

BEFORE THE
CALIFORNIA CLEAN ENERGY JOBS ACT
CITIZENS OVERSIGHT BOARD

CALIFORNIA ENERGY COMMISSION
ROSENFELD HEARING ROOM - FIRST FLOOR
1516 NINTH STREET
SACRAMENTO, CALIFORNIA 95814

This meeting of the Citizens Oversight Board will include teleconference participation by one or more Board Members. Per Government Code section 11123(b) (2), the teleconference locations, in addition to the address above, are:

ARUP
900 WILSHIRE BLVD., 19TH FLOOR
LOS ANGELES, CA 90017

WEDNESDAY, JULY 24, 2019
1:00 P.M.

Reported by:
Susan Palmer

APPEARANCES

BOARD MEMBERS PRESENT (*Via telephone and/or WebEx)

Adrienne Alvord, Chair, California Citizens Oversight Board

Randall Martinez, Vice Chair, California Citizens Oversight Board

Darrell Park, California Citizens Oversight Board

Barbara Lloyd, California Citizens Oversight Board

David Dias, California Citizens Oversight Board (Absent)

*Heather Rosenberg, California Citizens Oversight Board

EX OFFICIO MEMBERS PRESENTCEC COMMISSIONERS PRESENT

Bryan Early, Advisor to Andrew McAllister, California Energy Commission, Commissioner

COB STAFF PRESENT

James Bartridge

Jack Bastida

CEC STAFF PRESENT

Tomas Ortiz

Deborah Godfrey

Bill Pfanner

APPEARANCES (Cont.)

ALSO PRESENT (*Via telephone and/or WebEx)

Jim Venneman, Office of the State Controller Betty T. Yee

Lisa Kurokawa, Office of the State Controller Betty T. Yee

David Supan, Office of the State Controller Betty T. Yee

Hoang Nguyen, California Community Colleges

*Derrick Andrade, California Department of Education, CDE

PUBLIC COMMENT: (*Via telephone and/or WebEx)

I N D E X

THE BOARD WILL CONSIDER AND MAY TAKE ACTION ON THE FOLLOWING ITEMS:

- | | | |
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| 2. | APPROVAL OF MINUTES FROM MARCH 21, 2019 CITIZENS OVERSIGHT BOARD MEETING. (Chair Alvord) | 9 |
| 3. | UPDATE ON THE SCHOOL BUS REPLACEMENT PROGRAM. (Thomas Ortiz and Tami Hass, California Energy Commission) | 10 |
| 4. | UPDATE ON THE ECAA-ED COMPETITIVE PROGRAM. (Deborah Godfrey, California Energy Commission) | 28 |
| 5. | STATUS UPDATE ON THE ENERGY COMMISSION PROPOSITION 39 PROGRAM. (Bill Pfanner, California Energy Commission) | 34 |
| 6. | PRESENTATION, DISCUSSION, AND POSSIBLE VOTE ON THE ANNUAL PROGRAM AUDIT OF THE CLEAN ENERGY JOB CREATION FUND EXPENDITURES. The State Controller's Office will present the completed program audit of a selection of Clean Energy Job Creation Fund project expenditures. (Jim Venneman, Office of the State Controller Betty T. Yee) | 48 |

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7.	PRESENTATION, DISCUSSION, AND POSSIBLE VOTE ON THE FINANCIAL AUDIT OF THE CLEAN ENERGY JOB CREATION FUND. The State Controller's Office will present the completed financial audit of the Clean Energy Job Creation Fund. (David Supan, Office of the State Controller Betty T. Yee)	63
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1 P R O C E E D I N G S

2 JULY 24, 2019 1:05 P.M.

3 MR. BARTRIDGE: Okay. Good afternoon everyone
4 and welcome to the third meeting of the Proposition 39
5 Citizens Oversight Board for 2019. I'm Jim Bartridge,
6 Board staff, joined by Jack Bastida, Board staff as well.

7 Let me go through the opening comments real
8 quick, housekeeping, for those of you not familiar with the
9 building the closest restrooms are out the door to your
10 left and over to this corner. Do not go through the double
11 doors or you'll set off a fun alarm. There is a snack bar
12 on the second floor under the white awning, there's some
13 vending machines up there at least.

14 And lastly, in the event of an emergency and the
15 building is evacuated, please follow our employees to the
16 appropriate exits. We'll reconvene across the street at
17 Roosevelt Park, which is diagonal to the building. And
18 please proceed calmly and quickly again following the
19 employees with whom you are meeting to safely exit the
20 building. After that is cleared we would come back to the
21 meeting and finish up depending on how that goes.

22 So let me quickly go through some comments.

23 The Citizens Oversight Board typically meets four
24 times each year, or more. It's up to the Board. The first

1 meeting typically occurs in February when we elect our
2 Chair and Vice Chair and receive annual progress reports on
3 Prop 39 activities from the agencies that report to us.

4 The second meeting occurs in mid-to-late March
5 when we discuss, receive input and edits, and seek approval
6 from the Board for its annual Prop 39 Clean Energy Jobs Act
7 report to the Legislature, which is due to the Legislature
8 at the end of March.

9 And then the third meeting occurs in July, which
10 primarily focuses on the audits the Board receives from the
11 State Controller's Office. The Board contracts with the
12 State Controller's Office to conduct a program audit of the
13 Clean Energy Jobs Act each year and a financial audit of
14 the Clean Energy Job Creation Fund every other year. This
15 year, we've also added some midyear program updates, so
16 we'll hear those before we get to the audits.

17 And lastly, I'd like to welcome our newest Board
18 Member, Darrell Park. And with that, let me turn it over
19 to Chair Alvord for any opening comments.

20 CHAIR ALVORD: Good afternoon. Thank you all for
21 coming. My name is Adrienne Alvord. I'm the Western
22 States Director for the Union of Concerned Scientists and I
23 was appointed to the Citizens Oversight Board in June of
24 last year by State Controller Betty Yee and elected Chair
25 this year.

1 I'd like to recognize for the record, that I
2 believe we're joined today by Ken Rider, if he's here.
3 He's supposed to be, okay.

4 MR. BARTRIDGE: I don't see Ken yet, but we --

5 CHAIR ALVORD: Okay. Well, hopefully he will
6 come and Bryan Early. Chair Hochschild is the Ex-Officio
7 Member for the Citizens Oversight Board and Ken is his
8 advisor. Bryan Early is Energy Commission Andrew
9 McAllister's advisor.

10 And as you know, California voters approved
11 Proposition 39, the Clean Energy and Jobs Act in 2012 to
12 create jobs, save energy and reduce energy costs and
13 greenhouse gas emissions by investing in California schools
14 and community colleges. These investments were also
15 intended to provide job training and workforce development
16 in order to promote the creation of new private sector
17 jobs, to improve the energy efficiency of commercial and
18 residential buildings throughout California to help meet
19 our climate goals and reduce our GHGs.

20 The Citizens Oversight Board was created as an
21 independent body with nine members appointed by the
22 Attorney General, the State Controller and the State
23 Treasurer to audit, review expenditures and maintain
24 transparency and accountability for the Clean Energy Jobs
25 Creation Fund.

1 If I may, a quick Board update, as Jim noted we
2 have a new Board Member, Darrell Park, who was appointed by
3 State Treasurer Fiona Ma. We want to give him a warm
4 welcome.

5 BOARD MEMBER PARK: Thank you.

6 CHAIR ALVORD: And one more bit of news. I think
7 many of you already know Mark Gold is no longer with the
8 Board as he was appointed by Governor Newsom on June 21st
9 as Deputy Secretary for Oceans and Coastal Policy, and
10 Director of the Ocean Protection Council at the California
11 Natural Resources Agency. So with these changes, the Board
12 currently has six Board members and I'd like to thank all
13 of you for your service.

14 And with that, let's go back to Jim with the roll
15 call.

16 MR. BARTRIDGE: Very good. Chair Alvord?

17 CHAIR ALVORD: Here.

18 MR. BARTRIDGE: Vice Chair Martinez?

19 VICE CHAIR MARTINEZ: Here

20 MR. BARTRIDGE: Board Member Dias?

21 BOARD MEMBER DIAS: Here.

22 MR. BARTRIDGE: Board Member Lloyd?

23 BOARD MEMBER LLOYD: Here.

24 MR. BARTRIDGE: Board Member Park?

25 BOARD MEMBER PARK: Here.

1 MR. BARTRIDGE: And on the phone we have Heather
2 Rosenberg. Heather, can you hear us?

3 BOARD MEMBER ROSENBERG: Here. Yes, can you hear
4 me?

5 MR. BARTRIDGE: We've got it. Thank you.
6 And so we have six of six and we have our quorum.

7 CHAIR ALVORD: Excellent. Thank you, all. Okay.
8 I think with this we will go to approval of the minutes
9 from March 21st, which is in our packet. Are there any
10 comments, edits, or amendments to the minutes?

11 (No audible response.)

12 CHAIR ALVORD: Okay. Hearing and seeing none
13 I'll accept a motion to approve the minutes. Okay.

14 VICE CHAIR MARTINEZ: So moved.

15 BOARD MEMBER ROSENBERG: I'll second.

16 CHAIR ALVORD: Okay. Roll call?

17 MR. BARTRIDGE: Chair Alvord?

18 CHAIR ALVORD: Yes.

19 MR. BARTRIDGE: David Dias?

20 BOARD MEMBER DIAS: Yes.

21 MR. BARTRIDGE: Barbara Lloyd?

22 BOARD MEMBER LLOYD: Yes.

23 MR. BARTRIDGE: Randall Martinez?

24 VICE CHAIR MARTINEZ: Yes.

25 MR. BARTRIDGE: Heather Rosenberg.

1 BOARD MEMBER ROSENBERG: Yes.

2 MR. BARTRIDGE: And Darrell, I think maybe you
3 want to abstain for this one since you weren't here.

4 BOARD MEMBER PARK: Perfect. Thank you.

5 CHAIR ALVORD: Okay. I think with that we'll
6 move on to the first formal item on the agenda, the Update
7 on School Bus Replacement Program. And welcome Tomas Ortiz
8 and Tami Hass.

9 (Off mic colloquy.)

10 MR. ORTIZ: So my name's Tomas Ortiz. I'm the
11 Air Resources Engineer for the School Bus Replacement
12 Program. I want to start off by thanking you for having us
13 here today. We have some exciting updates for our program.
14 There were two previous meetings this year. We
15 unfortunately were not able to provide updates at those.
16 We were in solicitation mode, so we kind of had to keep a
17 lot of that private until we were able to go public with
18 our awards. So we have a lot of update you on today in
19 regards to that.

20 So to give you just a quick overview of what I'm
21 going to be talking about today, we do have a new member of
22 the Board, so I'm going to be doing just a very quick
23 program background for you. Then we will be talking about
24 our two solicitations that have been awarded at this point
25 and then the update to our Cost Effectiveness Report that

1 we showed you last year. And then I'm going to be talking
2 a little bit about the timeline going forward for our
3 program.

4 And there was one slide that we were able to get
5 in at the very last second. So it's not on the overview,
6 but we have another program tied into training that we
7 would like to be able to share with you today. That's what
8 Tami was going to be talking about. Unfortunately, she
9 wasn't able to attend today, so I'm going to be kind of
10 discussing that for her.

