

STATE OF CALIFORNIA

DEPARTMENT OF CORRECTIONS AND REHABILITATION

PRISON INDUSTRY BOARD

PUBLIC MEETING

FRIDAY, JUNE 29, 2012

THE BOARD OF PAROLE HEARINGS

1515 K STREET

SACRAMENTO, CALIFORNIA

REPORTED BY:

ESTHER F. SCHWARTZ  
CSR NO. 1564

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**ATTENDEES**

**BOARD MEMBERS:**

- MATTHEW CATE, CHAIR
- ESTEBAN ALMANZA
- GEORGE CHAPJIAN (Telephonically)
- WILLIAM DAVIDSON
- BRUCE SAITO (Telephonically)
- DARSHAN SINGH
- MICHELE STEEB
- JEANNE WOODFORD

**STAFF:**

- CHARLES L. PATTILLO, EXECUTIVE OFFICER
- SCOTT WALKER
- ERIC RESLOCK
- PHYLLIS GUARE
- GARY ALARID
- LEE DOREY

**COUNSEL:**

- JEFF SLY

---oOo---

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Sacramento, California

FRIDAY, JUNE 29, 2012 12:06 P.M.

---oOo---

CHAIR CATE: I will call this meeting of the Prison Industry Authority Board to order. It is six minutes past 12.

I would like to welcome our Board Members, CALPIA staff, public. I believe on conference call today we have Board Members Chapjian, Masteller and Saito and staff member Tracy Folau they're at Parks & Rec for the City of Long Beach.

George, thank you for letting us use that facility.

Why don't we begin by calling the roll.

MS. GUARE: Good morning, everybody. We have Chair Cate. Thank you for being here.

CHAIR CATE: Here.

MS. GUARE: Member Almanza.

MEMBER ALMANZA: Here.

MS. GUARE: Member Chapjian.

MEMBER CHAPJIAN: Here.

MS. GUARE: Member Davidson.

MEMBER DAVIDSON: Here.

MS. GUARE: Member Kelly is absent.

1 Member Masteller unfortunately had a death in  
2 the family.

3 Member Saito.

4 MEMBER SAITO: Here.

5 MS. GUARE: Thank you. Member Singh.

6 MEMBER SINGH: Here.

7 MS. GUARE: Member Steeb.

8 MEMBER STEEB: Here.

9 MS. GUARE: Member Trujillo is not here.

10 And Member Woodford might be on her way, a  
11 little bit late from traffic.

12 Thank you. We have a quorum.

13 CHAIR CATE: Thank you, Madame Secretary.  
14 Appreciate that. Having established our quorum, I  
15 request that we would begin with our recess for  
16 closed session pursuant to Government Code Section  
17 11126(e). So if we could have a motion to recess  
18 for closed session, please.

19 MEMBER STEEB: I do.

20 MEMBER SINGH: Second.

21 CHAIR CATE: Thank you.

22 All those in favor, say aye.

23 Any opposed? No.

24 With that, we'll go into closed session.

25 (Closed session break.)

1           CHAIR CATE: We'll go back to the open  
2 session. The time is 12:24 I note for the record  
3 that the Board discussed litigation matters; in  
4 particular, voted to approve a settlement authority  
5 limit for the General Manager concerning CALPIA  
6 matters, litigation matters. So with that -- that  
7 will be, of course, written in our closed session  
8 book.

9           And now we will go back into open session.  
10 And if I can ask the PIA Members to turn into our  
11 binders and we'll go into any comment from the  
12 Board. I would just, if I could as a matter of  
13 privilege, begin by saying that the Legislature  
14 passed the budget on time and the Governor signed  
15 the budget the night before last. And in that, the  
16 Legislature did fully fund CDCR blueprint for the  
17 future of Corrections. If you haven't had a chance  
18 to review the CDCR blueprint, I invite you to do so.  
19 It is on-line. It might give you a sense of the  
20 direction which the Department is headed. As a  
21 partner of PIA, you may find that helpful in  
22 fulfilling the duties on the Board. And I think I  
23 also might note that there was -- the old  
24 Corrections' standards authority was replaced by the  
25 Board of State and Community Corrections. And so

1 that is a new independent board. So there is a  
2 description there as well.

3 Any questions on the budget action taken by  
4 the Legislature and the Governor concerning  
5 Corrections?

6 Chuck, any changes to PIA in the budget?

7 MR. PATTILLO: Yes, indirectly, Mr. Chair.  
8 The impact has been in the movement of Medi-Cal  
9 cases from Healthy Families back to Medi-Cal, and is  
10 bringing with it the optical benefit that is  
11 provided to folks on Medi-Cal. We did not -- when  
12 they shifted over to Healthy Families, we lost those  
13 cases for eyeglasses. Now, from what I understand,  
14 if I get the number right, 130,000 additional cases  
15 we will have throughout the coming year, which will  
16 actually increase optical revenue. Not enough to  
17 reopen a factory, but at least shore up some of the  
18 work we have in our two eyeglass factories down in  
19 the valley and also at Solano. That is definitely a  
20 positive.

21 CHAIR CATE: If you haven't been to one of  
22 our PIA lens grinding and eyeglass facilities, you  
23 really should try to make it. It's one of those  
24 jobs where we do a terrific job of training inmates  
25 in a skill that is very marketable on the outside.

1 So if you go to Wal-Mart, you see their optical  
2 sales programs. You go to Costco, all those places  
3 grind and sell their own lenses. And our inmates  
4 have that certificate and are skilled in a very  
5 technical vocation and have been very successful in  
6 getting those jobs.

7 So I'm glad to hear that, Mr. Pattillo. Thank  
8 you very much.

9 Any other comments from the Board before we  
10 start with our other session?

11 Okay. Hearing none, we will move to the  
12 General Manager's comments. Mr. Pattillo, anything  
13 further?

14 MR. PATTILLO: Yes. Just a couple things.  
15 My name is Charles Pattillo. I am the General  
16 Manager of Prison Industry Authority and Executive  
17 Officer of the Board.

18 I first want to say thank you to several Board  
19 Members who have been out on tour with us lately.  
20 Let me encourage more of you to go out. I spent two  
21 days last week with Michele Steeb, Board Member  
22 Steeb, visiting San Quentin. And we took her down  
23 to Chino for the graduation that we had last Friday  
24 of 14 divers. I kind of described it to her the day  
25 before, but it was pretty encouraging to see her

1 eyes pretty wide open when she really saw that we  
2 actually did this behind prison walls.

3           Shoot through a couple. Our first action item  
4 is the adoption of the annual plan Fiscal Year --

5           And if I could put on record that Ms. Woodford  
6 is present with us and came in during closed  
7 session.

8           Our first item is our annual plan. If you  
9 look at it on paper and if you didn't know what  
10 happened last year regarding furlough settlement and  
11 whatnot, you'd think we had a pretty disastrous year  
12 the year before because of the extreme loss that we  
13 took. As we know, part of that, a large part of  
14 that, was a settlement regarding the furlough. We  
15 are still working that payment out right now as we  
16 are clearing out for the year. It actually took us  
17 another year actually to get the payment out. Our  
18 current year ending, as of May 31st, we took -- we  
19 discussed at the last Board meeting. We took a big  
20 hit in the fourth quarter. Part of that was, with  
21 the realignment of Corrections, there was a  
22 cancellation of the fourth quarter of all orders  
23 that Corrections does for us, and what we call  
24 centralized procurement. We've got it down to,  
25 dialed into what we know per quarter. They canceled

1 the fourth quarter about 6.4 million. It was  
2 actually going to eliminate all of the profit that  
3 we had scheduled for this year. Part of that we  
4 recovered in the fourth quarter, and a lot of it is  
5 attributable to a lot more opening in markets that  
6 we're seeing.

7 San Diego is becoming a big market for us, San  
8 Diego County. Sacramento County is starting to be a  
9 market for us.

10 Right now, when we close May 31st out, we were  
11 about 200,000 down in the hole, on May 31st. That  
12 is what our books say, and we have another month  
13 left in this year. However, what we have done, we  
14 have taken most of the adjustments that we normally  
15 take after the books are closed. We've already  
16 taken. So we kind of know where we are at.

17 Inventory has been going on for the last two  
18 weeks, and we have yet to see any major hiccups like  
19 we saw last year when the auditors wanted us to take  
20 large write-offs off for the factories we've closed.  
21 We haven't closed any factories, so that write-off  
22 issue is not going to be there.

23 I think we're going to come in just about flat  
24 at the end of the year. Given what's been going on  
25 this year, I'm pretty encouraged by that, between

1 that and the CPP. The thing going forward, though,  
2 the budget's getting a little tighter. And right  
3 now, if you will turn to the annual plan that is in  
4 your book, we can walk-through that.

5         The budget that we have here calls for 5,400  
6 positions in enterprises, and we expect 7,000  
7 offenders to roll through those 5,400 positions.  
8 The days of an offender being with us for six months  
9 and less is really starting to decline because of  
10 the change in the realignment in prison. At the end  
11 of 2008 there were 6,800 positions and it was  
12 gradually reduced to the low point of just over  
13 5,000 which occurred in '10-11. We have brought it  
14 up to about 5,400 last year. The change from this  
15 year to last year was about eight inmates. So we  
16 kind of flatlined and we are climbing back out of  
17 it.

18         The best part of this, if you look - and we're  
19 going to get into this later - our certifications.  
20 Even though the number of inmates has gone down, our  
21 certifications have increased, nominations, by 217  
22 percent. Almost quadrupled, I would say, if you did  
23 the math that way, compared to where we were in just  
24 '9-10.

25         Free staff have also stabilized. In '8-9 we

1 had 645 positions. We've been long declining  
2 in staff even when we were increasing in dollars.  
3 Purposely looking at what we are doing out in the  
4 field and purposely reducing staff where we could  
5 reduce staff, just because we know what's around the  
6 corner and what has been around the corner.

7         The stabilization in revenues is occurring  
8 right now. We knew we were going to lose  
9 approximately 19.9 percent of our revenue due to  
10 inmate reduction at CDCR. We've kind of come around  
11 with that and expanded in a couple areas. Not so  
12 much expanded; we are seeing more purchasing of  
13 products from hospitals, from CDCR and whatnot.  
14 Some of our newer product.

