though we had been using
24 RS Means from 1998 forward to make sure that we were
25 comparing apples to apples and not just making an arbitrary

1 adjustment. So those grant amounts did go into effect.

2 And the Board asked that we come back in a year to
3 see if there were any further developments or any other cost
4 index matters that we should consider.

5 So we are back this year. We did try to research
6 and see if there were any other indices that would be
7 comparable to these or better. We also did reach out to
8 Marshall & Swift again this year to see if they were
9 interested in allowing us to purchase this year. The answer
10 on that was no.

11 And we did not find any other cost index that was
12 more representative of California. So we have the same
13 three options before you, and the recommendation is the same
14 as last year, where we recommend RS Means because it does
15 include the most California data and it also uses more
16 materials in the cost index.

17 However, the increase this year is .27 percent for
18 RS Means, and for Sierra West, it was 2.27 percent, and
19 Engineering News Record was .54 percent.

20 When we were making the recommendation, we based
21 it on the index not the rate of change, though. So we do
22 still recommend the Board approve RS Means as the cost index
23 to adjust the grants on.

24 And as the Board had directed us to come back with
25 an index to be used on a permanent basis, we do also have a

1 recommendation in the staff report to approve on a permanent
2 basis.

3 With that, I'd be happy to answer any questions
4 about this item.

5 CHAIRPERSON ORTEGA: Okay. Any questions from
6 Board members? Okay. Ms. Bonilla.

7 ASSEMBLYMEMBER BONILLA: Well, just for
8 clarification here. The -- you're asking us to adopt this
9 forever; right? Permanently.

10 MS. KAMPMEINERT: That is the recommendation based
11 off of last year's Board asking us to come back with a
12 recommendation for an index to adopt on a permanent basis.

13 ASSEMBLYMEMBER BONILLA: And can you -- I mean I
14 understand that you wouldn't want to just keep going through
15 an exercise year after year.

16 Previously, did you have another means that you
17 used or how did we get to this situation where you need to
18 adopt one permanently?

19 MS. KAMPMEINERT: Well, for many, many years in
20 the program, it was Marshall & Swift.

21 ASSEMBLYMEMBER BONILLA: Okay.

22 MS. KAMPMEINERT: There was some conversation
23 based on whether that would be Ten Western States data or
24 would be limited to Eight California Cities. So the Board
25 had that conversation in the past.

1 The Board had decided a number of years ago that
2 Marshall & Swift Eight California Cities was the direction
3 that they wanted to go in the future for adjustments to the
4 grants.

5 The reason that we're trying to set a new index is
6 because Marshall & Swift is no longer available and it does
7 not look like it's going to be available to us in the future
8 either. So we're recommending --

9 ASSEMBLYMEMBER BONILLA: So you did have a
10 permanent -- Marshall and whatever it was was a permanent
11 index that you used.

12 MS. KAMPMEINERT: Yes. The Board had decided to
13 use that moving forward on a permanent basis back a number
14 of years ago.

15 ASSEMBLYMEMBER BONILLA: That was my -- my
16 question was just whether that was the norm, that it was a
17 permanent choice.

18 MS. KAMPMEINERT: Yeah. We had looked at
19 different indices in the past too and that one -- Marshall &
20 Swift at the time was the preferred choice, but since that's
21 no longer available, we need a different option moving
22 forward.

23 ASSEMBLYMEMBER BONILLA: Thank you.

24 MR. DIAZ: I'd make a motion to approve RS Means
25 as a construction index on a permanent basis.

1 CHAIRPERSON ORTEGA: Okay. There's a motion --

2 ASSEMBLYMEMBER BONILLA: Second it.

3 CHAIRPERSON ORTEGA: -- and a second.

4 ASSEMBLYMEMBER BONILLA: Um-hmm.

5 CHAIRPERSON ORTEGA: Okay. Is there any
6 additional public comment on this item? Okay. So the
7 motion is move forward with the RS Means index on a
8 permanent basis. Please call the roll.

