

SCV FACILITIES FOUNDATION SPECIAL

CARL GOLDMAN

IN CONVERSATION WITH

SCV FACILITIES FOUNDATION

Rick Patterson, President

Gary Condie, Vice President

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Carl Goldman: AM 1220 KHTS Carl Goldman with you here at 1:06 this Monday afternoon. As promised, we are going to delve into a number of issues facing our schools and we have with us, it's my pleasure to bring on here in the studio the president and vice president of the [Santa Clarita Valley] Facilities Foundation Board of Directors connected with the Hart School District. We have Rick Patterson and Gary Condie here with us. Gentlemen, thanks so much for joining us.

Rick Patterson and Gary Condie: Nice to be here/ Thanks Carl.

Carl Goldman: I know that you're in unison; you're going to be singing in two-part harmony by the time we're finished here. But for the Facilities Foundation, there's been great stuff in the news; there's been some controversial stuff in the news. We're going to try and talk through all of that today and really try and correct a number of misconceptions that are out there. I would like to do this in chronological order. So Rick, before you get even get into the history of the Foundation, tell us what does the Foundation do? What is the Facilities Foundation?

Rick Patterson: Well, fortunately, the Annual Report was just released last week. It was mailed to 55,000 homes and we hope everyone gets a chance to look at the Annual Report. Basically, simply stated, our mission is to assist the Hart District in some forward strategic planning enabling them to know that in the future they will have school

sites, that is land that has been developed and prepared for a school site so that they can then implement construction and financing of schools when the time demands or when the student population demands and not be dependent on other factors or at least minimize or eliminate some of the variables in that complex process. To do that, when we receive a request or information from the school district, the Board of Trustees determine that they expect student population growth in a particular area, then they ask us to go look for potential school sites in a particular area, and that's what we've recently done again and been successful in preparing for the future and acquiring land to develop.

Carl Goldman: So you're really a tool for the Hart School District, you are not affiliated with the Hart School District, not a part of the Hart School District.

Rick Patterson: That's correct. We are an independent, non-profit public benefit corporation and, by necessity, we're independent from the school district. That enables us to generate revenue and basically to create net earnings that allow us then to contribute that back to the school district, which, by the way, is our sole beneficiary. When you form a non-profit corporation, there are some specific obligations and responsibilities that you have to maintain that non-profit status. Gary Condie would be more capable to expound on that.

Carl Goldman: Well, Gary, before you answer that part of it, the Facilities Foundation has not been around all that long, right?

Gary Condie: Correct. The Facilities Foundation will soon have been here 10 years, but only 10. It was actually formed in 1998, so we are now in our ninth year of existence.

Carl Goldman: And really your first big project that you were looking at was Golden Valley High School.

Gary Condie: Yes, that's absolutely right and, frankly, that's what gave rise to the Foundation as the District looked at the needs for the District and the opportunity over

there in that part of town. The Governing Board of the District saw the benefit of forming the Foundation and that's who actually who created it.

Carl Goldman: So the foundation right now is made up of how many people and who are they? I know we could go down the list, but we've got Rick Patterson, of course, who's the president, and you, Gary Condie, the vice president. Who else is on the Foundation?

Gary Condie: First of all, on the board there are seven members; there are seven openings. Five are members from the public at large who serve as volunteers. We then have two other positions to make sure that we have very close continuity with the Governing Board. One would be the superintendent of the William S. Hart School District, or that person's designee. The other would be the chairman of the board for the elected board for the school district, so that we work very closely together at all times.

Carl Goldman: So this year that would be Patricia Hanrion, who's the president of the board and Superintendent Jaime Castellanos.

Gary Condie: That's correct.

Carl Goldman: So they're part of this group. Also to clear up a misconception out there, no one on this board or Facilities Foundation gets paid a salary, do they?

Gary Condie: Not a dime.

Carl Goldman: Okay, so there's no money being paid out to anyone who's a member of the Facilities Foundation?

Gary Condie: It's strictly volunteer.

Carl Goldman: And yet there's a lot of misconception out there. Rick, I'll throw that to you. A lot of people thought that there were salaries being paid. Why is that? Why the misconception?