15         Just to give you a report on one product that  
16 is near and dear to my heart, boxed lunches. We  
17 have, I think, already exceeded our expectations on  
18 what the demand for that product has been for us.  
19 Department is very happy with it. Last week we  
20 shipped --

21                 MR. WALKER: Last week 13,000; this week  
22 70,000.

23                 MR. PATTILLO: Our official take-off date  
24 is July 1. We had folks that were able to order it  
25 already. And we went from 13,000 to 70,000 within

1 one week on a number of orders. When we were at San  
2 Quentin, we saw some of the new boxed lunches that  
3 is hitting CSP Sac, whatnot. It is a very low cost  
4 product that a lot of folks are very happy with.

5 CHAIR CATE: From what to what?

6 MR. PATTILLO: In one week, 13,000 to  
7 70,000 item numbers.

8 MR. WALKER: That would be over a hundred  
9 thousand next week. Going over well. Like we  
10 talked yesterday, we've been in communication with  
11 Harvest Farms.

12 Scott Walker. I am the Assistant General  
13 Manager of operation. Morning, Mr. Chair and Board  
14 Members.

15 We have interacted with Harvest Farms. We  
16 have kind of kept in touch with them as we are  
17 coming up and they're going down.

18 MR. PATTILLO: Just on the peanut butter  
19 side.

20 MR. WALKER: Peanut butter side. It's been  
21 a fairly amenable process. Reviews from  
22 institutions have been very good. We are expanding  
23 very rapidly. We're up and running at the Corcoran  
24 meat facility now. About 40 inmates in there.  
25 Start bringing it up.

1           CHAIR CATE:  So peanut butter and jelly  
2 boxed lunches?

3           MR. WALKER:  Correct.

4           MR. PATTILLO:  The other big thing in  
5 revenue-wise is we were the first out of the gate  
6 with the National Fire Protection Agency certified  
7 garment.  And we are moving on to the federal  
8 schedule for that product.  That is going to be a  
9 bottom line issue.  That revenue that will be  
10 positive.  A great product.  We just sent 20 of them  
11 down to be tested by the L.A. Conversation Corps,  
12 for their folks down in L.A.  Mr. Saito, on the line  
13 right now, he just got them.  I asked him if he  
14 could give me a consumer confidence vote.  He said,  
15 "You mean test by fire?"  I guess that's what we're  
16 talking about.  We will see how the product works  
17 out.  So far pretty positive.  We need CalFire.  
18 They are very happy with the garment.

19           We talk about numbers, but I think as we all  
20 agree, our most important product is the folks that  
21 don't come back to the prison.  That is the number  
22 one product.  Right now we still have, our  
23 participants still have 27 to 30 percent low  
24 recidivism rate from the general pop.  In your book,  
25 the CTE study that we've been working on for two

1 years, getting all that data, and what we're seeing  
2 there is a 7.13 percent recidivism rate for folks  
3 that participate in our CTE programs.

4 The other item I want to do is I wanted to  
5 introduce Lee Dorey, Assistant General Manager for  
6 Marketing and Sales.

7 Lee, could you stand up?

8 Lee comes back to us after being gone for five  
9 years. He is assuming the position of Assistant  
10 General Manager of sales and marketing. He left  
11 either sales or marketing - sales. He's actually  
12 gone back. For a time he was our Chief of Sales and  
13 then he was Chief of Business. He left to go to  
14 Emergency Management, Homeland Security, as chief of  
15 logistics for the last five years. He just rejoined  
16 us. We are very lucky to have him come back.

17 Thank you very much.

18 Finally, the Governor -- the other issue that  
19 was in the Governor's budget is the 5 percent pay  
20 cut, and it does affect us. It's not a furlough  
21 issue like we talked about before. It's a  
22 negotiated cut. It does impact us. It does impact  
23 our employees. We'll talk more about that in the  
24 first quarter, how we see that impacting us.

25 If I can move to the actual action item now.

1 The '12-13 proposed annual plan is based on a full  
2 year's actual data for '10-11 and actual date sales  
3 data for '11-12. It also takes into consideration  
4 known changes in the economy, legislation, state  
5 budget and inmate population. The annual plan funds  
6 all CALPIA operations, and we are looking at our  
7 revenues for '12-13 at 167.3 million, which is  
8 actually a 4.3 increase over what we thought for the  
9 current year.

10 One of the expenses that we have in there is we  
11 have several things that are outside of what our  
12 constitutional requirements are. And the biggest  
13 one is the 1.1 million to fund our CTE programs. We  
14 think it is one of the best investments we do across  
15 the line. That funds our Marine Technology Center  
16 at Chino, our construction program for women at  
17 California Institution for Women, our CTE programs  
18 that operate under the modular program at Folsom.  
19 And it funds a reimbursable program at California  
20 Men's Colony, which is part of the contract that we  
21 are negotiating with Department of the Military to  
22 start doing lead and asbestos abatement at  
23 California Men's Colony at Camp Roberts.

24 They actually have been spending their time  
25 doing lead and asbestos abatement at California

1 Men's Colony. One of the highest sought after job  
2 skills when the folks get out. We haven't tested  
3 that one for recidivism, but we haven't seen anybody  
4 coming back that's gone through that  
5 certification.

6 The revenue that we are seeing in the current  
7 is about 9 percent over what we thought we were  
8 going to be at. By the end of next year our  
9 manufacturing revenues show an decrease of .7  
10 million from 73.7, down to 73 in the entire  
11 manufacturing side.

12 Fabric products is a 2.1 million increase, and  
13 most of that is due to CAL Fire. The 5 percent  
14 reduction is due to AB 109 population reduction.

15 The bindery. 1.9 million increase from DMV  
16 placards and a 4.0 percent decline in binder and  
17 health record sales. And that is really -- we do  
18 all the health records for the prisons, as far as  
19 receiver. It also corresponds to the population  
20 reduction.

21 General fabrication. We see about a \$3.2  
22 million decrease in our general fab; that is known  
23 as our modular furniture. That is something,  
24 Mr. Almanza, we need to look more closely at DGS.  
25 Part of the reason we are losing a couple jobs here

1 and there is that departments are not adhering to  
2 the partnership that we have about using reutilized  
3 furniture first. It is something we need -- you and  
4 I spoke about that on the phone the other day.  
5 Folks that are automatically thinking that they  
6 should buy new, when management knows they shall use  
7 re-utilized, which we go out and recover out in the  
8 field and we are storing it. So something we need  
9 to look a little closer at in the coming year.

10 MEMBER ALMANZA: Absolutely.

11 MR. PATTILLO: Modular construction. About  
12 a 700,000 decrease. We are only slated for  
13 construction of about three telemedicine facilities  
14 on the books. Although we have two in process  
15 prototypes, emergency operation center and a modular  
16 light building for office.

17 We are also moving into the area that seems to  
18 be the biggest demand for us is the lowest cost  
19 modular buildings that you see that we've always  
20 said that don't have a long life span. It seems  
21 like folks are wanting to buy those.

22 Services. We have an increase of 7.7 million,  
23 from 59.9 million to 67.6 million; a 12.9 percent  
24 increase in services.

25 Food and beverage is our biggest increase

1 right now, about 35.9 percent in food and beverage.  
2 A lot of that is shifting across from general food  
3 into food and beverage. 3.4 percent increase on  
4 current products sales. Our biggest sales increase  
5 is, of course, packaged lunches, boxed lunches, as  
6 well as bulk peanut butter and jelly, which is an  
7 issue where a lot of departments -- excuse me, not  
8 only besides Corrections, but other departments are  
9 going away from prepackaged, which they wanted to.  
10 Going back to bulk serving. That was one of our  
11 products before that we shipped.

12         Optical. We show a \$1.8 million increase, or  
13 20 percent increase right now. 2.0 million state  
14 orders and 8.8 million estimated Medi-Cal orders.

15         Agriculture. Decrease of about 200,000. Most  
16 of that has to do with population changes on when  
17 we're selling. It also has to do with prices on  
18 almonds, which is a fluctuation issue.

19         Poultry. 900,000 increase, or 16.6. Most of  
20 it has to do with commodity pricing. A little bit  
21 far behind in actually catching our prices up with  
22 what our commodity prices are. So that is mostly a  
23 price increase. Even at that price increase, we are  
24 still below market price right now.

25         There is no revenue limit increases or changes

1 that we are asking for. Revenue limits are fine the  
2 way they are.

3 Cost of goods sold increased about 6.8  
4 million. Mostly related to revenue change; 2.5  
5 million is purely revenue. 1.8 million is due to  
6 commodity pricing. 1.5 million is due to civil  
7 service staffing. Three reasons: Removal of the  
8 personal leave program, furlough program, that  
9 turned on for the full year what we are paying  
10 staff. Increase in employer contribution rates.  
11 There's been a significant increase, as many of the  
12 listed agencies know, that not only is there an  
13 increase to benefit prices for employees,  
14 approximately 9 percent for health benefits. There  
15 is an increase in retirement contribution rates, as  
16 well as our contribution to medical and dental.  
17 That is one of the ones that we don't negotiate. We  
18 get a piece of paper that says, "PIA, this is what  
19 you're paying this year."

20 Mr. Almanza and Mr. Davidson is shaking his  
21 head. Mr. Davidson is financial officer for the BTH  
22 agency. He knows exactly what the piece of paper I  
23 am talking that we get that says, "Guess what? It's  
24 going up."

25 Cost of goods sold. Reduction in agriculture

1 of about .1.

2 I jumped ahead.

3 Various personnel changes. We've had some --  
4 we are having some decreases in employment. We're  
5 having some increases in the field.

6 Gross profit. Anticipated increase of 100,000  
7 over last year.

8 We go down to the selling and administration.

9 Any questions before we move to selling and  
10 administration?

11 Selling and administration. I'm going to start  
12 by saying there's an increase of administration  
13 cost, and that's something that nobody ever wants to  
14 hear. I don't like to hear it, and I don't like to  
15 say it. It is really tied to two things. We pay  
16 something every year called pro rata. We are  
17 showing it on the bottom there, called state pro  
18 rata. This is the overhead cost that's charged to  
19 other state agencies, so other state agencies that  
20 are not revenue generators can operate.

