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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL, ROOM 437
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, JUNE 23, 2010
TIME: 4:10 P.M.

Reported By: Mary Clark Transcribing
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APPEARANCES

MEMBERS OF THE BOARD PRESENT:

CYNTHIA BRYANT, Chief Deputy Director, Policy, designated representative for Ana Matosantos, Director, Department of Finance

SCOTT HARVEY, Chief Deputy Director, Department of General Services, designated representative for Ron Diedrich, Acting Director, Department of General Services.

LYN GREENE, Appointee of Arnold Schwarzenegger, Governor of the State of California.

DR. WILLIAM ELLERBEE, Deputy Superintendent, School and District Operations Branch, California Department of Education, designated representative for Jack O'Connell, Superintendent of Public Instruction.

SENATOR ALAN LOWENTHAL

SENATOR BOB HUFF

ASSEMBLY MEMBER JEAN FULLER

ASSEMBLY MEMBER TOM TORLAKSON

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Acting Executive Officer

LISA KAPLAN, Assistant Executive Officer

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

HENRY NANJO, Staff Counsel

LANCE DAVIS, Staff Counsel

P R O C E E D I N G S

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CHAIRPERSON BRYANT: Call the Board to order.
Secretary, will you call the roll.

MS. GENERA: Senator Lowenthal.

SENATOR LOWENTHAL: Here.

MS. GENERA: Senator Hancock.

Senator Huff.

SENATOR HUFF: Here.

MS. GENERA: Assembly Member Fuller.

Assembly Member Brownley.

Assembly Member Torlakson.

ASSEMBLY MEMBER TORLAKSON: Here.

MS. GENERA: Scott Harvey.

MR. HARVEY: Present.

MS. GENERA: William Ellerbee.

DR. ELLERBEE: Here.

MS. GENERA: Lyn Greene.

MS. GREENE: Here.

MS. GENERA: Cynthia Bryant.

CHAIRPERSON BRYANT: Here.

MS. GENERA: We have a quorum.

CHAIRPERSON BRYANT: Thank you. And as usual
we'll leave the roll open on our votes for our members. I
think that we definitely won't have Senator Hancock today

1 and Assembly Member Brownley may or may not make it and I'm
2 not sure about Assemblywoman Fuller, but we'll leave our
3 votes open until they can come unless somebody objects.

4 Couple notices about the agenda today. First of
5 all, I'm planning to have this be my record-breaking
6 shortest meeting of the State Allocation Board since I am
7 Chair and we will finish the binder.

8 First of all, Tab 13 will not be heard. That item
9 was on there kind of as a placeholder in case we had to make
10 any changes to the priorities in funding regulation, but not
11 only do we not have to make changes, I was just informed
12 that OAL is going to post them and adopt them as final
13 tomorrow, so we're in good stead with those regulations.

14 We're also removing Tab 8, 10, and 11 which are
15 all related to appeals of decisions made by OPSC and those
16 are coming up for several reasons, which I just wanted to
17 highlight for a second because it highlights a couple of
18 flaws in our appeals system.

19 First of all, I think we need to have a policy on
20 how and when you can withdraw appeals and I think that's
21 something that Senator Hancock's subcommittee is going to
22 consider and will consider, but I just wanted to mention
23 that.

24 Second, we have to do a better job of giving our
25 stakeholders more consistent application of appeals and we

1 can kind of address that in three ways.

2 First of all, yesterday I talked to the Director
3 of DGS and he's going to consider that question in the
4 context of the 90-day report that DGS is working on related
5 to OPSC and I'll about that in a second.

6 OPSC is going to immediately implement a better
7 notification system and begin working sooner with districts
8 with pending appeals and Ms. Silverman will talk about that
9 in her Executive Officer's Report. And finally stakeholders
10 need to take responsibility for looking at the workload,
11 that three-month workload that we've been putting in our
12 documents.

13 It came to my attention that the May workload was
14 actually never posted on the Website last month, which was
15 an error, but we didn't get a single comment from anybody
16 that it was missing, which means that no one's really
17 probably noticing it. So it would be really helpful to me
18 if you all would look at that document and if you have
19 concerns about the agenda or the workload or maybe we should
20 call it pre-agenda, let me -- just contact me directly
21 because I want to make sure that we don't have
22 misunderstandings about when something's going to be heard
23 and when it's going to be eligible.

24 After consulting with Senator Lowenthal, I'm also
25 removing Tab 9 which is the administrative cost item. As

1 you all know, last week Assemblywoman Brownley conducted a
2 hearing about our program and DGS's other chief deputy,
3 Stephen Amos, testified that they're about to undertake a
4 90-day review of OPSC operations.

5 DGS has committed to work with the State
6 Allocation Board during this 90-day review to further define
7 its relationship with the Board. This will include an
8 update and a chance for input on the 90-day plan and it also
9 includes -- will also include a report on planning for next
10 year for this program.

11 Mr. Amos was unable to be here today due to
12 previous travel commitments, but he'll be here in August so
13 we can continue that discussion and I think all of us
14 recognize that we have a shared responsibility for this
15 program and I think that this 90-day report will go a long
16 way in getting us going.

17 So I want to thank Ms. Brownley. I think Sophia's
18 here. Thank you for having the hearing and thank you to DGS
19 for undertaking the review, but mostly I want to thank the
20 staff at OPSC. All of you do such a good job and you
21 continue to work hard for the people of California. So I
22 just want to say thank you once again.

23 So are there any comments on that? Senator
24 Lowenthal.

25 SENATOR LOWENTHAL: Yeah. You know, as a Board

1 member that's engaged in some pretty frank discussions and
2 disagreements about the role of the State Allocation Board,
3 I'd like to also speak to some comments that were made at
4 the recent Assembly Education Committee, Department of
5 General Services oversight hearing.

6 I'm aware that a statement was made by a witness
7 questioning the commitment level of the Office of Public
8 School Construction staff, and I want to make clear as a
9 Board member I have only the highest regard for the work
10 that OPSC staff does and the level of commitment that has
11 been demonstrated by their staff as they try to work under
12 some very trying circumstances. And I'm here to day I
13 applaud the staff of the OPSC.

