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

CALIFORNIA REPORTING, LLC
229 Napa St., Rodeo, CA 94572 (510) 224-4476
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 PRESENT

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

1. INTRODUCTION AND ROLL CALL OF BOARD MEMBERS TO DETERMINE QUORUM. (Chair Alvord) 6
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
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)

8. PUBLIC COMMENT

Adjourn

Reporter's Certification

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

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

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

So let me quickly go through some comments.

The Citizens Oversight Board typically meets four
times each year, or more. It's up to the Board. The first
meeting typically occurs in February when we elect our Chair and Vice Chair and receive annual progress reports on Prop 39 activities from the agencies that report to us.

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

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

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

CHAIR ALVORD: Good afternoon. Thank you all for coming. My name is Adrienne Alvord. I'm the Western States Director for the Union of Concerned Scientists and I was appointed to the Citizens Oversight Board in June of last year by State Controller Betty Yee and elected Chair this year.
I'd like to recognize for the record, that I believe we're joined today by Ken Rider, if he's here. He's supposed to be, okay.

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

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

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

The Citizens Oversight Board was created as an independent body with nine members appointed by the Attorney General, the State Controller and the State Treasurer to audit, review expenditures and maintain transparency and accountability for the Clean Energy Jobs Creation Fund.
If I may, a quick Board update, as Jim noted we have a new Board Member, Darrell Park, who was appointed by State Treasurer Fiona Ma. We want to give him a warm welcome.

BOARD MEMBER PARK: Thank you.

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

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

MR. BARTRIDGE: Very good. Chair Alvord?

CHAIR ALVORD: Here.

MR. BARTRIDGE: Vice Chair Martinez?

VICE CHAIR MARTINEZ: Here

MR. BARTRIDGE: Board Member Dias?

BOARD MEMBER DIAS: Here.

MR. BARTRIDGE: Board Member Lloyd?

BOARD MEMBER LLOYD: Here.

MR. BARTRIDGE: Board Member Park?

BOARD MEMBER PARK: Here.
MR. BARTRIDGE: And on the phone we have Heather Rosenberg. Heather, can you hear us?

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

MR. BARTRIDGE: We've got it. Thank you.

And so we have six of six and we have our quorum.

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

(No audible response.)

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

VICE CHAIR MARTINEZ: So moved.

BOARD MEMBER ROSENBERG: I'll second.

CHAIR ALVORD: Okay. Roll call?

MR. BARTRIDGE: Chair Alvord?

CHAIR ALVORD: Yes.

MR. BARTRIDGE: David Dias?

BOARD MEMBER DIAS: Yes.

MR. BARTRIDGE: Barbara Lloyd?

BOARD MEMBER LLOYD: Yes.

MR. BARTRIDGE: Randall Martinez?

VICE CHAIR MARTINEZ: Yes.

MR. BARTRIDGE: Heather Rosenberg.
BOARD MEMBER ROSENBERG: Yes.

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

BOARD MEMBER PARK: Perfect. Thank you.

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

(Off mic colloquy.)

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

So to give you just a quick overview of what I'm going to be talking about today, we do have a new member of the Board, so I'm going to be doing just a very quick program background for you. Then we will be talking about our two solicitations that have been awarded at this point and then the update to our Cost Effectiveness Report that
we showed you last year. And then I'm going to be talking a little bit about the timeline going forward for our program.

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

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

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

We then used the information from this to come up with GFO-18-604. So this solicitation targeted school bus manufacturers and dealers. And we used this to set a bulk
purchase price, so that we could determine what the awards for the school districts would be as well as also procuring a bid for the school districts who didn't have the resources to go out on their own to obtain these buses. So despite the fact that there was about a seven-month difference between the release of both, they were actually released, the NOPA was released on the same day. So this is the Notice Of Proposed Awards.

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

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

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

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

So after looking at this and then also looking at
other electric bus RFPs, we were able to kind of assign
rough estimates for what each bus type would cost. And
then we looked through our higher scores to kind of figure
out how many buses we could potentially fund. This was
kind of a challenge with this program. We had a little bit
of a chicken and the egg process going on here, how do we
award districts a certain amount of money without knowing
how much the buses are going to cost? And then also how do
we know how much we're going to be needing to pay for the
bulk purchase if we don't know how many buses we're going
to be awarding? So this is a little bit tricky. This is
why there was that big time difference between the release
of the solicitations and them being awarded on the same
day. So we feel like we found a pretty good workaround for
this.
So the numbers that you're seeing up here, this is what we used for GFO-18-604. This is what we had the school bus manufacturers bid on. So this was used to kind of determine what the bulk purchase price was going to be and from there the awards to the school districts, JPAs and COEs.