21 What I mean, nonoperating revenue generating  
22 state agencies, I'm talking about the State  
23 Controller's Office, Department of Finance, Bureau  
24 of State Audits. Just a few. Our pro rata last  
25 year, current year, is \$3.97 million. Our pro rata

1 this year is \$4.7 million. We've had an increase of  
2 a million dollars in pro rata year over year. We  
3 pull that out of all our costs of goods sold so we  
4 can clearly show the overhead rates that we are  
5 paying, which is something normally in any other  
6 business you wouldn't have that line item.

7       The other -- the one that's flat, though, from  
8 year to year is the other post-employment benefits.  
9 This is the nonretirement benefits. As you know,  
10 there is only two state agencies that are currently  
11 fully funding their retirement plans. We are one of  
12 them. The other one is the California State  
13 Lottery. And the reason for that is the way we  
14 function as a business, where we actually have  
15 revenues that come in that are not only off budget,  
16 but also just basic cash business. Probably why  
17 we're doing it.

18       The Secretary and I have discussed his  
19 adjustments for OPEB are actually documented on your  
20 financial statements the same way, basically a  
21 footnote saying what the applied liability -- we're  
22 actually funding our liability.

23       MEMBER CHAPJIAN: Question on your pro rata  
24 allocation. I assume all state agencies are  
25 cutting, aren't they?

1           MR. PATTILLO: I think most state agencies  
2 are. Just like we talked about what your increases  
3 are to us from things like increase in benefits.  
4 It's kind of a double whammy, Mr. Chapjian. The  
5 increase in benefits that I talked about that are  
6 happening to us in increase in employer  
7 contributions, we are not only paying ours, but the  
8 ones that are happening in other state agencies are  
9 coming in under our pro rata. We are actually  
10 paying for everybody else's increase.

11           You are correct. There are decreases, but  
12 those decreases in employment are not outstripping  
13 what the decreases they are in employer  
14 contributions.

15           MEMBER CHAPJIAN: Pension reform at some  
16 point. This will affect this point.

17           MEMBER ALMANZA: It's been an issue at  
18 General Services as we see our pro rata go up. We  
19 are also an enterprise that needs to be reimbursed.  
20 What I've come to learn from the Department of  
21 Finance about that is that something like 80 percent  
22 of the pro rata is the health benefits for retirees  
23 of state service. So as those health benefit  
24 premiums go up, those costs get distributed to all  
25 state departments on a feewide basis. And that's

1 the -- it isn't that the State Controller and  
2 Treasurer's operating expenses are going up. That  
3 the distribution of the health benefit premium for  
4 retirees is going up.

5 MR. PATTILLO: That's the OPEB. It's the  
6 OPEB that we are paying. We are actually funding  
7 everybody else's OPEB.

8 MEMBER ALMANZA: So pension reform won't  
9 necessarily alleviate that. These are folks already  
10 retired.

11 MEMBER CHAPJIAN: Nothing you can do about  
12 that at all?

13 MR. PATTILLO: I think we are going to see  
14 it in the operating expense end of the pension,  
15 about the contributions. We've already seen it in  
16 the retirement benefits for folks that are 3.0 are  
17 being reduced to 2.5. The folks that are at 2.5 are  
18 being reduced to 2.0. That's kind of where we are  
19 going to see that.

20 MEMBER CHAPJIAN: These are contracted;  
21 there is no way of backing out of that?

22 MR. PATTILLO: On a lot of that, that is  
23 correct. One of the things that the state can't do  
24 is they can't do what that Stockton just did.

25 MEMBER CHAPJIAN: Right.

1 UNIDENTIFIED MEMBER: What Stockton did?

2 MR. PATTILLO: File bankruptcy.

3 It's kind of, you know, we've got a handle on  
4 it. As Mr. Almanza said, we get this letter from  
5 Department of Finance laying it out. We are  
6 actually challenging the amount this year because  
7 the fact that a lot of that is also included in  
8 those line items. There's actually nine line items,  
9 Mr. Almanza. One of them is use of SPB and use of  
10 DPA. Whereas, we had side contracts to use those  
11 services. We may be getting charged twice for some  
12 of that. We are working on those as much as we  
13 can.

14 MEMBER CHAPJIAN: Chuck, you may not know  
15 this. This is a matter of retirees being able to  
16 buy health insurance through bigger pool, state  
17 pool, and that's driving up the cost?

18 MR. PATTILLO: It's the contribution side  
19 of post-employment benefits. It's the continued  
20 employer contribution of the health benefit side.

21 As you look down the line, the increase from  
22 year to year, there are very few items that actually  
23 increase. A majority of the line items have  
24 decreased. Where you see minor increases, one of  
25 them is in executive management division, which is

1 actually the smallest division. And that had to do  
2 with the furlough coming back on. The furlough  
3 being eliminated to a certain point. This may  
4 adjust at our six-month meeting, based on what we  
5 find out, how the budget affects us.

6         One of the increases that you will see is in  
7 Career Technical Education. Human Resources is part  
8 of a shift, a shift in training. Joint venture,  
9 free venture, is flat. And the marketing division  
10 has a slight increase; and that slight increase is  
11 due to us adding two sales representatives in the  
12 Southern California area. It was better for us to  
13 add two sales reps down there than to continue to  
14 rely on flying people down to L.A. One of our sales  
15 reps -- and I don't want to embarrass her. She is  
16 on the other line. She is actually doing the public  
17 session down there. Tracy Folau alone has increased  
18 revenues in Southern California several-fold by  
19 engaging the counties in southern areas,  
20 particularly San Diego. So it is a great return on  
21 our investment in the Southern California area to  
22 add those two folks down there. We used to have two  
23 folks down there. We stopped doing it a couple  
24 years ago. Then we figured out it was a very good  
25 investment.

1           CHAIR CATE: I have a question about the  
2 projections on joint venture, free venture. I know  
3 from our conversations that you have many plans,  
4 schemes, irons in the fire, hopes, wishes and  
5 desires for increasing this area. You have some  
6 good leads.

7           Is this a conservative estimate that we might  
8 hope to see increase in the next midyear?

9           MR. PATTILLO: As far as the budget number,  
10 that's based on our contracted amount. As far as  
11 the number of folks adding in, yes, we do receive  
12 some coming on. We manage the joint venture and  
13 free venture side, where we've had more luck. It  
14 seems to be our remaining juvenile justice facility.  
15 We have folks interested in starting joint ventures  
16 at the juvenile level versus the adult level. We  
17 have, currently off the top of my head, we're still  
18 chasing Red Stitch Baseball, bringing their  
19 operations back from China. They are the number two  
20 manufacturer of baseballs in the world, including  
21 they do all the minor league uniforms.

22           MEMBER CHAPJIAN: Who?

23           MR. PATTILLO: Red Stitch Baseball.  
24 Currently we see --

25           MEMBER CHAPJIAN: Isn't Tony Riviera the

1 owner?

2 MR. PATTILLO: Yes.

3 MEMBER CHAPJIAN: My son plays for him.  
4 Why don't I talk to him.

5 MR. PATTILLO: Please do. Mr. Cate and I  
6 met with him about a year, and we've been ongoing  
7 conversations. He was a keynote speaker in Ventura  
8 the other day.

9 MR. CHAPJIAN: He was? I didn't realize  
10 his operation was that big.

11 MR. PATTILLO: Seems to be. Seems to be.

12 We have a specialty bottling company that is  
13 working to go into Ventura, an expansion of All Wire  
14 Partners at CCWF. They've identified the new  
15 products that they can manufacture, which is a  
16 gasification from garbage. They want to demonstrate  
17 it there, but open up a facility there at CCWF. In  
18 the last just couple of weeks we just broke a new  
19 staffer in that is pretty aggressive. We have him  
20 out there beating the bushes.

21 Our focus for joint ventures, though, is folks  
22 that want to come back from overseas. Do the made  
23 in USA label. The made in the USA label is a good  
24 issue. We are focusing on those countries that ran  
25 off shore for manufacturing. We are also looking at

1 different models. The employer model -- we normally  
2 do the employer model, which we've done for years,  
3 where the company comes behind the walls. The law  
4 also allows us to do the customer model, which is  
5 we can do all the manufacturing as long as we are  
6 paying comparable wage and following all the federal  
7 guidelines. Joint venture operates under federal  
8 law versus state law. So we are very akin to what  
9 is going on out there to keep ourselves on this side  
10 of the law.

11 I know the Governor's focus, I've never not  
12 talked to the Governor where the comment wasn't  
13 joint venture, go joint venture. It is a doable  
14 expansion. We are looking at a new facility at CIM  
15 for recycling. American Custom Coach is another one  
16 we have been partnering with. The focus is there.

17 CHAIR CATE: I would never -- I'm always  
18 careful not to publicly criticize the Governor, but  
19 one attribute he lacks is patience. So if we can  
20 put that on the front burner, I'd be very grateful.

21 MR. PATTILLO: It's on fire, sir.

22 So the joint venture, as you go down the line,  
23 the fiscal services bureau is a little bit of a  
24 increase and has to do with furlough turn on.

25 When you look at the administration division,

1 we've got that broken out between human resources  
2 and staff development. But the administration  
3 division really consists of our business services  
4 and our MIS division, which are two of our largest.  
5 And most of those have to do with computer  
6 contracts. We are the only agency that doesn't use  
7 the statewide computer system. The fact that we  
8 have a manufacturing and accounting system, we keep  
9 that off the state system because we need to get  
10 into the back end of that so often. And, also, we  
11 carry all of our contracts in business services. So  
12 that is why that number is kind of flat, but small  
13 reduction from previous years.

14 We don't have a reimbursement for our CTE  
15 programs as we have from Corrections in previous  
16 years. Although we have -- looks like just in the  
17 last couple days we reinstated the IEP  
18 reimbursement. We are not sure at what level. The  
19 IEP reimbursement, that is how we administer the ID  
20 program statewide. Last year we issued 8,000  
21 identification cards for paroling inmates; and  
22 Corrections has asked us to administer that program  
23 again. Previously, we did it at nine institutions.  
24 Now we're looking at the 13 hubs, re-entry hubs. We  
25 are also consulting with a lot of counties, showing

1 them how to do that. I can touch on that real  
2 quick.

