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## Monterey school bond deal mirrors a Fresno scheme under FBI investigation

by ROYAL CALKINS on JUNE 29, 2016

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OF



**CHARACTERS HERE PERFECTED 'PAY TO PLAY' SCHEME IN FRESNO**

## FRESNO BLOGGER UNCOVERS INCRIMINATING EMAILS

### CLICK [HERE](#) FOR ARTICLE ABOUT HOW MPUSD GOT AROUND CAMPAIGN PROMISE

For more than a year, the FBI and federal prosecutors have been conducting a criminal investigation of the construction contracting process used by the **Fresno Unified School District** – and it turns out several of the key players in the Fresno scandal have been involved in a remarkably similar series of transactions at the **Monterey Peninsula Unified School District**.

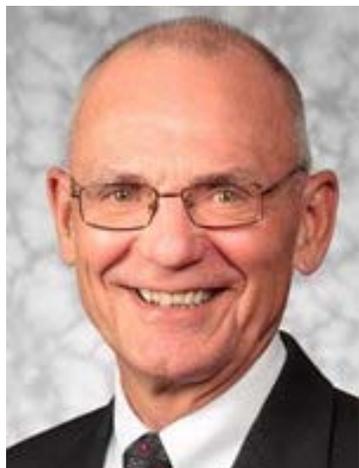
In both districts, the construction contracts were financed by huge bond measures approved by district voters in November 2010. In both districts, much of the construction work was awarded to **Harris Construction** of Fresno, much of the architecture work went to the **Teter** Partnerships of Fresno and the financial adviser overseeing both bond measures was Keygent Advisors.

Each set of bonds was underwritten by a team of bond firms. In Monterey, they were **Piper Jaffray** and **Stone & Youngberg**. In Fresno, it was Piper Jaffray and **Stifel**, which acquired Stone & Youngberg the next year.

And in both cities, the various entities were linked through one man, Terry Bradley, the former superintendent of the Clovis Unified School District, who agreed last month to pay a Securities & Exchange Commission **fine of \$50,000** for providing Keygent Advisors with confidential information that enabled the company to obtain bond work with five school districts while he was a paid consultant to Keygent.

Though the Monterey and Fresno bond issues — for \$110 million and \$280 million respectively — were among the largest that involved Bradley and Keygent, they were not among the districts involved in the conflict-of-interest scheme uncovered by the SEC. Those districts were in the San Joaquin Valley communities of Clovis, Caruthers, Dinuba, Reedley and Sanger, each of which was using Bradley as a financial adviser. (See the **previous Partisan article** on SEC case.)

Newly surfaced emails subpoenaed by the FBI suggest that while Bradley was helping administer the proceeds of Monterey's **Measure P** by helping the coastal district select architects and contractors, he also was the mastermind behind a creative contracting process in Fresno designed to guarantee large construction contracts with Fresno firms that agreed to help finance successful bond measures. The biggest beneficiary of that scheme, focus of the FBI inquiry, was **Harris Construction**, where Bradley maintains his office.



Terry Bradley, wearer of many hats

Critics of school bonding practices in California have long complained that it has become a “pay-to-play” system: Companies that cough up money for bond campaigns have a distinct advantage when it comes time to divvy up the bond consulting and contracting work. But according to numerous news reports in Fresno, it appears that Bradley took the system a step forward and created a way to *guarantee* that big campaign spenders would get their reward in the form of construction contracts. Apparently as reward for contributing to the Fresno bond campaign, Harris was given a contract to build a middle school without having to go through a competitive bidding process.

Instead, the district used a “lease-leaseback” method, involving secret negotiations with Harris, in a process that an appellate court later ruled to be illegal.

At the Monterey Peninsula Unified School District, or MPUSD, the 2010 bond measure financed considerable renovation work, not new schools, but the district used the same non-competitive, “lease-leaseback” structure to award several renovation contracts to Harris, some of which were worth more than \$1 million.

On its Facebook page in 2011, Harris Construction congratulated MPUSD for its facilities upgrade project and said it was “proud to be part of the Lease-Lease Back team implementing the plan ....”

