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**BOARD MEETING
OF THE
CALIFORNIA PRISON INDUSTRY AUTHORITY**

**MONDAY, JANUARY 29, 2018
1:00 to 1:42 p.m.**

**Held at:
CALIFORNIA PRISON INDUSTRY AUTHORITY SHOWROOM
2125 NINETEENTH STREET, SUITE 100
SACRAMENTO, CALIFORNIA, 95818**

Reported By: ERIC L. THRONE, CSR No. 7855, RMR, CRR, CRC

1 MONDAY, JANUARY 29, 2018, SACRAMENTO, CALIFORNIA, 1:01 P.M.

2 **CHAIR KERNAN:** I call this meeting of the Prison
3 Industry Board to order at 1:02 p.m. I would also like to
4 note that this meeting is being held at a publicly noticed
5 location.

6 Board Secretary, please take the role.

7 **SECRETARY VUONG:** Chair Kernan?

8 **CHAIR KERNAN:** Here.

9 **SECRETARY VUONG:** Vice-Chair Singh?

10 **VICE-CHAIR SINGH:** Here.

11 **SECRETARY VUONG:** Member Aghakhanian?

12 **DR. AGHAKHANIAN:** (No response.)

13 **SECRETARY VUONG:** Member Davidson?

14 **MR. DAVIDSON:** Here.

15 **SECRETARY VUONG:** Member Davison?

16 **MS. DAVISON:** (No response.)

17 **SECRETARY VUONG:** Member Jenkins?

18 **MR. JENKINS:** (No response.)

19 **SECRETARY VUONG:** Member Jennings?

20 **MR. JENNINGS:** Here.

21 **SECRETARY VUONG:** Member Kelly?

22 **MR. KELLY:** Here.

23 **SECRETARY VUONG:** Member Martin?

24 **MR. MARTIN:** Here.

25 **SECRETARY VUONG:** Member Steeb?

1 **MS. STEEB:** (No response.)

2 **SECRETARY VUONG:** Let the record show that we have a
3 quorum of seven members.

4 **CHAIR KERNAN:** Very good. Welcome, Board Members.
5 And, Cindy, thank you for being here today.

6 To our Prison Industry Board meeting, I would like to
7 open up the floor for opening remarks from the Board
8 Members. Would any Board Member like to share any opening
9 comments? Seeing none

10 At this time, I would like to note to any members of
11 the public who are present today that there will be
12 opportunities for public comment after each item is
13 presented to the Board. If any member of the public would
14 like to comment, please fill out a speaker request form and
15 hand it to the Board Secretary.

16 In the meantime, we will now move on to the General
17 Manger's comments. Mr. Patillo

18 **MR. PATTILLO:** Good morning, Members.

19 For the record, my name is Charles Patillo, I'm the
20 General Manager of PIA and the Executive Officer of the
21 Prison Industry Board. Thank you for being here.

22 This is our usual quick January meeting. There's two
23 primary items, which is the Annual Report for the
24 Legislature and our audit.

25 Our audit, I have not seen our auditors walk in yet,

1 but I've got two-thirds -- actually, I should have an entire
2 audit committee here in a second, so I think they can help
3 me do the presentation.

4 I do want to introduce a couple of folks that are
5 with me, new folks, actually. Pouneh Simpson, who is in the
6 back, she is now our Chief Financial Officer.

7 Pouneh comes from the Department of Veterans Affairs
8 where she was over the Veterans Homes for many years. Her
9 background includes Department of Finance, the Inspector
10 General's Office.

11 She actually started out as an Assembly Fellow in the
12 Legislature, which is a pretty prestigious selection. So
13 she's good people, I've known her for a lot of years, and
14 she was very competitive. Mr. Martin helped me out in the
15 very end, so he's gotten familiarized with her also.

16 In the back I've got -- if I can get some folks to
17 stand, I think you know everybody here -- Ray Meek, Chief of
18 Marketing and Sales; Randy Fisher, Chief of Admin; Zille
19 Khan, who is the Executive Project Manager and does
20 everything that Thy doesn't do; Scott Perkins, Chief of
21 Operations; Jeff Sly, Chief Counsel; Milo Fitch, Chief of
22 Workforce Development Branch; Michele Kane, Chief of
23 External Affairs; and Melissa Schane, who is an Admin
24 Assistant there. And of course everybody knows the 12th
25 member of the Board, Mrs. Singh. So

1 The updates that I have and things that have happened
2 since last time, I think you all know we need to get our
3 accreditation for ACA. The first time through, from what I
4 can understand, nobody has ever made 100 percent on the
5 first time through. That was kind of interesting.

6 I think a lot of it was, though, we have been
7 practicing for four or five years with CDCR while they were
8 going through theirs. So they kind of knew what to expect,
9 it wasn't a big list for us.