3 Consulting with counties, that seems to be  
4 something we are doing a lot more with. AB 109 is  
5 dealing with the same inmates that we used to deal  
6 with. We are actively taking them out to  
7 institutions. We toured Sacramento County last  
8 week, five institutions. And from that they picked  
9 up two of our operations that they are replicating  
10 at their local level. One being the toner  
11 refurbishing; the second one is facilities  
12 maintenance.

13 MEMBER WOODFORD: Can I ask a question?  
14 How many parolees will the Department have per year  
15 going forward with realignment? Do we know?

16 CHAIR CATE: I don't.

17 By 2015, 2016, we will have a total of 30,000  
18 parolees.

19 MR. PATTILLO: Active parolees?

20 CHAIR CATE: Active parolees. That is all  
21 we'll have, are active, only serious violent sex  
22 offenders on parole. And that will be down from a  
23 high of 125,000.

24 MR. PATTILLO: We're going to have the  
25 toughest ones. The Department will have the

1 toughest parolees out there. It's just a bigger  
2 challenge. We'll deal with it.

3 CHAIR CATE: Yes. Except that there's a --  
4 they're all difficult, but not all are high risk. A  
5 lot of times these drug offenders are high risk.  
6 Risk for violence is very high. It will be kind of  
7 a specialized group that we'll have, and it will  
8 take a lot of work and preparation to make sure we  
9 are ready.

10 MR. PATTILLO: The anticipation, though, we  
11 look at our numbers. We've talked about it before.  
12 Mr. Cate and I have talked about it. We have a  
13 better success rate than the higher level offenders,  
14 and that was something that I was very surprised  
15 about.

16 MEMBER SINGH: I would like to know, what  
17 is external affairs?

18 MR. PATTILLO: External affairs. I can  
19 turn around and look at him. That is my chief of  
20 public affairs.

21 MEMBER SINGH: What is that?

22 MR. PATTILLO: Chief of public affairs --

23 MEMBER SINGH: External affairs. We make  
24 -- last year we make 125- and 126-.

25 MR. PATTILLO: Yes. We've gone up 1,000.

1 What that consists of is Eric, one student assistant  
2 and his entire operations, including all filming,  
3 roadwork all that we do. Anything we send out that  
4 is promoting PIA, anything like that. That is our  
5 public information officer. That is an expense,  
6 Mr. Singh. His expense. I wish I could make money  
7 off of him. I'm trying.

8 CHAIR CATE: I appreciate that it is  
9 important that we keep all of the associated  
10 non-revenue generating costs down in your admin  
11 because those get ultimately passed to your biggest  
12 customer. So I appreciate you're being frugal with  
13 those kind of things. It is important that we get  
14 the message out as well.

15 MR. PATTILLO: As we move down the line, we  
16 pointed out that pro rata. The other one is  
17 distribution expense. There is a little bit of  
18 expense that is purely tied to our distribution of  
19 products. We are seeing some current year  
20 expenditure drops in our distribution. We are  
21 moving around some of our customers, as far as  
22 laundry and as far as milk. We are shipping more  
23 milk in the southern state out of our southern dairy  
24 versus doing truck links. In our laundry we are  
25 doing a lot of movement. We just signed off on a

1 proposal that will save \$700,000 in laundry costs by  
2 shorter lines, shorter customer.

3 We also picked up a huge customer this year.  
4 It's Thunder Valley Casino. It is sovereign nation,  
5 which which falls under the law. They can be a  
6 customer of ours. We are folding the sheets for  
7 Thunder Valley Casino. Very good sheets. We're  
8 operating that CSP Sacramento. That was a test run  
9 and sovereign nations are available to us as a  
10 business partner.

11 CHAIR CATE: Are we having a Board tour?  
12 Of Sacramento I meant. Not --

13 MR. PATTILLO: I understood what you meant.

14 As we go down, our non-operating revenues are  
15 actually showing a lot of revenue expenses farther  
16 down, 495. That is a combination of legal fees that  
17 are settlements, as well as interest expense.  
18 Current year, actually our interest income is driven  
19 off of our cash that we hold in our accounts. We  
20 normally hold anywhere from 60- to \$80,000,000 in  
21 cash accounts. Part of that is set aside for  
22 liability for retirement, OPEB. But a majority is  
23 cash that we are using on an operating basis.

24 The people that have picked up on that is the  
25 Treasurer's Office who writes themselves a loan,

1 average 18- to \$21,000,000 a day we are loaning the  
2 treasury. At that point we lose all of our interest  
3 earnings for that. It's actually -- every time I  
4 run into Treasurer Lockyer I do remind him he owes  
5 me money. He reminds me that it is the state's  
6 money. We go through the same thing every time.

7       It does affect our interest earnings. We do  
8 count on those. Currently, as of month 11, our  
9 interest earnings were 240,000 for the year on our  
10 non-operating revenue. But at the same time our  
11 loss from disposal of property and non-operating  
12 revenue expenses is reduced down to about 300,000.  
13 We kind of have good control on that. That's kind  
14 of where we roll settlement from the previous years.  
15 We haven't had any significant settlements from the  
16 previous year.

17       Any questions on that one page?

18       We have four quick pages and one other issue  
19 to go through.

20       CHAIR CATE: I just want to say thank you  
21 for that. And just to remind my fellow Board  
22 Members, that I appreciate your attention to these  
23 matters. They could be a little dry, but  
24 ultimately, when you take the oath and sign on as a  
25 Board Member, you also accept the fiduciary

1 responsibility to ensure the Prison Industry  
2 Authority spends its moneys appropriately and  
3 follows the rules. So it is worth our time to watch  
4 closely and to ensure that we're doing our job, to  
5 make sure everything is up to par and that we are  
6 holding folks accountable for that.

7 Appreciate this, Chuck, this clear outline.

8 And also I note that we do have a certified  
9 public accountant that audits our books annually as  
10 well.

11 MR. PATTILLO: Yes. On an annual basis, we  
12 do the financial audit, they come in. Probably the  
13 only that is more drier than what I'm talking about  
14 right now, in the fall. No offense to accountants.  
15 They do a great job. Everything is by the book.

16 So if I could one second here.

17 As part of the -- in your binders, right  
18 before that sleeve, you will see the out-of-state  
19 travel item. That money, for lack of a better term,  
20 is - I don't want to say buried - it is in our  
21 operating budgets. We pull it out because we don't  
22 go through the governor's office for out-of-state  
23 travel like most other state agencies. It's part of  
24 what the Board approves, and we detail it very  
25 clearly. It's right before the sleeve. I had some

1 difficulty in finding it.

2 MEMBER CHAPJIAN: We have it in our  
3 packets?

4 MR. PATTILLO: Yes.

5 We broke it up between non-bordering and  
6 bordering states. Our bordering states are Arizona,  
7 Nevada -- bordering states are, of course, Oregon,  
8 Nevada, Arizona. We couldn't put Mexico as a  
9 bordering state, but we tried. The bordering states  
10 on the bottom there are Nevada, attending the fire  
11 show to promote our fire gear. It really is a sales  
12 call, is what it is. We listed it in there. The  
13 non-bordering broke out in three divisions -  
14 operations, marketing and executive.

15 Operations. Washington for furniture that we  
16 are manufacturing. Indiana for a fire show, again.  
17 Each division, you see that one person from each  
18 division is attending the NCIA show. The one we  
19 just sponsored ourselves here. As Mr. Cate can  
20 attest, a very important show for us. Just to go  
21 meet with the other 49 Prison Industry Authorities,  
22 so we can steal many ideas that we can from other  
23 folks. The other show that is -- the other - I  
24 don't want to say show - is the ACA meeting. There  
25 is actually one in Texas that I will be attending,

1 Correctional Association Meeting. Secretary Cate I  
2 know is president -- I don't know if you're tied  
3 into ACA. You're not president of --

4 CHAIR CATE: ASCA Western Directors region.  
5 So are you not attend the ACA in Denver?

6 MR. PATTILLO: Actually, what we're going  
7 to do here is we have operations of new industries  
8 in Denver, and we're going to tie that together for  
9 the Colorado trip. I will be there.

10 CHAIR CATE: I will be there, too. I will  
11 be paying my way, unfortunately. If you can make  
12 it, I would note for the Board that we're having the  
13 state -- the CDCR will be putting up its first three  
14 facilities for ACA accreditation in Denver this  
15 year. So they have to go before a group and defend  
16 their accreditation for the first time. It will be  
17 an exciting thing for us as well.

18 MR. PATTILLO: Tying us into the visiting  
19 of Colorado, one of the most progressive states out  
20 there, as far as correction industries. And I want  
21 to send my thoughts out to them, too, after seeing  
22 the fire that's been going on affecting our  
23 counterpart in Colorado in several different ways.  
24 That is part of the out-of-state travel.

25 Is there any question on out-of-state travel?

1           On the enterprise review, as you go through  
2 the first page, we have four enterprises. At the  
3 gross level we are declaring that we will have a  
4 loss at it right now. We usually do -- when we have  
5 something like this, we look at it for one year, and  
6 we visit it again next year to see if there is still  
7 a gross loss. The gross loss is covered by gross  
8 profit in the other areas that we've established  
9 800,000 net profit. In any other business I think  
10 folks would say, "Let's close that operation." We  
11 have to reflect that we are putting inmates in  
12 employable skills. And those folks, at least all of  
13 these programs here, have pretty good recidivism  
14 rate. So, overall, the things that are accruing in  
15 the state for reduction of recidivism far outweigh  
16 any kind of loss we may declare.

17           One of them is general fab, Century Systems.  
18 As we talked to Mr. Almanza, and we will talk more  
19 about that. I think that is recoverable.

20           The other one is modular construction, and we  
21 need to look closely at that. Modular construction  
22 has gone down for us a lot. We're picking up some  
23 more customers here and there on new things. We  
24 just picked up a customer last week; we're designing  
25 a mobile --

1 MR. WALKER: A mobile jail holding cell.

2 MR. PATTILLO: For mental health patients.  
3 That will hold eight mental health patients. We are  
4 in the design phase of that right now for Sac  
5 County.

6 Construction services and facilities. We have  
7 always carried this is as an overhead cost, as part  
8 of our construction division. We moved out several  
9 years ago so we can start collecting revenue. We  
10 are declaring a \$391,000 loss, but we're going to  
11 revisit that at midyear as we're picking up the  
12 second CMC contract that is not reflected in here.