Based on the number of commonalities, including the timing, it seems likely that

the Monterey school district's Measure P of 2010 and **Fresno Unified's Measure Q** may have been sold to bonding and construction companies as a package deal. Harris and the Piper Jaffray bond firm contributed to both bond campaigns, for instance. Keygent contributed to both the Monterey and Fresno bond measures.

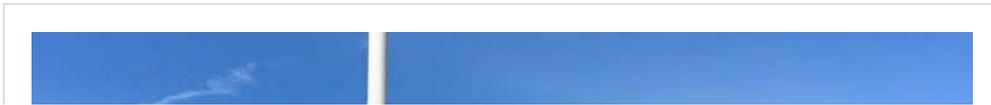
Although they sound complicated, school bond measures really aren't that difficult to understand. In most cases, districts wanting to build or renovate schools ask voters to allow the district to borrow money. Rather than simply go to a bank to borrow cash, the districts hire various bond specialists who invite investors to buy the bonds or, in other words, to lend money to the districts at a pre-determined interest rate.

With California schools borrowing billions of dollars annually, a cottage industry has grown up around the state's education system – a self-perpetuating, self-dealing cottage industry. Bonds can't be issued without the approval of district voters, so the districts set up quasi-independent committees to run campaigns to persuade the voters to say yes. Those campaigns are largely financed by the various bond specialists who hope to obtain contracts to handle the technical aspects after the successful elections.

In the case of MPUSD's Measure P, the committee was headed by Sharon Albert, wife of Dan Albert Jr., who retires this week as MPUSD's associate superintendent for business and finance. Only three bond firms contributed to the campaign and each received a piece of the action. Those were Stone & Youngberg and Piper Jaffray, which each gave \$20,000, and Keygent, which gave \$10,000. In other words, the decision on who would handle the bonds was essentially made when the bond companies wrote their checks out to the Measure P campaign. Presumably Keygent didn't need to contribute as much because it had already been hired as the district's bond overseer.

The San Francisco law firm of **Stradling Yocca Carlson & Rauth** contributed \$3,000 and was later hired as bond counsel for Measure P.

Fresno's Harris



Construction contributed \$2,500 to the Measure P effort. The Teter architecture partnership in Fresno, closely affiliated with Harris, contributed \$10,000 to the Measure P campaign before the November



Measure P-financed construction work at Seaside High School

vote and \$5,000 more two months after voters enthusiastically approved the measure. Like Harris, Teter received several significant contracts for projects financed from the Measure P proceeds.

Which bond firms get the work matters because lack of competition enables them to charge higher fees and could take away incentives to shop for the lowest interest rate for the district. With such a large amount of money being financed over a long period, even tiny variations in interest rates can cost or save a school district considerable sums. In the case of Measure P, MPUSD officials have said it is costing the owner of a \$500,000 property about \$150 annually.

The best reporting on the Fresno investigation has been by author Mark Arax, a former Los Angeles Times reporter who now produces a blog, the Arax File. **In a post this week**, he wrote of a series of emails dating to 2010 in which Bradley apparently hatched his plan to attract bond campaign money by promising construction contracts for contributors.

Arax referred to Bradley as “the man in the middle,” a role he played in Monterey as well as Fresno.

In Fresno, Arax wrote, “it was Bradley, also acting as a paid consultant to Fresno Unified, who helped persuade the district to convert to a lease-leaseback method of school building. In doing so, the district’s long practice of competitive bidding gave way to a controversial—and ultimately abused— method in which a single favored contractor controlled the construction process from design to turnkey.”

Key to making it all work was getting the Fresno bond measure passed. To do so, the district turned to Bradley, Fresno Mayor Ashley Swearingin and Harris Construction, headed by Richard Spencer, one of Fresno’s most active builders and most generous campaign contributors.

“Persuading taxpayers to pass the bond was no easy challenge,” Arax wrote. “The economy was mired in a deep recession, for one. The school district and its public and private partners—the so-called Citizens for Quality Neighborhood Schools— were trying to raise tens of thousands of dollars for yard signs and radio, TV and newspaper ads.