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

Oh, actually apologies, I'm going to go back to this real quick. So I just want to point out that in addition to the school bus awards we're also providing infrastructure funding. So for each bus that's awarded, the recipient is also receiving $60,000 per bus for infrastructure. So this can be for if they need trenching, this can be charging equipment, if they want to do solar panels tied to the charging equipment, they can do things like that. So we really want to be able to help these
school districts install the infrastructures so that they
don't just accept the buses, but can actually refuel these
and use these for decades to come.

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

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

So in addition to having to get 70 percent
throughout the application to pass, they also had to get at
least 70 percent on experience and qualifications as well
as project readiness and implementation. And then from
there, they went to a low bid approach. So as long as you
passed the first phase we would then consider all of the
applications equally at that point and just go with whoever
the low bid was. So that's why Micro Bird was awarded one
of the buses.

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

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

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

But what this does to our cost effectiveness
scores, if you don't change any other variables our ratio
increases from 1.15 to 1.28. The actual benefits to cost ratio is about 510,000 to 397,000. So the benefits outweigh the costs by over $100,000, per bus.

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

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

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

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

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

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

CHAIR ALVORD: Thank you, Tom. I thought it was great, a lot of good information. I have a couple of
clarifying questions and I'll open it to the Board.

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

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

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

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

CHAIR ALVORD: Right. Right.

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

CHAIR ALVORD: Okay, great. Thank you.

Members, any questions?

BOARD MEMBER LLOYD: Can you remind us, the material differences between each bus types, what the distinguishing characteristics are just so that we're reminded, because I don't remember.
MR. ORTIZ: Yeah, that's fine. So the way that
we set this up and there are some other definitions for
these, but the Type A is going to be a smaller bus. So the
way that we define it is it can seat 16 students, fewer if
they need a wheelchair, plus the driver.

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

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

BOARD MEMBER LLOYD: Okay. Randall?

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

MR. ORTIZ: Unfortunately they are not California
based. They do have a huge business presence in
California, but Lion Electric is from Canada and Micro Bird
is also from Canada, but their parent company, Blue Bird,
is based in Georgia.
VICE CHAIR MARTINEZ: Okay. So the next question is, is any of the assembly associated with these buses done in California or done locally?

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

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

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

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

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

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

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

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

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

MR. ORTIZ: We can do that.

VICE CHAIR MARTINEZ: Great. Thank you.
CHAIR ALVORD: Yeah, I think that's something several of us would be interested in.

Okay. Darrell?

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

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

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

MR. ORTIZ: Yeah. So this was something that we've been talking about with some of the school districts who currently have some of these buses. So they've only been on road a few years now, so we don't have a substantial amount of data. But it seems to be, like you stated it's far less maintenance on these vehicles.
It seems like the first thing that's going to go that's going to be kind of a substantial replacement is the batteries on these buses. So that was something that we asked the manufacturers here to come up with first, some second life opportunities for the current batteries. And then when we did the cost effectiveness report, we also built in the assumption that these batteries are going to need to be replaced after about 10 years into that. So yeah, we assumed a 20-year lifespan for these vehicles, which we're thinking might be conservative now. But that's fine.

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

What we don't want to do is create a situation where we have a junkyard of old buses in all these school districts. What can we do to ensure that the taxpayers' money that we don't reach a point where there's a ghost town of old buses that are just a nightmare and an eye sore and a maintenance hassle. How do we make sure that down the line, as time goes on, that in addition to the battery replacement that these folks are doing what they need to do...
to make sure that the money is spent well and you have these vehicles lasting for decades?

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

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

BOARD MEMBER PARK: Okay, good. Last question is on tires. They found with passenger electric vehicles that the tire replacement rates are way quicker then with the internal combustion engines. Some of that is there's more torque available and hopefully a bus driver driving kids around is respectful of all the normal guidelines related to speed. But given how the engine performs differently, given how the power comes more quickly, etcetera, tires even following the normal guidelines on speed you will wear
out tires more quickly it appears. Is that what you guys have found and do we need to do anything to make sure that this isn't something that keeps buses off the road?

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

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

CHAIR ALVORD: Okay. Heather or Dave?