13 The last one is crops that we talked about.  
14 Change in the commodity prices. Our biggest  
15 customer in crops is ourselves because we grow our  
16 own hay and whatnot, and we show that in the red.

17 If you go over the annual plan. For inmates  
18 you see that we have a very small swing from 5,417  
19 to reduction of nine inmates overall. Most of that  
20 reduction, well, most of the adjustment, it is  
21 reflecting what is really out there. What we are  
22 doing. We don't have extra positions. Kind of  
23 truth in budgeting, how many inmates are we actually  
24 using? Those are positions. It reflects that we  
25 will run about 7,000 inmates through these 5,408

1 positions.

2 CHAIR CATE: Chuck, a couple questions. Is  
3 the cleaning products that are seen here, are those  
4 the green environmentally friendly cleaning products  
5 that we have been discussing?

6 MR. PATTILLO: A portion of it. The green  
7 products are a portion of it. It is all chemicals.  
8 Green is just a portion of that. That is taken off  
9 to be a fairly good business. Our pricing on that,  
10 if you pull our pricing, we are still below market.  
11 It's a very profitable enterprise for us, and we  
12 reinvest those profits.

13 Mr. Almanza, it is one issue we noticed, that  
14 in the change in administration we actually notice  
15 there is a less emphasis on green cleaning products.  
16 Folks are actually not as -- it was mandated that  
17 you will do this. We are actually not selling as  
18 many as we were previously. Folks are kind of  
19 delving back to the -- they are all environmentally  
20 safe. They just weren't technically under the green  
21 category. That is a category, green chemicals.  
22 That is a portion of the chemicals.

23 CHAIR CATE: Another thing, I continue to  
24 watch some other states increase the number of  
25 inmates they have working on sustainable products.

1 And in Washington, for example, they have that great  
2 program where PIA and the Department are working  
3 together to help, on a contract with the state, help  
4 repopulate endangered species, both in terms of  
5 plants and animals in Washington. Pretty impressive  
6 program. Obviously, it would require the state to  
7 decide to fund something like that. I'd love to see  
8 it.

9 MR. PATTILLO: It is a great program. The  
10 roadblock that we have right now, for lack of a  
11 better term, is actually ORW. The number of ORW  
12 inmates that are available to go off reservation is  
13 decreasing for us. Whereas, because the highest  
14 priority in the state, and I'm not banging on it  
15 all, is the firefighting inmate. We're having a  
16 hard time getting firefighting inmates. So the  
17 number of inmates that go off reservation is  
18 decreasing, part of the realignment. We are looking  
19 to grow more stuff on-site and get it off-site.

20 The actual inmate assignments by enterprise as  
21 you go down the list, our biggest is fabric  
22 products. It will continue to be that for a while  
23 because of the firefighting gear that we are doing.  
24 Furniture is showing minor reductions. Metal  
25 products.

1           Laundry. We're showing some reduction. That  
2 is truly tied to AB 109, again the amount of  
3 laundry.

4           Flat on optical.

5           Construction facility and maintenance alone is  
6 going up about 15.

7           Dairy and farm is pretty flat. Crops, flat.

8           Pretty much as you go down, the only increase  
9 you see is in statewide administrative support. CTE  
10 programs getting back up to a 140 from our 134.

11           MEMBER STEEB: If we add some joint venture  
12 clients, then this total number of employee goes up,  
13 right?

14           MR. PATTILLO: Overall number of employees,  
15 we're only running less than a hundred, a little  
16 over a hundred in joint ventures. Very small, 124.

17           MEMBER STEEB: With all the prospects we  
18 have?

19           MR. PATTILLO: Yes.

20           MEMBER STEEB: Then it goes up.

21           MR. PATTILLO: We're going to see a bigger  
22 increase on the DJJ side, juvenile justice side.  
23 All the companies are focusing on the juvenile  
24 justice facility, which is fine. We just want the  
25 positions for those guys to train on.

1 CHAIR CATE: Most of the people in our  
2 division of juvenile justice are adults. I mean,  
3 there's still a great opportunity there to work  
4 with, especially in Ventura, we have 18 to 25 soon  
5 to be 18 to 23-year-olds.

6 The other change that happened this year in  
7 the budget trailer bills was the age of jurisdiction  
8 was reduced from 25 to 23. So just keep in mind  
9 that there is only about 100 wards, 150 wards. But  
10 something to keep in mind.

11 MR. PATTILLO: They are also targeting the  
12 DJJ folks that are big shipped over to -- for  
13 whatever reason they are coming over to the adult  
14 institutions per law, CTE programs. The dive  
15 program is ideal for a young kid who is coming  
16 across, who just getting his mind right, is a  
17 perfect candidate.

18 Overall, our civil service employment, we  
19 anticipate funding of 542 positions, which includes  
20 salary savings of 14.2 percent, about 90 positions.  
21 A decrease of 22 positions from the annual plan.  
22 One of the things that -- if you go back and look at  
23 our history, when we were growing at such an  
24 increasing rate, we actually decreased staff by 12  
25 percent. And it was something we knew,

1 anticipating. We saw a lot of this coming five  
2 years out. So we are not having to resort to any  
3 sort of layoff plan. Maybe one, two or three here  
4 and there, but we can usually move those folks  
5 around to other locations where we have vacancies.

6 That concludes my presentation on the annual  
7 plan for 2012-2013.

8 CHAIR CATE: Any questions from Board  
9 Members?

10 Hearing none, I would invite a motion to  
11 approve the CALPIA annual plan.

12 MEMBER ALMANZA: I move to approve.

13 MEMBER SINGH: Second.

14 CHAIR CATE: A motion and a second. Any  
15 discussion?

16 Any public input?

17 Seeing and hearing none, Mr. Pattillo.

18 MR. PATTILLO: Given that we have an  
19 off-site location, we need to do an individual vote.

20 CHAIR CATE: Okay. Fine with me. Madame  
21 Secretary.

22 MS. GUARE: Member Almanza.

23 MEMBER ALMANZA: Yes.

24 MS. GUARE: Member Chapjian.

25 MEMBER CHAPJIAN: Yes.

1 MS. GUARE: Member Davidson.

2 MEMBER DAVIDSON: Yes.

3 MS. GUARE: Member Saito.

4 MEMBER SAITO: Yes.

5 MS. GUARE: Member Steeb.

6 MEMBER STEEB: Yes.

7 MS. GUARE: Member Singh.

8 MEMBER SINGH: Yes.

9 MS. GUARE: Member Woodford.

10 MEMBER WOODFORD: Yes.

11 MS. GUARE: And Chair Cate.

12 CHAIR CATE: Yes.

13 MS. GUARE: Thank you. Unanimous.

14 MR. PATTILLO: Thank you, Members, thank  
15 you. I know it is a very dry subject, and it takes  
16 me a while to go through it. I appreciate your  
17 attention.

18 The next item is the proposed annual plan,  
19 the designation. This is a required. We discussed  
20 with auditors back in '98, long before a lot of us  
21 were here, with the exception of Mr. Singh. And the  
22 purpose of the action, the Prison Industry Board  
23 designation of cash, is basically the cash we are  
24 going to need to operate in our capital plan this  
25 year.

1           The PIB first designated cash for CALPIA  
2 expenditures during implementation of the '98-99  
3 plan. The PIB approves the plan for operating  
4 expenses. However, the plan does not address the  
5 cash requirements associated with implementing the  
6 plan. In consultation with our auditors, we  
7 determined that the PIB action can be reflected in  
8 the financial statements. PIB officially designates  
9 the cash for specific purposes to assure that it is  
10 consistent with the plan. Our plan this year is PIB  
11 to approve 13.2 million designation in cash for  
12 capital plan. Our capital plan, if you go through,  
13 is behind Exhibit B2, and it lays out everything  
14 that we are going to need for capital changes. And  
15 we are funding this partially with cash and a  
16 portion of our depreciation in expense. We had  
17 about 6.4 million in depreciation in the current  
18 year of our existing equipment. Those kinds of  
19 things. It is laid out by institution by  
20 institution.

21           The capital schedule is something we start  
22 working on about six months before. The only  
23 non-equipment field equipment that we have is - if  
24 you get to Page 5 in the capital schedule -  
25 primarily is MIS, is our other expense, which we

1 have anywhere from building a database, software  
2 development tool, new servers. And one of our big  
3 ones is the fact that the backup generator for our  
4 central office. So the total amount is 13.2; a  
5 portion of that, 1.4 million, is in livestock  
6 acquisition. We actually capitalize livestock to  
7 the point of 1.3 million. I think at this point --

8 How many cows are we running?

9 MR. WALKER: About 4,000 total. Milk about  
10 1,700.

11 MR. PATTILLO: Milking around 1,700 and  
12 running about 4,000 cattle north and south, two  
13 locations. The rest of it is pretty detailed out.  
14 There is nothing out of the ordinary that we aren't  
15 -- that I could point to and say that is not a  
16 normal thing.

17 Mr. Almanza, there is vehicle purchasing here.  
18 We do replacement vehicles. As you saw in my letter  
19 the other day, just so the Board understands, the  
20 governor's office, the vehicle reduction plan, when  
21 the Department of General Services and their  
22 consultants identified 118 items, we reduced 38 of  
23 those items and the rest remained. We asked for an  
24 exemption because they're actually vehicles that we  
25 truly use on a daily basis. I'm talking 80

1 vehicles, and I know the Secretary right now is  
2 looking at -- last time I checked was probably 2,000  
3 vehicles, change in your operation. So we are going  
4 through these right now. We asked for an exemption  
5 from the governor's office, which I don't think is  
6 going to be a great hurdle for us on the  
7 justification. I appreciate your staff looking at  
8 it. They said this is the formula. You need an  
9 exemption from the formula.

10 Is there any question on the capital schedule?

11 MEMBER CHAPJIAN: Just a question.

12 MR. PATTILLO: Yes, sir.

13 MEMBER CHAPJIAN: Curiosity, we don't breed  
14 any of the cattle?

15 MR. PATTILLO: We have a full operation at  
16 both locations. If I can show you the pictures on  
17 my phone. The other day I was at the dairy, I was  
18 taking pictures of the calves.