“As the campaign kicked off, Richard Spencer and his subcontractors were playing hard to get, emails show. Early on, Spencer had committed \$5,000 to the Measure Q effort, but weeks passed without a cash contribution from him or his family members ....

“On Aug. 11, 2010, emails show, Terry Bradley stepped forward to assume the role of a broker. For the first time, he informed a member of the Measure Q committee that the Spencers were holding back on campaign cash because they were unhappy with the way Fresno Unified awarded its construction contracts.





Marshall Elementary School receiving part of its Measure P facelift

“Whether (district officials) knew it at the time, Bradley was a man with divided loyalties. He was wearing—or was about to wear—three different hats: a paid consultant to Fresno Unified on Measure Q, an adviser to an education bond firm based in El Segundo called Keygent and a promoter of lease-leaseback contracts on behalf of Harris Construction.

“This juggling feat, as it turned out, was not only impressive and highly lucrative but a flagrant conflict of interest that would land Bradley, six years later, in the crosshairs of the U.S. Securities and Exchange Commission.”

Arax wrote that Bradley suggested that Harris would hand over more money for the bond campaign if the district would agree to a more Harris-friendly method of awarding construction contracts.

“If FUSD would use construction delivery methods that Harris has emphasized for the past several years (construction manager with multiple primes and/or lease-leaseback), the contribution would have been much higher,” Bradley wrote in one email. “Contractors are reluctant to give large contributions to bond campaigns when projects are awarded on a design-bid-built delivery method with the project always going to the lowest bidder.”

Additional discussions transpired and, with the bond measure election rapidly approaching, “the Spencers and their subcontractors would pony up tens of thousands of dollars in campaign contributions for Measure Q; Fresno Unified

would soon begin to tout the lease-leaseback method in its public presentations,” Arax wrote.

Over the next two weeks, campaign records show, Richard Spencer gave \$25,000 to the Measure Q effort. Over the next four years, without competitive bidding, Harris Construction would receive \$117 million of the more than \$280 spent by Fresno Unified.

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**Sam Donald** June 29, 2016, 1:18 pm

The federal grand jury must have discovered a treasure trove of evidence when they obtained bank, email, and telephone records from Terry Bradley’s personal and School Business Consulting, Inc. accounts.

Apparently, this information, in part, played an important role in Bradley agreeing to refrain from acting as a municipal advisor on bond deals with school districts throughout the state, and paying a \$50,000 fine to the SEC for alleged deceptive, dishonest, and unfair business practices, among other allegations.

Thus far, these records have uncovered potential crimes consistent with conspiracy, bribery, wire fraud, and criminal violations of the Dodd-Frank Finance Act.

Depending upon what else the FBI, SEC, IRS, and other law enforcement agencies find, it is not inconceivable that this somewhat inconsequential school bond/construction fraud based case, could develop into a (RICO case), Racketeer Influenced and Corrupt Organizations Act civil and criminal prosecution.

This is significant as both the criminal and civil components allow the recovery of treble damages (damages in triple the amount of actual/compensatory damages) and jail time.

Some questions emerge:

Will Bradley be forced to walk away from his very lucrative school business consulting assignments?

The Fresno Bee reported since 2010, Bradley made \$845,000 from his school district contract work and his consulting work with companies awarded district projects. This includes over \$36,000 from MPUSD area taxpayers. Will Bradley voluntarily or be forced to return all or some of this ill-gotten money?

Bradley is presently serving as the Chairperson for the Oversight Board of the Successor Agency to the Redevelopment Agency for the city of Fresno. His term expires on 6/30/2017. Will the city of Fresno and Mayor Ashley Swearengin, remove him from this board?

Will Fresno State University, Fresno City College, the University of San Francisco, Fresno Pacific College and the University of Southern California relinquish his welcome as a part-time professor or guest lecturer?

Will Bradley's California administrative services, secondary teaching credentials and registration as a school business administrator be suspended or revoked?