10 We're going to maintain our compliance through the
11 next 36 months until we get to the self-evaluation point and
12 then we'll make a decision there in the next 36 months.

13 **CHAIR KERNAN:** What do you hope to get from that
14 accreditation?

15 **MR. PATTILLO:** I think there was two things: One,
16 that we knew that we had the standard to -- the national
17 standard, we wanted to make sure we were at the national
18 standard. I think both of our agencies, yours and ours, PIA
19 and CDCR, exceed the national standard.

20 I think it's a ton of workload though. I really do
21 think it's a high workload for an agency, especially such as
22 us, as a small agency. We're also ISO certified and that
23 helped us get there. I think in maintaining the standard, I
24 think there's a way to do it by looking at the way the ACA
25 standard is and just operating at that level.

1 I'm not sure sometimes what the expense portion of it
2 is. I can't comment on the ROI, on that one, really on the
3 return on investment. I will tell you that was one of the
4 big questions when I went back to Orlando, was why CDCR had
5 decided to opt out. And, you know, one of the things was
6 it's a workload and it's a cost issue when a lot of this
7 stuff we're doing as our normal course of business.

8 I think with that our next Board meetings will be in
9 April, and then in late June. I think Thy has already sent
10 out the save the date notices to document. As a matter of
11 fact, she sent out the save the date notices, I think, for
12 the rest of the year, as a matter of fact, so we'll have
13 that. There's a couple of internal local meetings and then
14 there will be some in the field. We're going to try to get
15 Dr. Aghakhanian here.

16 **MR. DELEON:** Daniel DeLeon here out of Fresno.

17 **MR. PATTILLO:** Okay. Is anybody with you, Danny.

18 **MR. DELEON:** No, sir.

19 **MR. PATTILLO:** Okay. And Mack is not on? Okay, all
20 right, very good, we have one other member. Let the record
21 show Dr. Aghakhanian has signed in.

22 And from there if we can go, we can start with the
23 information item or -- excuse me -- the Action Item first.
24 In your binder, in the sleeve, is the Annual Report.

25 And, Thy, can I have another copy, please?

1 **SECRETARY VUONG:** Sure.

2 **MR. PATTILLO:** Thank you.

3 So one of the best reports we've ever put together, I
4 think there is a lot of information in here. A lot of
5 things happened in the past 12 months that were like
6 cumulative work, and we have been working that for several
7 years, the expansion of CTE programs, the elevation of some
8 of our bigger programs, workforce development becoming a
9 branch and then also significant reimbursements.

10 As you may recall, we're not required to do this
11 every year under the Reduction in Paperwork Act, but the
12 Board voted several years ago to continue to do the Annual
13 Report as a way of communicating not only to the Legislature
14 but everybody else.

15 This report, everybody that comes and visits us, gets
16 a copy, and we e-mail it in advance to folks. It tells a
17 great story, has facts, you know, in there and it meets the
18 criteria of what the legislation is that the Board needs to
19 report on three things here, four things.

20 The requirements are the financial activity and
21 conditions of each enterprise under its jurisdiction, the
22 plans of the Board regarding any significant change in
23 existing operations, the plans of the Board regarding the
24 development of new enterprises, a breakdown by institution
25 of the number of prisoners at each institution working in

1 enterprises under the jurisdiction of the authority, and
2 said number to indicate number of prisoners which are not
3 working full-time.

4 The only issue that anybody has actually called since
5 it came out was there was some questions about filling
6 vacancies. And we do have significant vacancies throughout
7 the state we are working very hard to fill.

8 Part of the way we're doing that is having more man
9 hours at the committee meetings at the local level, the ICC
10 and the reclassification committees, to make sure that we
11 are getting as many folks as we can right out of committees
12 into our programs.

13 It's not in our best interests to have that many
14 vacancies. We're still able to operate our businesses very
15 well, but there are a lot of other training opportunities
16 that we can provide to the department at no cost.

17 Is there any questions that anybody else had? I
18 think there's a couple of folks that called in for edits and
19 things like that, but we still have a couple of days to
20 finish this. This has to be finished by February 1st.

21 **CHAIR KERNAN:** How much did it cost to put this
22 together?

23 **MR. PATTILLO:** Well, it's no added value, I mean no
24 added cost because we're already, we have a staff that does
25 this constantly. But if you were going to say printing, I'd

1 say it was less than \$10,000 at the end of the day.

2 **CHAIR KERNAN:** It's pretty impressive.

3 **MR. PATTILLO:** We have an in-house marketing staff
4 that's very strong right now, and luckily we had a lot of
5 stuff to pull from. I mean we have some awesome stories,
6 whether it's new CTE programs, new technology programs, or
7 the E-Waste program, which this year was chock-full of great
8 stories.