19 MEMBER CHAPJIAN: Those we don't want to  
20 see.

21 MR. PATTILLO: The pictures of the calves.  
22 If you go down and visit the dairies, what you will  
23 see is a couple hundred calves that we're raising at  
24 any one time. The only items that we sell, all male  
25 calves off, and we keep all females to populate our

1 own milking herd.

2 MEMBER CHAPJIAN: Thanks. Don't even send  
3 that picture.

4 CHAIR CATE: Other questions?

5 MEMBER WOODFORD: About the surveillance  
6 systems. Will that result in reductions in staff or  
7 what's the purpose of that?

8 MR. PATTILLO: Increase in safety. One of  
9 the uses, as you recall from being with the  
10 Department, when there is an incident in the  
11 institution, hundreds of hours are spent  
12 investigating any kind of whatever happened.  
13 Something happens in our facility, we have a record  
14 of it on film. It cuts down the investigation time  
15 very quickly. It is also a safety issue. Most of  
16 it is in food products and laundry. We want to see  
17 what's going on.

18 The safety issue that we've also done is every  
19 place we have a surveillance camera, we back run it  
20 over to the investigate services unit so they can  
21 tap into our cameras at anytime. So they are not  
22 having to set up surveillance cameras in locations.  
23 We've also offered our services to every  
24 institution. A lot of the new security cameras that  
25 are in the institutions, actually our staff's

1 installing them in non-PIA areas.

2 CHAIR CATE: We had one of my colleagues in  
3 one of the western states lose a staff member in a  
4 PIA setting. So obviously security is incredibly  
5 important, and we would like to get more  
6 surveillance equipment in the prisons as opposed to  
7 less. As soon as we can afford it.

8 MR. PATTILLO: Good return on investment  
9 for us.

10 CHAIR CATE: Any other questions?

11 I just have a question about conflicts.  
12 Typically, the way folks get into trouble in these  
13 kind of settings is that we're purchasing millions  
14 of dollars in equipment and livestock and other  
15 types of products that are expendable. And whoever  
16 does that purchasing, we have to be so careful that  
17 they don't have any interest in any of these firms  
18 or any of these deals. So maybe you can update the  
19 Board on what PIA does to ensure that we are staying  
20 clear of those kinds of conflicts.

21 MR. PATTILLO: A couple different ways. We  
22 have our -- the general, starting from the top to  
23 bottom. The declaration of conflicts of interest on  
24 the FPPC rules that you and I and a majority of the  
25 staff are involved in. In addition to that, we have

1 separate purchasing authority out in the field at  
2 certain levels, whether it be 25, 50 or a hundred or  
3 a certain amount that has to come up to central  
4 office. The other movement that we're doing right  
5 now is we are moving a lot of procurement in one  
6 unit that is centralized and away from the field of  
7 purchasing. Some of this stuff has to be done in  
8 the field, but it is what it is.

9         The last part, we are updating our Conflict of  
10 Interest Code; and for filing of conflict of  
11 interest for just anybody that has any kind of a  
12 signature authority on a purchase order of any kind,  
13 all the way down to the office technician. They  
14 will be required to file a conflict of interest. In  
15 addition, our auditors review and make sure that we  
16 have the proper internal controls on all the  
17 purchasing, and we are following generally accepted  
18 auditing standards as well as accounting standards.

19         Having said all that, do issues happen? Yes,  
20 they do. I wish I can say that we are 100 percent  
21 pure on this. Have we ever had an incident? Yes,  
22 we have. Which has been duly investigated by the  
23 Inspector General or Attorney General or whatever at  
24 the times need to be

25         Mr. Almanza, in being procurement specialist,

1 am I missing something that -- just run through on  
2 procurement conflicts of interest.

3 MEMBER ALMANZA: You are doing all your due  
4 diligence.

5 MR. PATTILLO: A lot of these purchase  
6 orders, Mr. Cate, I end up being the one. They come  
7 up to me, having gone up through five different  
8 levels. So anybody that is touching that is filing  
9 Conflict of Interest Code. Very open about it.

10 CHAIR CATE: The other problem, of course,  
11 that you have to watch out for is more difficult.  
12 That is where we are paying above market for a  
13 product, and then the individual doing the purchase  
14 is getting some kind of kickback on that. And that  
15 is really where you either have to have  
16 investigators look in it or it has to smell.  
17 Somebody has to be seeing if these kind of purchases  
18 pass the smell test. And that's where we kind of  
19 rely on you and Scott and others to occasionally dig  
20 and look at purchases to make sure that they are not  
21 higher than they should be in leading us to suspect  
22 something other is than what it is.

23 MR. PATTILLO: One of big reflections is if  
24 our cost is solely being driven by something that  
25 shouldn't be driving it. We dig down deep and look

1 at those. The fact that so many people touch these  
2 purchase orders, that is kind of the control factor  
3 there, that there is enough people giving the smell  
4 test. As the Secretary says, randomly when  
5 something does happen, it is usually somebody  
6 spotted it and said something. Our biggest control  
7 factor right now is contracting. We are really out  
8 there shopping. We call the DGS for smell test on  
9 contracting, that we both use for our testing as  
10 well as CDCR.

11 CHAIR CATE: It is our obligation to ensure  
12 that those kind of safeguards are in place. I just  
13 thought that the annual, going over the annual plan,  
14 is a good time to remind Board Members what we are  
15 doing to ensure fidelity with all these finances.

16 Thank you for that.

17 MR. PATTILLO: Any more questions on the  
18 capital schedule?

19 CHAIR CATE: You need a motion on the --

20 MR. PATTILLO: Designation of cash.

21 CHAIR CATE: -- designation of cash.

22 MEMBER CHAPJIAN: Move.

23 MR. PATTILLO: Mr. Chapjian has moved.

24 CHAIR CATE: We have a motion to accept and  
25 approve the designation of cash as laid out by

1 staff.

2 Do we have a second?

3 MEMBER WOODFORD: Second.

4 CHAIR CATE: Thank you, Ms. Woodford.

5 Any discussion by the Board?

6 Any public comment in either of the two

7 locations?

8 Hearing none, call the role, please.

9 MS. GUARE: Member Almanza.

10 MEMBER ALMANZA: Yes.

11 MS. GUARE: Member Chapjian.

12 MEMBER CHAPJIAN: Yes.

13 MS. GUARE: Member Davidson.

14 MEMBER DAVIDSON: Yes.

15 MS. GUARE: Member Saito.

16 MEMBER SAITO: Yes.

17 MS. GUARE: Member Steeb.

18 MEMBER STEEB: Yes.

19 MS. GUARE: Member Singh.

20 MEMBER SINGH: Yes.

21 MS. GUARE: Member Woodford.

22 MEMBER WOODFORD: Yes.

23 MS. GUARE: And Chair Cate.

24 CHAIR CATE: Aye.

25 MS. GUARE: Thank you. That will pass.

1           MR. PATTILLO:  You're next item -- I would  
2 be remiss in not recognizing and welcoming one of  
3 our guests here is Mrs. Olivia Singh in the back.  
4 She is Chair of the California Postsecondary  
5 Education Commission.  If you notice, she is  
6 Mr. Singh's wife.

7           CHAIR CATE:  Welcome.  Thank you for being  
8 here.

9           MR. PATTILLO:  If we can move over to,  
10 shooting around here, Item C, part of the  
11 information items.

12           CHAIR CATE:  Does anyone need a break  
13 before we go through the information items?  Are we  
14 close, Mr. Pattillo?

15           MR. PATTILLO:  If you want a five-minute  
16 break, right now's a good time.

17           CHAIR CATE:  We will take five minutes.  I  
18 note there is a new code for using the facility.

19           MS. GUARE:  5151 star.

20           CHAIR CATE:  I voted for 5150 star.  My law  
21 enforcement background.

22                           (Break taken.)

23           CHAIR CATE:  We will go back into session  
24 of the Prison Industry Authority Board.

25           Mr. Pattillo, we will ask you in an

1 expeditious fashion to move us through the  
2 information items.

3 MR. PATTILLO: The first item, draft report  
4 of the CTE programs from 2007 through 2011. A study  
5 we've been working on for over a year. A draft  
6 report. It tells a few stories of the CTE model  
7 that we developed a couple years ago. Not only is  
8 it workable, but the flattery is that it is being  
9 copied by a lot of departments. CDCR is developing  
10 their own CTE programs, kind of a mirror of what we  
11 are doing here.

12 CHAIR CATE: It is in the back pocket since  
13 I've seen the report.

14 MR. PATTILLO: So it lowers recidivism, and  
15 CTE more than pays for itself by recidivism in  
16 projects. As you go through the report, you will  
17 see that over approximately \$9,000,000 it cost us to  
18 run the program, there was an additional savings  
19 between recidivism and project cost savings of over  
20 \$9,000,000.

21 The authors of this study are two graduate  
22 student assistants that we hired last year in  
23 response to the State Auditors' criticism of the way  
24 we were calculating savings. And they just --  
25 auditors are meant to criticize, just kind of how

1 things go. We have been working on this for about a  
2 year. We are giving it to you as a draft just to  
3 read through.

4 What I'd appreciate if you folks could take a  
5 look at it. When you get -- just over the next  
6 couple weeks, give me a call, drop me a line, if you  
7 see anything that at first blush doesn't make sense  
8 to you in any shape, way, or form.

9 What it basically says, key findings, in 2007  
10 the program had a recidivism rate of just 7.13  
11 percent and a cost avoidance of the CTE program  
12 during that period, '07-11, not only a recidivism,  
13 but project cost savings is right around  
14 \$10,000,000. That's a boon to not only the general  
15 fund, but in some cases local governments. Our  
16 local government clients around here are the City of  
17 Folsom, County of El Dorado, City of Sacramento.  
18 And a lot of this is just maintenance or repair jobs  
19 that they don't have the money for that we'll get --  
20 we have them get the materials and we do it.

21 Our biggest clients right now are Cal Expo and  
22 State Parks. Cal Expo, we were working up until 48  
23 hours ago at Cal Expo getting them prepared for the  
24 State Fair. Without us Cal Expo would not be able  
25 to do any maintenance repair. Actually had one

1 building that couldn't be open unless we had gone in  
2 there and fixed it for them.

3           The benefit to us, obviously, we've got  
4 enrollees in CTE programs that are not going to come  
5 back to prison. We are lucky to do any jobs  
6 available out there. We run our off reservation  
7 detail out of Old Folsom, out of the modular  
8 factory.