Will Bradley apologize to all of the taxpayers, teachers, board members, and kids, for violating their trust?

Bradley has one of the best white collar attorneys from Northern California. Will Bradley be asking the Clovis Unified School District School Board to pay for his attorney fees?

Will Clovis Unified School District, which also was a victim of Bradley's deceit, or so

they claim, still consider naming a new proposed educational center in Bradley's honor?

Will Bradley fall on his sword and take full responsible for this entire mess, file bankruptcy, and go to jail or will he roll over and co-operate with the authorities?

Will Bradley go to jail? Ask former Los Angeles County Undersheriff Paul Tanaka and former Sheriff Lee Baca.

Will MPUSD be sued by a member of the community who has standing for the illegal use of the lease-leaseback contract and some of the unreported deals that took place before the measure P bond passed?

With MPUSD's general obligation bond legal team, bond underwriter, and financial team, prove to be honest and trustworthy?

Will all California school and community college districts come up with an iron-clad conflict-of-interest policy and see that the lease-leaseback system is only used in a manner prescribed by California law?

LINK

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**Jean** June 29, 2016, 2:11 pm

I continue to be astounded by how cheaply candidates for elective office or voter measures are ostensibly "bought and beholden" in the face of the huge sums at stake. It's truly insulting.

Here's hoping Bradley is forced to disgorge all of his ill-gotten gains.

Many thanks to Royal for this great piece.

And to those readers who can, run for office. I would love to see some the Partisan's commenters ask a lot of questions as Board Members – the School Board sets the policies for development of the next generation. Give the students some leaders of whom they can be proud.

LINK

**Liz Love** July 2, 2016, 3:04 pm

We now have a Superintendent we can be proud of. I encourage you to go the board meetings and talk to the board members and PK Diffenbaugh. He is spending the rest of the bond money wisely and severed all ties with shady groups. The students of our district are in very good hands. And Dan Albert is gone.

LINK

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**Andrew Allison** June 29, 2016, 2:16 pm

Don't hold your breath. So-called "education" has long since ceased to be about anything other than enriching teachers, administrators and their friends.

LINK

**Dan Turner** June 29, 2016, 2:36 pm

Shame on you, Andrew, for your crack about "enriching teachers". Teachers aren't rich, getting rich or overpaid. Most administrators (principals) aren't overpaid, either, although a case can be made that a few at the top of some educational systems are paid more (significantly more, perhaps) than I would think would be necessary to attract competent people to their jobs.

LINK

**Alan Estrada** June 29, 2016, 8:16 pm

In agreement with Dan Turner, you've crossed the line, Andrew. I substitute teach for high schools throughout Monterey County, and my paychecks have a huge chunk taken out of them, which is not an enticing reward—. Teaching is a social contribution, and it involves taking one for the team. Andrew seems to lack education. Or perhaps he went to one of those online colleges.... Education is more like a government charity, Mr. Allison.

LINK

**david fairhurst** June 29, 2016, 9:09 pm

And what jobs don't have "huge chunks" taken from them by a bloated State/Federal system? Maybe you are a conservative after all if you think the money you earn should belong to you and not some government program you may or may not support. Maybe Andrew was able to avoid being force fed how to think in those schools and has the intellect to draw his own conclusions. I would venture he may have more of an education than you can get regurgitating leftist dogma.

LINK

**Alan Estrada** June 30, 2016, 4:42 pm

So you agree with Andrew.  
(Thanks Royal.)

LINK

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**david fairhurst** June 29, 2016, 9:02 pm

Shame on you Dan....How much do School administrators make? How much do tenured teachers at the State system make? What do school "presidents" at even the Jr, Collage level make? At what rate of pension and at what age do K-12 teachers get to retire? I think if people knew the truth they would be quite envious of working for that "public sector". My relatives in public education have made a good living at it, without much physical cost. (Santa Barbra County and Kern (Bakersfield)

I think we should instead be complimenting Royal once again for such quality reporting. This is what had made newspapers great in the past. Deeply detailed, several features addressing the subject. A waking of the public conscience to calling for justice. It is writing, yes even such as this, is why our Founders of this Nation believed so much in the freedom of the press, they knew it would be a

source of information and a reporting of the wrongs within and to shame those corrupt into doing the right things. Would the School ever release such information about themselves in a matter such as this?