Rick Patterson: It's very difficult for me to speculate as to why someone might have that impression or reach that conclusion. The reality is that . . . our District had experienced two failed bond measures. The voters had heartbreakingly close, failed to approve the second bond issue by, I believe, only 14 votes. I had children in the Hart District at that time and I still have children in the Hart District. A lot of us have had our children come through this District. It's been a great school and education for our children and we realized there's a problem. When you have 3,500 students attending Valencia High School – at that time a high school built for 1,950 students – you know you have a problem. There are only five starting positions on the girl's basketball team, there's only so many leads in the plays, and only so many instruments for the band. These kids are not only overcrowded but losing opportunities, so it was easy to be motivated to try to help out. So, the Foundation was formed to try to do what the school wasn't able to do for itself. That is to go out and acquire enough land to develop high school sites. The benefit is that as we develop those sites, then we, as a Foundation, do the work of a developer, and as anybody knows, it's not easy developing nowadays and it takes years to get the approvals and comply with all the environmental requirements, etc. We're able to do that and the profit, which is usually the developer profit, is retained by the Foundation for the future benefit of the school district as they so request.

Carl Goldman: AM 1220 KHTS special one hour edition Carl Goldman in the studio along with Rick Patterson and Gary Condie, president and vice president of the Facilities Foundation. . . Golden Valley High School is a good example. The Facilities Foundation bought the land for Golden Valley and then you've been able to spin off pieces of the land for development and take the profits from that and put them back into the school system. So that's the concept behind this, right?

Rick Patterson: Exactly. We have had that benefit. We purchased 135 acres originally there. It was very rough land, undeveloped. The fortunate thing was we worked with the City. The City needed a key section of the Golden Valley Road, which is the cross valley connector, and that future roadway was planned to run across the land that we purchased. And we, as the Foundation, gave the City that land. They, in turn, participated with us in

developing our site. They ran the bid system; they managed the bid system and were able to cut the costs for not only the benefit of the school district, the Foundation, and the City, but of course the taxpayers, because we were able to. They needed the dirt and we needed the dirt moved so we could have a pad for a high school. So it cut the costs in half for both entities and really created some substantial value.

Carl Goldman: And that's an important point and I want to reemphasize. So the money that you made from the purchase of the Golden Valley property that you were then spinning off, you turned that project over to the City of Santa Clarita to do. Obviously, the City was looking at a much larger program anyway. They had the road to put in – the cross-valley connector. They were also working with the Centre Pointe folks and looking at this whole master plan, so that made a lot of sense.

Rick Patterson: It was a vital link, one of the last links that the City was hoping for. That they were able to accomplish that and have the participating funding to do that and, of course, the City was better equipped to manage those kinds of bids and major projects. At that time, I believe it was the largest public works project that had occurred in this City. It was a major undertaking and, as such, we worked together. We learned a lot, we had a very limited staff during that process. We had one project manager, who basically he and his company were the eyes and the ears of the Foundation on the ground monitoring all the work that took place and negotiating the contracts and seeing that the division of the costs and expenses was fair and appropriate between us and the City. It was a very positive working relationship, the City led and led very strongly. The project came in on time and under budget, so it was very successful.

Carl Goldman: Rick, let's rewind the tape for a minute and look at this area in the mid to late 90s. Santa Clarita was exploding; our population was growing. We were sitting with three high schools, and then Valencia came in and so we had four high schools and four junior highs probably back in the mid-90s. Most of the school funding comes from the state, so where was the gap? Why did we even need a local bond that got turned down? Why did we need a Facilities Foundation? Why was this not handled with funding

from the state as they looked at the growth of Santa Clarita and tried to match it with the future student population here? Where's the hole in this?

Rick Patterson: I like to try to do a lot of things, but one of them I have not been able to accomplish is to understand the range and the intricacies of state funding for education. In fact, I think that's the subject of a couple major studies that were just completed by private companies based on grants to benefit the state, help the state, take a fresh look at why there are disparities, why there are start-stop processes. Where does the system get bogged down? I think, in the near future, that is going to change. We're talking to our state legislators; we're talking to the people who can make some decisions so that the state itself can have more advanced planning.

Carl Goldman: And I guess the reality is the money per student coming in to operate and build the schools here in Santa Clarita coming from the state is lower than monies coming into a lot different areas throughout California. So it is disproportional.

Rick Patterson: Right and I don't know if we're the lowest, but I know that it is disproportionate. In fact, this school district was at such a low level, that they did qualify for hardship funds from the state because of the population and the lack of funding. So it's a complex issue and other people are certainly more capable of understanding how that system works and that's not our objective or our mission.

Carl Goldman: No, but we are trying to understand the history here, so we keep going back again here to the mid 90s. You have a community here that's exploding. You have disproportionate funds coming from the state. You have bond measures that were put before the population here that narrowly got turned down. So the schools started looking for another creative way to build themselves out and help out with the facilities.