14 CHAIRPERSON BRYANT: Thank you. Anything else on
15 that? All right. Then so we'll move to Tab 3, the
16 **Executive Officer's Statement.** Ms. Silverman.

17 MS. SILVERMAN: Yes. Thank you, Cynthia. I would
18 like to -- obviously Cynthia shared some great news with all
19 of us today that we wanted to give you an update on our
20 regulation package with respect to priorities of funding,
21 but there's not much to report other than it's stamped and
22 it'll be heading over the Secretary of State's office
23 tomorrow. That's great new for this program.

24 And we also want to provide you an update in
25 priorities funding which is this pilot project that we're

1 kicking off, and the request received to date is 418
2 projects for approximately \$1.3 billion. So that's great
3 news.

4 These requests have come within 120 school
5 districts, but yet still school districts are still
6 encouraged to submit requests up until June 28th which is
7 the final filing date for those requests.

8 Again, you know, it's a great statement for the
9 program and shows -- it reflects the need, so again I
10 encourage districts to still apply.

11 And we also wanted to provide you an update on the
12 overcrowded relief grant program regulatory amendments. OAL
13 has approve the regulatory amendments and the effective
14 dates of the regulations are June 23rd, 2010.

15 And with regard to seismic activity, given to the
16 recent seismic activity that has been recurring in the
17 Imperial County office -- in the area, staff is in the
18 process of scheduling a meeting with CalEMA, which is
19 California Emergency Management Agency, to discuss emergency
20 response process and the goal is to potentially invite
21 CalEMA to present at a future meeting in regards to
22 emergency response planning and preparedness.

23 So again to circle back as far as what our role is
24 with response to some of these disasters and again we
25 definitely want to provide districts the level of

1 understanding of what our role is, what their role is, and
2 how the state monitors that process.

3 As respect to the tentative workload plan, again
4 for transparency purposes, we have been providing you a
5 90-day workload that is attached to your Executive Officer's
6 Statement. Again as future planning, we also want to add
7 another layer of transparency is to provide you our log --
8 the appeals log that we receive.

9 So obviously we work from this log. We log these
10 appeal requests in and moving forward -- forward
11 progression, as we move along, we conduct our meetings, and
12 appeals actions are taken, then these folks move up to the
13 list.

14 So again making that a transparent process,
15 understanding the dates they submitted those requests for an
16 appeal. So again in the process of date order, that's where
17 we're moving this process along, so again adding another
18 layer of transparency and understanding there's definitely
19 flaws in how we've been conducting this process, but we're
20 very much engaged with trying to provide additional
21 communication to our school district members. Maybe --
22 obviously providing a letter in advance saying we received
23 your request, offering them opportunity to meet with us
24 early as opposed to later, and again that's our efforts that
25 we'll be moving forward. We'll be working with the Chair

1 and again with the action plan or the 90-day plan,
2 incorporate some definitely needed process improvements in
3 this area.

4 So with that, I've finished my statement.

5 CHAIRPERSON BRYANT: Did you want to mention why
6 you're sitting at the table with two new people and not
7 your --

8 MS. SILVERMAN: Oh, yes. Yeah. Well --

9 CHAIRPERSON BRYANT: -- usual sidekick.

10 MS. SILVERMAN: Yeah. My sidekick is -- I
11 definitely enjoy my partner. Juan Mireles, as you know, is
12 not present with us today and, you know, he works very hard
13 for this office and very much dedicated in our efforts and I
14 applaud him for everything he does. And so absent that
15 today, I actually called him on Saturday and in the event,
16 we were just having a side conversation about, well, leave
17 your phone on because your wife is expecting any day now and
18 should the event that your phone rings, obviously we'll tell
19 everybody you have to leave.

20 But that didn't happen. So it actually he had a
21 baby early Father's Day gift come Saturday evening. So
22 welcome Baby Camilla and --

23 CHAIRPERSON BRYANT: A little early. We thought
24 we'd have Juan here today, but we don't, so that's why the
25 agenda's going to be so sort and we have to leave.

1 MS. SILVERMAN: Yeah. So we definitely miss his
2 presence, but anyway he needs to be with his family, so
3 congratulations.

4 MR. HARVEY: Is there any rumor that it's Camilla
5 SAB Mireles?

6 CHAIRPERSON BRYANT: I think it might be Camilla
7 OPSC. Anyway, okay. So moving onto Tab 4, the **Consent**
8 **Agenda.**

9 MR. NANJO: Madam Chair, I don't know if you
10 intentionally skipped it, but the Minutes haven't been
11 approved yet.

12 CHAIRPERSON BRYANT: Oh, I did not intentionally
13 skip it, but let's go ahead to Tab 2, the **Minutes.**

14 MS. SILVERMAN: Yes.

15 CHAIRPERSON BRYANT: Are there any corrections or
16 additions to the Minutes? Is there a motion? Any public
17 comment on the Minutes? Oh, Lyle. Okay. We may have a
18 change here.

19 MR. SMOOT: Thank you. Lyle Smoot representing
20 Los Angeles Unified. I don't know that it would necessitate
21 a change to the Minutes, but there's a question that came up
22 after last month's discussion about the high performing
23 incentive grant program and there was a Project Information
24 Worksheet included in the packet of materials that went to
25 OAL that has a bunch of questions that can't be answered.

1 And so I was hoping that -- I rewatched the tape
2 of the meeting last month and there's a lot of discussion
3 about the fact that it was a work in process, the PIW
4 portion of it, and I was hoping that in fact you could
5 direct staff to just pull that form back and ask for it to
6 be sent to the Implementation Committee and resubmitted
7 because there is some information on there just can't be
8 answered at the time of the fund release request the first
9 time it's submitted -- has to be submitted and it just
10 creates -- it either creates a situation where a district
11 has to put down information that they just made up or
12 something to that extent.

13 Now, I'm hoping you'll just pull that -- just pull
14 that one form back from the package and send it to the Imp.
15 Committee and have it -- it could be done in a month pretty
16 easily. Thank you.