9 MS. JONES: Senator Hancock.

10 SENATOR HANCOCK: Aye.

11 MS. JONES: Senator Liu.

12 SENATOR LIU: Aye.

13 MS. JONES: Senator Runner.

14 SENATOR RUNNER: Aye.

15 MS. JONES: Assemblymember Nazarian.

16 ASSEMBLYMEMBER NAZARIAN: Aye.

17 MS. JONES: Assemblymember Bonilla.

18 ASSEMBLYMEMBER BONILLA: Aye.

19 MS. JONES: Assemblymember Chavez.

20 ASSEMBLYMEMBER CHAVEZ: Aye.

21 MS. JONES: Cesar Díaz.

22 MR. DIAZ: Aye.

23 MS. JONES: Daniel Kim.

24 MR. KIM: Aye.

25 MS. JONES: Eraina Ortega.

1 CHAIRPERSON ORTEGA: Aye.

2 MS. JONES: Unanimous approval minus Nick
3 Schweizer.

4 CHAIRPERSON ORTEGA: Thank you. So the next item
5 is just the actual adjustments; correct?

6 MS. KAMPMEINERT: Correct.

7 CHAIRPERSON ORTEGA: This is a companion item.

8 MS. KAMPMEINERT: It's the companion item. This
9 is to adjust the developer fee index based on the change
10 that happened from 2014 to 2016. This is an item that comes
11 every two years. So since the Board adopted the RS Means
12 for the previous item, we're recommending RS Means be used
13 for the adjustment for this item as well.

14 CHAIRPERSON ORTEGA: Okay. Any questions? Any
15 comments from the public on this item?

16 MR. FERCHAW: Good afternoon -- comments on the
17 previous item. I apologize.

18 CHAIRPERSON ORTEGA: Okay.

19 MR. FERCHAW: Larry Ferchaw with the Lincoln
20 Group. We're consultants to school districts on developer
21 fee items, facility planning.

22 And we reviewed the staff report on the Level I
23 adjustment based on the RS Means index, and I understand
24 that the Marshall & Swift index isn't available to OPSC, but
25 we've acquired that, and it shows a 4.04 percent increase in

1 the Class B Construction Cost Index over the last two years,
2 which would translate to a Level I fee of \$3.50 per square
3 foot on new residential development, which is much higher
4 than the 3.39 represented in the staff report.

5 And given the lack of bond funds today, the fact
6 that districts are having to use any means possible to
7 finance their school facilities, developer fees are a larger
8 share of the cost of -- or the contributors of costs to
9 building new schools.

10 So anything that underrepresents that construction
11 cost change only goes to harm districts as they look forward
12 to building schools.

13 In talking to school districts, we know that the
14 amount of inflation that they've seen in construction costs
15 is well above 1 percent. Wages alone have gone up more than
16 1 percent for all people across the state.

17 So to say that in two years that there's only been
18 a 1 percent increase in the cost of building schools
19 severely underrepresents that.

20 So we would ask for time to review the indices and
21 come back with a different recommendation as it relates to
22 the developer fees, especially given the fact that the RS
23 Means index at a 1.05 percent is an outlier compared to the
24 other two indices in the report, and then when you add in
25 the Marshall & Swift at 4 percent, you're talking about a 6,

1 a 3, and a 4 percent increase compared to a 1 percent
2 increase in the Marshall -- I'm sorry -- in the RS Means.

3 So we think this one might be an outlier and needs
4 to be looked at. Thank you.

5 CHAIRPERSON ORTEGA: Thank you. Yes. Please.

6 MR. DIXON: Madam Chair, Board members, Joe Dixon.
7 I'm the immediate past Chair for the CASH organization.

8 And as Larry Ferchaw just indicated, school
9 construction costs have gone up tremendously in the last
10 year, more than the Sierra West index would indicate.

11 And so CASH requests that the Board table this
12 item and direct staff to research these increased costs that
13 all the school districts are experiencing, and bring it back
14 March 9th. Take a good look at what it's really costing us
15 out there to mitigate growth.

16 CHAIRPERSON ORTEGA: Okay. Thank you.

17 MR. DIXON: Thank you.

18 CHAIRPERSON ORTEGA: Any comments from Board
19 members? Ms. Bonilla.

20 ASSEMBLYMEMBER BONILLA: Well, didn't we just vote
21 on this?

22 CHAIRPERSON ORTEGA: We did. We did.

23 ASSEMBLYMEMBER BONILLA: Okay.

24 CHAIRPERSON ORTEGA: Are there any other comments
25 from Board members?

1 ASSEMBLYMEMBER BONILLA: So it's unfortunate
2 because we didn't get the comment in.

3 CHAIRPERSON ORTEGA: A couple of things I would
4 say. The data from Marshall & Swift is not available to us.
5 The fact that someone else is able to acquire it is not
6 helpful to the Board because we would likely be in
7 litigation if we chose to use that information that we did
8 not purchase or were not allowed to use.