Rick Patterson: I've talked to other school districts in the state too, just attempting to gain some insight into education. The interesting thing is there are some schools that bought land 20 years ago and 10 years ago and different intervals, and when you look at the total costs of constructions of their schools, some of them are radically different than

others. Often times it's because they had some land that had been identified and that's what we hope to do and that's what we're underway doing now, so that 5 years and 10 years from now, the members of the Board of Trustees will be able to plan with all the tools that they need. Right now, it's very difficult because they don't have all the tools available to them. That's compounded by the inflationary prices that have exploded throughout the industry over the last couple of years. But there's another issue that people need to understand; building schools is very difficult. As most people who have ever developed any kind of commercial or residential project of any size know, there are layers and layers of obligations and requirements that you have to meet. You add to that three or four more layers when you go to build a school. And on top of that, you have to build at prevailing wage rates. Prevailing wage rates are, in my opinion, a bit of a misnomer because they are not prevailing rates, they tend to be sometimes 25 to 30 percent higher than the going market of labor. So they have an additional level of architectural requirements, engineering requirements, the state Department of Education, Department of Architects, and it goes on and on. It's not easy and it adds several years to the process when you are trying to approve a school.

Carl Goldman: So suddenly you can find yourself a twenty thousand dollar coffee maker.

Rick Patterson: I don't know if it's that bad.

Carl Goldman: Not quite. We're going to be talking more with Rick Patterson and Gary Condie of the Facilities Foundation on AM-1220 KHTS right after this short break. Stick around, we're going to find out about some of the plans for the future.

(Break)

Carl Goldman: AM 1220 KHTS, Carl Goldman with you this special edition, this Monday afternoon, 1:22 in the afternoon. We have Rick Patterson in the studio with us along with Gary Condie. Rick, the president of the Facilities Foundation Board of Directors; Gary, the vice president of the Facilities Foundation. We're learning about it

and we'll also be talking about some of the controversial issues involving the Facilities Foundation as well later on. But I want to take us through historically, Gary, part of this. Rick was mentioning the fact that the first big project about 10 years ago with the Facilities Foundation was Golden Valley High School, but then also the Sierra Vista project. Backtracking, Golden Valley had this partnership with the City. The City then actually helped build the whole cross-valley connector and a full infrastructure for the center of Santa Clarita, along with assisting in getting the school up and running, and then the Boys & Girls Club came along. Tell us about that and that relationship.

Gary Condie: First of all, I think it's important for everyone to understand that the Foundation is going to respond to requests from the [Hart] District. That's our purpose. But we're looking to hear of some great examples of where that has occurred; where we work together with other interests to make sure that everybody realized more bang for the buck, if you will. First example we talked about was Golden Valley High School, specifically, the segment of the new road, the cross-valley connector. The benefit to that will be permanent to all residents of this valley and even people who pass through. Two other things that have happened that also have tremendous long term benefit where there was a partnering with other entities: first of all, with the City of Santa Clarita, the Aquatic Center. That beautiful new Aquatic Center over there, which if anybody hasn't seen it, they should go over there. It's absolutely first class. The school district did not have for their students or swimming programs, facilities. For the school district to do that all on their own would have been ultra expensive. The state would not fund for that and so the District got together with the City and said, "What about if we share in the cost and then share in the use?" The City said that would be agreeable, that would be wonderful, and so the District then turned to the Foundation and at the District's request, the Foundation donated money to help pay for the cost of that facility.

Carl Goldman: So here we have a perfect partnership; a win-win for everyone.

Gary Condie: In my mind, it's a perfect partnership. Everyone was better off; everyone had a maximum benefit for a lower cost. Another example of the same thing was here in Canyon Country -- the Serra Vista school site, where a major addition was made, which

also included a partnership with the City of Santa Clarita and also the Boys & Girls Club here in town, where we have shared use, the school district using the building for part of the hours during the week, the Boys & Girls Club using it for part of the hours during the week and the City's Parks and Recreation using it for part of the week. Again, at a reduced cost, people able to have more opportunity.

Carl Goldman: And not just more opportunity, but there's state-of-the-art computer labs, for instance, at the Boys & Girls Club that are being able to be used by both participants from the Boys & Girls Club and Sierra Vista students. Just one example.

Gary Condie: Correct, and the Foundation's role, by the way, in that was again, just like with the Aquatic Center and the City, the District asked if the Foundation would pay part of that cost on behalf of the Boys & Girls Club, the District and with the City, so that the shared use facility could be paid for.

Carl Goldman: I was chatting with Jim Ventress, who's the head of the Boys & Girls Club, and he thought that a delegation from Los Angeles Unified School District was about to come up and actually do a trip through this Boys & Girls Club because they've seen what kind of template this has created and are looking to use it for a model for some of the things down in Los Angeles.