17 CHAIRPERSON BRYANT: Ms. Silverman.

18 MS. SILVERMAN: Well, I -- and just a point of
19 clarification. The worksheet itself is an informal
20 worksheet. It's not an official form, but it is a worksheet
21 that we use internally.

22 So I know we've heard comments about additional
23 clarification. I think we had an Implementation Committee
24 meeting, so it's there right now currently. So we're
25 working on refining that.

1 CHAIRPERSON BRYANT: So it's not part of the
2 regulatory package?

3 MS. SILVERMAN: I don't believe so.

4 MS. KAPLAN: Because I was under the impression
5 it's part of the regulatory package.

6 MS. JONES: It's incorporated by reference as a
7 document. It is not part of the reg package per se.

8 MR. SMOOT: So the document itself does not --

9 MS. JONES: That's correct.

10 MR. SMOOT: Thank you, ma'am.

11 CHAIRPERSON BRYANT: Okay then. So is there a
12 motion on the Minutes?

13 MS. GREENE: I move.

14 CHAIRPERSON BRYANT: Second?

15 MR. HARVEY: Second.

16 CHAIRPERSON BRYANT: All those in -- do we need to
17 call the role? Okay. All those in favor.

18 (Ayes)

19 CHAIRPERSON BRYANT: Okay. Now moving on to Tab 4
20 the **Consent Calendar**. Ms. Silverman.

21 MS. SILVERMAN: The Consent Agenda is there for
22 your approval, so we can take a vote.

23 CHAIRPERSON BRYANT: Dr. Ellerbee.

24 DR. ELLERBEE: Madam Chair, I'm going to recuse
25 myself from all the items that are related to Sacramento

1 City Unified School District. All other items, I'll be
2 voting yes.

3 CHAIRPERSON BRYANT: Okay. Duly noted. Is there
4 a motion?

5 MR. HARVEY: So move.

6 ASSEMBLY MEMBER TORLAKSON: Second.

7 CHAIRPERSON BRYANT: We have a motion and a
8 second. All those in favor.

9 (Ayes)

10 CHAIRPERSON BRYANT: Anyone opposed or abstaining?
11 Okay. Moving on to the -- Tabs 5 and 6, the **Status of Funds**
12 **Releases and Status of Funds.**

13 MS. SILVERMAN: Yes. If I can draw your attention
14 to stamp page 142, Tab 5. What we have been presenting is
15 the liquidation of the cash we received in the various bond
16 sales since 2009 through March 2010.

17 And if I can draw your attention to stamp page
18 144, the draw down we want to share with you as far as this
19 month's activity through June 1st is we've expended down
20 \$51.8 million this month and I wanted to clarify a statement
21 that I made last month.

22 Typically what we try to do is provide the Board
23 an update as far as what fund releases we've released to
24 date and so I wanted to clarify. Obviously that was a
25 misstatement last month.

1 But what I want to share with you is again moving
2 forward is we want to share with you the fund releases that
3 we have disbursed from June 1st to June 21st, which would
4 reflect on next month's report. We actually had quite --
5 been a success month the release in funds. We released 96
6 fund releases for the total of \$438 million. So that's
7 with a cumulative amount we will report next month.

8 So -- but although what's reflected in this report
9 from May 1st through June 1st is only 51.8 million. But
10 again the success is next month we'll have a larger draw
11 down, so that's good news for this program.

12 And if I can draw your attention to page 145,
13 again another graphics we offered a few months back again
14 just to reflect that out of 2009 and 2010 cumulative bond
15 sales have been -- totaled nearly \$4 billion and what we
16 tried to show here is the draw down of the various bond
17 funds.

18 So we still have 1.9 -- \$2 billion -- \$22 billion
19 in our bank account right now currently, but we have
20 liquidated over \$2 billion. So again forward moving,
21 hopefully we get additional commitments coming in as we will
22 reflect next month 488 million -- 58 million and then
23 obviously in the priorities of funding, once we start
24 apportioning those projects, then again potential draw down
25 of that commitment of another 400 million. So again we need

1 to start liquidating this cash.

2 Any questions?

3 CHAIRPERSON BRYANT: I don't -- any questions on
4 Tabs 5 or 6?

5 MS. SILVERMAN: That was Tab 5, yeah.

6 CHAIRPERSON BRYANT: Oh. Did you want to do Tab 6
7 now?

8 MS. SILVERMAN: Yeah. If we want to do Tab 6.

9 CHAIRPERSON BRYANT: Okay.

10 MS. SILVERMAN: Tab 6, stamped page 146, we are
11 actually modifying this -- we've modified this document this
12 month and again for the ease translating this and what does
13 it all mean. So obviously we've been successful in this
14 program and Proposition 1D. We received 7.3 billion in our
15 funds.

16 What we're presenting here today is estimated
17 unfunded approvals. We are processing 117 million this
18 month. That represents 20.7 million in new construction.
19 That's 11 projects. 92.8 million and that represents 44
20 projects in modernization, 3.6 million which represents 19
21 high performance projects which three of them are
22 modernization.

23 And for Proposition 55 which is your middle
24 column, we're processing 14 applications in new construction
25 for 50.3 million and also converting some quickly

1 overcrowded school projects -- 11 projects for 224 million.
2 In addition, one charter school project for 2.1 million.

3 And so in total 277.4 million that we're
4 processing unfunded approvals for Proposition 55.

5 And then the last bracket there, we have no
6 activity. So this month, we're processing 394.5 million of
7 unfunded approvals.

8 And if I could draw your attention to stamped
9 page 147, we wanted to highlight in emergency repair
10 program, we're still processing unfunded approvals. We're
11 processing 38 applications this month which represent
12 15.3 million. Again that shows the draw -- cash needed for
13 this particular program of 93.6 million.

14 And if I can draw your attention to stamped
15 page 148, again the charts -- again optics easier to read.
16 We have liquidated in Proposition 1D 52.46 percent of the
17 original \$7.3 billion in the original allocation. So we've
18 apportioned nearly \$3.9 million of those funds and we have
19 over a million dollars in unfunded approvals which
20 represents 14.31 percent. Remaining bond authority in
21 Proposition 1D is 33.23 percent.