9 And so in putting it together, you know, I flipped to
10 the license plate. That's an incredible story of 530,000
11 classic license plates done, the fastest ever from
12 legislative authority to print. Is that correct?

13 **MR. DAVIDSON:** Yeah.

14 **MR. PATTILLO:** And a lot of things, just our ability
15 to partner with agencies out there. As we talked about at
16 our last Board meeting, we're doing a significant amount of
17 assistance for CDCR this year, a \$4 million roof repair that
18 was kind of out of our bailiwick before. We kicked in \$4
19 for the San Quentin roof.

20 We're remodeling at least five technology centers
21 throughout the state that we're being reimbursed for
22 operating, but the Board has appropriated the money for the
23 actual construction. The new E-Waste facility.

24 We're doing training for CDCR, several aspects of
25 training. We developed the Warden's training for them

1 through U.C. Davis, and I think the last piece that we're
2 doing right now is looking at funding tattoo removal for
3 piloting for female offenders that are working for PIA.

4 And the way we look at it is that's an impediment to
5 getting a job and, obviously, we want to remove any
6 impediment to our females getting employed. So I'm working
7 with CDCR, Kathleen Allison and Amy Miller on the female
8 offenders side to get that done. But that's this Board
9 doing that for CDCR. So there are a lot of positive things.

10 In addition, we also purchased a camera setup for
11 every PIO in the State of California, for CDCR. A total of
12 89 cameras were put on there; because when I presented at
13 the PIO training last year, I found that most PIO's couldn't
14 tell a good story at the institution because they were
15 taking pictures with their camera, their camera phone. So
16 this is a way to support the OPEC mission also.

17 **CHAIR KERNAN:** Okay. Any questions from the Board?

18 **MR. KELLY:** I probably should ask -- and this under
19 your remarks -- but, you know, I think two meetings ago we
20 were having a problem with like buying trucks and tractors
21 and stuff. Are we still having that issue or --

22 **MR. PATTILLO:** Well --

23 **MR. KELLY:** We may need to transport them, right? If
24 we need to have a tractor, we need to have a tractor. And
25 there was something going on, but I just don't remember what

1 it was.

2 **MR. PATTILLO:** That was actually one of the items we
3 had in here. So at our September Board meeting, we approved
4 policy that would -- let me back up.

5 In May of 2005, this Board authorized, using the
6 existing authority, to establish the procurement policies
7 for us to buy all goods and services without using
8 Department of General Services protocol, so we've had that
9 for 12 years now.

10 In September, what we added to was policy to add
11 vehicles to that procurement policy. There was two things
12 that we did at the September meeting, and let me see if I
13 explain this right.

14 We had procurement policy which was -- I mean, excuse
15 me -- the auto procurement policy was one part, and that was
16 all "yes" folks, including Mr. McGuire voting yes on the
17 policy. Correct?

18 **MR. MCGUIRE:** Correct.

19 **MR. PATTILLO:** Have I got that correct? Okay. So
20 the policy.

21 The second part was we took our existing procurement
22 policy, added the just-approved auto policy, and put them
23 all together as regulations, because this Board has
24 rulemaking authority and submitted that to the Office of
25 Administrative Law. We have been doing regs for a while

1 there.

2 Legislative counsel opinion and our opinion, our
3 alleged counsel's opinion, that all we really needed was the
4 policy. The reason we were going a step further was
5 because, in this state, if you have a policy and you haven't
6 put it into regs, somebody could state that you have
7 underground regulations. That's the official term.

8 Is that the official term, "underground regulations"?

9 **MR. MCGUIRE:** It's a commonly used term.

10 **MR. DAVIDSON:** We use it all the time.

11 **MR. PATTILLO:** So currently, we believe that all we
12 need to do is the policy. The issue we're having right now,
13 there is some control agencies out there that aren't
14 recognizing that authority, and we've been held up on
15 getting reimbursements when we buy vehicles. I know
16 Mr. McGuire has been trying to help me through this.

17 There was a request to look at our regs recently, so
18 we pulled the regs back for the time being, with the Chair's
19 okay, so we could review the regs going forward to see that
20 they comport with statute and that you are in compliance
21 with what we are asking to do.

22 It's not a big issue that the regs got pulled back
23 because I believe all we need is the policy, but I have a
24 feeling that my opinion probably differs from the Department
25 of General Services on this issue.

1 Are we being held up on buying vehicles? No, because
2 we're buying them. We're getting held up on getting
3 reimbursed is what our issue is, as well as repair of the
4 vehicles.

5 The repair issue was a significant one for me. And I
6 use the example that normally in DGS you need 48 hours in
7 advance to approve a vehicle repair.