It is the blind who refuse to see the greed and enabling of those that corrupt the public systems. It is those that jump to defend something wrong because of their slanted and protected unrealistic views along with their failure to support true education and those that are truly dedicated to it. Those that just blindly think at just throwing money at those pretending to be educators, "because we get better people" (since when does a closed and nepotistic system bring better people?) It is that irrational thinking that causes education and us to suffer from it's lack of "better people".

Schools, and even the K-12, have become government employee profit motivated venues. And what pays people the most without question or demands of quality? Government. Yes we all know of those that do a quality job and we are most appreciative of them. We all have know of excellent teachers and school principals who deserved our support, why not support them instead of bloated high salary administrators? After the last Monterey School Bond approval didn't all the upper end administrators get 2.5% pay raises, and after that there was nothing left to actually fix anything?

I know that while my son went to Sonoma (at his mom's insistence, since it was such a "politically correct school, teaching that all white men are bad and the cause of all wrong in the World) one of the things my son could not tolerate at that school was it was such a sick joke that the school "President" was knocking out almost \$300,000 a year for his "slack" job, and on top of that also owned the construction company that did all the "reconstruction" work at the school with no true bidding. And yet, no one dared say "boo" to this for fear of the repercussions. Truly the Brave New ("politically correct") World we are becoming. Read John Taylor Gatto "Dumbing us Down", about the American educational system, it is an easy to read and understand book, you might be able to handle it Dan. It may even save you from your "blindness" in support of corruption.

LINK

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**gin** June 29, 2016, 10:43 pm

Message for Andrew Allison:

In the USA, the MAJORITY of college/university professors are "adjunct" and thus in addition to having:

- NO benefits (e.g., health, retirement)
- live BELOW the poverty line

<https://www.google.com/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=adjunct+faculty>

LINK

**Alan Estrada** June 30, 2016, 4:31 pm

Right on Gin.

LINK

**david fairhurst** June 30, 2016, 8:58 pm

Yes to a point I do agree with Andrew. And I do understand how important education is, I believe in it, it is what elevates people from so many ills, repression, ignorance and enables (in a good way) for their 'profitable' futures. Education can elevate people in many ways.

I am concerned that it has become such a "scared cow" so that when anyone questions the efficiency (oops my 6th grade education) they are chastised (oops again) and treated as no more than lepers. My concern is that the money vested that is supposed to go to education is twisted into "profits" by those without scruples. Such as Royal's wonderful reporting shows.

I am concerned that "education" has also become an "indoctrination" into a proscribed political belief. The financial aspects of "student loans" and that

demise of support for education is what disgusted me most about Ronald Reagan both as Governor and as President. I suppose that I also support 'Andrew' to his right to his own opinion from where ever he sources that from and he should not be insulted or demeaned for expressing that opinion in a public forum.

Alan, I have seen some your wonderful artwork. (I would like to see more). I know that you are a dedicated "educator" and I, for whatever it is worth, commend you and hope that you know that it is not those that dedicate themselves to societies betterment that I am questioning, nor are the cause of my hostility or my ranting, but that my anger is directed at those that would take advantage, steal from others and prevent an open and honest discourse of disscussion.

LINK

**Liz Love** July 2, 2016, 2:52 pm

That is why the CSU system almost went on strike. I know faculty at CSUMB that brealy make it on their pittance of salary. And these are the brightest, the best. Those that you are lucky to have as a student.

LINK

**Liz Love** July 2, 2016, 3:36 pm

Sorry my comment was meant for Gin.