Gary Condie: I attended a meeting at the club maybe six months ago, I guess, I would say, where people from the Boys & Girls Club of America national office came and visited for about four hours, trying to better understand how the partnering took place there so they could export that idea to other places in the country because it had worked so well.

Carl Goldman: So now creatively as we look forward, the Facilities Foundation has also purchased land for a number of other projects, including the most recent one that you did just a few months ago, where you bought a lot of acreage up Sierra Highway to fund, eventually, another high school in Canyon Country. Rick, tell us about that project.

Rick Patterson: Yes, we have. Before we left that last subject, I just wanted to make a mention of the ripple effect of benefits from, for instance, the Aquatic Center. The Aquatic Center is of such of high quality. In Southern California it's one of very few, maybe three or four other facilities in all of Southern California that meet the same standards. And as a result, our local schools are able to have the regional meets and tournaments there. The benefit is all these teams and families come from outside the valley. They come and see what a beautiful valley we have, what a great facility. They spend their dollars; they spend their time and their gasoline money and all. But the other benefit is...

Carl Goldman: They're spending a lot more gasoline money right now.

Rick Patterson: Yes, right. But our students are able to raise their funds through selling the treats and all the things that come along with a meet and raising their own funds. So basically, there are all these benefits that come from these quality facilities, if we could do them right. Onto the properties in Canyon Country – again, the school district came to us, the Trustees, who are trying to do what they can do to plan ahead with, again, the limited tools that they have. Very effectively, they engaged the demographic studies, and have determined that based on the population growth in the eastern part of Canyon Country and all of the subdivisions that have been approved, that are under construction, or are in the process of being approved, that they will need a high school there probably in about five or six years. Maybe longer, maybe shorter. There are so many issues that affect that demand. But, they asked us to look for property out there. We did. There was one entity out there who owned 250 acres in a beautiful location. In our mind looking forward, it's going to be beautiful. Right now it's pretty dry out there, there's no water. But the great thing about a high school coming in there, it brings the infrastructure necessary to upgrade the entire neighborhood and bring the facilities that they need to help them. It'll be green and beautiful. But that 250 acres is owned by one entity and it has 75 lots that have been approved. It has a tract map on it now, so, in essence, we bought the right to 250 acres and 75 lots. Now when the school's ready, they will have their planners begin to look at how they might be able to superimpose a high school onto that property and, hopefully, there will be areas left over that will enable us to complete

construction on some or all of those lots and be able to generate revenue from the sale of those lots. The ideal thing is that the property, in addition to a couple of other smaller parcels next to it, gives us access we could control, so the school can develop and design traffic patterns to separate it from the residential because, as you know now, that's always a challenge getting in and out of some of our high schools. With the proper control of the entire surrounding area, you can have traffic patterns that are easy for parents and students to come and go and not disturb the neighborhood.

Carl Goldman: So, strategically, it has allowed you to look ahead; go in and grab a large piece of property at today's prices; sit on it and wait till the population gets to the point where you need to start developing a school. That's not going to happen overnight. Hopefully by then, the value of the land along with whatever you develop plus the ability to spin off some of that, whether it's to housing or some other entity, becomes the mechanism that pays for the entire project, or part of the project.

Rick Patterson: It's very effective, yes. As far as sitting on it, we're really not that far out at this point because we will now pursue all the studies – the environmental studies, the biological studies, the traffic patterns, the typographical maps – all those things that are required to begin to understand, study and know what the options are for developing the property for a high school. For instance, in Golden Valley we purchased 135 acres and, when it was all said and done, we had many acres of slopes. We had 50 acres of high school site and we had about 16 or 17 acres that was left over for the residential housing project around the school. We carefully studied what kind of housing project we wanted around the school after we received input from the trustees. They determined, even though the property was zoned for a higher density, it wouldn't be best to have apartments around a high school but that it might be more compatible to have single family homes, which we do have. That was presented to the marketplace and we had four or five national builders that approached us and submitted offers. We chose a builder who gave us the best offer, we thought, and who is now building a quality single family residential project around the school on what is 16 or 17 acres. As far as the total land mass is concerned, it's a relatively small portion of the whole project, but it will return a lot of money to the district, which, in that case, was \$14.6 million.

Carl Goldman: And once again, a creative way to solve a problem. 1:32 on Santa Clarita's hometown station AM 1220 KHTS, Carl Goldman chatting with Gary Condie and Rick Patterson with the Facilities Foundation, the president and vice president. The Canyon Country project that we just talked about – that was actually the second piece of property bought in Canyon Country. You bought one about a year or year and a half ago for a junior high nearby?