8 I use the one example of a truck repair on the side
9 of the road. I had a truck in Chuckawalla Valley full of
10 meat. I didn't have 48 hours on that one. I probably had
11 48 minutes on that one before I lost about \$100,000. So we
12 called and got that one repaired without approval.

13 The Department of General Services, I don't know what
14 that authority is, but currently right now we are buying
15 vehicles, and I'm giving Mr. McGuire a heads-up with an
16 e-mail, and I know that the Secretary and I are going to
17 have a conversation this week regarding the issue.

18 **MR. KELLY:** So we're buying all the vehicles and we
19 need more tractors. How much money are we owed
20 reimbursement-wise, a lot of money?

21 **MR. PATTILLO:** As to today it's down to like
22 \$200,000. It was up to like \$1.1 million. And believe it
23 or not that \$200,000, Jeff, was from the money you guys
24 okayed four months ago. So I don't know how, from your okay
25 to four months, maybe you want to add something here.

1 **CHAIR KERNAN:** I bet he doesn't.

2 **MR. MCGUIRE:** I'll just say we're working through
3 these and looking for an administrative resolution.

4 **CHAIR KERNAN:** So we are working hard. Hopefully
5 we'll resolve very quickly.

6 **MR. PATTILLO:** Okay.

7 **CHAIR KERNAN:** But from my perspective, PIA can buy
8 the cars that they need to move the product that they need.
9 And for the record, we'll acknowledge that Ms. Steeb
10 has joined us.

11 **MS. STEEB:** Thank you. Sorry.

12 **CHAIR KERNAN:** No, not at all.

13 Anything else on the report, any other questions?

14 Okay. As a reminder, if any member of the public
15 would like to make a comment regarding this item, please
16 have a speaker request form filled out and then come forward
17 and state your name and affiliation.

18 Would anybody like to make a public comment? Seeing
19 none, may I have a motion to approve Action Item A?

20 **MR. KELLY:** So moved.

21 **MR. DAVIDSON:** Second.

22 **CHAIR KERNAN:** I have a first and second.

23 Board Secretary, take the roll.

24 **Secretary VUONG:** Member Aghakhanian?

25 **DR. AGHKHANIAN:** Yes.

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SECRETARY VUONG: Member Davidson?

MR. DAVIDSON: Aye.

SECRETARY VUONG: Member Kelly?

MR. KELLY: Yes.

SECRETARY VUONG: Member Jennings?

MR. JENNINGS: Aye.

SECRETARY VUONG: Member Martin?

MR. MARTIN: Yes.

SECRETARY VUONG: Member McGuire?

MR. MCGUIRE: Yes.

SECRETARY VUONG: Member Steeb?

MS. STEEB: Yes.

Secretary VUONG: Vice-Chair Singh?

VICE-CHAIR SINGH: Yes.

SECRETARY VUONG: Chair Kernan?

CHAIR KERNAN: Yes.

Secretary VUONG: Motion passes, 8 to 0.

CHAIR KERNAN: Very good.

MR. PATTILLO: So the report we issued, there's a requirement of who it has to go out to, and there's a bunch of electronic copies we send out. But I will be sending everybody a couple of hard copies to your addresses, so in case you want to give them away to folks and you can also send people the electronic one.

And would you like us to do something like this for

1 CDCR?

2 **CHAIR KERNAN:** I would.

3 **MR. PATTILLO:** Okay.

4 **MS. STEEB:** I would like you to do something like
5 that for St. Johns.

6 **MR. PATTILLO:** Michele and Ray in that group, they
7 did a great job putting this together. And, you know, in
8 past years, we haven't submitted our report on the national
9 competition, but this one will go into national competition.

10 It does reflect that it's a year old. But that's the
11 requirement, a year old, but I think we'll probably win the
12 competition on this one.

13 **CHAIR KERNAN:** How come there's not pictures of the
14 Board Members in here?

15 **MR. PATTILLO:** There is.

16 **CHAIR KERNAN:** There's a couple.

17 **MR. PATTILLO:** There's everyone in there.

18 **CHAIR KERNAN:** There's more of you than there is the
19 Board Members.

20 **MR. PATTILLO:** No.

21 **MR. MARTIN:** He's not trying to sell the Board, he's
22 trying to sell himself.

23 **CHAIR KERNAN:** Very well-done report.

24 **MR. KELLY:** We'll have the pictures on the walls.

25 **MR. PATTILLO:** Yeah. Okay.

1 **MS. STEEB:** Do you have the Governor's picture in
2 here?

3 **MR. PATTILLO:** Of course.

4 **MS. STEEB:** Okay.

5 **MR. PATTILLO:** Of course. Not the point where he was
6 harassing me, not at that point.