22 Page 149, in Proposition 55, the original
23 authorization was \$10 billion -- over \$10 billion. So we've
24 apportioned, in the blue, \$8.9 billion and that represents
25 89.05 percent and we have in the maroon, unfunded approvals

1 of 559.9 million which represents nearly 6 percent.

2 So the remaining bond authority in Proposition 55
3 is 536 million which represents about 5 percent.

4 150 -- on page 150, Proposition 47, we have
5 11.4 billion in bond authority. Again we've liquidated or
6 apportioned 94.82 million -- excuse me -- 94.82 percent. We
7 also have nearly 5 percent of unfunded approvals of
8 567 million and remaining bond authority left of 22.5.

9 We have a new chart. I know we're just inundating
10 everybody with charts here. Our last chart which we wanted
11 to highlight is the question of new construction authority
12 and what we have left in new construction.

13 So we wanted to create some new optics and
14 Proposition 1D, 55, and 47, if you total up the entire
15 authorization for new construction, it was \$14.6 billion.

16 We have apportioned out of that 13.1 billion which
17 is 90 percent of those -- that commitment of authority. We
18 still have 970 million sitting in the unfunded approvals
19 which represent 7 percent of that. We still have
20 452 million of bond authority of applications we have yet to
21 process. So that's nearly 3 percent of that.

22 So in total we have \$1.4 billion of authority or
23 unfunded approvals that again we need cash to back that up.

24 So I know the question is when do we have the
25 level three developer fee kick in. We have -- my

1 predecessor had an opinion that was issued out the Attorney
2 General's office. That opinion basically summarized that
3 this Board has the authority once it has apportioned.
4 Apportion is the key word.

5 So technically we're in a different environment.
6 We have our list. Our list is created because we have no
7 ability to have cash which is the result of no AB55 loans
8 available. So our unfunded list is not a true unfunded
9 list. And so until we have cash to back that up and until
10 this graphic turns close to nearly all blue, then at that
11 point in time, I'm sure we would have a discussion about
12 when level three developer fees kick in.

13 So with that, I would open it up to any questions.

14 CHAIRPERSON BRYANT: Are there any questions from
15 the Board on those two tabs? Mr. Harvey.

16 MR. HARVEY: On your last comment, is there any
17 reason to change our terminology on what really isn't an
18 unfunded list based on the AG's opinion? Are we okay using
19 that term?

20 MS. SILVERMAN: I think we redefined it in the
21 financial hardship regulations that we put forward as far as
22 the re-reviews. I think we redefine it as not having the
23 ability to have cash and so we called it -- we're creating
24 this list as a result of the AB55 loans not being available.

25 MR. HARVEY: That's a long way of saying we're

1 calling it something different.

2 MS. SILVERMAN: Right.

3 MR. HARVEY: But we're okay you think using the
4 term unfunded, even though that has another implication.

5 MS. SILVERMAN: I believe so. I would defer to
6 Henry.

7 MR. NANJO: Yeah. I mean it's -- because it's
8 defined, because it's clear what we mean by that, it's not
9 an issue at this point. We're not running afoul of the AG's
10 opinion.

11 MR. HARVEY: Thank you very much.

12 CHAIRPERSON BRYANT: Okay. Other questions or
13 comments? All right. Moving on to Tab 7. Ms. Silverman --

14 MS. SILVERMAN: Barbara.

15 CHAIRPERSON BRYANT: Barbara. Sorry.

16 MS. KAMPMIENERT: Tab 7 is a request from the **Mesa**
17 **Union Elementary School District**. This was previously a
18 conceptual approval that the Board made in 2007 to mitigate
19 a health and safety issue at the Mesa Union Elementary
20 School site.

21 The school site which was originally built in 1937
22 and occupied in 1939 is located adjacent to Highway 118
23 which is a dangerous highway and was posing a problem for
24 the students that were -- students and parents accessing the
25 driveway for the school site. In addition, there were

1 natural gas -- two high-pressure natural gas pipelines and
2 one high-pressure crude oil pipeline located along the
3 highway. So the area that originally had the play fields
4 for the students was at risk.

5 So in 2007, the conceptual approval provided that
6 the school district would purchase land adjacent to the
7 school site so that they could move the play fields away
8 from the dangers and it also allowed for the construction of
9 a blast wall to protect them in case the pipeline should
10 burst.

11 The item here today is for two purposes. The
12 first, the district has completed the necessary requirements
13 and is requesting an unfunded approval at this point, and
14 also when the item was originally approved in 2007, it was
15 approved as a rehabilitation project which falls under the
16 school facility program modernization regulations. However,
17 site acquisition and site development costs cannot be
18 covered with modernization grants. It's prohibited in the
19 Ed Code.

20 So we're asking that the Board shift this project
21 from a rehabilitation project to a facility hardship project
22 so that the school district can receive the state matching
23 funds for the acquisition of the site and the site
24 development.

25 This does change the state's matching share from

1 60 percent of the project to 50 percent of the project. We
2 have discussed this with the district and they are
3 supportive of this so that they can get the extra funding
4 for the site acquisition and site development. Are there
5 any questions?

6 CHAIRPERSON BRYANT: Are there any questions? Is
7 there any public comment on this item? With that, is there
8 a motion?

9 MR. HARVEY: Move approval.

10 MS. GREENE: Second.

11 CHAIRPERSON BRYANT: We have a motion and a
12 second. Would you call the roll.

13 MS. GENERA: Senator Lowenthal.

14 SENATOR LOWENTHAL: Aye.

15 MS. GENERA: Senator Huff.

16 SENATOR HUFF: Aye.

17 MS. GENERA: Assembly Member Fuller.

18 ASSEMBLY MEMBER FULLER: Aye.

19 MS. GENERA: Assembly Member Torlakson.

20 ASSEMBLY MEMBER TORLAKSON: Aye.

21 MS. GENERA: Scott Harvey.

22 MR. HARVEY: Aye.

23 MS. GENERA: William Ellerbee.

24 DR. ELLERBEE: Aye.

25 MS. GENERA: Lyn Greene.

1 MS. GREENE: Aye.

2 MS. GENERA: Cynthia Bryant.

3 CHAIRPERSON BRYANT: Aye.

4 MS. GENERA: It carries.

5 CHAIRPERSON BRYANT: Thank you. So now we'll make
6 a gigantic leap to Tab 12 and that's -- Barbara, you up
7 again.

8 MS. KAMPMIENERT: Tab 12 is a **regulation amendment**
9 **for the general site development grant**. This grant was
10 originally approved by the Board in May of 2006. It was
11 approved as a temporary grant that would allow for the
12 complete analysis of a new construction base grant before
13 the Board decided to determine whether or not the general
14 site grant would remain permanently.