9           Going forward, the study is really a template  
10 that we can use as new information comes available  
11 on all of our programs. We think that this is a  
12 program that needs to be more replicated. What  
13 we've done with CTE is looking more at facilities  
14 maintenance. One of our latest clients is the CMF,  
15 California Medical Facility at Vacaville. We've  
16 taken our maintenance into the hospital. Whereas,  
17 they are having trouble getting anybody to do the  
18 maintenance, we've gone in there and created a  
19 facility's maintenance program under CTE which will  
20 demonstrate the lower recidivism rate, 7.13 percent.  
21 However, it is a program that should be replicated  
22 everywhere. It's -- in the time of tight budgets,  
23 whatnot, the Department should be looking more at  
24 this model, to do more of facilities and deferred  
25 maintenance.

1 Parks has really taken us up on it. We have  
2 rebuilt three of their revenue generating kiosks at  
3 the entrance of several state recreational areas.  
4 Versus the year before they had a guy out in a  
5 folding chair and an umbrella. Now he actually has  
6 a cover he can stand in, collect money and put it in  
7 a safe and actually be safe. We will continue to  
8 fund this program and continue to study the benefits  
9 of it, not only as a savings to the state, but as  
10 recidivism reduction.

11 Just to take a look at. We have shared it  
12 with CDCR. The LAO has been consulting with us  
13 also. We probably will shoot for, after we brief  
14 the auditors, shoot for releasing in September, once  
15 we've got all our numbers in order.

16 I did want to say thanks to the graduate  
17 students that have been working on this for a year.  
18 They are not here today. But without them, their  
19 hard work, and this is probably the 50th revision  
20 that we have seen. That's why it has been in  
21 progress for almost two years now.

22 MEMBER STEEB: Why the reimbursement with  
23 CDCR at the end?

24 MR. PATTILLO: The main reason was part --  
25 we were part of the funding that CDCR was cut. They

1 lost, I believe, 250,000,000 in rehab programming  
2 dollars in the budget. We were part of that. That  
3 is where we were getting our funding from. We had a  
4 three-year agreement for \$9.1 million. As they kept  
5 losing money, we kept losing money. To the point  
6 where they lost 250- completely. I know they got a  
7 hundred million back in current year that they are  
8 refunding certain things out of that. We are  
9 starting the IEP Program which is our CAL ID  
10 program, rather than CTE. We are still negotiating  
11 with them about funding this program.

12 MEMBER STEEB: Wouldn't this really be a  
13 tremendous cost savings to them in terms of facility  
14 maintenance? I don't look at it as a --

15 MR. PATTILLO: It would be. They do some  
16 of their own in some areas. One of our clients this  
17 week that we are rushing to get finished is actually  
18 we are rebuilding the firehouse at CDCR. So we've  
19 got internal contracts with them to do this. So we  
20 are kind of self-funding as we go, rather than just  
21 outward general fund application. So we are doing  
22 more and more. I think once we got this, we've got  
23 a good foundation and we can market this more. We  
24 are self-funding at CMC by doing a contract with the  
25 National Guard, those kind of things.

1 Any questions before I move on?

2 CHAIR CATE: Thank you.

3 MR. PATTILLO: I'm going to introduce Scott  
4 Walker and Scott is going to walk you through the  
5 next information item.

6 MR. WALKER: Good afternoon, Mr. Chair and  
7 Board Members. If you could, switch to Tab D in  
8 your binder. You should see there a pie chart,  
9 second quarter to the third quarter.

10 Billable hours from second quarter to third  
11 quarter went down slightly, primarily due to  
12 vacancies. The vacancies were created primarily due  
13 to some of the yard issues we had with AB 109,  
14 realignments on the yards.

15 Custody hours are up a little bit. We had a  
16 lockdown at Folsom, and had some issues. We  
17 switched one of our facilities at CTF from the east  
18 dorm to central, creating some issues there as well.

19 Any questions on the pie chart before we get  
20 to the detail?

21 Turn the page again and it talks about total  
22 lost hours. The two highest ones we have here, of  
23 course, CSP Sacramento and CTF. CSP Sacramento had  
24 some unrest with the inmate population there. We've  
25 been primarily running the laundry with about 14

1 inmates doing a pretty good job. They are trying to  
2 resolve that, but they have to unlock, and they  
3 decided they are not ready to get along yet.  
4 They're working through that issue. CTF, we'll talk  
5 more about that in the next page.

6 Custody lost hours. The east dorm at CTF  
7 which is kind of a model, an honor dorm model.

8 Ms. Woodford, I think you've seen that. Chair  
9 Cate's seen it.

10 Where we had, basically, PIA on a yard  
11 isolated from the rest of the institution. Had our  
12 own exercise yard, canteen, kitchen, et cetera. It  
13 was a really good model. AB 109 happened to shift  
14 population, and it became necessary to close that  
15 yard down and move those inmates back into the  
16 central facility. As part of that experience, some  
17 lost hours increasing because of the kind of mixing  
18 in with the general pop. Just issues arose from  
19 that. We are working with the warden, very  
20 proactive, trying to mitigate it. It's getting  
21 better. This is a reflection of the third quarter.  
22 It's gotten better since then, but still a  
23 challenge.

24 Switch. Flip to the next page. I just went  
25 over the custody lost hours. Same thing, CTF and

1 CSAC are large contributors. We are working through  
2 that. Getting better.

3 If you have any questions on that?

4 The next page is ducats. Fairly consistent at  
5 about 5 percent. One of things we are trying to do,  
6 we have some 14 operations out there. We're  
7 operationally feasible and we can gain efficiencies.  
8 We are trying to move a few more operations to  
9 four-ten, which will allow inmates to hopefully be  
10 ducated for Friday ducats and medical ducats on  
11 Friday. We are not going to be able to move  
12 everybody. Some operations it doesn't make sense.  
13 Where we can, we will do that and hopefully we can  
14 impact the ducats or where inmates are ducated out  
15 of the program.

16 Any questions on ducats?

17 Industry related is the next tab or next sheet  
18 in there. The two things that are driving this  
19 right now are completed orders and staff shortage,  
20 et cetera. AB 109 decreased our demand. So we  
21 continue to work with that staff shortage,  
22 particularly in our fabric operation, to get staff  
23 in there to fully keep those going. Is an ongoing  
24 challenge.

25 If you turn to the next page, is other lost

1 hours. Decreased slightly from second quarter to  
2 third quarter. Those are primarily weather driven.  
3 They go up in the winter. This was a fairly mild  
4 winter; didn't see any significant increases.

5         The next page you will see is vacant lost  
6 hours. This was mentioned earlier. A lot of it is  
7 taking place particularly at Avenal and some other  
8 places which do orders like Donovan; we had some  
9 yard swaps going on. Just getting the new inmates  
10 in there and trained, and we do it in a progressive  
11 manner. Some vacancies as we went through that  
12 process.

13         Any questions?

14         The next thing you see is inmate assignments.  
15 We have had to unassign some inmates. Donovan was  
16 one of them. Basically ran out of orders about  
17 halfway through the year, so we had to unassign some  
18 inmates just to reduce the population. CMC is the  
19 same thing that we talked last time about, bringing  
20 on more T-shirts for CALTRANS. Once we get that up  
21 and established -- we had to cut back on some of the  
22 inmates we had employed to make it more manageable.  
23 So we brought that number down. We're hoping it  
24 will come back up shortly.

25         Any questions on that?

1 Turn to the next tab, E. Inmate proficiency.  
2 For the third quarter, 244 inmates completed their  
3 internal professional certification. As you heard  
4 me mention in the April Board meeting, we are  
5 talking the internal certification process and  
6 structuring it a lot more than it has been in the  
7 past. It used to be if you reached a different  
8 time, if you had 1500 hours running, we would give  
9 you a proficiency. Now we are tying these to tests  
10 that the inmates have to take to show the skills and  
11 knowledge and ability on that operation. We are  
12 also then tying that to pay raises. If inmates want  
13 to get a pay raise, they have to complete the test  
14 and demonstrate that skill, knowledge and ability to  
15 move forward. We should have the laundry, the first  
16 laundry. We have it straightened up, got it  
17 completed. Should be rolled out and in place by  
18 August. And kind of follow everyone with that.  
19 They are all related to Standard Occupational Code.  
20 So it is nothing we are making up. It is industry  
21 standards and that is what we are using to drive the  
22 tests, where they should be. To move forward.

23 Turn to the next page. We have  
24 certifications. This page shows closed  
25 certifications, 314 closed certifications. Of that

1 193 actually completed certifications successfully.  
2 About 121 dropped from the program. The main reason  
3 for inmates dropping from the programs are usually  
4 transferred out of the institution. They have to  
5 leave the program for administrative or disciplinary  
6 reason.

7 Any questions?

8 The next enrollment we had 423 inmates  
9 enrolled in that same third quarter. So that is  
10 going for the year in the right direction, as  
11 Mr. Pattillo stated. Continues to make strides.  
12 What is not reflected here, we come out with about  
13 65 more certification programs for -- primarily are  
14 maintenance or repair inmates, CTE programs. We  
15 will be pushing more inmates into that. See if we  
16 can't get these numbers up even higher.

17 The next page is a new chart. I think Board  
18 Member Steeb talked about this last time. Trying to  
19 put in there just some minor -- we're going to use  
20 this for the next Board meeting. What it shows is  
21 the relationship between nominations and closures in  
22 the first, second and third quarters. So it was  
23 fairly flat except for closures went down in the  
24 third quarter. We are trying to get to the bottom  
25 of that. Part of the reason was we were

1 transferring over from a paper system to electronic  
2 system. We are not sure everything that got put  
3 into the new system. We are going back and looking  
4 at that. The other reason we had a real spike is  
5 because we kind of changed the way we are doing  
6 programs.

7         The inmates -- instead of this being a carrot  
8 that says if you do good, you get to enroll in the  
9 program. We made the fundamental shift. If you are  
10 in PIA, you are eligible and you are going to  
11 participate in the certification programs. Those  
12 numbers really went up. As such, it is going to  
13 spike and come back down to some extent. There is  
14 some anomaly there in the closure that we are trying  
15 to figure out.