7 So our auditor has not shown up here, but we have all
8 the committee members here and we can walk through this.
9 This is not an Action Item, this is an Information Item.

10 So where the audit and the Annual Report tie together
11 is in the -- I would say the only negative thing in our
12 Annual Report is that we are declaring a \$50 million plus
13 paper loss in the just closed fiscal year.

14 And the primary responsibility of that is because of
15 the transfer, the \$62.6 million to the General Fund from our
16 Prison Industry Revolving Fund. That was requested by the
17 Department of Finance, and that would be the only negative
18 item I would say in the Annual Report.

19 So if you could go to the Prison Industry Authority
20 wrap-up here and we'll go through this. I'll put on my
21 auditor hat for this.

22 **MS. STEEB:** Is someone on the phone?

23 **MR. PATTILLO:** Armond, Dr. Aghakhanian?

24 **MS. STEEB:** He was maybe trying to say something.

25 **MR. PATTILLO:** Doctor, I think they are talking

1 amongst themselves.

2 So if you have this, we're going to go through
3 My Audit Committee members are Mr. Davidson, Ms. Steeb, and
4 Mr. Singh.

5 And working with the Secretary right now, the Chair,
6 several committees are being reworked right now. And one of
7 the suggestions was to add two more people on the Audit
8 Committee just so we can get a fuller breath of several
9 folks that want to be on that committee. So in the next
10 month or two, you'll see a request come out on committee
11 serving and some additions.

12 Overall for our audit, the issue is primary issue is
13 the qualified opinion and it has nothing to do with the
14 transfer of funds. Last year, our auditor was unable to
15 verify the beginning balance of our pension liability as
16 declared by the State Controller's Office. They rely on
17 data and audits done by the State Auditor and the State
18 Auditor chose not to audit themselves, that balance
19 statewide, so our auditors had nothing to rely on.

20 We suppose that we should have that audit to pay for
21 it, it would cost us another a hundred thousand, but it
22 wasn't clear if we could even access the data through our
23 auditor and if that hundred thousand would be well spent and
24 that is the primary reason for getting the qualified
25 opinion.

1 So I have the balance between getting a qualified
2 opinion and spending another hundred thousand dollars of PIA
3 resources to get that to go away. I think, you know, in
4 technical terms, I think it's BS. This shouldn't have
5 occurred this way. I think all of those pension funds
6 should be audited every year, not only through audit and
7 actuarial, but it wasn't done. So that was the primary
8 reason for the qualified opinion.

9 Mr. Martin, do you have anything to add?

10 **MR. MARTIN:** I think I'll hold my comments. Is the
11 Audit Committee going to be showing or are they not?

12 **MR. PATILLO:** The auditor, we're not sure what
13 happened the our auditor today. So since this is just an
14 Information Item, it's not an Action Item. The primary
15 other issues we can start with on page 3, and I'll read our
16 statement.

17 "Our opinion on the financial statements for the
18 fiscal year ended June 30, 2016, was qualified due to the
19 inability to perform audit procedures over the allocated
20 pension liability, deferred outflows of resources, deferred
21 inflows of resources, and pension expense. Our opinion on
22 the financial statements for the fiscal year ended June 30,
23 2017, is qualified as a result of our inability to audit the
24 net pension liability as of June 30, 2016. Except for this
25 matter, in MGO's opinion, the CALPIA 2017 financial

1 statements are in conformity with the United States
2 Generally Accepted Accounting Principles, GAAP.

3 So that's our primary statement on it. As you go
4 through the document there's not another -- you go to
5 page 6. Their comment was on prior year comments. CALPIA
6 does not currently have a disaster recovery plan in place.
7 This is IT. This creates the potential for IT data systems
8 being inoperable.

9 And based on the discussion with managers, they were
10 informed that the disaster recovery plan was completed on
11 August 30th of 2017. That plan has been completed.

12 Inventory Receiving. And this is one of the ones I
13 know that Board Members and I took exception to this one
14 specifically. Certain shipments received at the Solano
15 warehouse during January and February of '16 were not
16 entered in the inventory system in a timely manner. This
17 creates the risks that inventory will be recorded in the
18 incorrect period or not recorded at all, being utilized in
19 production or reshipped.

20 It was one instance in one of 35 locations. And I'm
21 not sure why it rose to this level, but it was another one
22 where I asked very pointedly on the phone, "Did this occur
23 anywhere else?" And they admitted "No, it did not occur
24 anywhere else." It was a onetime thing that happened last
25 year due to a vacancy and somebody didn't log something in.

1 How it got to an audit --

2 **CHAIR KERNAN:** A guy took a couple of days off, it
3 sounds like.

4 **MR. PATTILLO:** That's pretty much what it was. So
5 that rose to that.