9 I think that if the staff -- last year, the RS
10 Means was looked on favorably, what the increase was at that
11 time. Maybe it's less than some of the other indices this
12 year. We don't know what it will look like next year.

13 I think that if the staff noticed some anomaly
14 about the RS Means -- it's still new to us, and they are in
15 a good position to raise the question of whether it is
16 appropriate and we could certainly reconsider it.

17 But I don't think we should get into a looking at
18 the indices and choosing which one seems the best each year.
19 I think we should stick with the practice of the Board and
20 pick an index and move forward.

21 So that's what we voted on in the previous was the
22 use of the new index. This item is simply to allow the
23 staff to adjust the project with that new index.

24 So I don't recall if we had a motion on --

25 MR. DIAZ: I'll make a motion to approve the staff

1 recommendation.

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

3 MR. NAZARIAN: Second.

4 CHAIRPERSON ORTEGA: Second by Mr. Kim. Please
5 call -- oh, sorry, Mr. Nazarian. Please call the roll.

6 MS. JONES: Senator Hancock.

7 SENATOR HANCOCK: Aye.

8 MS. JONES: Senator Liu.

9 SENATOR LIU: Aye.

10 MS. JONES: Senator Runner.

11 SENATOR RUNNER: Aye.

12 MS. JONES: Assemblymember Nazarian.

13 ASSEMBLYMEMBER NAZARIAN: Aye.

14 MS. JONES: Assemblymember Bonilla.

15 ASSEMBLYMEMBER BONILLA: Aye.

16 MS. JONES: Assemblymember Chavez.

17 ASSEMBLYMEMBER CHAVEZ: Aye.

18 MS. JONES: Cesar Díaz.

19 MR. DIAZ: Aye.

20 MS. JONES: Daniel Kim.

21 MR. KIM: Aye.

22 MS. JONES: Eraina Ortega.

23 CHAIRPERSON ORTEGA: Aye.

24 MS. JONES: The motion carries.

25 CHAIRPERSON ORTEGA: Thank you. Few more things

1 from Lisa.

2 MS. SILVERMAN: Just the workload report and
3 that's it. March 9th.

4 CHAIRPERSON ORTEGA: Okay. So we do have a final
5 item which is for public comment for those items not on the
6 agenda and I do have a note here that we have some folks
7 that would like to speak from the Dublin School District.
8 So Dan Cunningham, Amy Miller, and Meagan Rouse, please come
9 on up. Welcome. Go ahead.

10 MR. CUNNINGHAM: Good afternoon, Ms. Ortega and
11 the Allocation Board. Thank you for the opportunity to
12 speak before you.

13 The purpose of my appearance here is to formally
14 request that you place an agenda item on the State
15 Allocation Board at the earliest possible to begin a
16 dialogue on an issue of vital importance to the Dublin
17 Unified School District.

18 We request that the item be written to provide an
19 opportunity for discussion and action addressing the Board's
20 authority to make determination that conditions exist that
21 will school districts to increase developer fees as
22 established by Government Code.

23 Under the provisions of the Code, since the Board
24 is no longer approving apportionments for new construction
25 due to lack of funds and upon making a determination that

1 state funds are no longer available, the Board shall notify
2 the Legislature in writing of that circumstance.

3 That action will allow the district to levy the
4 additional Level III developer fees.

5 The request to the Board is being made due to the
6 circumstances of the Dublin Unified School District wherein
7 substantial growth has occurred. The district has levied
8 the impact fees to the extent allowable by law, the
9 developer fees collected, and available funds to the
10 district were being matched by state bond funds.

11 The district has eligibility on new construction
12 funding and has made application for state bond funds. The
13 state bond funds have, however, been depleted.

14 The Board has no funds to make apportionments to
15 the district. The resultant circumstance is dire for the
16 district.

17 The residential development part progresses. New
18 homes are built and sold. The student population continues
19 to grow. The impact fees available are capped by law and
20 substantial deficiencies in excess of 475 million in capital
21 funds exist.

22 The immediate action of the Board is vital to the
23 district. Please recognize the overall impact of the large
24 deficit of the impact fees and how the wide funding gap will
25 add to the ongoing capital needs of the district.

1 These include modernization of the older schools
2 will be used by new students as well as the existing
3 population, and modernization funds, however, may not be
4 legally covered by impact fees.

5 Also capital funding to meet costs of facilities
6 required to support program innovation, technology, or
7 career technical education cannot be factored into the fees
8 legally assessed.