But David, many of us know the system is broken. How would you fix it? Testing for rote memorization is so uninspiring and does not promote critical thinking. MPUSD is sandwiched between two "Basic Aid" districts that can afford to offer amazing programs, facilities and pay for quality teachers. Money does buy things that are superior. Yet MPUSD has some amazing teachers. And I hope everyone read the Claudia's Herald article yesterday.

I will forever be a supporter of MPUSD. Both my kids went through

Monterey schools. We didn't move to PG or rent in Carmel. Or have them go to charter or private schools. My husband and I fought to get rid of a Superintendent who did not have the best in mind for all communities in the district in mind. Then Marilyn was hired. At least she got a bond passed, but it was mismanaged, among other things that went wrong under her leadership. The rotten wood is gone from MPUSD in terms of leadership. PK Is doing a fine job so far spending he rest of the bond money and providing equity among all the learning communities. All we can do is keep watch and stand up when we think something is wrong. I very much encourage everyone to attend a board meeting and see him in action with the board. Or better yet, offer to help with a project. That is what I am trying to do.

[LINK](#)

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**Jamie Woods** June 30, 2016, 7:58 am

Well written and disturbingly tawdry behavior.

But it explains the logistics of greed on a level that is understandable, unlike some Wall Street scams where the methods and payback boggle the mind.

Thanks Royal.

[LINK](#)

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**Julie Engell** June 30, 2016, 8:50 am

Thank you, Royal.

Now I know who I won't be voting for for Monterey City Council. If "pay-to-play" and avoidance of competitive bidding are good enough for MPUSD, then I assume Dan Albert, Jr. would be comfortable with a similar scheme for the City of Monterey.

\$150 annually on a \$500,000 property to pay for a school bond measure sounds, superficially, like a pretty good deal to me. As a matter of fact, I'd be willing to invest a whole lot more to ensure our students a first-rate education. But how much further could the money have gone with competitive bidding? I suppose we can't know the answer because the information simply doesn't exist.

Stuff like this undermines the community. What a shame. We live in a democracy. We have the power to create the kind of community in which we want to live. But somehow, we have relinquished power to hucksters and charlatans and lost confidence in our ability to solve our problems and build the futures we want.

A well-informed populace is the cornerstone of democracy. Once again, thank you, Royal, for doing what most news outlets quit doing a long time ago.

LINK

**Liz Love** July 2, 2016, 2:54 pm

No way in heck the current city members or staff will let let a new member get away with this type of stuff.

LINK

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**Richard Michael** June 30, 2016, 9:11 am

The school bond cartel is out combing the countryside all over the state looking for its next fix. Hartnell College and Alisal Union already are making noise about bonds for November. Your district is likely thinking the same way. It's mo' money, mo' money, mo' money for the fat-cat bankers, lawyers, and wealthy investors.

The key is the ballot argument. Learn more and join the Ballot Argument Workshop. It's not too late, yet. In a month it will be.

<http://www.bigbadbonds.com/index.cfm#WORKSHOP>

LINK

**david fairhurst** June 30, 2016, 9:05 pm

Yes I too got a phone "slam" or "push poll" for yet another school bond that most likely would only benefit a few of those connected to profit from it. Probing "how much would you support" in yet another burdensome tax repression....

LINK

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**Louis MacFarland** July 1, 2016, 11:00 am

In Royal's earlier article on Bradley, he notes that Bradley receives a \$ 198,000 per year pension, and this will be one of those guaranteed defined benefit type pensions underwritten by CA taxpayers.

In today's world with the 30-year treasury yield at 2.25%, it takes \$ 8,800,000 of savings to yield a guaranteed \$ 198,000 per year. Pre-tax it would have taken \$ 13,000,000 in earnings to get \$ 8,800,000 in savings to yield \$ 198,000 per year.

The math gets overstated a bit if interest rates were higher in the past while the savings was occurring, but it eventually needs to be re-invested and does evolve to the results above, and if you understand and follow economics and the markets, there is no chance interest rates are going up for many years, if ever again in our lifetimes.

This is what you get with organized labor that drives this superclass of compensation for teachers, administrators, law enforcement, prison guards, city/county/state workers, etc. These people are pension millionaires.

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