6 As we go through, they had no other comments in the
7 negative to this. There was one corrected adjustment, if
8 you go to the very last page, and this adjustment was based
9 on they wanted to see it in this manner and they agreed
10 "We'll do it." It was to change to the debit and credit,
11 cash capital asset expenditures. And that was the extent of
12 it.

13 Now there was a couple of questions of the auditors
14 or -- excuse me -- of the Board to the Audit Committee, was
15 "How do we keep from things like General Fund transfers
16 happening in the future?" And so there will be some more
17 discussions of that with the Audit Committee and folks
18 off-line. But we're honestly looking at ways where our cash
19 balances are not seen as a target.

20 We have significant capital needs. We have a fire
21 capital plan where that \$62 million transfer actually harmed
22 us because we had to backfill some monies. But we have
23 enough capital out there that we can appropriate whatever
24 funds we need to cover that so we can show that they are not
25 free funds out there for the taking.

1 And so I think we just have to be very clear. And
2 the Secretary has been very clear in correspondence with DOF
3 on what the status of our funds are.

4 Any questions on the audit? And I apologize for the
5 auditor not coming here, but since it's at not an Action
6 Item, it's one of those things that it is what it is, this
7 is the audit. So --

8 **MR. KELLY:** So again the unfunded liability us being
9 or not being trustees, when do we think we will ever get
10 ourselves clear of this issue?

11 **MR. PATTILLO:** I don't think we ever will. You know,
12 the language that was proposed and adopted by DOF and the
13 Governor's Budget Act -- and it was not the exact language
14 we wanted -- states that the Board and PIA shall not put any
15 funds away to fund this liability. That does not take the
16 liability off our books. So we are going to have an
17 unfunded liability, like everybody else does, in the State
18 of California.

19 What's interesting enough, though, this was not the
20 same approach that was taken with other agencies like
21 California Housing Finance Agency or the Lottery, you know.
22 They didn't have funds transferred from them for this same
23 purpose.

24 I'm not sure how we were designated as being so
25 special, but it's probably because I was banging the drum on

1 this for so many years that I probably caused our own
2 problem. So

3 **MR. KELLY:** You know, the thing about coming up to
4 ways not to be taken advantage of, I mean how many times
5 have we been -- I want to use the word --

6 **MR. PATTILLO:** Two times, \$13 million and \$62
7 million, and we still have the liability. I understand your
8 issue about being trustees on the Board and what's the
9 responsibility of it. But I think the language in the
10 Budget Act is enough to take us away from that
11 responsibility issue as trustees, because they have made an
12 overt action to not do the funding.

13 It would be a different thing if we decided to
14 transfer the money and not do anything about it, and it
15 actually would be different if we didn't have the language
16 to show that there was the over --

17 **MR. KELLY:** So what would the other part of the audit
18 that cost us the \$100,000 do?

19 **MR. PATTILLO:** The only other thing it would have
20 changed, it would have got us an unqualified opinion because
21 they would have been able to audit what the pension
22 liability was on the state's books.

23 So what they are looking at is -- which is
24 interesting -- because the pension liability that's on our
25 books is handed to us by the State Controller. They tell us

1 how much it is that's going to be on our books and then it's
2 supposed to be audited by the State Auditor and the
3 Controller's Offices.

4 What we're asking for, we should have paid the extra
5 hundred thousand dollars to engage the State Auditor to do
6 that actual audit, but in reality we don't know if it would
7 have been a privacy issue or not because we never could get
8 there.

9 **MR. KELLY:** Uh-huh.

10 **MR. PATTILLO:** But that's what it would take away was
11 the qualified opinion.

12 **MR. KELLY:** So every year we do our audit and this
13 will come up, the same thing?

14 **MR. PATTILLO:** Well, I think in the future -- we're
15 actually meeting with the State Auditor next week to have a
16 discussion and say "This is how you are impacting state
17 agencies," and see if they have a suggestion that would
18 prevent this from happening, but it would be every two
19 years.

20 **CHAIR KERNAN:** The budget language that was put in
21 very clearly removed the liability from PIA.

22 **MR. PATTILLO:** No, it didn't remove any liability.
23 What it says is "We won't fund it." There was the language
24 they wouldn't adopt, that I wanted, that says "We weren't
25 liable for it," that we discussed here in the Board. So all

1 the language says is "We can't fund it." It does not remove
2 any liability obligation for PIA, that is on our books.

3 **MR. JENNINGS:** We still have a fiduciary
4 responsibility to fund it as a Board?

5 **MR. PATTILLO:** That's the law. But we still have an
6 obligation. This organization has a liability on their
7 books that will remain unfunded. And any of us that run our
8 own businesses, and whatnot, know that's just not the way
9 things work, but that's the direction we have been given.