11 Okay. So the quick background on the program, so
12 Senate Bill 110 allocated \$75 million for school bus
13 replacement and retrofit. This is the leftover Prop 39
14 funds, of which we got the first 75 million.

15 In order to do this, we came up with a two-phase
16 approach. The first phase was GFO-17-607. So this was
17 targeted towards school districts, county offices of
18 education and transportation joint power authorities or
19 JPAs. We wanted an idea of what buses were out there, what
20 needed to be replaced, what these school districts were
21 looking for. So I wanted to give them the opportunity to
22 identify that for us.

23 We then used the information from this to come up
24 with GFO-18-604. So this solicitation targeted school bus
25 manufacturers and dealers. And we used this to set a bulk

1 purchase price, so that we could determine what the awards
2 for the school districts would be as well as also procuring
3 a bid for the school districts who didn't have the
4 resources to go out on their own to obtain these buses. So
5 despite the fact that there was about a seven-month
6 difference between the release of both, they were actually
7 released, the NOPA was released on the same day. So this
8 is the Notice Of Proposed Awards.

9 I'm going to be kind of going over these a little
10 bit more throughout the presentation, but we did receive
11 our approval for the manufacturers and the first 60 of 66
12 agreements for school districts, JPAs and county offices of
13 education.

14 So this is an old slide. This was based on the
15 initial applications from GFO-17-607. So we had 199
16 applications requesting electric buses to replace their
17 current diesel buses, of which we saw this first
18 disproportionate amount of these buses were 20 years or
19 older. So these are the ones that we were targeting first.

20 So in addition to the age of the bus, the other
21 scoring criteria for this were free and reduced priced meal
22 eligibility and their score of disadvantaged community. We
23 wanted to make sure that we were providing these buses that
24 were old to schools that really needed them.

25 So our analysis of the first applications that we

1 received we were looking at some of the higher scoring ones
2 to kind of determine how we would go forward with GFO-18-
3 604. So for this we looked at just the top 75 buses in
4 each region. We'd split the state into four regions:
5 north, south, central and LA. And we were apportioning
6 equal funds to each of these regions, so about 18.75
7 million each. So that's why this is broken down this way
8 despite the fact that there are some different bus scores
9 in there.

10 So after looking at this and then also looking at
11 other electric bus RFPs, we were able to kind of assign
12 rough estimates for what each bus type would cost. And
13 then we looked through our higher scores to kind of figure
14 out how many buses we could potentially fund. This was
15 kind of a challenge with this program. We had a little bit
16 of a chicken and the egg process going on here, how do we
17 award districts a certain amount of money without knowing
18 how much the buses are going to cost? And then also how do
19 we know how much we're going to be needing to pay for the
20 bulk purchase if we don't know how many buses we're going
21 to be awarding? So this is a little bit tricky. This is
22 why there was that big time difference between the release
23 of the solicitations and them being awarded on the same
24 day. So we feel like we found a pretty good workaround for
25 this.

1 So the numbers that you're seeing up here, this
2 is what we used for GFO-18-604. This is what we had the
3 school bus manufacturers bid on. So this was used to kind
4 of determine what the bulk purchase price was going to be
5 and from there the awards to the school districts, JPAs and
6 COEs.

7 These are the awards. I want to point out that
8 this is just the first round. Our NOPA actually awarded
9 233 buses. We were only able to take 211 of these buses,
10 so that's 60 different agreements out of the 66 that we
11 initially identified. So some of these delays are due to
12 some schools dropping out and we're having to now re-award.
13 Others are we just couldn't get the CEQA done in time for
14 the Business Meeting, so 211 buses is really impressive.
15 We're truly happy about that. It far surpasses our
16 expectations, but we're still not done.

17 Oh, actually apologies, I'm going to go back to
18 this real quick. So I just want to point out that in
19 addition to the school bus awards we're also providing
20 infrastructure funding. So for each bus that's awarded,
21 the recipient is also receiving \$60,000 per bus for
22 infrastructure. So this can be for if they need trenching,
23 this can be charging equipment, if they want to do solar
24 panels tied to the charging equipment, they can do things
25 like that. So we really want to be able to help these

1 school districts install the infrastructures so that they
2 don't just accept the buses, but can actually refuel these
3 and use these for decades to come.

4 So the results of GFO-18-604, we had six separate
5 applications. These represented all bus types A, C and D,
6 with and without the wheelchair, so that's why there's six
7 categories. Of the six, Lion Electric was awarded five of
8 the types. And Micro Bird received one award that was for
9 the Type A with Chair Lift.

10 So these are not just their scores, but also the
11 bid amount that they had. You'll notice that despite the
12 fact that Lion Electric had 83 percent across the Board,
13 they weren't awarded the Type A with Chair Lift. This is
14 because we had kind of a two-phase approach to this as
15 well. So the first was that the applicant had to pass our
16 technical screening, so that was experience and
17 qualifications, readiness and implementation, battery and
18 fuel range, warranty service and support, innovation,
19 economic benefits to state and ability to leverage funding.

20 So in addition to having to get 70 percent
21 throughout the application to pass, they also had to get at
22 least 70 percent on experience and qualifications as well
23 as project readiness and implementation. And then from
24 there, they went to a low bid approach. So as long as you
25 passed the first phase we would then consider all of the

1 applications equally at that point and just go with whoever
2 the low bid was. So that's why Micro Bird was awarded one
3 of the buses.

4 So here's kind of one of the concept drawings,
5 these are the Lion awards. So on the left you see the Type
6 C, in the middle is the Type A and on the right is the Type
7 D. And this is going to be the A to Z Award. This is the
8 Micro Bird.

9 I also want to point out that we are encouraging
10 recipients through our program to go with our bid on this
11 for the bus manufacturers. But some of them have different
12 requirements on how they procure buses, so we are allowing
13 them to go out on their own if they need to. But we are
14 only reimbursing them the cost of the bus that we
15 determined through this solicitation.

16 So if you're paying close attention to the
17 results of GFO-18-604, you would see that the highest cost
18 of any bus type was the Type D with Wheel Chair Lift. It
19 was little bit over \$337,000. Our initial assumption was
20 that the Type Ds with wheel chairs were going to cost about
21 \$415,000, so there's about an \$80,000 difference. We were
22 pretty amazed by this. There was a lot of excitement in
23 the room when we opened the bids.

24 But what this does to our cost effectiveness
25 scores, if you don't change any other variables our ratio

1 increases from 1.15 to 1.28. The actual benefits to cost
2 ratio is about 510,000 to 397,000. So the benefits
3 outweigh the costs by over \$100,000, per bus.

4 So now an update our timeline, now that we've
5 made all the awards we have a pretty aggressive one. We're
6 expecting 5 percent of these buses on the initial award to
7 be delivered by the end of this year, so that's 11 buses.
8 There are some school districts who currently have
9 infrastructure, so we don't anticipate this portion being
10 an issue for us. And part of what the manufacturers were
11 graded on was their ability to meet delivery deadlines. So
12 we're very confident that we'll be able to get that 5
13 percent by the end of this year.

14 After that, the manufacturers have until next
15 year to get the first 25 percent on the road, 50 percent
16 the year after and 100 percent of these by September of
17 2022.

18 The reason that we kind of have these little
19 goals here is a lot of the school districts, and it's going
20 to vary case-by-case, don't quite have the infrastructure
21 ready to be able to accept these buses. And we would like
22 them to be able to charge them before they receive them,
23 because data collection is a big part of this. And if they
24 can't drive these buses, we can't collect data. So we
25 don't actually know what the benefits are going to be until

1 that happens. So we're trying to work with them on this.

2 And then I did mention that Tami created another
3 program in our Clean Transportation Program, so this is for
4 workforce training and development. So in June at the
5 Business Meeting, we received approval to go forward with a
6 contract with Cerritos Community College. They'll be
7 receiving a little bit over \$1 million to set up a program
8 throughout the state with the community colleges that is a
9 Train-the-Trainer Program. And this will then be available
10 for fleet managers, transportation managers, anyone
11 involved with maintenance and driving to be able to attend
12 these. There's going to be some online programs as well
13 for this. So we're really excited about this as well. And
14 it's going to be lining up pretty well with our program.

15 So one more exciting thing about our program is
16 one of the allowances in Title 13, which kind of regulates
17 what CHP is able to do with vehicles is we are allowed to
18 put a logo on the buses. It's 12 inches by 12 inches.
19 This one up here is the one that we selected, so all the
20 buses funded through this program are going to have this,
21 just to the left of the entrance. So it's really exciting.

22 Anyway, I'm available for questions. And I
23 really thank you for your time.

24 CHAIR ALVORD: Thank you, Tom. I thought it was
25 great, a lot of good information. I have a couple of

1 clarifying questions and I'll open it to the Board.

2 I just wanted to see, in terms of the bids in
3 Slide 9, does this include the infrastructure, or is that
4 additional, the 60K?

5 MR. ORTIZ: This is just for the price of the
6 vehicle, yes.

7 CHAIR ALVORD: Okay. So people are needing to do
8 the infrastructure before they get the vehicle. Will that
9 60K be released, so that they can do on it or? Okay. So
10 they can get by ahead of time and then the vehicle --

11 MR. ORTIZ: Well, it's a reimbursement process
12 that we have.

13 CHAIR ALVORD: Right. Right.

14 MR. ORTIZ: But yeah, so what they can do is they
15 invoice us as they incur costs and then we can reimburse
16 them. We have a 10 percent retention only with the
17 infrastructure. With the vehicles the moment that they
18 provide us with the incurred costs we can reimburse them
19 for that.

20 CHAIR ALVORD: Okay, great. Thank you.

21 Members, any questions?

22 BOARD MEMBER LLOYD: Can you remind us, the
23 material differences between each bus types, what the
24 distinguishing characteristics are just so that we're
25 reminded, because I don't remember.

1 MR. ORTIZ: Yeah, that's fine. So the way that
2 we set this up and there are some other definitions for
3 these, but the Type A is going to be a smaller bus. So the
4 way that we define it is it can seat 16 students, fewer if
5 they need a wheelchair, plus the driver.

6 For the Type Cs, so those are the ones that are
7 going to have -- let me see if I can pull up the picture
8 real quick for you -- so the one on the left, it kind of
9 has the protruding nose. And I think we required 44 seats
10 on this one, maybe more. I don't remember the details off
11 the top of my head exactly. It might have been 54.

12 And then for the Type D, that's going to be the
13 flat-nose one. This is the big bus. And that can seat a
14 lot more students.

15 BOARD MEMBER LLOYD: Okay. Randall?

16 VICE CHAIR MARTINEZ: Yes. Tomas, thank you for
17 that presentation. A couple of questions, it sounds like
18 you engaged with two separate manufacturers and I'm
19 curious, are either of those manufactures California-based
20 companies?

21 MR. ORTIZ: Unfortunately they are not California
22 based. They do have a huge business presence in
23 California, but Lion Electric is from Canada and Micro Bird
24 is also from Canada, but their parent company, Blue Bird,
25 is based in Georgia.

1 VICE CHAIR MARTINEZ: Okay. So the next question
2 is, is any of the assembly associated with these buses done
3 in California or done locally?