Gary Condie: You are correct. There are actually two different property sites there in the Canyon Country area. One is for a proposed junior high school; the other one, for a proposed high school. And I might mention that keeping us company right down the road is College of the Canyons with their new campus that they have planned over there. Again, all of the projections show that the growth on that side of the valley will be tremendous over the next few years.

Carl Goldman: And then sandwiched in between these projects – the first one at Golden Valley and the one we're talking about in Canyon Country – is the Castaic pieces of land, which also have been in the news lately.

Gary Condie: That's been in the news a whole lot lately and I'm not sure if all of it has been understood, but you are correct. Again, the Foundation, acting at the request of the Governing Board, the Trustees, acquired this property in the Hasley/Sloan Canyon area as a potential school site. The next thing that happened is a number of residents said, "We want a school, but elsewhere please." Because of that, the Trustees backed off from looking at that location and started looking at other locations. But has asked us to hold onto this property, it is still their primary back-up. There is no question; a high school is needed in the Castaic area.

Carl Goldman: And so right now, you have the second property in Castaic. There's also discussion now of a possible third property. Can you elaborate on that, Gary? Not necessarily coming from the Facilities Foundation, but we've been hearing it from our Supervisor's office, for instance, has identified a number of other properties.

Gary Condie: You're exactly correct. Michael Antonovich's office spoke up here, what would be about two or three weeks ago and said, "I have been getting involved, looking at other possibilities," and put a third possibility on the table. Again the Trustees, this was new to them, the Trustees' had to look at it. We have heard preliminary comments from them, they are looking at that. They are looking for a solution; they are definitely looking for the best solution. But in the meantime, they had reaffirmed to us that we are to keep the Hasley/Sloan property as a back-up. They don't want to let go of anything until they have found something that is going to work.

Carl Goldman: Am I missing any other properties that you've bought along the history here?

Rick Patterson: I don't think so. We're just going to refer to the Canyon Country property and point out one of the other benefits of having a prospective junior high school site and high school site within a mile, a mile and a half of each other. We will try to do all of the planning simultaneously on those two properties. For instance, today, just to give you one example, if you fly a topographic map, an airplane goes up and takes pictures of the lay of the land then that is superimposed on the planning process. That's a very expensive process and so if you can have one plane go up and shoot a few more pictures and a few more grids of two properties, you have substantial savings. When it comes time to have engineers prepare things – biological studies and ecological studies – it is much more economic to make that one big study as opposed to two separate projects. And then, of course, when you come to bidding for grading, infrastructure, water tanks, sewers, electricity, and all the things that go into developing properties, if they are considered as one large – now extra large project – because you have both the high school and the junior high school together and then whatever houses might be residual benefits of those projects, then it becomes a very significant cost savings in the long run. For who? For the taxpayers, for the school district and for the benefit of the students. Another thing I would just like to point out is the advantage of long term planning. If we look at Golden Valley, those people who have been to Golden Valley and stood out on that campus know that if not the most gorgeous breathtaking view in the whole valley,

it's certainly right up there. It's a wonderful feeling to go on a new campus and know this wasn't the drags; this isn't what was left by somebody. This site is a beautiful site and I believe that contributes to the sense of pride and good feeling that the students have, the staff, the faculty. It's a great campus and that's the same thing that we are looking for in Canyon Country. It'll be a beautiful place to go to school.

Carl Goldman: Now let me clarify something, the Canyon Country campus, the future one and Golden Valley, that wasn't one hundred percent funded by the Facilities Foundation. You're still getting some money from the state, isn't that correct?

Rick Patterson: I'll let Gary address a little bit of that. First of all, we obtain no funding from the state.

Gary Condie: That is correct.

Carl Goldman: So the state does not contribute any funding through the construction of a new school?

Gary Condie: Okay, I believe what Rick meant by his comment, the Foundation does not receive any funding at all from the state.

Carl Goldman: But the state is still helping to pay for parts of the school.

Gary Condie: Correct.

Carl Goldman: So how does that work?

Gary Condie: For listeners who may not understand this, the state is totally involved in the construction of a new school, even to the point that they must approve any site. First of all the Foundation doesn't have authority to choose any site, but second of all, not even our Trustees on behalf of the Governing Board can do that. Sacramento will come down, physically inspect a property and they will say "yeah" or "nay." They do that, or they have that right, because they participate in a major portion of the funding. It does get into

complex matching concepts that goes back to the bond issue, as Rick very correctly said that's a complex area even for the specialists. But the state is very much involved; the state does participate in the funding of any new construction or remodeling. Their money will be involved.