BOARD MEMBER ROSENBERG: No further questions.

Thank you.

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

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

CHAIR ALVORD: That's good news.

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


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

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

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

CHAIR ALVORD: You're really soft.

(Off mic colloquy re: audio.)

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

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

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

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

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

As you may recall, SB 110 directed that the additional money for the competitive program be divided with four criteria. That was the geographic diversity, the
diversity in the size of the LEA student population, and
then allowing also for the percentage of students that are
participating in the FRPM program in the previous year and
energy savings.

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

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

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

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

This is how we allocated the money. Though we
had approximately 38 million, the number was still kind of
squishy at that point. And wanting to ensure that we had
adequate funds to allow for at least one full-sized $three million loan in each region we divided it as such. So that there was 12 million available for small, medium and large and then 9 million based on central, north, south and LA, for a total of 36 million.

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

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

I do want to stress that the competitive nature of the solicitation was different. Our previous programs have always been a first-come first-serve basis, which allows for interaction between the applicant and our staff. And so while there were in some of these solicitations,
there were what I call fatal errors that unfortunately with
the competitive program you are stuck with what you get.
There is a onetime application and that's what you work
from. And it did not allow for the positive interaction
between staff and applicant to correct those errors, go
back and forth, hammer out the little inconsistencies,
things that may not be 100 percent clear or may appear to
be contradictory. You can determine what's more accurate.
But unfortunately, with a competitive program here stuff is
what you get.

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

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

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

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

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

CHAIR ALVORD: Okay, thank you, Deborah.

Members, any questions from the presentation?

MS. GODFREY: Thank you.

CHAIR ALVORD: Darrell? Sorry, there is one, go ahead.
BOARD MEMBER PARK: No, I was just checking with Heather.

CHAIR ALVORD: Okay. Heather?

BOARD MEMBER ROSENBERG: No, sorry.

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

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

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

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

And one important thing to note is fiscal year 2017-'18, on February 26th of that year was the last day...
that a new EEP could be submitted and approved by the Energy Commission. And that will have meaning later when I get into other issues, but that date was critical in that SB 110 determined what money was going to be left over from Prop 39 to be used for the bus replacement and for the ECAA Competitive. So after February 26th, 2018, there cannot be another EEP asking for more money, because there is no "there" there, so that is an important date. And you'll see why later.

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

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

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

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

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

And the final reports, last year there were three that we didn't get in. And the year before that, there
were five. There's really not a lot we can do if the school doesn't give us a final report although we do report it to the Citizens Oversight Board in the annual report. And again, these numbers are small of what we're not getting in.

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

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

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

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

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

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

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

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

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

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

MR. PFANNER: Yes.

The Yosemite-Wawona Elementary School was another
unique situation. And it's interesting, because almost
everyone is somewhat unique. You know you think you've had
it and then, "Ah, but this one's a little different." So
this school was a charter that closed for one year. They
planned to reopen. They had a valid EEP. They're in the same location. They just did not have students for a year and in looking at Proposition 39 they didn't move. They are not deviating from their EEP. They're consistent with their guidelines. And we determined if the school reopens in 2019, as planned, they can proceed with their energy upgrades as in their EEP. And they will still be required to do the annual and final report when they complete their work.

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

So what we have requested is -- you know we have to account for Prop 39 funds, so we're asking for is there 12 months of utility data for the structure? The school was vacated prior to the payback period for Prop 39, so right there we're seeing some violations. We will report to CDE that this school got Proposition 39 funds. They did
or did not give us a final report. They did not meet their payback period and CDE will then determine what appropriate actions need to be taken.

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

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

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

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

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

MR. PFANNER: Oh, sure.

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

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

BOARD MEMBER LLOYD: Vacant, okay. Thanks.

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

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

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

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

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

And it's always a tough one when you see one, "You know, if I interpret this one a little differently, I can get their money." You can't bend the regulations. So the one that got appealed all the way to the full Energy
Commission, their justification was, "Look, we've got the money. What's the big deal?" Well the big deal is because you're against the regulations, so we can't bend the regulations for one school that really thinks they should get the money.

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

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

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

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

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

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

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

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

BOARD MEMBER DIAS: Okay.

MR. PFANNER: But fortunately what we're seeing so far, that is the rarity.
CHAIR ALVORD: Yeah. Heather, do you have any questions?

BOARD MEMBER ROSENBERG: Nope. Thank you.

MR. PFANNER: Thank you.