4 MR. ORTIZ: It's usually the finishing touches
5 that they do. Lion Electric is in the process of
6 constructing the manufacturing locations throughout the
7 state. I think they are still in the processes of
8 identifying, but they did just lease a space in -- I guess
9 it's on the border of Natomas. (phonetic)

10 VICE CHAIR MARTINEZ: Yeah. I would appreciate,
11 if it's possible, to track any type of California jobs that
12 are created, associated with the local assembly. And as we
13 continue to roll out the program in a bigger way, I would
14 also appreciate any type of incentives and creative
15 thinking that the Energy Commission could provide to
16 encourage a California-based company to bid on these
17 projects.

18 MR. ORTIZ: Yeah, so as part of the scoring
19 criteria, the economic benefits to California, that's why
20 we were trying to emphasize that. So a lot of the parts
21 suppliers for these manufacturers are based in California,
22 so there was a big part of that. But in terms of the
23 manufacturers themselves, yeah, their headquarters tend to
24 be elsewhere.

25 VICE CHAIR MARTINEZ: Yeah. And considering that

1 this is a General Fund Program, a company that's not based
2 in California does not pay state income taxes on their
3 corporate profits. And therefore it's kind of shooting us
4 in the foot if you will. So please get some creative
5 thought to how we can encourage a local companies and a
6 local group that way.

7 As it relates to the buses themselves, the 211 or
8 so buses will result in the removal of how many old buses?

9 MR. ORTIZ: That's 211 old buses. Yeah, they're
10 required to scrap these one year after receiving the new
11 buses.

12 VICE CHAIR MARTINEZ: And is there a way to
13 measure any type of environmental benefit of taking those
14 old buses off the street?

15 MR. ORTIZ: Yeah. So prior to business meeting
16 we had to release a localized health impact report, so this
17 was based on in fact 2017. We were able to do a per mile
18 emissions study on this. And so I can look up the exact
19 numbers that resulted for the projections for this, but
20 there was substantial mitigation here.

21 VICE CHAIR MARTINEZ: Yeah. For a simple guy
22 like me it would be great if we could associate that number
23 on a per bus basis.

24 MR. ORTIZ: We can do that.

25 VICE CHAIR MARTINEZ: Great. Thank you.

1 CHAIR ALVORD: Yeah, I think that's something
2 several of us would be interested in.

3 Okay. Darrell?

4 BOARD MEMBER PARK: Yeah. In addition to that,
5 the diesel particulate is especially bad around children,
6 so if we can have that broken out, because that's a really
7 important number to know.

8 I have three quick questions on sort of failure
9 points and longevity. One of the advantages of electric
10 vehicles, the lack of moving parts, the lack of corrosive
11 materials, the lack of dissimilar metals, mean that the
12 vehicles last a lot longer. So you get a whole lot more
13 use out of the same vehicle.

14 If you can just, the first question is can you
15 talk about the points of failure with each of these? With
16 any vehicle, things wear out. Tires wear out. Brake
17 lights wear out. What are the points of failure
18 specifically related to these three, so go ahead and get
19 that one first and I'll give you the other two.

20 MR. ORTIZ: Yeah. So this was something that
21 we've been talking about with some of the school districts
22 who currently have some of these buses. So they've only
23 been on road a few years now, so we don't have a
24 substantial amount of data. But it seems to be, like you
25 stated it's far less maintenance on these vehicles.

1 It seems like the first thing that's going to go
2 that's going to be kind of a substantial replacement is the
3 batteries on these buses. So that was something that we
4 asked the manufacturers here to come up with first, some
5 second life opportunities for the current batteries. And
6 then when we did the cost effectiveness report, we also
7 built in the assumption that these batteries are going to
8 need to be replaced after about 10 years into that. So
9 yeah, we assumed a 20-year lifespan for these vehicles,
10 which we're thinking might be conservative now. But that's
11 fine.

12 BOARD MEMBER PARK: Okay. I mean that was the
13 second question. And the estimates for passenger vehicles
14 on the electric side, assuming you're replacing components
15 are almost unlimited. That you continue like an aircraft,
16 you continue to replace parts, but you have one that may be
17 decades and decades old.

18 What we don't want to do is create a situation
19 where we have a junkyard of old buses in all these school
20 districts. What can we do to ensure that the taxpayers'
21 money that we don't reach a point where there's a ghost
22 town of old buses that are just a nightmare and an eye sore
23 and a maintenance hassle. How do we make sure that down
24 the line, as time goes on, that in addition to the battery
25 replacement that these folks are doing what they need to do

1 to make sure that the money is spent well and you have
2 these vehicles lasting for decades?

3 MR. ORTIZ: Yeah, So part of that goes into the
4 maintenance program that we're offering, the training for
5 that. Another part is we tried to future proof some of
6 these buses by adding some technology that we think is
7 going to be adapted in the future. For instance, we put
8 CCS Level 1 inlets (phonetic) on these buses that allow
9 them to do the vehicle to grid. So we don't want this to
10 be one of those things where in six or seven years that's
11 something that might be standard on these types of vehicles
12 and then they look at our buses and they say they can't use
13 them anymore, because they don't have that.

14 So yeah, I mean a lot of it comes down to
15 education and then also making sure that the vehicles are
16 built to last for that.

17 BOARD MEMBER PARK: Okay, good. Last question is
18 on tires. They found with passenger electric vehicles that
19 the tire replacement rates are way quicker then with the
20 internal combustion engines. Some of that is there's more
21 torque available and hopefully a bus driver driving kids
22 around is respectful of all the normal guidelines related
23 to speed. But given how the engine performs differently,
24 given how the power comes more quickly, etcetera, tires
25 even following the normal guidelines on speed you will wear

1 out tires more quickly it appears. Is that what you guys
2 have found and do we need to do anything to make sure that
3 this isn't something that keeps buses off the road?

4 MR. ORTIZ: So that's actually something we
5 haven't looked into yet. Again, because these buses have
6 only been on the road for a few years now, like that's
7 something that hadn't quite been brought to our attention.
8 So I really appreciate that. And we can reach out to some
9 of the districts who do already have these buses and see if
10 this has been a concern for them and how they've kind of
11 addressed it if you'd like.

12 BOARD MEMBER PARK: Okay. Great. Thank you very
13 much, great job.

14 CHAIR ALVORD: Okay. Heather or Dave?

15 BOARD MEMBER ROSENBERG: No further questions.
16 Thank you.

17 CHAIR ALVORD: A quick follow up. What happens
18 to the 211 buses that you -- do you scrap them? Do you
19 auction them off? Where do they go?

20 MR. ORTIZ: Yeah, well they're required to scrap
21 them. So we don't want these buses being sold and then
22 getting back on the road, because that kind of defeats the
23 purpose of all this.

24 CHAIR ALVORD: That's good news.

25 MR. ORTIZ: Yeah. So we've been kind of hearing

1 different things in terms of the scrapping. Some districts
2 have said they actually get money for scrapping these
3 buses, for the scrap metal and everything. But then we've
4 had some districts recently saying they actually have to
5 pay to get them scrapped, so this is something that we're
6 looking into as well. But we definitely want these buses
7 off the road. They're also required to by the legislation,
8 so even if we didn't want it, it's going to happen.

9 CHAIR ALVORD: Okay. That's great. Thank you.
10 Thank you, Tomas. Great presentation.

11 MR. ORTIZ: Thank you. Thank you all very much.

12 CHAIR ALVORD: Okay. I believe our next
13 presentation is Deborah Godfrey who is going to update us
14 on the ECAA-Ed Competitive Grant Program.

15 MS. GODFREY: Good afternoon. Can everyone hear
16 me?

17 CHAIR ALVORD: You're really soft.

18 (Off mic colloquy re: audio.)

19 MS. GODFREY: Thank you. I do want to point out
20 that this, as the title suggests, that this is a
21 preliminary update. If this meeting were next month we
22 would be able to give you more information. However, since
23 this was a competitive program, most portions of the
24 competition are -- since they have not been posted are not
25 public knowledge and are not available for distribution.

1 So like I said.

2 I do want to point out for those of you that may
3 not be aware that the ECAA Loan Program has existed since
4 1979 and has loaned out approximately \$280 million in a
5 continuous revolving fund. As soon as the money is repaid,
6 twice a year, it's immediately loaned out to the next. And
7 it has always included K through 12 schools. But with the
8 passage of SB 110 it split out ECAA-Ed as a separate
9 program from our ECAA regular.

10 CHAIR ALVORD: Thank you for that important
11 correction. I think I said grant. It is a loan program.

12 MS. GODFREY: It is a loan program, yes. Wait a
13 minute, I've got to get up to speed on the clicker here.

14 Okay. As was mentioned previously, there was
15 approximately \$113 million remaining from the unallocated
16 Prop 39 funds. And of course as you know, as was just
17 mentioned, the first 75 million went to the School Bus
18 Program. The next 100 million was slated to come to us for
19 the ECAA-Ed Competitive Loan Program and since there was
20 only 38 million, that was all we got of that. And of
21 course the Prop 39 K-12 Grant Program, which would have
22 been affectionately known as Prop 39 2.0 was not funded.

23 As you may recall, SB 110 directed that the
24 additional money for the competitive program be divided
25 with four criteria. That was the geographic diversity, the

1 diversity in the size of the LEA student population, and
2 then allowing also for the percentage of students that are
3 participating in the FRPM program in the previous year and
4 energy savings.

5 The first, numbers 1, 2 and 3 are available
6 through the California Department of Education's website
7 and are updated every year.

8 In trying to keep everything similar to the way
9 it was before, before it was competitive, we still made the
10 loans available to the same folks and kept the same basic
11 funding structure. And that was a maximum loan of up to 3
12 million, the 0 percent interest rate, the total energy cost
13 savings over the estimated useful life of the measure or
14 the actual project cost.

15 And there you can see how we divided the state.
16 And that was, as mentioned before, we did it to ensure that
17 there was a similar number of students represented in each.
18 And that number is about 1.55 million in each of the four
19 regions.

20 And also, there we go, on the size. The tiers of
21 up to 1,000 students; 1,000 to 2,000; and greater than
22 2,000 students.

23 This is how we allocated the money. Though we
24 had approximately 38 million, the number was still kind of
25 squishy at that point. And wanting to ensure that we had

1 adequate funds to allow for at least one full-sized \$three
2 million loan in each region we divided it as such. So that
3 there was 12 million available for small, medium and larges
4 and then 9 million based on central, north, south and LA,
5 for a total of 36 million.

6 And these are the counties that we received
7 solicitations from. And they're in those nasty colors,
8 because it's coordinates with the map that was presented
9 previously. Excuse the yellow. So you can see while we
10 only have applications for approximately 12 counties, they
11 are distributed throughout the state.

12 And this is one of the few numbers that I can
13 give you without being shot. These are the application
14 numbers and then the dollars represented. As you can see,
15 we had the ones in pink are the areas where we received
16 absolutely no solicitations, which of course will be an
17 outreach that we will attempt with our next solicitations.
18 However we did review 16. They were reviewed internally by
19 staff, comprised of three team members on four different
20 groups.