Rick Patterson: To clarify, also, the Foundation does not have anything to do with the construction of schools, only with the acquisition, development, preparation of school sites. We just deal in the dirt and the preparation of those sites for the school. Once we have a site completed, the school district purchases that site from us at market value. By state law, school districts are required to purchase property at market value. They buy it at market value. Whatever cost we have in the construction and development of that site, as the spread between the cost and the market value is what the net earnings are for our organization, which will be used for the benefit of the school in the future. But one thing that I am aware of is that the funding that comes from the state is 50/50 currently unless there are hardship funds. There are a myriad of other complexities that I don't understand, but the 50/50 obligation means that the local school district has to raise fifty percent of those funds and that's a staggering responsibility.

Carl Goldman: And that money can come though from the state as part of it, or is that the matching funds from the state?

Rick Patterson: The state comes with 50/50.

Carl Goldman: Okay and then they have to go dig up the rest.

Rick Patterson: So one of the benefits is if the school district purchases a site, for instance, they purchased the site of Golden Valley from us for approximately \$30 million, which I think was approximately \$500,000 an acre, in that range. Today, of course, that same site would probably sell for \$800,000 or \$900,000 [per acre]. That's the benefit of getting it done and getting it done sooner. They have a great value there now. The school purchased it at market value. It cost us approximately \$18,000,000 to prepare that site, to purchase the land and do all the work we did and deliver the site. With that

there's a \$12,000,000 net gain. That \$12,000,000 now is available for us to go out and acquire other sites as requested by the school district. One of those sites was the Hasley/Sloan Canyon property in Castaic; other sites are these in Canyon Country.

Carl Goldman: Now in this mix, West Ranch isn't part of the mix because West Ranch was put together by a developer, in this case, Newhall Land?

Rick Patterson: Exactly.

Carl Goldman: So West Ranch was not part of any of the Facilities Foundation's planning.

Rick Patterson: Yes.

Carl Goldman: Understood, let's get onto some of the controversial areas right now here on AM 1220 KHTS, chatting with Rick Patterson and Gary Condie with the Facilities Foundation. Lot editorials, lot of comments in the news, particularly in the Signal newspaper that are asking for more openness from the Facilities Foundation. You've taken a lot of heat, Rick.

Rick Patterson: Yeah I have.

Carl Goldman: I would like you to be able to address that and talk about that a little bit.

Rick Patterson: Well, my philosophy has always been that it's difficult to explain when all the parties aren't dealing with the same facts. What we have done on a regular basis and I'll let Gary talk to this, is for every year that we've been in existence; we have had a certified audit prepared of all of our records and all of our books. That audit has been available to the public and has been provided to the newspapers on a regular basis, with or without their request. We are also very thorough in our process of handling our books and have had no difficulties with any other questions or claims from any other source other than from the editorials in the Signal. And frankly, I've never been asked by the

publisher, Mr. Budman, to sit down and discuss this. I've asked for the opportunity to sit and review it with him and but have not had that opportunity. But that is neither here nor there because we are pressing on. We have a mission, the mission is to acquire these sites, develop the sites and make it as profitable for the benefit of the school district as we can. It's been a very effective process and the last few days we have distributed the Annual Report again and we are getting a tremendous response. People are very appreciative of the information that is very clearly laid out there. We also have a website that people can gather information. We have our certified annual audit up there. The Annual Report is there and a variety of other points. You also can ask questions and ask for responses personally, if you go on to the website and leave that information. Gary, if you want to address the financial reporting.

Gary Condie: You bet, be happy to. Actually, I want to comment on two things: the financial reporting and reporting to the public. As mentioned, we have been open right from the beginning - let me back up, let me start another way - right from the very beginning we've had a certified audit by independent auditors each year. And again, when a CPA firm comes in, there are different levels of work they can do: they can compile, they can review, or they can audit – audit being the very highest level of service. We chose that right from the very beginning. Second of all, we report each year to the Attorney General's office, to the Internal Revenue Service, and to the California Franchise Tax Board; so there's a lot of reporting that happens there. The other thing that I would mention is in the beginning we had all that information available and we got the word out to people. We had the website and they could come get it. After much criticism, we've decided we want to be more proactive. Maybe with the best of intentions we didn't go far enough. The disclosure opportunity was there, but we have now for two years in a row produced an Annual Report, increasing the distribution as Rick just mentioned. Our most recent Annual Report was mailed to 55,000 homes here in the valley. We want to reach out, put the information right into people's hands rather than wait for them to come to us.

Carl Goldman: You can find that Annual Report in this month's issue of Inside SCV, and it's a pretty comprehensive report. We posted a spreadsheet on our website,

hometownstation.com, last week that was an older spreadsheet that you provided about a year ago, I believe, to the Signal originally that we had obtained. And it's a little out of date, so we have now taken it off our website because it actually probably raises more questions than it answers because of the fact that it is dated. But you've said that you're preparing a new, up to the date spreadsheet that we can post on our website shortly.

