

# Stuart & Associates

## Governmental Consultants

August 31, 2010

TO: Superintendents and Facilities Directors  
FROM: Susan Stuart  
RE: State Allocation Board – August 25, 2010

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### State Allocation Board Meeting of August 25, 2010

#### Status of Funds

OPSC notes the SAB has the following amounts in bond authority available:

**New Construction** – about \$124 million available (The SAB approved the transfer of \$225 million from COS to New Construction, but it is not reflected in their report - although we have reflected it in the NC numbers below.

**Modernization** – about \$1.15 billion available

If the above values are adjusted for projects at OPSC awaiting processing and the transfer of funds, the estimated funds available for future application are:

New construction – \$211 million available

Modernization – about \$1 billion available

I have attached the Status of funds pages from the SAB agenda.

#### Executive Officer's Statement

- The next SAB meeting is scheduled for October 6, 2010.
- OPSC received fund release requests for about \$320 Million of the \$408 million apportioned for the shovel ready program at the August 4<sup>th</sup> meeting. The SAB asked staff to determine if there are any impediments to the remaining 19 districts preventing them from submitting their requests by November 2, and directed staff to offer assistance.
- OPSC will be changing their website to improve information to school districts.
- 17 High Performance Grant applications have been submitted, totaling \$1.1 million.
- Next month OPSC will report on how they are addressing emergency situations such as earthquake damage to facilities.

## **Appeals**

### **Pittsburg Unified School District**

The Pittsburg Unified School District received Facility Hardship funding in 2007 for the replacement of the Central Middle School – with the condition they sell a portion of the site and remit the proceeds to the SAB. After obtaining an appraisal it was discovered that the district would be required to mitigate environmental hazards prior to selling the property, and also discovered the cost to mitigate the environmental issues cost more than the value of the property. The district hired a firm to market the property and had no prospective buyers. Additionally, they have been attempting to sell another “clean” property, and have had no prospective buyers for this property as well.

The district requested continued use of this property for non-K-12 purposes (consistent with a successful 2009 appeal to the SAB by the Santee School District). There would be minimum cost to the district to use this property as-is.

### **SAB Comments**

CDE expressed strong concern over the potential use of the facility for any district purposes, as this site was deemed unsafe for K-12 purposes due to gas and water pipelines bisecting the property. Other Board members also had concerns over the safety of the site for other uses. However, after counsel weighed in, the SAB determined they had no jurisdiction over non-K-12 uses for schools.

### **SAB Action**

The SAB agreed to let the district keep the property under the following conditions:

- The district must pass a resolution agreeing to not use this site for school purposes and that no future SAB program funding will be permitted on this site.
- The District must provide \$101,346 for .9 acres for the value of the gym (agreed to in 2007).
- If the district ever sells the remaining property, the proceeds must be remitted to the SAB.
- No site acquisition funding will be provided to the replacement school (Rancho Medanos Middle School).

## **Staff Items**

### **Available Bond Funds**

The SAB previously asked OPSC to provide a report of any funds that could be available for transfer to other program.

### **Staff Report**

OPSC identified \$68.51 million in available funds from various bond fund sources, and provided four options:

- Make the funds available to the unfunded projects
- Apportionment funds to shovel ready projects
- Provide design funding for Charter projects
- Provide funding to Environmental Hardship projects

## **SAB Action**

The SAB acted to allocate following programs with the available funds:

- \$5 Million to Joint Use
- \$10 Million to Charters for design purposes
- The remainder is available to shovel ready projects

## **Priorities in Funding**

The SAB apportioned \$408 Million to shovel ready projects at the August 4, 2010 meeting. At the request of the Chair, OPSC presented regulatory language permitting the SAB to declare additional shovel ready apportionment rounds on an as needed basis.

## **Ordering of Unfunded Projects**

It has been the practice of the SAB to fund all projects with the same unfunded approval date with available funds. When there were too many projects for the amount of funds available, the SAB used the submittal date as the tie breaker. As at the August 4, 2010 SAB meeting, the SAB had insufficient funds to apportion all of the unfunded projects submitted on January 30, 2009. The prior practice of funding these projects was to fund by project number – which is inequitable. The SAB directed staff to consider options for a tie breaker.

## **Staff Recommendation**

OPSC provided three options to the SAB of which they recommended that the final tie breaker should be a bingo style lottery. The SAB concurred and the staff will now use this lottery system to apportion projects submitted on the same date – where there is insufficient funds to fund all of these projects.

## **Staff Reports**

### **High Performance Incentive Grant**

OPSC reported on the successful coordinated efforts on High Performance Incentive Grant Program reviews by DSA and by CHPS.

### **Deferred Maintenance Survey**

The last round of Deferred Maintenance Extreme Hardship projects were approved provided they accept their funding in five equal annual installments. Given the changes in how the districts can use the DM funding, OPSC conducted a survey as to how districts proceeded with the Extreme Hardship project.

## **Staff Report**

OPSC reported that over 80 percent of the districts responded to the inquiry and the general finding was as follows:

- 71 of 106 projects proceeded with the Extreme Hardship project
- 18 of 106 projects are waiting for the remaining funds
- 17 of 106 projects are not proceeding with the Extreme Hardship project for varying reasons.

In addition 20 percent of the districts noted it was necessary to use this funding for other educational purposes, i.e., payroll.

### **OPSC Quarterly Financial Report**

OPSC presented its administrative cost to operate for the 2009/10 fiscal year. OPSC had a budget of \$15,925,000 during this time. To date they have adjusted that estimate to \$13,799,000. Much of the savings is from not filling 37 staff positions.

### **OPSC/DSA Program Review**

Stephen Amos, Chief Deputy Director of the Department of General Services, made a short presentation on the progress of the Expert Workgroup process. At the request of the SAB, they have postponed any recommended actions on appeals or audits pending input from the SAB subgroups. The Expert Workgroups continue to meet to explore issues and come up with possible administrative, regulatory or legislative solutions.

### **Other Items of Interest**

#### **Updated Unfunded List**

OPSC provided a separate handout showing the unfunded projects approved through August 4, 2010 (attached). The SAB approved new unfunded approvals totaling \$2.6 million including:

- New Construction - \$46 million
- Modernization - \$54 million
- Facility Hardship - \$843,121
- Charters - \$10 million
- COS - \$154 million
- ERP - \$21 million

#### **Bond Sales**

Since we've lost the window of opportunity for a 2010 School Facility Bond, the next probably bond sale will be in 2012.

#### **Career Technical Education**

The third round of CTE applications will be presented to the SAB at the October 6, 2010 meeting. OPSC is trying to clear 15 day letters on these projects.

#### **Education Specification**

Districts are reminded that the Education Code requires districts building school facilities to have a current board approved Education Specifications. If you plan to file for the construction of a new school or the replacement of more than 50 percent of an existing school, CDE will require that you present the current approved Education Specification as a condition for approving the project.

Contact our office if you need recommendations on who can assist you with your Ed Specs.