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

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

MR. PFANNER: Yes. They were all Proposition 39 funds.
CHAIR ALVORD: I wasn't entirely -- yeah, okay. Very good, so let's just keep an eye on this and hopefully this won't be a consistent problem.

BOARD MEMBER DIAS: Agreed.

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

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

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

CHAIR ALVORD: Sure

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

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

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

MR. VENNEMAN: Good afternoon Chair and Board Members. Thank you for allowing the State Controller's Office to present our audit results. My name is Jim Venneman. I'm an Audit Manager with the State Controller's Office in the Division of Audits. And today I'll be giving
you an update on our program audit of the California Clean Energy Jobs Act.

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

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

I put this slide in here to indicate that we looked at a lot of documentation in the process of going through these 19 school districts. Had this been the old
days back when I was a young auditor, we would have been carrying around a stack of documents like this, but fortunately we live in a modern age. And my staff was able to go out and make copies of things just digitally and we have everything on our hard drives and flash drives.

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

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

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

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

So our audit methodology first for local educational agencies, we did these following steps. We determined whether planning funds were expended properly and that unused planning funds were applied to project implementation, that the LEAs submitted an energy expenditure plan to the Energy Commission consistent with their project priorities, that the Energy Commission approved these EEPs in compliance with the Prop 39
Implementation Guidelines and the EEP Handbook and that the approved EEPs included all of the required components.

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

Community college districts, a slightly different methodology, because of the process set up by the Chancellor's Office. We determined whether college districts submitted a Prop 39 funding application to the California Community College's Chancellor's Office, which approved the application consistent with their implementation guidelines. That the district submitted a call for projects form, identifying projects as energy efficiency or renewable energy generation. That Prop 39 closeout project completion forms and the annual project
expenditure reports submitted to the Chancellor's Office contained all of the required information and that they use a competitive bid process, did not use a sole source process to award project funds. We had problems here in this area as well. That the districts had signed contracts identifying project specifications, costs and energy savings, we had some issues with the energy savings portion of this. And that project costs incurred were adequately documented and supported. And once again similar to the LEAs, college districts did a great job of adequately documenting and supporting all of the expenditures that they had under the program.

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

The biggest dollar finding was the area of sole source contracts. We had sole source contracts totaling a bit over $2 million for seven LEAs and $823,777 for 3 CCDs. I would point out that in all the instances here these were not all of the contracts that the districts had signed. In most cases it was -- in most cases it was one contract. In several districts, it was two. But it was only a small portion.
Under ineligible expenditures we discovered that one LEA spent a little over $8,000 for -- it was a pollution monitoring project. And we had one CCD that spent a little over $19,000 -- it was actually an energy project, but it wasn't included in their energy plan so it was unallowable.

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

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

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

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

The way the program worked back when the Prop 39 first started, CDE paid out planning funds to all the districts. They didn't have to provide any energy plan. They didn't have to provide anything. They just apportioned money out. And then later, as the program went
on the energy plan started to arrive and some districts just managed to receive more funding than they were allowed. So we labeled this issue as an observation like I said, because reconciling funds apportioned by the Department of Education to EEP amounts approved by the Energy Commission was not an audit objective. But audit standards do require that we report this issue, because it's related to the work that we were performing.

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

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

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

MR. VENNEMAN: That wasn't really something that we discussed with these districts. In a lot of cases these contracts were several years old. And I'm not sure that
amending the -- we never talked to them about amending the
contract. So I guess we didn't think that was an option
that they could pursue.

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

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

We were not aware that --

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

CHAIR ALVORD: Yeah, I actually had questions.
My very first Board Meeting a year ago on this sole source
contract issue, because it is -- it's pretty significant in
terms of the numbers of schools and I know that there's
some reasons for that.
Jim, would it be improper to ask you to just inform us, or Mr. Venneman if you know, what some of the reasons are we have such a significant number there, certainly for Board Member Park's edification if not the rest of us.

BOARD MEMBER PARK: Yeah, that would be helpful.

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

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

We had several districts that said, "Well, there's no definition of sole sourcing in statute or in Prop 39 Guidelines. And so we relied on different code sections or different statutes." Or we had one district that said "Well, the definition of sole sourcing isn't
defined anywhere, so we just used our own guidelines to sign these contracts."

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

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

    And let's see, we had one district that cited best value criteria, which was part of the -- it was the
Public Contract Code that has since been repealed. And we
determined that the best value criteria was really a list
of items that districts could consider when selecting
different vendors under a competitive bidding process,
rather than a way to avoid it. So that's kind of the
different responses that we received.