Rick Patterson: Correct, the spreadsheet I believe Mr. Castellanos gave you was a bit out of context because it had limited information on it. That spreadsheet provided the list of all the vendors and contractors that the Foundation had bid with or had paid funds to directly. It did not include the bids and the vendors that the City managed for our benefit when we were partnering on the Golden Valley project. With that, we would then simply pay to the City our share of the funds as was necessary to pay those contracts and bids. And that's what we're doing, we're updating the spreadsheet so it will include all of the disbursements for services or work or contract efforts that have been provided for the benefit of the Foundation's properties.

Carl Goldman: And this is something that you are willing to let us post on our website once it's finalized?

Rick Patterson: Yes, we're working on that as we speak, our staff is. Now I hope there's some curiosity as to what the website is. I'm happy to give that website now.

Carl Goldman: Please do.

Rick Patterson: That's scv-ff.org so the name Santa Clarita Valley Facilities Foundation or scv-ff.org.

Carl Goldman: And you can also get to that website by going to hartdistrict.org and there's a link from there. We are going to be talking more with Gary Condie and Rick Patterson here on AM 1220 KHTS right after this short break.

(Break)

Carl Goldman: Carl Goldman in the studio, special edition here on AM 1220 KHTS, chatting with Gary Condie and Rick Patterson, the president and vice president of the Facilities Foundation. Phones have been ringing, we've had a number of callers wanting to know a few things and I thought I'd throw in a couple of questions here. One is if you guys aren't getting paid for this and you're taking all this heat from everybody, why do you want to do this? Why do this?

Gary Condie: Well, why did I serve as the founding chairman of the board of the Henry Mayo Newhall Memorial Hospital Foundation? Why did I serve as president for four years of the Boys & Girls Club? Why am I on the Board of Directors now for the College of the Canyons Foundation? And why am I here? I don't know what drives people. But someday we'll all be finished with this life and hopefully we each found some way to leave the world a better place. This valley is full of wonderful volunteers. Any direction you turn, you see people helping out with Little League, with PTA, on and on and on, the arts. We're blessed with lots of people in this valley who do exactly that, who volunteer generously of their time and even of their means. We're taking our turn.

Carl Goldman: So the nine members of the Facilities Foundation are not being paid, why don't you quickly rattle off who those nine members are, Gary.

Rick Patterson: Seven.

Gary Condie: There are seven members.

Carl Goldman: Seven, there's seven members. Two are at large then in addition, is that where I'm confused?

Rick Patterson: Two rotate through.

Carl Goldman: Two rotate through, got it.

Gary Condie: Right, seven members. Again, we have five from the public who are all volunteer, in addition to Rick Patterson and myself. We have John Hassel who has also there from the beginning. John, of course, was one of the Trustees for the school district at the time this was formed, and he was one of the ones that helped create this. Joining us recently, we have two people who bring a tremendous amount of talent and experience to the table. We have Kris Hough who is regional vice president with . . . Santa Clara Valley Bank, I'm going to get it right yet, they're close. And then Marc Emmer who is the immediate past chairman of the board of the SCV School and Business Alliance and is also involved with other organizations here in town.

Carl Goldman: And all these people are folks I know who, as you said, they're involved in many, many different organizations.

Rick Patterson: Well, and from the beginning we had Bob Wagenaar who was very involved in the schools, who was an integral part of our start up. When he left the board, he changed employment, I believe, Teresa Todd came on, who has been very active in the schools and in the community. She continues to assist us in our Annual Report. It's a great team and we want to put that invitation out there. We're glad we're here. We have been low profile and the nature of being a real estate acquisition development company really gravitates toward being low key and being subtle because, otherwise, you don't have the opportunities that you might have. But we invite people to know who we are and to learn about us because Gary and I, frankly, may not be here forever, right Gary?

Gary Condie: I think the day will come when its time to pass the baton. And we hope that there will be people out there that have an interest in this; the schools will not go away.

Carl Goldman: Another listener called in, Gary, wanting to know why does the Facilities Foundation exists? We talked a lot about that in the beginning, but what other school districts also have this? Is there a template for this throughout the state, throughout the country?

Gary Condie: Our information on something like this is going to come from the school district offices and from the Trustees. Again, this was their creation. But they did this in response to the mechanisms that the State of California uses for funding new construction, and also in response to what other districts are doing out there. I understand, we have been told, we are not the only District that has set up a foundation. Again, it has to do with the way that Sacramento funds new construction.