21 I do want to stress that the competitive nature
22 of the solicitation was different. Our previous programs
23 have always been a first-come first-serve basis, which
24 allows for interaction between the applicant and our staff.
25 And so while there were in some of these solicitations,

1 there were what I call fatal errors that unfortunately with
2 the competitive program you are stuck with what you get.
3 There is a onetime application and that's what you work
4 from. And it did not allow for the positive interaction
5 between staff and applicant to correct those errors, go
6 back and forth, hammer out the little inconsistencies,
7 things that may not be 100 percent clear or may appear to
8 be contradictory. You can determine what's more accurate.
9 But unfortunately, with a competitive program here stuff is
10 what you get.

11 And one thing that was good about it being
12 competitive, since it did have a short application period,
13 we received at least double the amount that we would
14 receive over a year for the program, so it did prompt a lot
15 of applicants. Unfortunately, not everyone could be
16 funded, not everyone could pass the criteria.

17 One of the things that we will definitely do
18 different with our next solicitation, which we are hoping
19 to have out by the end of fall, hopefully October that will
20 be again for 36 million, because we do have money left over
21 from this solicitation. We also have ECAA-Ed repayments
22 that have occurred. We also are receiving little plunks of
23 money from CDE as it falls out of the Prop 39 Grant
24 Program, as projects either are cancelled or come in under
25 budget. That money received by us will go into this fund

1 and replenish, so that will happen.

2 And then in answer to the one question that was
3 asked earlier, yes, this program always has a strong local
4 fiscal impact. Because all the contractors are usually
5 within shouting distance of the school district and their
6 subs and their suppliers are usually all local. So there
7 is a significant help there.

8 One thing that we will also do next time is while
9 I think the regional distribution is adequate, the size of
10 it being from 1,000 to 2,000 students is a bit narrow. So
11 you could essentially, in the large school size, have a
12 school of 2001 students competing with a school that had
13 30,000. So I think we will broaden out that center region
14 and maybe even capture some more people in that region as
15 well. We will also concentrate our future efforts in the
16 under-represented areas. And try to make our presence felt
17 in those and probably have more informational presentations
18 in those areas.

19 And that's it for me. Do you have some
20 questions?

21 CHAIR ALVORD: Okay, thank you, Deborah.

22 Members, any questions from the presentation?

23 MS. GODFREY: Thank you.

24 CHAIR ALVORD: Darrell? Sorry, there is one, go
25 ahead.

1 BOARD MEMBER PARK: No, I was just checking with
2 Heather.

3 CHAIR ALVORD: Okay. Heather?

4 BOARD MEMBER ROSENBERG: No, sorry.

5 CHAIR ALVORD: Thanks. Okay, next presentation
6 by Bill Pfanner as the Prop 39 K-12 Program Preliminary
7 Update.

8 MR. PFANNER: Thank you. I'm Bill Pfanner. I'm
9 Program Lead for Proposition 39. We always welcome the
10 opportunity to meet and present with the Citizens Oversight
11 Board.

12 This was called the 2018-'19 Preliminary Update,
13 which is a little misleading in that we really don't get
14 into the numbers for '18-'19 until October, November,
15 December and we present in January of 2020 the real numbers
16 to you. So I would kind of call this Proposition 39, where
17 we've been, where we are and what we're seeing going
18 forward right now.

19 So this is the basic background information that
20 many of you know, a five-year program with allocations to
21 the LEAs for each year. Each year was a little bit
22 different, approximately \$1.7 billion over the five-year
23 program.

24 And one important thing to note is fiscal year
25 2017-'18, on February 26th of that year was the last day

1 that a new EEP could be submitted and approved by the
2 Energy Commission. And that will have meaning later when I
3 get into other issues, but that date was critical in that
4 SB 110 determined what money was going to be left over from
5 Prop 39 to be used for the bus replacement and for the ECAA
6 Competitive. So after February 26th, 2018, there cannot be
7 another EEP asking for more money, because there is no
8 "there" there, so that is an important date. And you'll
9 see why later.

10 So with our funding allocations it's important to
11 kind of look at how it broke down that there were 1,182
12 charter schools. A lot of charter schools out there: 54
13 percent of the applicants, public school districts, 946 of
14 them; 43 percent of the applicants and then 58 county
15 offices of education, 3 percent and state special schools,
16 1 percent. So that's the pie of who the LEAs were that
17 were getting Prop 39 money.

18 Then you look at the actual money involved with
19 that, the public schools are the big share of it. That
20 they got 82 percent of the money involved. The charter
21 schools, 17 percent of the money and down to smaller
22 amounts, so although there are a large number of charter
23 schools they're all small amounts of money.

24 What we're seeing now and where we are in the
25 process is annual reports and final reports. Every year at

1 this time we kind of close Prop 39 to amendments and say,
2 "If you have an EEP in and it hasn't gotten a final report
3 yet, where are you?" And our staff is reaching out, "Are
4 you doing what you're supposed to be doing? All those
5 things that are supposed to be happening, are they
6 happening?" And if each year in the Prop 39 program there
7 was an increase of EEPs being approved, you can see that
8 each year there are more annual reports coming in.

9 And then one year after a project is done, 12 to
10 15 months, they owe us a final report. So you can see
11 there that the final reports are increasing now as the
12 annual reports are decreasing. But the process is
13 proceeding. And you can see that there are a large number
14 of final reports that get processed.

15 So where we are right now on that topic is
16 looking at the annual reports and the final reports. Staff
17 as I say, does a lot of outreach. Where's the annual
18 report? Where's the final report? We do report back and
19 it may seem like a small number, which is good, but with
20 the annual reports I believe that there were seven that we
21 didn't get in last year -- where's my numbers -- yeah,
22 seven were not submitted. So we got a 99 percent success
23 rate with the annual reports, which is good.

24 And the final reports, last year there were three
25 that we didn't get in. And the year before that, there

1 were five. There's really not a lot we can do if the
2 school doesn't give us a final report although we do report
3 it to the Citizens Oversight Board in the annual report.
4 And again, these numbers are small of what we're not
5 getting in.

6 The other challenges we're seeing is that in
7 2018-'19 we received from CDE a list of 23 charter schools
8 that were closed. And we've just received from them a
9 preliminary list for 2019-'19 of 52 charter schools that
10 were closed. Now, when I saw those numbers and starting
11 looking into it, I was a little concerned. But you have to
12 understand there are 1,152 charter schools, so this is a
13 small amount. And when we started looking into what did it
14 mean when a charter school said it was closed? Every
15 situation is different. And it doesn't mean that the
16 school is necessarily closed.

17 So I wanted to kind of run through some scenarios
18 so you can see the kind of situations that we're facing.
19 And I picked five good examples just to show what we're
20 seeing. And this Magnolia Science Academy, it wasn't on
21 the list of closed charter schools, but it did come to our
22 attention in that it was an approved EEP for a charter
23 school that came to us after February 26th, 2018 and wanted
24 to amend their EEP to a new location. Well, Prop 39
25 Guidelines do not allow you to amend an EEP. You have to

1 submit a new EEP. And after February 26th you cannot
2 submit a new EEP.

3 So this was a situation where the charter school
4 had submitted an EEP, was issued their money, moved their
5 location and now wanted to move their money to a new
6 location. The appeal process, if someone disagrees with a
7 staff decision, is they file a Petition for Reconsideration
8 to the CEC's Executive Director. And this charter school
9 followed through with that, because staff had denied the
10 request. And the Executive Director also denied the
11 request.

12 Once that's done, an applicant has an opportunity
13 to appeal that decision to the Commission to the Public
14 Adviser's Office. And the Public Advisor takes it to the
15 full Commission for decision. And this item went to a full
16 decision by the Commission and they also ruled, consistent
17 with staff, the regulations just don't allow it. It's
18 unfortunate, but you cannot move to a new site after that
19 date.

20 So the CEC has requested that this LEA cancel
21 their EEP and we will report this to CDE for CDE to
22 determine any obligations for the return of Proposition 39
23 funds.

24 The Excelsior Charter School was an interesting
25 one in that we had a lot of interest in that this was a

1 charter school that we were told had cancelled. And we
2 started getting letters saying, "But we didn't cancel. We
3 had to close our charter and open a new one because of the
4 Shasta Decision." Well that didn't mean anything to our
5 staff. But in looking into it and working with our legal
6 staff there was a decision that basically held that a
7 charter school may not locate a non-classroom based
8 resource center outside of the geographic boundaries of an
9 authorizing school district within the same county.

10 So there are a number of charters that had to
11 close their charter and reopen under another entity. So
12 the school was there. They didn't do anything different
13 other than because of the Shasta Decision had to close
14 their charter and reopen it.

15 So in our working with our legal staff, we
16 started looking at, because there was more than one charter
17 in this situation, that we said okay if a charter comes in
18 and it's closed because of the Shasta Decision, they're at
19 the same location, it's the same purpose. They didn't
20 deviate from their EEP and they're not in conflict with
21 Proposition 39 Guidelines, the CEC will process this under
22 the original CDS code and CDE will know that this school is
23 being processed and will get its Proposition 39 funds. So
24 there are a number of schools like that.

25 The Granada Community Charter is kind of another

1 one that typifies a situation where a charter closes and
2 reopens under a different entity. They may open under
3 another charter. They may open under a public school
4 district. But in order to do so and change that parent
5 umbrella entity, they had to close their charter. So
6 again, we looked at it and said the school was closed after
7 June 30th. It remained at the same location. They didn't
8 change their intent. They're meeting the EEP and they're
9 not in conflict with the Prop 39 Guidelines. That is a
10 green light. Go ahead with your EEP with the caveat that
11 whoever your parent entity is, is responsible now for
12 ensuring that we get the annual report and the final
13 report. And also they will be responsible if there are any
14 violations or audits that they will be responsible for
15 responding to any audits that may come up as the parent
16 entity.

17 CHAIR ALVORD: Clarification question, a parent
18 entity, is that the school district that authorizes the
19 charter?

20 MR. PFANNER: Yes.

21 The Yosemite-Wawona Elementary School was another
22 unique situation. And it's interesting, because almost
23 everyone is somewhat unique. You know you think you've had
24 it and then, "Ah, but this one's a little different." So
25 this school was a charter that closed for one year. They

1 planned to reopen. They had a valid EEP. They're in the
2 same location. They just did not have students for a year
3 and in looking at Proposition 39 they didn't move. They
4 are not deviating from their EEP. They're consistent with
5 their guidelines. And we determined if the school reopens
6 in 2019, as planned, they can proceed with their energy
7 upgrades as in their EEP. And they will still be required
8 to do the annual and final report when they complete their
9 work.

10 Taylion San Diego Academy is an interesting one.
11 And again it's a unique situation in that it's a charter
12 school that received its funds and then the school closed
13 permanently, not to reopen again. So it no longer -- it
14 was in a leased building. They got Proposition 39 funds.
15 They didn't move somewhere. They didn't change their
16 umbrella entity. They're closed. They're gone. And this
17 was closed because of Shasta Decision, but they just didn't
18 find somewhere else to go. So for whatever reason, they
19 got Prop 39 money and now they're not there.

20 So what we have requested is -- you know we have
21 to account for Prop 39 funds, so we're asking for is there
22 12 months of utility data for the structure? The school
23 was vacated prior to the payback period for Prop 39, so
24 right there we're seeing some violations. We will report
25 to CDE that this school got Proposition 39 funds. They did

1 or did not give us a final report. They did not meet their
2 payback period and CDE will then determine what appropriate
3 actions need to be taken.