10 **MR. MARTIN:** Unless we have an unfunded liability all
11 the time.

12 **MR. KELLY:** So do we ever take out loans from the
13 bank from a loan agency or something like that?

14 **MR. PATTILLO:** We never have. There may be an issue
15 of that coming up this year because of some large
16 expenditures I know we need to do. But I'm guessing where
17 you're going is if I showed my books to a bank, yeah, that
18 wouldn't --

19 **MR. KELLY:** There's a liability there.

20 **MR. PATTILLO:** -- I wouldn't be getting my mortgage.
21 So

22 **MR. MARTIN:** So one of the things with us is the
23 unions don't, are obviously in the red. If we were to close
24 our doors tomorrow, we would owe all of those unfunded
25 liabilities to the union for all the dollars for those

1 employees. So I would imagine that it would be similar if
2 PIA were to disband, those funds would still be owed.

3 **MR. PATTILLO:** That's the one issue there. And also
4 the other thing we have talked about as Board Members, we're
5 carrying a significant amount of dollars on our books. We
6 have to carry vacation liability on our books, that's \$9
7 million, for folks that haven't taken their vacation and a
8 lot of that was because the furlough built those up.

9 The second one we're holding is almost \$17 million in
10 workers' comp liability and we are funding our workers' comp
11 liability. As we go farther in the Spring, I think we need
12 to discuss why we're keeping that money there versus doing
13 just a portion of it like an insurance policy against it.

14 I mean I don't assume that you are carrying massive
15 amounts of dollars on your books for liability because --

16 **MR. MARTIN:** We carry the first \$300,000. We're
17 self-insured. So we carry the first \$300,000, and then we
18 actually have Zurich who funds anything over and above that.

19 **MR. PATTILLO:** And I really believe that's where this
20 Board needs to be in PIA, because we've got over \$15 million
21 we can't use for any other operations because we're
22 self-funding liabilities, our workers' comp. So it is kind
23 of confusing, but something we need to look toward. But --

24 **MS. DAVISON:** Is xxx there a blower in the
25 background?

1 **CHAIR KERNAN:** I think Chuck hired somebody to go
2 blow out here and --

3 **MR. PATTILLO:** State Compensation Insurance Fund is
4 another one of those agencies where we're forced whether to
5 use them or not. But again this Board has an incredible
6 amount of authority that they can establish rules for PIA
7 that exclude us from certain things, including Department of
8 General Services oversight on procurement and possibly State
9 Compensation Insurance Fund as well.

10 And I would rather spend \$200,000 a year than holding
11 \$15 or \$16 million dollars that we can't use for the growth
12 of this organization.

13 **MR. JENNINGS:** When I left the UA, we had a stop loss
14 of about \$200,000. So if a large claim came in, we were on
15 the hook for \$200,000, and from that point on the insurance
16 company went up to a million, they were on the hook for the
17 rest of it.

18 **MR. PATTILLO:** And that's how we all do our personal
19 lives and our businesses too. I don't know why we should
20 have to do differently here, but it's a discussion for
21 further on down the road.

22 **CHAIR KERNAN:** Okay. Any other questions on this
23 item? Would any member of the public like to make a comment
24 regarding this item? If so, please come forward and state
25 your name and affiliation. Seeing none, we are off and

1 running to the External Affairs update.

2 **MR. PATTILLO:** Yes, we are.

3 **CHAIR KERNAN:** Please be careful. Not off and
4 running.

5 **MS. KANE:** Good afternoon, Board Members. It is
6 wonderful to be back here and present to you on behalf of
7 CALPIA's External Affairs.

8 Since our last Board meeting on December 19th, CALPIA
9 has held two events that have received a lot of positive
10 media attention and highlighted the importance of
11 rehabilitative programs for our offenders.

12 The first event was our CTE program and that was our
13 culinary graduation at Folsom Women's Facility that was held
14 on December 20th. I want to thank the Board Members who
15 were able to attend: Bill Davidson, Dawn Davison, and
16 Michele Steeb. Eleven graduates and their family members
17 were able to enjoy a five-course meal prepared by the
18 students and we were able to showcase their culinary skills.

19 Then last Thursday, you all have received the media
20 highlights. There was a graduation at N.A. Chaderjian Youth
21 Correctional Facility or Chad. It was the first graduating
22 class of our Pre-Apprentice Construction Labor graduation.

23 Eleven graduates were honored by facility staff from
24 both Chad and O.H. Close, they came over. Union
25 representatives were there, and local elected officials from

1 San Joaquin County.

2 We want to officially recognize and thank Tom Patti
3 of the San Joaquin County Board of Supervisors; Kurt Wilson,
4 City Manager of Stockton; Scott Budnick was there, founder
5 of the Anti-Recidivism Coalition; Chuck Supple, Director of
6 Juvenile Justice; and Linda Bridges, Superintendent of the
7 Northern California Youth Correctional Center. Also
8 representatives were there from the Local Labor Union 185
9 and 73.