Rick Patterson: One of the challenges is for a school to do this is you have to find seven people that can do this. If anyone knows Gary's background, Kris Hough's banking background; Gary's a CPA, very sharp on taxes and financing, Marc Emmer, Teresa Todd, Bob Lee, our former board member who is now a consultant for the Foundation. He assisted or oversaw the construction of some fifty schools during his career, very knowledgeable. So you have to have that combination of people who can go out and do the things you have to do to comply with the development requirements at both the state, county, and city levels. It's not easy.

Carl Goldman: And you with the attorney background and then all of you have very high profile people even though the Facilities Foundation has been low profile, you guys are high profile people in Santa Clarita and this entire board is made up of high profile people who've been high profile for a long, long time in this valley.

Rick Patterson: And I don't think Gary or I or anyone on our board regrets or thinks that criticism is bad. If all of us are always agreeing on the same thing, then they say that maybe somebody ought to switch hats and ask a few more questions. We work hard; we don't always come to a consensus. But when people criticize or have questions, that keeps us sharp and so we welcome that kind of input. And if people have questions, we want to be able to answer them. People can look at the website or they can call us. I'm happy to talk to anybody anytime about the Foundation.

Carl Goldman: There's one other call in that said do you have any debt? Do you guys carry any debt?

Rick Patterson: The Foundation is pretty unique in the world of business, and that is that we do not have any debt. We are self funding, we work on the profits that we made from our first project, which was the sale of the high school site – the Golden Valley site – and the sale to Centex.

Carl Goldman: You mentioned that you use the state to help pick the projects because you have to identify the project, but then the state has to come in and actually approve the project.

Rick Patterson: The school invites them in, we don't.

Carl Goldman: Right, so what I was going to ask you how you pick the project to begin with? Is that something the school is feeding you and then you go out and do it and the school says we've identified this need in Canyon Country, now go out and find it. Is that is?

Rick Patterson: Castaic, for instance, the school asked us to go out to that region. We went out there; we looked for two years. A lot of good people in that community looked for better sites and for sites that they thought would be easier or less expensive to develop etc. It's very difficult to plunk a high school site down in any area of this valley. Land is very precious and very scarce, so it's not easy. Gary, on the financing. . .

Gary Condie: . . . the question again please, Carl.

Carl Goldman: My question goes back to the debt and the whole financing of this and the fact that, first of all, the school is telling you guys where to identify the next piece of ground, right?

Gary Condie: Yes, here we go. How do we find a site? It can come from one of two ways, and we've already seen this happen right here in River City. The school district might come to us with a specific property in mind, Golden Valley, and say we have found this. We would like you to move ahead on our behalf. Another example is they might

come to us with a general area and they don't have a specific site and say we need something in Castaic, as a good example, or in the east Canyon Country area. Would you look and see what you can find and bring it back to us please.

Carl Goldman: So I guess we really are faced here in Santa Clarita with a combination of things. We had tremendous growth happening very, very quickly. We had a lack of funding coming in from other sources. We had a unique potential for partnership between private industry, the City of Santa Clarita, organizations like the Boys & Girls Club and then civic leaders such as the two of you who are able because of your uniqueness in the community of being, number one, community leaders, and number two, having the successibility back and forth being able to pull all the players together, not just necessarily just you two, but others as well, to pull all the players together, to pull all the pieces together and make this thing function as a very interesting mechanism to fund and solve the problem of growth in this valley in terms of our public school system.

Rick Patterson: And the credit goes to the Board of Trustees. The question was asked earlier, "Why do we do this?" The reason was that we were asked to do it. That's my nature; that's Gary's nature. We saw that there was a problem, our kids were suffering, the faculty, the staff, it was intolerable. So we didn't know what this venture was going to be or where we were going, we just knew that we had good people that we were going to associate with and it's been very successful and our Annual Report reflects that.

Gary Condie: Well, again, I think it has worked out well. Going back ten years ago when this was created, the District, as has been mentioned earlier today, faced exploding growth but limited resources. The 50/50 match from Sacramento, they can only charge so much for developer fees, they looked around for other ways and they came up with the concept of the Foundation, where profits could be retained here and then be donated to the District. It's worked out exactly as they hoped it would.

Carl Goldman: Our hour's flown by, I want to thank both of you, Rick Patterson, Gary Condie, for joining us. Once again, the full report available in Inside SCV or by going to the website at scv-ff.org. You can also go to hartdistrict.org. We will be posting the full

spreadsheet as soon as that's made available. You guys have been great answering questions and I definitely would like to have you back once we have the next series of things coming up for the Foundation. I want to thank you all for joining us. We're going to break right now for CNN news, Coffee with the Mayor right after this on Santa Clarita's hometown station, AM 1220 KHTS.

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