4 So the good news is this is a rare situation.
5 For as many EEPs and schools that we are working with
6 that's very rare to see one where we're seeing the schools
7 closed completely. And they got the benefits of Prop 39,
8 but we're not seeing a payoff.

9 So in most situations when we see a situation
10 whether it's an EEP that is coming in for an amendment or
11 that has a closed number through CDE staff can work with
12 the school and find a way to ensure that Proposition 39 is
13 complied with, the school gets the money that it is
14 approved for and authorized for. But there is transparency
15 and accountability, so that if there is an audit we can
16 demonstrate clearly what actions were taken, why they were
17 taken and how we met Proposition 39. And we are working
18 closely with CDE and with our legal staff, because as I say
19 every situation where you think you know how to resolve it,
20 there's a different twist to it.

21 So the list of 52 for this next year, I haven't
22 really even looked at them yet, but I am confident that we
23 will be able to get through most of them. And as I say
24 this Taylion San Diego Academy is the only one that really
25 jumps out as this one's a problem. The other ones we've

1 worked out somehow.

2 So where we're going, the important dates were
3 just --

4 BOARD MEMBER LLOYD: May I ask a quick question
5 about this one?

6 MR. PFANNER: Oh, sure.

7 BOARD MEMBER LLOYD: Do you know who currently
8 occupies that leased space?

9 MR. PFANNER: It was a -- I'm looking for the
10 staff -- it's an empty building right now, but we had
11 thoughts maybe another school took it over and we could get
12 utility data, but it's not another school.

13 BOARD MEMBER LLOYD: Vacant, okay. Thanks.

14 MR. PFANNER: So we are actually working with the
15 receivership and seeing what we can get. We might be able
16 to get three months of utility data and extrapolate that.
17 But this is a very different situation.

18 So we just passed June 30th, 2019 Prop 39
19 requirements that all LEAs have their work encumbered. So
20 now if I get a request from someone saying, "Hey, I've got
21 a problem with my EEP," the first thing I say, "Is your
22 money encumbered? If it's not, you have a problem because
23 your money needs to be encumbered right now. If it is
24 encumbered, you pass go and go on to the next step."

25 So we are also right now working on the annual

1 report for the -- the annual reports are coming in to us
2 during this period and we will be working on the next COB
3 Report through December and have that published in January
4 of 2020. And we will also then at that point start an
5 extensive outreach program, e-blasts, notifications, direct
6 contact to the LEAs, making them very clear that the final
7 date for project completion is June 30th, 2020.

8 Then after that's done we will have the Citizens
9 Oversight Board Annual Report prepared for 2019, '19-'20
10 and January 2021 we will submit that report to the COB with
11 final dates for all project reporting completed in June
12 30th of 2021. Then a 15 month period for all the final
13 reports and our final report to the COB would be 2022,
14 January of 2022, with Proposition 39 as we know it at this
15 time.

16 So again I'd say wishing a lot of unique
17 situations, we do feel confident that in most situations we
18 can work with the LEAs. It truly is our goal to get the
19 money to the schools, if we can. But it's also our goal to
20 be accountable, transparent, legally defensible and
21 ensuring that we are following the process.

22 And it's always a tough one when you see one,
23 "You know, if I interpret this one a little differently, I
24 can get their money." You can't bend the regulations. So
25 the one that got appealed all the way to the full Energy

1 Commission, their justification was, "Look, we've got the
2 money. What's the big deal?" Well the big deal is because
3 you're against the regulations, so we can't bend the
4 regulations for one school that really thinks they should
5 get the money.

6 So any questions, I'm happy to answer them.

7 CHAIR ALVORD: We appreciate that. Any members
8 have questions on this? Okay. Dave or sorry, Darrell,
9 Randall?

10 VICE CHAIR MARTINEZ: Just an observation, this
11 Shasta Decision compliance is very peculiar to me. And
12 since charter schools touch so many parts of our programs,
13 various programs, it seems to me that compliance with the
14 Shasta Ordinance could come up in several ways. And I just
15 wonder if, as a way to mitigate possible instances in the
16 future on other programs, if maybe as an additional step
17 when processing any type of application from a charter
18 school that we ask for some type of self-certification
19 saying that they comply with that particular ordinance just
20 as a way to have something on the record.

21 MR. PFANNER: Yeah. And that came up mid-life of
22 Prop 39, so at the beginning of Prop 39 the Shasta decision
23 hadn't happened yet. So it's one of those things you know,
24 but yes it's a very good point.

25 CHAIR ALVORD: Good idea. David?

1 BOARD MEMBER DIAS: Yeah. I'm a little bit
2 concerned about that Yosemite school, that it didn't have
3 students for one year and then maybe not the next year and
4 how's that going to all work out if it -- I guess it's a
5 small school, I'm assuming. The Taylion? I don't want it
6 to turn into that, so can we do anything about that or are
7 we just?

8 MR. PFANNER: Well, the one that's in
9 receivership we will try to figure out who's accountable.
10 Right now, we're not getting a lot of calls back when
11 you're trying to figure out who is accountable here.

12 For the situation where the school closed for a
13 year, if they didn't meet their requirements and let's say
14 they don't have their work completed by the date, well then
15 they're going to have to return their money. So there are
16 other checkpoints for the school to close for a year and
17 say that they're going to reopen that we would know whether
18 they did or didn't meet their Prop 39 obligations.

19 But for the school that closed and moved away and
20 put Prop 39 improvements on a building that they leased and
21 they're not there anymore, that all we can do is report to
22 CDE what we have.

23 BOARD MEMBER DIAS: Okay.

24 MR. PFANNER: But fortunately what we're seeing
25 so far, that is the rarity.

1 CHAIR ALVORD: Yeah. Heather, do you have any
2 questions?

3 BOARD MEMBER ROSENBERG: Nope. Thank you.

4 MR. PFANNER: Thank you.

5 CHAIR ALVORD: Okay. I actually, sorry Bill I
6 have a question or two. Unfortunately, I live across the
7 street or down the road I should say, from a charter school
8 that after a protracted process had to close. And I think
9 I'd like to echo Randall's point that maybe we should be
10 conducting a little bit of additional scrutiny with some of
11 these schools. Because I think, particularly for schools
12 that are there to service low-income kids we definitely
13 want to help those schools, but there have been problems as
14 we've seen. Both problems at the schools where it's not
15 their fault like the Shasta Decision, but also other things
16 where maybe good intensions outweighed maybe a certain
17 amount of fiscal prudence. That I believe is the case in
18 my neighborhood.

19 So I think it would be good for us to keep track
20 of this. And I just want to clarify that both the list of
21 23 last year and the list of 52 this year were schools that
22 had received or were in the process of receiving funds; is
23 that right?

24 MR. PFANNER: Yes. They were all Proposition 39
25 funds.

1 CHAIR ALVORD: I wasn't entirely -- yeah, okay.
2 Very good, so let's just keep an eye on this and hopefully
3 this won't be a consistent problem.

4 BOARD MEMBER DIAS: Agreed.

5 CHAIR ALVORD: Okay. Thank you very much for the
6 report, appreciate it.

7 Okay. I think our next presentation is the
8 Annual Program Audit from the State Controller's Office.

9 MS. GODFREY: If I could interrupt for a second?

10 CHAIR ALVORD: Sure

11 MS. GODFREY: I wanted to -- in talking about the
12 charter schools, I wanted to let you know that in process
13 for the loan program, for the ECAA-Ed Loan Program, we have
14 addressed all those issues for charter schools. So should
15 those arise, we will know about them before they're a
16 problem.

17 CHAIR ALVORD: That's great, really appreciate
18 that, Deborah. Thank you.

19 Okay, next is Jim Venneman, Office of the State
20 Controller Betty Yee with our audit.

21 MR. VENNEMAN: Good afternoon Chair and Board
22 Members. Thank you for allowing the State Controller's
23 Office to present our audit results. My name is Jim
24 Venneman. I'm an Audit Manager with the State Controller's
25 Office in the Division of Audits. And today I'll be giving

1 you an update on our program audit of the California Clean
2 Energy Jobs Act.

3 Under the authority of the interagency agreement
4 between the Citizens Oversight Board and the Controller's
5 Office we conducted a program audit of the job creation
6 fund and issued our audit report on June 28th, 2018. And
7 so to go over the highlights of what is in our report this
8 year we created this little PowerPoint presentation. I was
9 the Audit Manager on the assignment and Lisa Kurokawa who
10 is sitting over here in the audience is my boss and the
11 Chief of our Compliance Audits Bureau, which is the Bureau
12 in which we connected this audit.

13 So our agenda for this presentation is we'll go
14 briefly over the audit authority and our audit objectives,
15 talk a little bit about the audit scope. We'll go through
16 the audit methodology that we use for local education
17 agencies and community college districts, because it was a
18 little bit different just because of the type of districts
19 that they are. We'll go briefly through our audit results,
20 our findings. We also had what we call an observation and
21 I'll explain why there's a difference. And at the end, you
22 can ask questions you may have about what in our work.

23 I put this slide in here to indicate that we
24 looked at a lot of documentation in the process of going
25 through these 19 school districts. Had this been the old

1 days back when I was a young auditor, we would have been
2 carrying around a stack of documents like this, but
3 fortunately we live in a modern age. And my staff was able
4 to go out and make copies of things just digitally and we
5 have everything on our hard drives and flash drives.

6 The State Controller's Office and the Citizens
7 Oversight Board entered into a three-year contract on June
8 15th, 2016, to do several things. One is to assess the
9 California Energy Commission's controls over the Prop 39
10 Program implementation and administration to ensure that
11 program expenditures and fund accounting complies with
12 applicable statutes, the Public Resources Code. And we
13 also audited a selection of completed projects. Over the
14 three years, each year we tried to audit about 80 percent
15 of local education agencies and 20 percent community
16 college districts to determine compliance with Prop 39
17 Program Guidelines.

18 So our audit scope for the most recent program
19 audit that we did, as of June 30th, 2018, California
20 schools reported the following completed projects under the
21 Prop 39 Program. We had 114 local education agencies that
22 submitted -- had final projects totaling a little bit over
23 \$63 million. And we had 37 community college districts
24 that reported completed projects -- these are all complete
25 projects -- completed projects totaling a little bit over

1 \$22 million.

2 So from that listing of completed projects we
3 judgmentally selected for audit 16 local educational
4 agencies with reported total expenditures of a bit over 20
5 million, 32 percent of the total for LEAs and 3 community
6 college districts with reported total expenditures of a bit
7 of four million, about 18 percent of the total for
8 community college districts.

9 Now, when we did this selection we didn't just
10 pick all the districts with the most the dollar amount of
11 expenditures, we tried to include districts in urban areas,
12 in rural areas. And OCDE ranks schools by tiers according
13 to the average daily attendance, so we picked schools from
14 each tier. We wanted to get a representative sample of all
15 different kinds of districts, so the results would be
16 representative of what we see statewide. So that's what
17 we did.