15 This grant is intended to cover such costs as
16 finish grading, driveways, playground equipment, walkways.
17 It's in the site development category.

18 The Board has previously approved extensions three
19 times and we are presenting this item at this point so that
20 it can go through the Office of Administrative Law process
21 in time to be effective. It extends the grant end date from
22 January 1st, 2011, to January 1st, 2012. Any questions?

23 CHAIRPERSON BRYANT: Are there any questions? Is
24 there any public comment on this item? Seeing some public
25 comment. Mr. Smoot.

1 MR. SMOOT: This is just my day I guess. Thank
2 you. Lyle Smoot, Los Angeles Unified again.

3 I'm going to make another pitch. I did it last
4 year. I'll probably be doing it next year, but I don't see
5 any reason to extend this one year at a time. The general
6 site allowance was left out of the conversion from the old
7 program to the new and that was part of the recognition for
8 establishing it in the first place and I'd be surprised if
9 there would ever come a time when you could justify just
10 deleting it and so I'm going to make a pitch again to just
11 make it a permanent adjustment and, you know, you still have
12 the AB127 adjustment available to you if you -- you know,
13 and this would just be a part of the analysis for the 127
14 annual adjustment if it was permanent just as much as if
15 it's a temporary one time adjustment.

16 So again I'm just asking you make it permanent and
17 be done with it. I think it's something that districts need
18 to have knowledge it's going to be so that when you're
19 making your planning, you know what funding you're going to
20 get, you know, in the future. Thank you.

21 CHAIRPERSON BRYANT: Thank you. Any other
22 questions or comments? Mr. Duffy.

23 MR. DUFFY: I'll be brief, Madam Chair. Tom Duffy
24 for Coalition for Adequate School Housing. I agree with
25 what Mr. Smoot just testified to and just to give you a

1 little bit of background, the issue here is that when we
2 moved from the old program in 1998 to the new program, there
3 were things that were missed that weren't converted over.

4 CASH did a study in the -- between 2002-2005 and
5 we suggested to the Board that OPSC do a study of the grants
6 and the comparisons. This was late 2005/early 2006 and it
7 had informed the bond for 2006, 1D, in many ways, so that
8 the OPSC study was a good study and it was an important
9 study.

10 During that period of time, we kept asking the
11 question of general site and OPSC information informed that
12 discussion and that's why the Board made the change. But
13 the change was made temporarily because of a discussion
14 between Jackie Goldberg and Anne Sheehan and Anne said can
15 we just do it temporarily for -- to take a look at this and
16 see what -- how this is done and Jackie agreed and the other
17 Board members agreed.

18 So it has been -- in our view, it should be
19 permanent and we believe it was intended to be permanent and
20 that has not happened at this time. So what we'd ask you to
21 do is to consider making it a permanent part of the program.
22 Thank you very much.

23 CHAIRPERSON BRYANT: Thank you. Any other
24 questions or comments? Did you want to respond?

25 MS. KAMPMIENERT: Well, it's -- you know, it's up

1 to the Board's direction. We still haven't finished the
2 discussion with the AB127 grant adjustments. So it's
3 something that we could still consider in those adjustments
4 and if the Board chose to make the regulation permanent, we
5 could certainly do that. However, if you approve the
6 regulations today, you're still continuing the option for
7 districts to have it. So it's in place right now. This
8 will just continue it for another year which may allow for
9 those discussions to continue so that we can provide more
10 information.

11 CHAIRPERSON BRYANT: Mr. Harvey.

12 MR. HARVEY: Temporary implies that there will be
13 some analysis as to the whys and wherefores and the
14 advantage of extending it. Was there ever a study done
15 after the first year to say this is good public policy or
16 not and that justified the extension?

17 It sounds like there's consensus this is a good
18 idea. I guess I don't understand the interplay between it
19 and this AB127. I would hate to imbalance that somehow, but
20 can you give me a little bit more about whether it should or
21 should not be temporary or permanent?

22 MS. SILVERMAN: I think for a historical
23 perspective, I'd like to defer to Dave Zian. He's been part
24 of the program for about 20 years, so --

25 CHAIRPERSON BRYANT: Off and on.

1 MS. SILVERMAN: Off and on.

2 MR. ZIAN: Yeah. There's been further studies and
3 the way Tom Duffy characterized the temporary fix is
4 generally correct. I'm not sure that there was ever any
5 intent -- at the time that the general site adjustment was
6 put in place that there was ever any intent to make it
7 permanent. So I can just add that.

8 And as far as the study, there's been several
9 studies and no conclusion as far as where we should go with
10 it. So --

11 CHAIRPERSON BRYANT: Just from my perspective, I'm
12 comfortable staying with it temporary with the -- with just
13 doing the one year thing. I think there's lots of issues in
14 this program that, you know, need to be reviewed and looked
15 at and including the grant adequacy, AB127, and I would just
16 say that all that can happen and I don't see any reason
17 necessarily. Pretty easy to do a sunset extension. We do
18 them all the time, you know, upstairs -- oh, we are
19 upstairs.

20 And so I would be comfortable just taking the
21 staff's recommendation here. I don't know how anybody else
22 feels.

23 MR. HARVEY: I'll move staff's recommendation.

24 CHAIRPERSON BRYANT: Is there a second?

25 MS. GREENE: Second.

1 CHAIRPERSON BRYANT: Go ahead and call the roll.
2 Or if we could -- unless -- if there's no objections, we
3 could substitute our previous roll call. Okay. We'll do
4 that then.