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

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

CHAIR ALVORD: Pardon me if I missed this, but
this is both the school districts and the community
colleges both, correct?

MR. VENNEMAN: Yes.
CHAIR ALVORD: Thank you. Okay.
Darrell?
BOARD MEMBER PARK: I think I had a
misunderstanding. I had somehow incorrectly assumed that
some of the sole source problems were due to extreme rural
areas where you don't have the full swath of vendors that
you might have in a more populated area. That's not the
case, correct?

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

BOARD MEMBER PARK: Okay. But that was only one?
MR. VENNEMAN: Only one, right.
BOARD MEMBER PARK: Okay. Thank you.
CHAIR ALVORD: Randall, I think you had a
thought?
VICE CHAIR MARTINEZ: Yes. Thank you.
Thank you, Jim, for that detailed report and for
the work that your office has done. I understand that the
scope of the audit was to do just that, an audit, and
report on findings and also in your case, observations. It seems to me what's missing here is another type of analysis, probably from the Energy Commission staff themselves, in terms of how do you take the lessons learned that have been uncovered from these findings? And what are we going to do to improve the program for the future, in coordination with the California Department of Education and also the community college districts. And perhaps that type of analysis recommendation and implementation plan from CEC staff could feed directly into our future report to the Legislature, which might include recommended program changes.

CHAIR ALVORD: Thank you, Randall.

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

Okay. Thank you very much.

MR. VENNEMAN: Thank you.

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

MR. BARTRIDGE: We could do that or we could wait till this one's done. I wanted to ask --
CHAIR ALVORD: Why don't we wait and vote on them?

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

(Off mic colloquy.)

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

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

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

So under the authority of the interagency agreement between the Citizens Oversight Board and the State Controller's Office, the State Controller's Office performed a financial audit of the Clean Energy Job Creation Fund recorded in the State General Fund for the years ended June 30th, 2017 and 2018. The audit also
fulfills the Board's responsibility per Public Resource Code 26201, of commissioning an annual independent audit of the Clean Energy Job Creation Fund.

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

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

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

We identified two audit findings that are related
to the qualified opinion and disclaimer of opinion issued for the years ended June 30th, 2017 and 2018 respectively.

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

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

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

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

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

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

The State Controller's Office recommendation as a result of Finding 1 was that the agencies maintain and finalize their accounting records in a timely manner and that they consider obtaining additional assistance to resolve the fiscal implementation issues. Both agencies welcomed the recommendation and had already begun using additional outside staff resources for working through the FISCAL concerns.

The second of the two findings, which identified payroll reporting deficiencies was also attributed to the Conservation Corp's fiscal implementation challenges. The employees included in four out of six payroll transaction
summary reports could not be identified for audit testing. The agency's commitment control or KK report, which is a FI$Cal derived report, accounts for all its financial activity, expenditures, encumbrances, reversals, etcetera and is the main FI$Cal reconciliation tool.

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

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

In summary, the findings identified in this audit are primarily the result of, and due to the implementation of FI$Cal. At the time of our audit, identifying the date when the issues may be resolved was difficult to pinpoint,
because new challenges continue to arise that had not
previously been foreseen. I believe both agencies are
committed to resolving the issues and it appears that these
findings will likely be resolved once the FI$Cal issues
have been fixed.

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

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

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

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

CHAIR ALVORD: So, if I can attempt to sum up,
and you can correct me, basically the new systems have
prevented you from being able to conduct the audit, because
the information isn't available by and large. And you
don't know when it will be fixed; is that correct?

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

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

Darrell, please, yeah.

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

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

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

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CHAIR ALVORD: We care, Darrell.

MR. PARK: I would strongly encourage -- the purpose of an audit is to make sure that things are what we
think they are and that they're in the right place.

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

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

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

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

   MR. SUPAN: I inquired. And at the time they
couldn't really pinpoint it, because every time they thought they had something resolved, something new cropped up that they weren't expecting, so.

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

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

CHAIR ALVORD: Sure, Barbara?

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

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

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

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

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

CHAIR ALVORD: Agreed.

BOARD MEMBER LLOYD: Thanks.

CHAIR ALVORD: Okay, any other questions,
comments? Okay.
VICE CHAIR MARTINEZ: I have a question and comments.

CHAIR ALVORD: Oh, Randall?