18 So our audit methodology first for local
19 educational agencies, we did these following steps. We
20 determined whether planning funds were expended properly
21 and that unused planning funds were applied to project
22 implementation, that the LEAs submitted an energy
23 expenditure plan to the Energy Commission consistent with
24 their project priorities, that the Energy Commission
25 approved these EEPs in compliance with the Prop 39

1 Implementation Guidelines and the EEP Handbook and that the
2 approved EEPs included all of the required components.

3 We determined that the final report that the LEA
4 sent in to the Energy Commission included all information
5 outlined in Public Resource Code Sections 26240(b)(1)
6 through section (b)(7). That the LEAs use a competitive
7 bid process and did not use a sole source process to award
8 project funds. This was an area that we had some problems
9 as we'll talk about in a few minutes. That LEAs had signed
10 contracts identifying project specifications, costs and
11 energy savings. We had a few problems here. And lastly
12 project costs incurred were adequately documented and
13 supported. And I'm glad to say that we had no issues
14 whatsoever with LEAs documenting and supporting everything
15 that they spent.

16 Community college districts, a slightly different
17 methodology, because of the process set up by the
18 Chancellor's Office. We determined whether college
19 districts submitted a Prop 39 funding application to the
20 California Community College's Chancellor's Office, which
21 approved the application consistent with their
22 implementation guidelines. That the district submitted a
23 call for projects form, identifying projects as energy
24 efficiency or renewable energy generation. That Prop 39
25 closeout project completion forms and the annual project

1 expenditure reports submitted to the Chancellor's Office
2 contained all of the required information and that they use
3 a competitive bid process, did not use a sole source
4 process to award project funds. We had problems here in
5 this area as well. That the districts had signed contracts
6 identifying project specifications, costs and energy
7 savings, we had some issues with the energy savings portion
8 of this. And that project costs incurred were adequately
9 documented and supported. And once again similar to the
10 LEAs, college districts did a great job of adequately
11 documenting and supporting all of the expenditures that
12 they had under the program.

13 So now we'll phase in to the results of our
14 audit. So the biggest finding, we had two dollar findings.
15 We had two areas of findings. We had what we called
16 compliance findings, which is -- we had two findings there
17 and we had two dollar findings.

18 The biggest dollar finding was the area of sole
19 source contracts. We had sole source contracts totaling a
20 bit over \$2 million for seven LEAs and \$823,777 for 3 CCDs.
21 I would point out that in all the instances here these were
22 not all of the contracts that the districts had signed. In
23 most cases it was -- in most cases it was one contract. In
24 several districts, it was two. But it was only a small
25 portion.

1 Under ineligible expenditures we discovered that
2 one LEA spent a little over \$8,000 for -- it was a
3 pollution monitoring project. And we had one CCD that
4 spent a little over \$19,000 -- it was actually an energy
5 project, but it wasn't included in their energy plan so it
6 was unallowable.

7 So the two findings that we had were compliance
8 issues. We discovered signed contracts that did not
9 specify required projected energy savings for 10 LEAs and 3
10 college districts. When we talked about these issues with
11 these districts they all pretty much said, "Well, we talked
12 about energy savings in our Board meetings and we have a
13 lot of documents that show projected energy savings and
14 it's in our energy plan." But we said, "Well yeah, but
15 it's not in your signed contracts and that's what the
16 Public Resources Code requires."

17 The second finding we had for compliance was the
18 final project completion report were submitted after the
19 deadline. We had five LEAs that submitted their final
20 reports more than 15 months after the deadline. I think in
21 all cases here they said, "Well, these districts are mostly
22 small districts." And they had worked with consultants and
23 for whatever reason the consultants didn't submit the final
24 reports in the required amount of time.

25 Now we had this one issue, the recall, an

1 observation. And I want to explain a little bit about why
2 we differentiate between an audit signing and an audit
3 observation. The scope of our audit was to determine if
4 program expenditures complied with applicable statutes.
5 And in this instance here we found something that was not
6 really part of our audit objective. This is an issue that
7 involves reconciling the funds apportioned by the
8 Department of Education with the EEP amounts approved by
9 the Energy Commission. That wasn't part of our audit. But
10 while we were doing the audit, we noticed several districts
11 that actually received more funding than was in their
12 approved expenditure plans.

13 So we discovered that the four LEAs received Prop
14 39 funds in an amount of approximately \$26,000. And we
15 brought this issue to the attention of the CDE and after
16 some back and forth discussion was our representative at
17 CDE they agreed, "Yes, we overpaid these four districts."
18 And they concluded that the issue was likely because of
19 changes made in planning fund budgets and the lack of final
20 project completion reports when they apportioned the funds.

21 The way the program worked back when the Prop 39
22 first started, CDE paid out planning funds to all the
23 districts. They didn't have to provide any energy plan.
24 They didn't have to provide anything. They just
25 apportioned money out. And then later, as the program went

1 on the energy plan started to arrive and some districts
2 just managed to receive more funding than they were
3 allowed. So we labeled this issue as an
4 observation like I said, because reconciling funds
5 apportioned by the Department of Education to EEP amounts
6 approved by the Energy Commission was not an audit
7 objective. But audit standards do require that we report
8 this issue, because it's related to the work that we were
9 performing.

10 And this is my conclusion of my presentation.
11 And I'm available to answer any questions you may have
12 about our audit.

13 CHAIR ALVORD: Are there any questions from Board
14 Members, Barbara?

15 BOARD MEMBER LLOYD: Yes, so one of my questions
16 has to do with this issue about the energy savings not
17 being stated in contract. And whether or not the schools
18 were given the opportunity to cure that with an amendment
19 with their contractor to fix that by essentially amending
20 the contract to include that additional information or
21 where that stands. I think that was the solution that was
22 undertaken in the past.

23 MR. VENNEMAN: That wasn't really something that
24 we discussed with these districts. In a lot of cases these
25 contracts were several years old. And I'm not sure that

1 amending the -- we never talked to them about amending the
2 contract. So I guess we didn't think that was an option
3 that they could pursue.

4 BOARD MEMBER LLOYD: So I guess the issue is if
5 they're not in compliance and they're going to be
6 recommended, because of not being in compliance, that they
7 have to return some funds. I mean depending on the outcome
8 of not being in compliance is, is there a cure that doesn't
9 result in people having to give money back on projects that
10 were otherwise perfectly fine?

11 MR. VENNEMAN: It was our understanding that this
12 was a compliance issue that didn't involve them having to
13 return the funding. It was more of a "don't do this again"
14 and now that the program has ended there's not much they
15 can do.

16 We were not aware that --

17 BOARD MEMBER LLOYD: Maybe other issues like the
18 sole source that was potentially resulting in people having
19 to give funds back, so I may be conflating two prior
20 findings.

21 CHAIR ALVORD: Yeah, I actually had questions.
22 My very first Board Meeting a year ago on this sole source
23 contract issue, because it is -- it's pretty significant in
24 terms of the numbers of schools and I know that there's
25 some reasons for that.

1 Jim, would it be improper to ask you to just
2 inform us, or Mr. Venneman if you know, what some of the
3 reasons are we have such a significant number there,
4 certainly for Board Member Park's edification if not the
5 rest of us.

6 BOARD MEMBER PARK: Yeah, that would be helpful.

7 MR. VENNEMAN: Okay. If I understand your
8 question, you're asking why did they -- what reasons did
9 they give for sole sourcing these contracting these
10 contracts? That's a good question. We had different
11 responses to this issue.

12 And the way we conduct our audits is we -- at the
13 end of our field work we provided every district with the
14 results of our work and told them what our findings were
15 and invited them to respond. And most of the districts
16 responded, some did not. Several of the districts that we
17 identified had sole source contracts. They had two of them
18 that didn't respond, so we don't know their position. We
19 had one that said, "Yeah, well yeah, yeah we did it." And
20 we had several districts that disagreed.

21 We had several districts that said, "Well,
22 there's no definition of sole sourcing in statute or in
23 Prop 39 Guidelines. And so we relied on different code
24 sections or different statutes." Or we had one district
25 that said "Well, the definition of sole sourcing isn't

1 defined anywhere, so we just used our own guidelines to
2 sign these contracts."

3 We had one district that said "Well, we issued a
4 request for a proposal for planning." And we found a
5 district that had two RFQs. They had one for planning and
6 they had one for program implementations, but they couldn't
7 provide us with the one for program implementation. And
8 they tried to say that the one they issued for planning
9 also included program implementation, but we disagreed with
10 that.

11 We had one district that said, "Well, we use the"
12 -- this is a community college district -- they talked
13 about using the California Multiple Awards Schedules, the
14 CMAS. It's a program with the Department of General
15 Services. And they said -- and this is a program set up by
16 the federal government to select vendors. And we looked at
17 the guidelines that the DGS that submitted to that and the
18 guidelines said that even though districts could use CMAS
19 for selecting vendors, it still didn't relieve them from
20 following state regulations for whatever program, whatever
21 grant program they were using. And so we felt that that
22 disqualified that program from Prop 39 with the sole
23 sourcing issue.

24 And let's see, we had one district that cited
25 best value criteria, which was part of the -- it was the

1 Public Contract Code that has since been repealed. And we
2 determined that the best value criteria was really a list
3 of items that districts could consider when selecting
4 different vendors under a competitive bidding process,
5 rather than a way to avoid it. So that's kind of the
6 different responses that we received.

7 We didn't have any districts that responded to
8 the sole sourcing issue. But we did have some districts
9 that actually provided, after the fact, some additional
10 documentation that showed that they actually did have a
11 competitive process for some of these contracts, so some of
12 the findings that we had identified initially went away.
13 The ones that we're talking about in the audit report are
14 ones that we just never resolved it with the district.

15 And we concluded that our position in this
16 process was we're kind of like the middle man. They're the
17 ones that are spending the money. And we're identifying
18 departures from regulations and we're going to report it.
19 They have the ability -- schools have the ability to appeal
20 their findings through the Education Appeals Panel. And
21 college districts have the ability to appeal to the
22 Chancellor's Office. So we felt that that was a more an
23 appropriate venue for them to take their case, rather than
24 for us trying to figure out the solution to this.

25 CHAIR ALVORD: Pardon me if I missed this, but

1 this is both the school districts and the community
2 colleges both, correct?

3 MR. VENNEMAN: Yes.

4 CHAIR ALVORD: Thank you. Okay.
5 Darrell?

6 BOARD MEMBER PARK: I think I had a
7 misunderstanding. I had somehow incorrectly assumed that
8 some of the sole source problems were due to extreme rural
9 areas where you don't have the full swath of vendors that
10 you might have in a more populated area. That's not the
11 case, correct?

12 MR. VENNEMAN: Well, we did have one district
13 that said that, yes. And they were in a rural area and
14 they said, "Well, we just don't have access to contractors
15 like districts do in larger areas, in more urban areas."
16 And so --

17 BOARD MEMBER PARK: Okay. But that was only one?

18 MR. VENNEMAN: Only one, right.

19 BOARD MEMBER PARK: Okay. Thank you.

20 CHAIR ALVORD: Randall, I think you had a
21 thought?

22 VICE CHAIR MARTINEZ: Yes. Thank you.

23 Thank you, Jim, for that detailed report and for
24 the work that your office has done. I understand that the
25 scope of the audit was to do just that, an audit, and

1 report on findings and also in your case, observations.