5 All right. Moving on to Tab 14. I would just
6 like to note that it's 4:40 and we're already in the report
7 section of our agenda.

8 MR. HARVEY: Don't jinx us.

9 CHAIRPERSON BRYANT: I shouldn't. It could all
10 fall apart here. Tab 14. Dave.

11 MR. ZIAN: That's a lot of pressure there, Madam
12 Chair. Madam Chair and members of the Board, this is the
13 latest in a series of quarterly reports in relation to the
14 seismic mitigation program and progress in that program.

15 In the background, I'd like to direct your
16 attention to a discussion that was at a recent SAB
17 Implementation Committee meeting regarding barriers to
18 receiving funding in the seismic mitigation program. I'll
19 quickly highlight some of the areas that were highlighted by
20 the stakeholders in those discussions: lack of interim
21 housing funding should a building be identified as a risk;
22 lack of funding for structure engineer initial assessments.
23 On many of the districts' parts, there was a concern about
24 do I want to spend this money for a maybe; a need for more
25 OPSC outreach in terms of demystifying the program, how do

1 you apply, what do I need to do, do I need to go to DSA
2 first, you know, questions like that. So that was another
3 comment.

4 And then lastly financial hardship districts need
5 up-front money for structural engineering costs,
6 architectural costs, so on. They're not even able to prime
7 the pump and get in the pipeline without some money. They
8 don't have their local share, long story short.

9 As far as recommendations that came from the
10 stakeholders through those discussions, they essentially
11 mirrored the barriers, provide money for those areas that I
12 mentioned that are, you know, related to funding issues and
13 also more -- the recommendation for more OPSC outreach.

14 Also there were some recommendations relating to
15 longer term programmatic issues that should be addressed or
16 could be looked at. Some of them related to additional
17 building types that could be included as eligible seismic
18 mitigation program criteria.

19 And another suggestion was maybe we throw all
20 those out and we just rely on a structural engineer's
21 analysis of the risk potential of given building system. So
22 that kind of summarizes that discussion.

23 The report also goes on to note the current status
24 of an RFQ that was jointly administered by the Office of
25 Public School Construction and the Division of State

1 Architect. We worked very closely in soliciting proposals
2 from a number of structural engineering firms. We were
3 success in selecting a southern contractor and a northern
4 contractor and the contract is designed to do two things:
5 one, to provide a streamlined, uniform template to determine
6 the risk potential of given building systems out there; and
7 secondarily, for -- the contract provides money for the
8 structural engineers in the north and south to actually go
9 out and provide free reviews to requesting school districts
10 that would like the assistance to evaluate the condition of
11 their buildings and whether or not they could qualify for
12 seismic mitigation program funding.

13 The report also talks about the 77 number that has
14 been thrown around, tossed about pretty loosely at numerous
15 meetings. That was a snapshot at a given time based on
16 available information. The DSA and OPSC have since that
17 time -- since that period whittled it down through surveys,
18 outreach, various discussions with different districts and
19 it is -- that number is now 48.

20 And the reason it's shrunk is due to just
21 additional information that's been provided related to the
22 conditions of these buildings. You know, students and staff
23 may not be entering some of these buildings which renders
24 them ineligible for funding. The buildings may have been
25 demolished or they may have been retrofitted. Those kinds

1 of things had influencing factors on the buildings.

2 And then also I should note that we looked at the
3 48 buildings that are currently eligible in terms of the RFQ
4 and we solicited the districts on that 48 list. We looked
5 at the state and templated the current seismic mitigation
6 program eligibility criteria. It went from 1.7 to 1.68
7 recently, as you'll recall -- hopefully you'll recall or if
8 you don't, that's something that was recently adopted in the
9 seismic mitigation program regs and there were additional
10 building types added also as a part of that reg change.

11 But we looked at those buildings that are
12 currently perceived to be potentially eligible and solicited
13 the school districts for their interest in this contract, if
14 we were to enter into a contract. And there are 16
15 districts that comprise those 48 buildings on that list and
16 7 of the districts on that list indicated an interest and
17 those comprise 24 buildings.

18 So there is money, long story short, in the RFQ
19 that I talked about earlier to cover those visits by
20 structural engineers to perform an analysis of the
21 buildings.

22 And then lastly the report talks about the current
23 status of what has come in so far. DSA has reviewed and
24 approved six structural evaluation reports relating to this
25 program and the OPSC has processed three of them and they're

1 contained in the report here, the three, and there are
2 another three then we're waiting for to come in. So they're
3 in various stages and there is one that is currently in
4 process that we're going back and forth with on paperwork.

5 So we look to this action and the RFQ to hopefully
6 spur on additional new activity and subscribe more of the
7 funding in that program.

8 Are there any questions?

9 CHAIRPERSON BRYANT: Any questions? Mr. Harvey,
10 go ahead.

11 MR. HARVEY: I view this as a very positive report
12 in that I think you've acknowledged how we've removed and
13 addressed a handful of the barriers. We've got money to
14 help school districts pay for that structural engineering.
15 No longer do they up front it and -- on a maybe. We're
16 paying for it.

17 We've added building types. We've loosened the
18 shake zone criteria, all in an effort to qualify more
19 districts so we can try to get this money out.

20 The one missing ingredient that I think we can
21 address as a Board and staff most certainly is this question
22 of outreach, making sure folk are aware of it and I think
23 the other part of it, which I would encourage you to analyze
24 the merits of, is to target financial hardship districts
25 because obviously there's no match required and that can be

1 an impediment. If you do a hardship district, we pay for it
2 all.

3 And the second thing is to do that due diligence,
4 reminding districts that if they marry up the seismic work
5 with their modernization, you get more bang for the buck.
6 So I would encourage you to take a look at those two things
7 as a way of stimulating and moving this money.

8 We've seen it sit. We know there are liabilities.
9 We're trying to create safer schools for kids and I think
10 it's incumbent upon us to take ahold of that other missing
11 ingredient.