10 They were part of this program and provided so much
11 support for the youth and their families. The graduating
12 class is the first to complete the program that has been
13 newly established at Chad, and it's in partnership between
14 DJJ, CDCR, as well as the local unions.

15 For both of these events, it was wonderful just to
16 see the outpouring of the community there.

17 Next month we have KRON Television. They are going
18 to be going into our Code.7370 program and highlighting it
19 and I will be accompanying them. Univision and KCRA will
20 highlight our License Plate and Braille programs out at
21 Folsom State Prison. I just set up that tour.

22 CALPIA will be holding more graduations. And as soon
23 as I get those dates, I will pass them along to you.

24 Employer Forum -- mark this on your calendar -- is in
25 Sacramento, and it's going to be held June 29th of this

1 year, and that's going to be in Sacramento. That's always a
2 big event for CALPIA. The Annual Golf Benefit, I'm even
3 looking further ahead, that is October 12th.

4 And I just want to thank all of you. I appreciate
5 all the well wishes these past few months, it's great to be
6 back, and I'm truly honored to work for such a great
7 organization and Board, and I could not have done it without
8 the support of Thy, as well as Chuck, the executive staff,
9 and Ray, and all the Marketing Team behind me. So thank you
10 so much.

11 Any questions?

12 **MS. STEEB:** Good job on the media. It's been really
13 great. It's highlighted in significant ways, you know.

14 **MR. MARTIN:** What about ENR?

15 **MS. KANE:** Oh. And the biggest of all, I forgot
16 that.

17 **MR. KELLY:** We like that.

18 **MS. KANE:** I know, the biggest point of all. Chuck,
19 sitting right next to me, is one of the top 25 playmakers
20 for Engineering News-Record magazine. This is across the
21 country, it is a huge honor, and it's through him and the
22 Board that all of these programs are taking place and how we
23 are really just at the forefront of seeing technology and
24 how it's all coming together in rehabilitative programs.

25 So ENR is recognizing us, as well as Chuck, and he

1 will be honored coming up here in April for this big
2 accomplishment, a very prestigious award. Congratulations,
3 Chuck.

4 **MR. PATTILLO:** Thank you, Mr. Secretary.

5 **MR. MARTIN:** Don't blush.

6 **MR. PATTILLO:** I have a couple of notes and
7 complaint. NCIA is in April, it's a National Correctional
8 Industries Association. And I would encourage you, I know
9 that some of you went to Tucson, but it's in Atlanta this
10 year. I would encourage you to go. We actually built our
11 budget around Members going. I think eight members we had
12 slotted wanted to go. It's a very good way to kind of take
13 a look at what we're doing and see what the rest of the US
14 is doing.

15 The county programs are moving ahead, we've been
16 meeting with multiple counties on the million dollars that
17 was put out for CTE programs. We met with Sac County
18 Probation, Placer, and San Joaquin.

19 Last Friday, the Consulate General from Mexico came
20 out, the new Consulate General. And I don't know if anybody
21 remembers, but in 2014, I went to Mexico City to brief the
22 Federal Head of Prisons and Homeland Security on programs,
23 and we've been asked to go do that again, so we're trying to
24 put that trip together.

25 And then CAD, Pelican Bay update, CAD is open in

1 Pelican Bay, the computer system is running, and coding will
2 open in March. So we are on track to do that one. So I
3 appreciate everybody helping me on that one and will help
4 get the Fire Marshal in line, I really appreciate that.
5 So

6 **CHAIR KERNAN:** Very good.

7 **MS. STEEB:** Who was able to do that? I want to know
8 who they are.

9 **CHAIR KERNAN:** No comment? Okay. So seeing no other
10 questions, we'll move on to the portion of the meeting
11 reserved for comment regarding items not on the agenda.

12 Under the Bagley-Keene Act, the Board cannot act on
13 items raised during public comment, but may respond briefly
14 to statements made or questions posed or may request
15 clarification or refer the item to staff. Would anyone like
16 to make a comment or address the Board?

17 Okay. This concludes our Prison Industry Board
18 Meeting of January 29, 2018.

19 Is there a motion to adjourn the meeting?

20 **VICE-CHAIR SINGH:** I move.

21 **MR. DAVIDSON:** I second it.

22 **CHAIR KERNAN:** All in favor say "aye"?

23 (All Board Members responded, "Aye.")

24 **CHAIR KERNAN:** This meeting is adjourned.

25 Thank you, guys.

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