2 It seems to me what's missing here is another
3 type of analysis, probably from the Energy Commission staff
4 themselves, in terms of how do you take the lessons learned
5 that have been uncovered from these findings? And what are
6 we going to do to improve the program for the future, in
7 coordination with the California Department of Education
8 and also the community college districts. And perhaps that
9 type of analysis recommendation and implementation plan
10 from CEC staff could feed directly into our future report
11 to the Legislature, which might include recommended program
12 changes.

13 CHAIR ALVORD: Thank you, Randall.

14 And I think that along with that the energy
15 savings in the contracts is another issue that keeps
16 recurring. So perhaps we should be thinking about how we
17 follow up on that. I don't think we have a silver bullet
18 anywhere in any of these issues, but I think we should --
19 that shouldn't excuse us, but at least trying to look.

20 Okay. Thank you very much.

21 MR. VENNEMAN: Thank you.

22 CHAIR ALVORD: Okay. And finally, let's see, do
23 we need to vote to accept, Jim?

24 MR. BARTRIDGE: We could do that or we could wait
25 till this one's done. I wanted to ask --

1 CHAIR ALVORD: Why don't we wait and vote on
2 them?

3 MR. BARTRIDGE: Okay. And then we also have CDE
4 on the line and Chancellor's Office is in the room. I
5 don't know if you want to respond to anything at this
6 point.

7 (Off mic colloquy.)

8 MR. BARTRIDGE: Okay. Great. Great, so we'll go
9 through the next audit and then we can --

10 CHAIR ALVORD: Okay. And David Supan, thank you
11 very much.

12 MR. SUPAN: Good afternoon. Can you hear me?
13 Good afternoon Chair and Board Members. Thank you for
14 allowing the State Controller's Office to present our audit
15 results. My name is David Supan. I'm a manager in the
16 State Controller's Office, Division of Audits, Financial
17 Audits Bureau. I'll be presenting the results of the
18 financial audit performed of the Clean Energy Job Creation
19 Fund.

20 So under the authority of the interagency
21 agreement between the Citizens Oversight Board and the
22 State Controller's Office, the State Controller's Office
23 performed a financial audit of the Clean Energy Job
24 Creation Fund recorded in the State General Fund for the
25 years ended June 30th, 2017 and 2018. The audit also

1 fulfills the Board's responsibility per Public Resource
2 Code 26201, of commissioning an annual independent audit of
3 the Clean Energy Job Creation Fund.

4 This is the second of two financial audits the
5 State Controller's Office has performed for the Citizens
6 Oversight Board. The prior audit covered the fiscal years
7 ended June 30th, 2014, 2015 and 2016.

8 The State Controller's Office audit opinion for
9 the year ended June 30th, 2017 was qualified because the
10 accounting records were inadequate and certain supporting
11 documents were not available. We were unable to obtain
12 sufficient supporting audit evidence to support the amount
13 of expenditures reported in the financial statements at
14 June 30th, 2017.

15 For the year end of June 30th, 2018 two agencies
16 have not closed their books by completing all the
17 reconciliation and finalizing the recordings of account
18 balances and activity recorded in the fund, as of June
19 30th, 2018. Because the amounts recorded are material to
20 the fund, we were unable to determine whether the fund
21 financial statements as of June 30th, 2018 are fairly and
22 accurately stated. Accordingly, we did not express an
23 opinion on these financial statements for the year ended
24 June 30th, 2018.

25 We identified two audit findings that are related

1 to the qualified opinion and disclaimer of opinion issued
2 for the years ended June 30th, 2017 and 2018 respectively.

3 The first of the two findings for supporting
4 documents not adequately maintained, identifies both the
5 California Community Colleges Chancellor's Office and the
6 California Conservation Corps, who were unable to complete
7 all reconciliations necessary to provide a final accounting
8 of amounts and activities for fiscal year '17-'18.

9 The Chancellor's Office did not provide a trial
10 balance and year end final or estimated financial
11 statements. And the California Conservation Corps provided
12 estimated trial balances and year-end financial statements.

13 The two agencies were unable to provide their
14 finalized accounting records for fiscal year '17-'18 due to
15 the difficulties they had each incurred implementing the
16 state's new financial information system for California,
17 also known as FI\$Cal.

18 Several challenges that each agency had in
19 implementing the new system caused delays, which in turn
20 effected their ability to finalize the fiscal year '17-'18
21 accounting records and provide supporting documentation.
22 This was the primary reason that led to the requirement
23 that we disclaim an audit opinion for the financial
24 statement amounts for fiscal year '17-'18.

25 For fiscal year '16-'17, the Chancellor's Office

1 also was not able to provide support for all of the
2 expenditures that it incurred for the fiscal year. We were
3 able to audit some of the expenditures incurred by the
4 Chancellor's Office for the year, but not the population of
5 each type of expenditure. The fiscal year '16-'17
6 expenditures we were not able to sample and test
7 represented 46 percent of all the expenditures for the
8 year. The amount is material and as a result, we were
9 required to qualify our audit opinion regarding the
10 expenditures for fiscal year '16-'17.

11 Although the Chancellor's Office did not state it
12 was short staffed in reply to the audit findings, this
13 appears to have been a primary contributing factor.

14 The State Controller's Office recommendation as a
15 result of Finding 1 was that the agencies maintain and
16 finalize their accounting records in a timely manner and
17 that they consider obtaining additional assistance to
18 resolve the fiscal implementation issues. Both agencies
19 welcomed the recommendation and had already begun using
20 additional outside staff resources for working through the
21 FI\$Cal concerns.

22 The second of the two findings, which identified
23 payroll reporting deficiencies was also attributed to the
24 Conservation Corp's fiscal implementation challenges. The
25 employees included in four out of six payroll transaction

1 summary reports could not be identified for audit testing.
2 The agency's commitment control or KK report, which is a
3 FI\$Cal derived report, accounts for all its financial
4 activity, expenditures, encumbrances, reversals, etcetera
5 and is the main FI\$Cal reconciliation tool.

6 However, it is not correctly capturing and
7 reconciling the payroll expenditures process through the
8 labor distribution or LD modules, which identify employees,
9 hours and pay rates for each payroll run. As payroll and
10 related expenditures are material, representing 85 percent
11 of all of the Conservation Corps expenditures, we were
12 required to report this as a finding.

13 The State Controller's Office recommendation for
14 Finding 2 was similar to that of Finding 1 since it too was
15 a FI\$Cal related issue. We recommended that the agency
16 maintain payroll summary reports, report payroll
17 expenditures correctly and continue working closely with
18 FI\$Cal technical support to resolve the ongoing FI\$Cal
19 related issues. The agency was receptive of the
20 recommendation and has already sought outside help with
21 FI\$Cal implementation.

22 In summary, the findings identified in this audit
23 are primarily the result of, and due to the implementation
24 of FI\$Cal. At the time of our audit, identifying the date
25 when the issues may be resolved was difficult to pinpoint,

1 because new challenges continue to arise that had not
2 previously been foreseen. I believe both agencies are
3 committed to resolving the issues and it appears that these
4 findings will likely be resolved once the FI\$Cal issues
5 have been fixed.

6 We issued our report on June 28th, 2019. The
7 finalization of this audit completes and fulfills the
8 financial audit requirement that was set forth in the
9 interagency agreement between the State Controller's Office
10 and the Citizens Oversight Board.

11 I'm available to answer any questions you may
12 have.

13 CHAIR ALVORD: My father used to say they come
14 out with these things and none of them work. Hopefully,
15 we're moving past that. Board Members and Heather, I'm
16 feeling guilty. I'll give you probably the first question
17 if you want it.

18 BOARD MEMBER ROSENBERG: Thanks. I'm okay. I'm
19 just trying to digest what that all meant. It sounds
20 gloomy, but I'm just trying to put it in context. I'm
21 waiting to hear some other questions.

22 CHAIR ALVORD: So, if I can attempt to sum up,
23 and you can correct me, basically the new systems have
24 prevented you from being able to conduct the audit, because
25 the information isn't available by and large. And you

1 don't know when it will be fixed; is that correct?

2 MR. SUPAN: Yeah. That was a major contributing
3 reason to the two findings that we reported.

4 CHAIR ALVORD: Yeah, okay. That's sort of
5 interesting.

6 Darrell, please, yeah.

7 BOARD MEMBER PARK: I understand what you said.
8 My assumption is when these issues are resolved, the system
9 issues, the staffing issues are resolved and the
10 information is out there, my assumption is that your staff
11 will go back and actually go through the process again; is
12 that correct?

13 MR. SUPAN: Well, this was the final audit for
14 the financial audit that was required through the
15 interagency agreement. However, I understand that there is
16 some discussion going on considering continuation of a
17 financial audit. But those discussions I haven't really
18 been privy to, so I couldn't really speak to any details on
19 that.

20 MR. PARK: Okay. As a New Board Member, probably
21 nobody cares what my recommendation would be, but I would -
22 -

23 CHAIR ALVORD: We care, Darrell.

24 MR. PARK: I would strongly encourage -- the
25 purpose of an audit is to make sure that things are what we

1 think they are and that they're in the right place.

2 Everything that you've explained is completely
3 understandable. We understand that systems have
4 adjustments etcetera. But once the information is there, I
5 personally as a Board Member would like confirmation that
6 all the ducks are in a row and that we're -- and that will
7 take the time that it will take. But we owe it to the
8 taxpayers and we owe it to the process just to make sure
9 that somebody takes a second look and makes sure that you
10 guys are happy with what the final results are.

11 CHAIR ALVORD: I guess I would have a question
12 about what you would recommend to us as an oversight board
13 in terms of how we can continue to follow up. We've got
14 great staffing who keep us informed, but are there things
15 that we can do to help ensure that this gets resolved. You
16 know, who should we be talking to?

17 MR. SUPAN: Well, like I said, the findings that
18 we had, they were much due to FI\$Cal. And I know that's
19 kind of recognized right now as being a problem with
20 several state agencies, so I guess perhaps following up on
21 that and that the implementation of all those corrections
22 are done.

23 CHAIR ALVORD: And there's really no estimate
24 about when that would be?

25 MR. SUPAN: I inquired. And at the time they

1 couldn't really pinpoint it, because every time they
2 thought they had something resolved, something new cropped
3 up that they weren't expecting, so.

4 CHAIR ALVORD: Okay. Well, that leaves us in an
5 interesting place.

6 BOARD MEMBER LLOYD: I do have a follow-up
7 question?

8 CHAIR ALVORD: Sure, Barbara?

9 BOARD MEMBER LLOYD: So this is a follow-up
10 question for Jim and Jack, I guess. As we think about our
11 anticipated schedule for audits, which will be a little
12 different going forward in terms of trying to be cost
13 effective, I'm not sure that we need to look back at a
14 prior fiscal year, because there really are no red flags
15 here.

16 I think we would just want to make sure that
17 these same areas were tested in a future year to make sure
18 that this was not a problem with the court systems or the
19 Chancellor systems, as opposed to the FI\$Cal. So I'd want
20 to make sure that if there was sort of a random order in
21 which different kinds of things were tested that we would
22 at least duplicate these particular tests in the next
23 financial audit. Maybe they're done the same way every
24 year. I'm not sure.