12 The one remaining one is whether or not this
13 program should pay for temporary housing. We haven't had
14 that policy discussion to date and of course you add that to
15 the list of things we pay for, it certainly doesn't go to
16 retrofitting schools, but it's the one policy discussion we
17 haven't had.

18 But I want to thank you for keeping this on our
19 agenda because I think the Board felt that this along with
20 the high performance were two well-intended programs and yet
21 they were not being accessed and let's make sure we did
22 things to remove barriers and I think this is an example of
23 how we've done that. So thank you.

24 CHAIRPERSON BRYANT: And I think -- when did we
25 put this -- scheduled to come back in end of August or

1 August 4?

2 MS. SILVERMAN: August 4th. We're kind of
3 wrapping this around the priorities in funding subcommittee
4 item. One of the items that were left as far as that
5 meeting was concerned was identifying facility hardship. I
6 think Ms. Moore wanted to have a broader policy discussion
7 in that area and I think by this action too, moving forward
8 with those school districts identifying these particular --
9 you know, locations of having a scarlet letter on them, you
10 know, perhaps we can wrap that same discussion for seismic.
11 Is that going to be potentially a policy discussion. Is it
12 a priority as well.

13 CHAIRPERSON BRYANT: Right. So in my discussions
14 with staff, I've asked them to consult with Senator Hancock
15 and also Ms. Moore on both of those issues because they both
16 have very strong feelings and as we talked through the
17 issues, we found them to be quite related and so I think we
18 can bring back a solid -- you know, just have a really
19 robust policy discussion at our next meeting on both of
20 those issues.

21 MS. SILVERMAN: Right. And that's what we plan to
22 do.

23 CHAIRPERSON BRYANT: Okay. Are there any
24 questions on that report? Okay. We'll move on to Tab 15.
25 I think that's also you, Dave.

1 MR. ZIAN: Okay. Madam Chair, members of the
2 Board, page 177, Tab 15 is our latest report of the **state**
3 **relocatable classroom program**. It is a snapshot of where we
4 are right now currently on the phase out of the program that
5 was approved by the Board back in October of 2005.

6 Where we are exactly in terms of buildings out,
7 there are 306 and the report talks about various pots that
8 these 306 buildings fall into. We have 161 buildings
9 currently under lease and the leases expire as of 8/31. So
10 we will be soliciting input from various practitioners out
11 there relative to whether they want to buy these buildings
12 or they want us to come get them and then we'll have to find
13 another buyer or someone to take the buildings at that
14 point.

15 There's another 145 buildings. That's the other
16 part of the 306 figure I first threw out. And of those
17 buildings, 93 basically have school districts requesting
18 purchase of those buildings and the other 53 have districts
19 essentially telling us come get the buildings, we do not
20 want the buildings. So we'll have to find buyers for that.

21 So relative to this inventory and things we're
22 doing, I'll quickly update you. We've done a Webcast
23 soliciting input from all the practitioners, school
24 districts, charter schools, and outside entities asking them
25 if they're interested in purchasing the buildings. That's

1 one thing in play.

2 We have a gentleman out inventorying the
3 buildings, taking pictures, getting them ready in terms of,
4 you know, their condition, depending on whether we have
5 takers or not, to determine what are the costs associated
6 with liquidating these buildings.

7 And we have had some interest from outside
8 entities I can tell you right now with Department of
9 Corrections and believe it or not, the San Francisco Zoo
10 indicated interest. So there is interest in these
11 buildings. We're right now compiling a list of interested
12 buildings [sic] and hopefully we get to the point where we
13 liquidate all the buildings very easily.

14 Then we have a backup plan in case that doesn't
15 work, so -- long story short, when we get beyond all that
16 inventory and the various pots that they fall into and how
17 to liquidate them most expeditiously, we'll be determining a
18 final budget because there are some ancillary costs
19 obviously associated with these buildings if we have to move
20 them or refurbish them or -- so on, those kind of things.

21 The last part of the report deals with the funding
22 in the program and there was some questions about what was
23 the fiscal 2009-'10 dollars that were generated through
24 leases and through the sale of buildings and that amount was
25 1.4 million for that fiscal year that -- by the way, we're

1 in that still. It's the last week of that fiscal year.

2 And in terms of the actual cash on hand for the
3 program, right now we have 30.1 million available of which
4 the 1.4 million is a subset of that.

5 And that dollar amount that I mentioned, the
6 30.1 million, really is a representation of over time all
7 the leases and sales of these buildings that has
8 accumulated. So that is the report. Are there any
9 questions?

10 CHAIRPERSON BRYANT: Any questions?

11 Mr. Torlakson.

12 ASSEMBLY MEMBER TORLAKSON: Appreciate the report.
13 Is it correct that the funds can be programmed by this
14 Board? What's the flexibility in the funds? I'm thinking
15 if that's true, have the item brought back at some point to
16 discuss what we may want to do in terms of any particular
17 way to invest the dollars, whether it's to provide
18 assistance in an emergency, earthquake, fire, or other ideas
19 of places where that money could be targeted once the
20 program's wound down.

21 CHAIRPERSON BRYANT: Ms. Silverman.

22 MS. SILVERMAN: I know we've allocated money in
23 the past for various uses. I know we did transfer some
24 money. 15.5 million was the last transfer was for joint use
25 and I believe that was in '06-'07. So obviously there's an

1 item that we need to reconcile first is what the costs
2 moving forward for the program, but I believe at that point
3 in time, we will have a better understanding of what we can
4 present as far as dollar-wise are concerned and then again
5 have a robust discussion of what we move forward.

6 ASSEMBLY MEMBER TORLAKSON: Thank you.

7 MS. SILVERMAN: And that's actually slated in our
8 workload report as well as a follow-up item, so --

9 ASSEMBLY MEMBER TORLAKSON: Good. Thank you.

10 CHAIRPERSON BRYANT: Okay. Ms. Fuller.

11 ASSEMBLY MEMBER FULLER: So is there any
12 estimation of how many buildings are usable that we might be
13 liquidating?