9 The policy expectation in the State Legislature
10 and the Governor at this time is apparently that districts
11 subsidize capital means through local bonds. Such, however,
12 cannot be accomplished within the limitations of the local
13 bonds.

14 We need Level III immediately and a state bond in
15 November 2016 is dual sources of capital.

16 We respectfully request that you assist the
17 district in placing the requested item on the agenda of the
18 Board at the earliest date possibly.

19 MS. MILLER: Hi. My name is Amy Miller and I am
20 also a trustee in the Dublin Unified School District.

21 Dublin is the second fastest growing city in the
22 state, as many of you know. In the past decade, our school
23 district has doubled in size, and in the next five years
24 will grow by another 50 percent.

25 We've passed over \$280 million in local bonds

1 since 2004. We have negotiated mitigation agreements with
2 developers and our city. We have done everything we
3 possibly can locally.

4 However, the situation created by the state's lack
5 of support for facility funding has caused frustration in
6 our community and may undermine our ability to pass future
7 bond measures.

8 We are here today to ask you to please consider
9 reforming the system to provide adequate facility funds our
10 district needs to continue serving our students. Thank you.

11 MS. ROUSE: Good afternoon, Madam Chair and State
12 Allocation Board Members. My name is Meagan Rouse and I'm
13 also with the Dublin Unified School District and I thank you
14 for this opportunity to speak with you.

15 The school facilities funding system needs reform.
16 It's burning our candle at both ends leaving us unable to
17 access either state funding or adequate developer fees.

18 It's creating a distraction from our work and our
19 mission as educators. We are spending too much time
20 fighting for every dollar to house our students.

21 Our mission is to ensure that all students become
22 life-long learners and are college and career ready. I
23 implore you to fix what is broken. Enable us to provide the
24 facilities our district needs. Let's begin this important
25 dialogue. Thank you for your consideration.

1 CHAIRPERSON ORTEGA: Thank you. Jonette.

2 MS. BANZON: I just want to address the Board that
3 under Bagley-Keane, items not on the agenda, we're limited
4 to discussing it as to whether we can set it for the agenda
5 or not.

6 CHAIRPERSON ORTEGA: Thank you. Any additional
7 comments at this time? Senator Hancock.

8 SENATOR HANCOCK: Just to clarify. We can discuss
9 it, but we can't take action to place it on the next agenda;
10 is that what you're saying?

11 MS. BANZON: The discussion is only limited to
12 whether or not you're going to set it for a future agenda.

13 SENATOR HANCOCK: Oh.

14 CHAIRPERSON ORTEGA: I think --

15 SENATOR HANCOCK: So that makes sense.

16 CHAIRPERSON ORTEGA: -- whether it's on the
17 agenda.

18 SENATOR HANCOCK: I have to say I think we should
19 set it for a future agenda.

20 MS. BANZON: And I also wanted to note that
21 whatever we got here from the district should also be
22 available to the public. Thank you.

23 SENATOR HANCOCK: Yeah. Which will happen if we
24 put on our agenda.

25 CHAIRPERSON ORTEGA: So we can work to make it a

1 part of the Minutes so that it's included in the public
2 record.

3 I think that what we can do, I can work with the
4 staff to bring an information item to kind of at least
5 put -- I think we would need to start with the statutory
6 framework that the developer fees exist in currently, and we
7 can do that, although I don't want to commit the staff to
8 doing that at the very next meeting. I would at least want
9 to have a little discretion, and it might need to be after
10 the March 9th meeting.

11 SENATOR HANCOCK: Yeah. But I mean it seems to be
12 asked here -- the question has always been when do
13 developer --

14 CHAIRPERSON ORTEGA: Right.

15 SENATOR HANCOCK: -- fees kick in.

16 CHAIRPERSON ORTEGA: Right.

17 SENATOR HANCOCK: And given the uncertainty of any
18 additional money and the fact that we are funding down --
19 have spent down the bond authority, bringing up district to
20 enact the developer fees seems like something this Board
21 should at least discuss and make a decision on.

22 CHAIRPERSON ORTEGA: Um-hmm.

23 MR. LYON: Thank you, Madam Chair. Are you taking
24 additional comments on --

25 CHAIRPERSON ORTEGA: Yes.

1 MR. LYON: -- on this item?

2 CHAIRPERSON ORTEGA: Anything not on the agenda is
3 where we are.

4 MR. LYON: Thank you. Richard Lyon on behalf of
5 the California Building Industry Association.

6 We believe that it would be inappropriate and
7 certainly premature at this point to take this issue and
8 bring it before the State Allocation Board.