25 But I'd want to make sure that we at least picked

1 up the same scope, but not -- I don't see any reason to go
2 backward and essentially duplicate the work in a year for
3 which there really is no red flag if we can continue to
4 stay on the future audit schedule and not have similar
5 problems or new findings that would cause us some alarm.
6 Any thoughts about that? I just don't want to waste time
7 and money.

8 MR. BARTRIDGE: So at this point we've just
9 entered into a one-year contract for another program audit.
10 But we don't have another financial audit scheduled at this
11 point or figured out at this point.

12 Again, it's sort of an every other year they've
13 done the financial twice and the program each year. So
14 next year we'll do the program audit and then we, the
15 Board, needs to have that discussion about going forward
16 about another financial audit. And we'll go through that
17 and we'll have that conversation with you. But I don't
18 think we're ready yet with funding issues and where the
19 program is and where we're at. So we'll continue to follow
20 it and see where we go.

21 CHAIR ALVORD: Agreed.

22 BOARD MEMBER LLOYD: Thanks.

23

24 CHAIR ALVORD: Okay, any other questions,
25 comments? Okay.

1 VICE CHAIR MARTINEZ: I have a question and
2 comments.

3 CHAIR ALVORD: Oh, Randall?

4 VICE CHAIR MARTINEZ: It sounds like this
5 question was partly answered. And that is the FI\$Cal
6 implementation has impacted other agencies in similar ways,
7 not just the Conservation Corps and the community college
8 districts?

9 MR. BARTRIDGE: It's my understanding that it's
10 sort of a rampant issue throughout many state agencies.
11 That they've offered FI\$Cal training, they're trying to
12 deal with the issues of both the program and training and
13 getting people up to speed, so.

14 VICE CHAIR MARTINEZ: Okay. So it's not special
15 treatment on our end here?

16 MR. BARTRIDGE: It's not our agency specifically.
17 I know the Energy Commission, Jack's Administration Group;
18 I know they're dealing with it. Other agencies we've heard
19 as well, so.

20 VICE CHAIR MARTINEZ: Okay. I want to ask an
21 obvious question then. It seems to me then that this
22 particular fiscal audit, when we negotiated the contract
23 with the State Controller's Office, we had anticipated a
24 certain level of effort. And it sounds like to me like
25 that level of effort wasn't expended, because it couldn't.

1 So will we get a break on the bill from the Controller's
2 Office for the work on this?

3 CHAIR ALVORD: Yeah, saving the best for last.

4 VICE CHAIR MARTINEZ: It's a legitimate question.
5 I'd like an answer, please.

6 CHAIR ALVORD: I think that's you, Mr. Supan.

7 MR. SUPAN: Your question is whether or not there
8 is a break on the --

9 VICE CHAIR MARTINEZ: I assume that the level of
10 effort to get the product that was delivered was less than
11 anticipated when we negotiated the contract and the scope.
12 And if I am correct, is there a price break?

13 MR. SUPAN: No. And we actually expended quite a
14 bit of effort in trying to perform the audit work and with
15 the results that it involved it was actually extra work
16 doing the audit.

17 VICE CHAIR MARTINEZ: So we got a good deal?

18 MR. SUPAN: Yes.

19 VICE CHAIR MARTINEZ: Thank you. (Laughter.)

20 CHAIR ALVORD: Good answer. Okay. So I believe
21 it's our responsibility now to take a vote to accept both
22 of these or not? So I think we can do this together unless
23 people want to do it separately?

24 BOARD MEMBER PARK: Together is fine.

25 CHAIR ALVORD: Together, okay. Do we have a

1 motion?

2 BOARD MEMBER DIAS: I have a motion to accept
3 both reports.

4 CHAIR ALVORD: Second?

5 VICE CHAIR MARTINEZ: Second.

6 CHAIR ALVORD: Okay. Jim?

7 MR. BARTRIDGE: Let me call the roll. This time
8 we'll start with Board Member Rosenberg.

9 BOARD MEMBER ROSENBERG: Yes.

10 MR. BARTRIDGE: Darrell Park?

11 BOARD MEMBER PARK: Yes.

12 MR. BARTRIDGE: Randall Martinez?

13 VICE CHAIR MARTINEZ: Yes.

14 MR. BARTRIDGE: Barbara Lloyd?

15 BOARD MEMBER LLOYD: Yes.

16 MR. BARTRIDGE: David Dias?

17 BOARD MEMBER DIAS: Yes.

18 MR. BARTRIDGE: And Adrienne Alvord?

19 CHAIR ALVORD: Yes.

20 VICE CHAIR MARTINEZ: Okay. Well, thank you for
21 that.

22 CHAIR ALVORD: Thank you, everyone. And thank
23 you, presenters.

24 And I guess this moves us into the area of public
25 comment and I know we have one from the Community Colleges.

1 Do you want to come up?

2 MR. NGUYEN: Good afternoon, Members of the
3 Board. My name is Wong Win, (phonetic) the Interim
4 Director of Facilities at the Community Colleges. In
5 response to the audit I just received a couple of weeks ago
6 and to answer some of your questions in regards to the
7 energy savings that are not in the contrasts. A lot of the
8 districts have run into issues with the vendors, stating
9 that they didn't want to put the energy savings in that
10 area.

11 But we do follow up with the actual energy
12 savings in a Form B, which goes out through the IOUs
13 (phonetic) and through our own vendor. They go out and
14 they verify the actual energy SRI ratings beforehand. And
15 then that form comes to our office before they can encumber
16 the funds to go out and proceed with the project. At the
17 very end they go out again and we verify those energy
18 savings once more.

19 So I think that's the workaround that we've done
20 in terms of not putting that energy savings directly into
21 the contract themselves.

22 For the other one, in terms of the sole sourcing,
23 the other three districts that did the sole source, one was
24 Butte CCD, which was in the remote regions of the far
25 north. Our office is working with General Counsel to see

1 if they went through the proper procedures for two sole
2 source and we're still in the works on that at the moment.

3 The other one was a CMAS contract; I believe it
4 was Contra Costa CCD. It is our understanding that the
5 CMAS is a leveraged procurement agreement, which is to
6 bypass the sole sourcing done through DGS. We believe it
7 might be a perfect way to. Although it is bypassing sole
8 source in essence, but it is done through DGS already.

9 They go out and they contract or they bid through several
10 vendors, which results in a CMAS contract. So I'm working
11 with our General Counsel and with the Contra Costa District
12 to see if they follow the proper procedures for CMAS to see
13 if that's an approvable project. That may be going across
14 several different districts that haven't been audited, so
15 we are trying to make sure that is the proper procedures
16 for that.

17 VICE CHAIR MARTINEZ: Sorry, on that subject,
18 which I'm curious about, the Department of General Services
19 CMAS. I do believe there's a competitive process to become
20 a CMAS vendor?

21 MR. NGUYEN: Correct.

22 VICE CHAIR MARTINEZ: I'm very curious about this
23 becoming a possible recommendation from this Board to the
24 Legislature that maybe we do encourage the ability for
25 school districts to use CMAS registers. Because I do

1 happen to think they're competitive and perhaps your office
2 might consider submitting to us some type of letter that we
3 would consider in turn as possibly incorporating into our
4 report, the annual report to the Legislature, as a possible
5 change to the program.

6 MR. NGUYEN: Sure. I would gladly do that. I
7 will get that from General Counsel for you guys.

8 VICE CHAIR MARTINEZ: Yeah. Thank you.

9 MR. NGUYEN: I believe there is one more where
10 they have a specialized contract. So basically it is a
11 contract that bypasses everything else locally in terms of
12 special services. I'm currently researching it with the
13 district at the moment. But they are on vacation, so I'm
14 waiting for a response from them in regards to that to
15 figure out which code section that's coming from to work
16 with my General Counsel and to resolve that issue as well.

17 If they are deemed to have sole sourced, then of
18 course they will either have to pay back the funds to the
19 state or maybe go out for another contract in regards to
20 that remaining amount of funding. We'll have to figure it
21 out first. I'll have to work with my Vice Chancellor in
22 regards to that.

23 CHAIR ALVORD: Okay. Any questions?

24 (No audible response.)

25 CHAIR ALVORD: Okay. I appreciate your due

1 diligence on both of those things. And I think we've heard
2 before about the reluctance of vendors to put the savings
3 in the contracts and it sounds like you're trying to do a
4 workaroud for that. And it sounds like you're trying to
5 be thorough, maybe that's something as well that we should
6 be thinking about and seeing if there are ways in which we
7 can make it a little less onerous given the realities of
8 what the contractors are willing to do.

9 VICE CHAIR MARTINEZ: Okay. Thank you.

10 MR. NGUYEN: And actually I can attest to the
11 FI\$Cal being an onerous system. I used to work at Water
12 Resources as well and they were in the earlier phases of
13 FI\$Cal and they ran into multiple issues with it.

14 CHAIR ALVORD: Okay. Well, I guess we are where
15 we are. Thank you very much for that.

16 Other public comment?

17 MR. BARTRIDGE: I think CDE is on phone, Derrick
18 Andrade.

19 CHAIR ALVORD: Thank you.

20 MR. BARTRIDGE: Derrick, if you're there go
21 ahead.

22 MR. ANDRADE: Good afternoon, my name is Derrick
23 Andrade and I'm with the California Department of
24 Education. And I just wanted to make a point of
25 clarification regarding the SCO's program audit. In as far

1 as the recommendation section, just a minor clarifications
2 that we are grades up there are districts that have unused
3 planning funds. And then the unused planning funds should
4 be returned to the state and we'll invoice for those once
5 they're identified in an audit finding. So if they are not
6 encumbered by the June 30, 2019 or if they are not spent by
7 June 30, 2020 then we'll bill back for those. But we do
8 not agree that those payments were made like excessive
9 payments.

10 So just to clarify the planning funds were
11 available for LEAs to request in the first year of their
12 eligibility and so those were paid out. And then upon
13 approval of the Energy Expenditure Plan, the balance of the
14 grant was paid out or the amount of the EEP, whichever is
15 less. And so it's just a minor point of clarification that
16 the information that was on that slide is not consistent
17 with the Auditor's report. And so I think our comment in
18 the Auditor's Report is correct, but the agreement about
19 excess payment we don't agree with.

20 CHAIR ALVORD: Mr. Venneman, like to respond to
21 that at this point?

22 MR. VENNEMAN: Yes, that's correct. In audit
23 report, we identified CDE, in our conversations with CDE we
24 concluded that these were unused planning funds rather than
25 overpaid EEP funds, so that would be correct. And we

1 identify that in the audit report.

2 MR. ANDRADE: Okay. Thank you. Thank you very
3 much.

4 CHAIR ALVORD: Thank you, sir.

5 Okay, any other public comments or comments from
6 Members of the Board?

7 BOARD MEMBER LLOYD: Maybe a point of
8 clarification, in the future can we call for public comment
9 on action items prior to taking the action? And then
10 general public on non-agenda items at the end?

11 VICE CHAIR MARTINEZ: (Nodding)

12 BOARD MEMBER LLOYD: Thank you.

13 CHAIR ALVORD: Yeah, I agree that that's a great
14 suggestion.

15 Okay. If there's no other business, I think we
16 can adjourn if there's no objection.

17 BOARD MEMBER LLOYD: None from me.

18 CHAIR ALVORD: Okay. Thank you very much,
19 everyone.

20 (Adjourned at 2:52 p.m.)

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