



Ad Hoc Committee Agenda Item #:	II B Action Item
Date:	December 4, 2019
To:	Magnolia Educational & Research Foundation dba Magnolia Public Schools (“ MPS ”) Ad Hoc Committee (the “ Committee ”)
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Patrick Ontiveros, General Counsel & Director of Facilities
RE:	MSA-2 Prop 39 HVAC Additional Cost Approval

I. Proposed Recommendation(s)

Staff recommends and moves that the Ad Hoc Committee approve the expenditure by MSA2 of up to Forty Seven Thousand Dollars (\$47,000) above the amounts received under Prop 39 (as defined below) in order to install wall mounted heat pump systems and programmable networking smart thermostats (the “**HVAC Project**”) at Magnolia Science Academy—2 (“**MSA2**”) co-located at 17125 Victory Boulevard in Van Nuys on the Los Angeles Unified School District (“**LAUSD**”) Birmingham campus.

II. Background

A. General

MPS applied for and received grants for its schools under Prop 39, a state program providing funding to local educational agencies for improving energy efficiency and creating clean energy jobs.

MSA2 is co-located on the LAUSD Birmingham campus under a long term lease. As such, MPS was required to seek additional approvals from LAUSD to perform the proposed HVAC upgrades.

B. Prior Authorizations

The HVAC Project is to be completed by Highlands Diversified, Inc. dba Highlands Trade (“**Highlands**”) pursuant to a contract dated as of October 29, 2018 by and between MPS and Highlands. The contract between Highlands and MPS was approved at the October 11, 2018 MPS Board meeting.

C. Current Authorization

At the November 14, 2019 Meeting of the Board of Directors of MPS (the “**Board**”), the Board granted to the Ad Hoc Committee the authority to approve change order requests for Proposition 39 (Clean Energy Jobs Act) (“**Prop 39**”) funded projects at MPS schools.



D. Why the Change and the Current Authorization is Needed

The original contract between Highlands and MPS for the HVAC Project was for approximately \$205,000 for the installation of ten (10) HVC units and programmable thermostats. In order to keep the cost of the HVAC Project within the Prop 39 award received by MSA2, MPS contemplated reducing the number of units from ten (10) to nine (9). As the Prop 39 projects at MSA-2 have been adjusted to stay within budget and meet LAUSD specifications, MSA-2 cannot install only nine (9) units and still meet the Savings to Investment Ratio, or "SIR", required by Prop 39. The decision is whether to install ten (10) units and spend an additional \$47,000 or install no units and return the entire Prop 39 award, approximately \$190,000, to the State.

Once the HVAC Project is complete, MSA-2 will be eligible for a rebate from LADWP. That rebate is expected to be approximately \$13,000. Upon receipt of such rebate the total net impact to MSA-2 will be \$34,000.

III. Budget Impacts

The additional \$47,000 would be paid for out of MSA-2's long term reserves. The finance department has confirmed that MSA2 has \$903,216 available reserves for economic uncertainties based on the First Interim Report as of October 31, 2019.