9 In terms of the impact to housing, I would say
10 this, that growing districts are charging anywhere from 10-
11 to 15- to \$20,000 per door under what we currently call
12 Level II fees. So a doubling of that is 20-, 30-, \$40,000
13 per door, and of course, that has the biggest impact on
14 those in the middle income and those who are looking to
15 afford an affordable house.

16 But having said that, the program that you
17 administer has been a very successful program for the last
18 17 years, and the reason it's been successful is that
19 builders and the state and local communities and school
20 districts have all worked together to assure that the
21 funding is there to provide the necessary funding for new
22 construction and modernization.

23 There was quite a bit of problem prior to SB-50
24 with court cases and quite a bit of problems between school
25 districts and builders, and for the last 17 years, the

1 program has brought the dollars to the table that have taken
2 those problems virtually away.

3 It hasn't solved it for everybody, but the SB-50
4 program over the last 17 years has done the greatest good
5 for the greatest number of districts in California.

6 We have been trying to push for a statewide school
7 bond for about five years now, 2012 and 2014, and
8 unfortunately, we haven't been able to bring all of the
9 parties together to be able to accomplish that.

10 I think probably most or all of you know that
11 California Building Industry Association and our partner,
12 the Coalition for Adequate School Housing, jointly formed
13 Californians for Quality Schools and we have qualified a
14 bond -- a school construction and modernization bond on the
15 November ballot for this year.

16 If that passes -- and we anticipate that it
17 will -- this whole issue about going to Level III and
18 whether or not there's adequate dollars there to continue
19 the program will be moot.

20 That is on the November ballot. We fully
21 anticipate moving forward and getting it passed.

22 Right now, we sit in the situation where the
23 program, because it has -- the last time there was a bond
24 was in 2006 and we haven't obviously had one since.

25 The program has been pushed to the margins, and so

1 you get situations like this. We're at the margins, people
2 are feeling stressed, and in those types of situations, they
3 do things that really aren't best for communities, aren't
4 best for affordable housing, and aren't best for the program
5 that you have overseen for so many years. And we're in that
6 situation right now.

7 We don't believe it would be appropriate or wise
8 to agendize this. We believe that the voters have an
9 opportunity in November to decide whether they support the
10 SB-50 program as they have demonstrated since 1998 they do.

11 And only after that election would there be a
12 question that would be ripe for this committee to look at in
13 terms of what the appropriate contribution from builders
14 would be because if we lose the bond, then it's certainly
15 teed up for that. If the bond passes as we expect it is,
16 the question is moot.

17 So we would strongly encourage the Board not to
18 take action to agendize this. We don't believe it would be
19 good for affordable housing. We don't believe it would
20 raise any dollars in the short term for schools.

21 It would rupture the relationship and it would
22 imperil the bond that is qualified for the ballot that we
23 all believe is absolutely necessary to do the best for
24 California school kids both in terms of modernization and
25 new construction.

1 So thank you very much for the opportunity to
2 offer these comments.

3 CHAIRPERSON ORTEGA: Thank you, Mr. Lyon.
4 Anything else from Board members? Ms. Bonilla?

5 ASSEMBLYMEMBER BONILLA: I'm inclined to support
6 Senator Hancock's -- I don't know if it was a motion or not,
7 but to go ahead and set it for the agenda. I think we need
8 more information. A few minute conversation is not enough
9 in my opinion to make a decision.

10 Setting it for the agenda I think is the
11 appropriate action. It doesn't -- we don't know what the
12 decision will be, but I think we need to discuss it. That's
13 the purpose of public meeting.

14 CHAIRPERSON ORTEGA: Okay. Thank you. All right.
15 Any additional public comment? Seeing none, the meeting
16 will be adjourned. Thank you.

17 (Whereupon, at 4:52 p.m. the proceedings were
18 adjourned.)

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REPORTER'S CERTIFICATE

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STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

I, Mary C. Clark, a Certified Electronic Court Reporter and Transcriber, Certified by the American Association of Electronic Reporters and Transcribers, Inc. (AAERT, Inc.), do hereby certify:

That the proceedings herein of the California State Allocation Board, Public Meeting, were duly reported and transcribed by me;

That the foregoing transcript is a true record of the proceedings as recorded;

That I am a disinterested person to said action.

IN WITNESS WHEREOF, I have subscribed my name on January 28, 2016.

Mary C. Clark
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