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

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

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

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

VICE CHAIR MARTINEZ: Okay. I want to ask an obvious question then. It seems to me then that this particular fiscal audit, when we negotiated the contract with the State Controller's Office, we had anticipated a certain level of effort. And it sounds like to me like that level of effort wasn't expended, because it couldn't.
So will we get a break on the bill from the Controller's Office for the work on this?

CHAIR ALVORD: Yeah, saving the best for last.

VICE CHAIR MARTINEZ: It's a legitimate question.

I'd like an answer, please.

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

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

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

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

VICE CHAIR MARTINEZ: So we got a good deal?

MR. SUPAN: Yes.

VICE CHAIR MARTINEZ: Thank you. (Laughter.)

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

BOARD MEMBER PARK: Together is fine.

CHAIR ALVORD: Together, okay. Do we have a
BOARD MEMBER DIAS:  I have a motion to accept both reports.

CHAIR ALVORD: Second?

VICE CHAIR MARTINEZ: Second.

CHAIR ALVORD: Okay.  Jim?

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

BOARD MEMBER ROSENBERG: Yes.

MR. BARTRIDGE: Darrell Park?

BOARD MEMBER PARK: Yes.

MR. BARTRIDGE: Randall Martinez?

VICE CHAIR MARTINEZ: Yes.

MR. BARTRIDGE: Barbara Lloyd?

BOARD MEMBER LLOYD: Yes.

MR. BARTRIDGE: David Dias?

BOARD MEMBER DIAS: Yes.

MR. BARTRIDGE: And Adrienne Alvord?

CHAIR ALVORD: Yes.

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

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

And I guess this moves us into the area of public comment and I know we have one from the Community Colleges.
Do you want to come up?

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

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

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

For the other one, in terms of the sole sourcing, the other three districts that did the sole source, one was Butte CCD, which was in the remote regions of the far north. Our office is working with General Counsel to see
if they went through the proper procedures for two sole source and we're still in the works on that at the moment.

The other one was a CMAS contract; I believe it was Contra Costa CCD. It is our understanding that the CMAS is a leveraged procurement agreement, which is to bypass the sole sourcing done through DGS. We believe it might be a perfect way to. Although it is bypassing sole source in essence, but it is done through DGS already. They go out and they contract or they bid through several vendors, which results in a CMAS contract. So I'm working with our General Counsel and with the Contra Costa District to see if they follow the proper procedures for CMAS to see if that's an approvable project. That may be going across several different districts that haven't been audited, so we are trying to make sure that is the proper procedures for that.

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

MR. NGUYEN: Correct.

VICE CHAIR MARTINEZ: I'm very curious about this becoming a possible recommendation from this Board to the Legislature that maybe we do encourage the ability for school districts to use CMAS registers. Because I do
happen to think they're competitive and perhaps your office
might consider submitting to us some type of letter that we
would consider in turn as possibly incorporating into our
report, the annual report to the Legislature, as a possible
change to the program.

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

VICE CHAIR MARTINEZ: Yeah. Thank you.

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

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

CHAIR ALVORD: Okay. Any questions?

(No audible response.)

CHAIR ALVORD: Okay. I appreciate your due
diligence on both of those things. And I think we've heard before about the reluctance of vendors to put the savings in the contracts and it sounds like you're trying to do a workaround for that. And it sounds like you're trying to be thorough, maybe that's something as well that we should be thinking about and seeing if there are ways in which we can make it a little less onerous given the realities of what the contractors are willing to do.

VICE CHAIR MARTINEZ: Okay. Thank you.

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

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

Other public comment?

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

CHAIR ALVORD: Thank you.

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

MR. ANDRADE: Good afternoon, my name is Derrick Andrade and I'm with the California Department of Education. And I just wanted to make a point of clarification regarding the SCO’s program audit. In as far
as the recommendation section, just a minor clarifications that we are grades up there are districts that have unused planning funds. And then the unused planning funds should be returned to the state and we’ll invoice for those once they're identified in an audit finding. So if they are not encumbered by the June 30, 2019 or if they are not spent by June 30, 2020 then we'll bill back for those. But we do not agree that those payments were made like excessive payments.

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

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

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

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

CHAIR ALVORD: Thank you, sir.

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

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

VICE CHAIR MARTINEZ: (Nodding)

BOARD MEMBER LLOYD: Thank you.

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

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

BOARD MEMBER LLOYD: None from me.

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

(Adjourned at 2:52 p.m.)

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