14 MR. ZIAN: That are actually able -- when --

15 ASSEMBLY MEMBER FULLER: Usable.

16 MR. ZIAN: Usable? We have right now 146 that are
17 usable and ready to be sold.

18 ASSEMBLY MEMBER FULLER: Okay.

19 MR. ZIAN: And that number could change. It's a
20 snapshot right now in time.

21 ASSEMBLY MEMBER FULLER: And so do you have any
22 predictions about what percentage -- I'm just concerned are
23 we -- is there a lot of stock to be liquidated in some form
24 other than selling at its current value?

25 MR. ZIAN: I can't answer that other than to say

1 we're in that due process right now of determining exactly
2 the answer to your question. So --

3 ASSEMBLY MEMBER FULLER: Okay. So --

4 MR. ZIAN: -- be unsafe to try to answer right
5 now.

6 ASSEMBLY MEMBER FULLER: Would we -- are we going
7 to be apprised that before we get to that place? In other
8 words, I don't want to be responsible for liquidating a lot
9 of stuff at below market level because we didn't know as a
10 Board.

11 MR. ZIAN: There's -- when we get to the end and
12 we know exactly how many we need to liquidate, we will
13 decide how we will liquidate them. One of the plan B's that
14 I alluded to was to sell them kind of like on an online
15 auction, you know, to the best price. Hopefully that
16 wouldn't, you know, be a below market value type price.

17 We have to realize that these buildings are at
18 different ages. They're in different conditions, so that's
19 part of the -- our due diligence right now in inspecting
20 these buildings to see what kind of, you know, condition
21 they're actually in.

22 School districts are required to maintain the
23 buildings in good working order. The problem is some of
24 these buildings, as I mentioned earlier, are not currently
25 under lease. So what has happened from the point at which

1 they were under lease and required to be maintained where we
2 are today. So that's part of the equation here. So I hope
3 that helps.

4 CHAIRPERSON BRYANT: But you'll bring that back --
5 kind of an inventory back to us.

6 MR. ZIAN: We will bring it back and we will have
7 a full report on what the cost associated with that is and
8 the kinds of dollars that are coming in from the sale of
9 these portables.

10 ASSEMBLY MEMBER FULLER: Great. Then I'm
11 requesting a full inventory and with particular interest on
12 like some categories of how much it's going to cost just to
13 bring up or what we're thinking about liquidating. In other
14 words, as a school district, these buildings were really
15 valuable to all of us. They really were very valuable and I
16 hate to see the program going, if you want to know the
17 truth.

18 But they are extremely expensive to maintain as
19 well. And so I don't want us suddenly dumping a lot of
20 buildings out on the market for an undervalue price that
21 aren't going to school districts just so we get like a
22 little bit of cash to throw in some pot someplace else.

23 I think that would be unwise. So I would like
24 enough information to be able to determine if we are able to
25 sell these at sort of market value and if there are some

1 that are not able to be brought up to market value, you
2 know, what we're going to do with them that might first
3 benefit school districts before we go dumping them on the
4 open market.

5 CHAIRPERSON BRYANT: Mr. Harvey.

6 MR. HARVEY: As a segue, you said something very
7 interesting, David, which was by lease, the school districts
8 have an obligation to maintain them in good working order.
9 If the Board is concerned about undervalued properties
10 because they haven't been maintained and you talked about
11 our obligation to repair them, what can we require via this
12 lease that the school districts do to maintain them in
13 working order so that it is not a cost out of this program
14 but they are doing what they have been asked to do which is
15 to maintain it.

16 MR. ZIAN: The realities are we do have a -- for
17 the buildings that are currently under lease, we can execute
18 that provision of the lease, ask the school district -- the
19 gentleman's going out looking at the buildings, you know,
20 certain things that need to be repaired.

21 If there's a dispute, that's where you get into
22 the dance, and I'll be honest with you, it takes time to
23 work these issues out. But that's part of the complication
24 here with it. So we need to first of all determine what the
25 problem is, what needs to be addressed, and what the best

1 solution is. So --

2 MR. HARVEY: All the more reason to bring it back
3 here because this Board --

4 MR. ZIAN: Yes.

5 MR. HARVEY: -- may decide, well, this -- well,
6 the state should eat it; well, wait a minute, in this case,
7 the district should eat it. I mean those are the kind of
8 directions that may be helpful to you.

9 ASSEMBLY MEMBER FULLER: There was some number of
10 buildings that were not under lease that the state currently
11 owns and so is that a large number of the 146?

12 MR. ZIAN: Yeah. That number's 145. Of the total
13 inventory, we have 306 that we're currently dealing with as
14 a universe and we have 161 under lease and 145 that are
15 currently not under any lease and those are the ones I'm
16 more concerned about.

17 ASSEMBLY MEMBER FULLER: Yes.

18 MR. ZIAN: I have really not as much legal
19 latitude to talk with districts about hey, you didn't
20 maintain that. You know, as time goes on, it's a slippery
21 slope on these buildings, as you know.

22 ASSEMBLY MEMBER FULLER: Understand. So -- yeah.
23 Basically I think it will be very good for us to have a
24 status report and an inventory before we --

25 MR. ZIAN: Sure.

1 ASSEMBLY MEMBER FULLER: -- get too far along
2 given that half of the inventory is in a questionable state.

3 MR. ZIAN: Will do.

4 CHAIRPERSON BRYANT: Okay. Thank you. Any other
5 questions on that? Okay. That concludes our item. Did you
6 want to highlight anything in the information section?

7 MS. SILVERMAN: Other than our next meeting's
8 August 4th and we have two meetings in August schedules,
9 so --

10 CHAIRPERSON BRYANT: Right. I just want to remind
11 everyone August 4th we have a meeting and then we have
12 another one on August 25th, but August 4th, we're going to
13 do the apportionments on our priorities in funding program.
14 We have a hard agenda, so I'm letting you out early today.

15 And is there any public comment on items not on
16 the agenda? We need to remember to put that on the -- that
17 was left off the -- we need to remember to put that on the
18 agenda, public comment.

19 Okay. Then with that, we will adjourn this in
20 record time.

21 (Whereupon, at 5:03 p.m. the proceedings were recessed.)

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