16         The next page, as Mr. Pattillo mentioned  
17 earlier, year over year increases. You can see in  
18 2006-7 we had 900 enrollments. '7-8 about the same.  
19 '8-9 have dropped down to 575. '9-20 to 532, and  
20 '10-11 back up to 1,668. So we kind of got our arm  
21 wrapped around this. We are headed in the right  
22 direction. We've automated some things to make  
23 tracking a lot easier and easier to report, and a  
24 lot of transparency for the managers and  
25 administrators in the field. So moving in the right

1 direction.

2 I would be glad to answer any questions.

3 MEMBER SINGH: From 532 to 1,668?

4 MR. WALKER: That is where we made the  
5 fundamental shift, where this is not an attaboy for  
6 doing good. We changed to say if you're working at  
7 PIA, you're going to participate in the program. So  
8 that was one reason. The other reason was we  
9 introduced some new certifications like ServSafe.  
10 For anybody in food handling operations, they have  
11 to be certified and certified immediately. So  
12 through both of those efforts, those enrollments  
13 shot up significantly.

14 MR. PATTILLO: Our certifications used to  
15 be voluntary. We are not voluntary anymore. If you  
16 are going in PIA, you are going to be certified.  
17 And if you don't want to do any one of those, you  
18 are not going to participate in PIA. No sense in us  
19 letting an inmate come, not get a certification or  
20 GED. There is no reason for it.

21 MEMBER STEEB: Speaking of GED, do we see a  
22 regular measurement of the Board, how many people  
23 are getting GED?

24 MR. WALKER: We have that data, and we can  
25 certainly report it. We haven't. Mr. Pattillo

1 mentioned a few times the policies, PIA policies.  
2 If don't have a GED, you get two years into the  
3 program. In conjunction with that, we have done in  
4 all the enterprises in the institutions, we've got  
5 out and partnered with Department of Education, and  
6 established a GED program within PIA where we can.  
7 So the inmates work two days a week, two hours they  
8 go to the GED program. I have that information. I  
9 can include that in this package as well going  
10 forward, number of GEDs.

11 MEMBER STEEB: I think it was great.

12 MR. PATTILLO: Not as many as you got.

13 If anybody didn't know, Ms. Steeb had a very a  
14 successful GED graduation for her clients this week.  
15 Highly publicized. On a per capita basis it was  
16 pretty impressive.

17 MR. WALKER: Any questions?

18 MR. PATTILLO: Our last information item is  
19 probably one of the most important things we do  
20 every year, is recognizing our employees. We  
21 recognize four employees every year that are  
22 nominated by their peers. I think there is nothing  
23 more important than being recognized by your peers  
24 as employee of the year or supervisor of the year.  
25 In two cases -- unfortunately, I have only one of

1 them here today. Everybody else chose to take the  
2 day off or they're on four-ten or they were at a  
3 distance, and they said mail it to me.

4 The four folks that -- I'm going to start with  
5 the folks that aren't here.

6 Mary Anne Neal, employee of year, field  
7 operations at CCWF. She is nominated for being a  
8 valuable resource to staff and taking time to  
9 understand all operations at CCWF and VSPW.

10 Kelsie Montgomery, employee of the year at  
11 central office. She is an associate government  
12 program analyst who handles price reviews and  
13 business analyst for eight of our enterprises. She  
14 was nominated for willingness to serve others, for  
15 providing analytical solutions that lead to  
16 accurate, well-informed decisions.

17 Mike Wonderly, supervisor of the year for  
18 field operations. He is recognized for the  
19 exemplary work ethic he's demonstrated throughout  
20 his career. He was nominated for his positive  
21 approach to challenges, willingness to volunteer for  
22 time-sensitive projects, his contributions to our  
23 IEP program and his helpfulness to customers and  
24 co-workers.

25 The one person that is here. Supervise of the

1 year. This is Ms. Pam William. Pam, if you could  
2 stand.

3 Pam is head of customer support division. She  
4 is recognized for her leadership of the customer  
5 support team. She was nominated for her steadfast  
6 and ethical approach to serving CALPIA's customers  
7 and the successful management of over 25,000  
8 customer interactions per year. That has enhanced  
9 the image of CALPIA. She kind of embodies the  
10 spirit and customer service of our organization.  
11 She handles customer service as well as customer  
12 complaints always with a smile on her face. She is  
13 pretty unflappable.

14 If I can ask for a round of applause for Pam  
15 Williams. If we can get one picture. After we are  
16 done with the Board meeting, if I can get everyone  
17 to come down and get a picture with Pam real quick.  
18 I'm going to do one with her real quick with her  
19 supervisor.

20 If you didn't know this, we are doubling  
21 Phyllis as our photographer now, too.

22 CHAIR CATE: On behalf of the Board, I just  
23 want to pass on my congratulations to all these  
24 employees, especially you, Ms. Williams. You are  
25 here. Thank you for your service on behalf of PIA.

1 We appreciate it very much.

2 MS. WILLIAMS: Thank you.

3 CHAIR CATE: Mr. Pattillo, would you ask  
4 staff to forward me a short synopsis of the details  
5 for each one of these winners.

6 MR. PATTILLO: I have that for you.

7 MR. PATTILLO: That concludes our  
8 information and action items. The last item would  
9 be an update on our public affairs from our general  
10 affairs officer, Eric Reslock.

11 MR. RESLOCK: Good afternoon, Members. I  
12 am Eric Reslock, chief of external affairs. And as  
13 Mr. Singh queried earlier, I am chief of myself. I  
14 have one student assistant. One of the things Chuck  
15 didn't mention, that I deal with the General Manager  
16 as liaison to the Legislature.

17 In that vein, I have an update on two bills of  
18 concern to us. Assembly Bill 1507 by Mendoza and  
19 Senate Bill 1162 by Runner are both officially dead.  
20 So that is good news to us. Relatively light year  
21 in the Legislature and that is usually good news for  
22 us.

23 As Chuck mentioned, we had the graduation last  
24 Friday at CIM in our dive program. Fourteen  
25 graduated, including two returning parolees. KCal

1 CBS Channel 2 in Los Angeles area did a great  
2 segment. Unfortunately, the version that they  
3 posted, they cut out the last ten seconds. They  
4 were about to say this program is the most,  
5 something very positive. I think they were going to  
6 say the most effective rehabilitative program. So  
7 we are -- we have put in a few inquiries to try to  
8 get them to post the full version of that video. So  
9 once I get that, I will let you know.

10 We do have a full, just slightly edited  
11 version up on YouTube right now. It is public. It  
12 is on our channel. California PIA is our YouTube  
13 channel. And, lastly, we are about ready to publish  
14 our new summer newsletter. Lots of items in there,  
15 and CDCR's press operation, the OPEC division, is  
16 going to featuring a lot of those items as well.

17 That's all I have.

18 MEMBER STEEB: I'd love for you to send us  
19 that link to the two channels, so when new videos  
20 come up we can get them out to folks. I had -- as  
21 Chuck mentioned, I was touring prisons for two days  
22 last week and a lot of people say to me at the end  
23 of my tour, "Wasn't that depressing?"

24 I said you can look at it and look at some  
25 depressing things, but there are a lot of great

1 things going on, including GED. If we were  
2 publicizing how many prison inmates are getting  
3 their GED and making that story. Graduation was  
4 unbelievable. I am glad we got some local coverage.  
5 I think we could have gotten some state coverage.  
6 I'm happy to help with that. I just think there is  
7 a lot of great stuff going on, and we need to let  
8 people now about that.

9 MR. RESLOCK: Absolutely.

10 MEMBER STEEB: I would like to help with  
11 that.

12 MR. PATTILLO: Actually, I wanted to  
13 mention one thing, a joint venture program that I  
14 forgot. I'm surprised you didn't catch me on it.  
15 It is the one that you introduced me to a couple  
16 weeks ago.

17 We are working on a joint venture program at  
18 San Quentin with Trans Media Capital Partners. They  
19 are also the founders of the Last Mile Program.  
20 What their idea is, is to teach inmates how to do  
21 computer programming. They are self-funding. They  
22 have a vocational program at San Quentin with the  
23 idea that they are going to convert it into a joint  
24 venture where they are going to in-source computer  
25 programming such that we now out-source to overseas

1 locations. Very smart folks. I attended the  
2 graduation of their first class with the Governor's  
3 wife and Secretary Cate. I didn't want to go  
4 without mentioning that one program.

5 CHAIR CATE: Thank you, Chuck.

6 Their concept initially was to train inmates  
7 to be entrepreneurs. Then up at graduation they  
8 bring a group of venture capitalists from the Bay  
9 Area to listen to their pitch and to see if they can  
10 get funded when they parole.

11 One person has already paroled and is seeking  
12 funding. That was good, and they did a great job.  
13 Then we had this great conversation about PIA. And  
14 that led to this concept of teaching inmates how to  
15 basically be coders and how to code, to put in the  
16 coding necessary to do the programs. It is just a  
17 foreign language, just like our braille program and  
18 any others. It doesn't require Internet access.  
19 You have to be able to use the computer by itself.  
20 So it is great for people with time on their hand  
21 and a desire to learn something new. Of course, it  
22 would be an awesome training ground for employment  
23 on the outside.

24 So, Chuck, appreciate you very much following  
25 up on that. I look forward, as I am sure the rest

1 of the Board does, to hearing how that goes. Thanks  
2 for mentioning that.

3 Any further comments before we adjourn?

4 Hearing none, I will take it upon myself to  
5 adjourn this meeting of the Prison Industry  
6 Authority. Thank you.

7 (Hearing concluded at 2:10 p.m.)

8 ---oOo---

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

REPORTER'S CERTIFICATE

STATE OF CALIFORNIA                    )  
  )        ss.  
COUNTY OF SACRAMENTO                )

I, ESTHER F. SCHWARTZ, certify that I was the official Court Reporter for the proceedings named herein, and that as such reporter, I reported in verbatim shorthand writing those proceedings;

That I thereafter caused my shorthand writing to be reduced to printed format, and the pages numbered 3 through 76 herein constitute a complete, true and correct record of the proceedings.

IN WITNESS WHEREOF, I have subscribed this certificate at Sacramento, California, on this 25th day of August, 2012.

/s/ Esther Schwartz  
  
\_\_\_\_\_  
ESTHER F. SCHWARTZ  
CSR NO. 1564