

The Purpose of the Interim Report

The West Contra Costa County Unified School District Citizens' Bond Oversight Committee (WCCUSD CBOC) recently issued its 2018 Annual Report. The purpose of this interim report is to provide an update on 2019 bond fund expenditures and construction, as well as other information related to the management of the bond program, in advance of the full 2019 Annual Report that will be issued later in 2020. It should be read in conjunction with the CBOC's 2018 Annual Report, which provides more details and background on the bond program.

Use of Bond Funds in 2019

Through December 31, 2019, actual cash expenditures from the bond fund totaled \$48.7 million, primarily for the construction of the new Pinole Valley High School (PVHS) and eight other projects included in the 2016 Long Range Facilities Master Plan (the FMP).

- The grand opening for the new PVHS was held on August 12, 2019, in time for the 2019/2020 school year. Activities continue on this currently budgeted \$214 million project, with the sports fields and field house construction and closeout of the primary construction contract.
- Construction commenced on the currently budgeted \$42.9 million Wilson Elementary campus replacement on August 2, 2019. The new campus is scheduled to be completed by August 2020, in time for the 2020/2021 school year. This 2016 FMP cost estimate for this project was \$40.3 million.
- A currently budgeted \$5.3 million seismic upgrade on the Juan Crespi Middle School gymnasium was performed, with completion scheduled in January 2020. This 2016 FMP cost estimate for this project was \$3.1 million.
- On November 11, 2019 construction commenced on a currently budgeted \$22 million project at Richmond High School which includes the demolition of the small gymnasium locker room, weight room and dance studio, student health center, and auto shop buildings, construction of a replacement gymnasium, seismic upgrades to the Science Building, and replacement of the health center portables. This 2016 FMP cost estimate for this project was \$15.1 million.
- Upgrade and improvement projects were completed or underway at Fairmount and Olinda Elementary Schools, and design and procurement activities are underway for projects at Riverside, Highland, and Lake Elementary Schools.

Program Financial Status and Forecast

[Refer to the District's "Bond Program Financial Status as of December 2019", Report #13]

As of December 31, 2019, the net Bond Fund Cash Balance was projected to be \$9.8 million at the end of FY2023 (June 30, 2023). Projected Revenue and Expenditures are summarized below:

12/31/19 Adjusted Cash Balance	\$ 65.7 million
Transfers from Non-Bond Fund 21 Accounts *	\$ 3.6 million
Net Bond Sales (Remaining Authorized Bonds)	\$ 129.5 million
Estimated State Facility Grants	\$ 23.4 million
Estimated Other Revenue	<u>\$ 2.8 million</u>
Projected Available Funds through FY2023	<u>\$ 225.0 million</u> Revenue
Budgeted & Projected Expenses	\$ 100.1 million
Non-Bond Fund 21 Budget Supplements *	\$ 3.6 million
Future FMP Projects (Not Yet Budgeted)	\$ 103.4 million
Central Costs (Not Yet Budgeted)	<u>\$ 8.1 million</u>
Projected Use of Funds through FY2023	<u>\$ 215.2 million</u> Expenditures

Net Projected Cash Balance through FY2023 **\$ 9.8 million**

* All items are managed by the District within Fund 21, the Building Fund, except those items (currently totaling \$3.6 million) from non-Bond Fund 21 accounts such as Developer Fees and other District funds for the FMP projects at Wilson Elementary and Richmond High School (as noted in the FMP table below).

Budget and Forecast Highlights

- In June 2019, the District was informed that its State grant application for the PVHS project was increased from \$16.5 to \$23.4 million and the estimated funding date was pulled in from February 2023 to July 2020.
- As noted in the CBOC's 2018 Annual Report, increasing project costs are a key challenge that needs to be managed carefully by the District. These increases are a result of construction cost escalation above the 5% annual rate assumed in the FMP; unforeseen conditions at the sites; and outside agency requirements.
- As of December 31, 2019, budget supplements (net of savings) have added 15% (\$11.7 million) to the originally estimated \$76.9 million of FMP projects started so far, as detailed in the FMP table below.
- The District is managing the impact of higher project costs by re-assessing the scope and timing for the Lake Elementary replacement project; by coming to the voters on March 3, 2020 with its \$575 million local school bond measure; by continuing to apply for additional State grants; by conducting program risk analysis on total program costs; and by funding budget increases from non-Fund 21 accounts such as Developer Fees and other District funds.

Bond Fund Audits

2019 Bond Fund Financial and Bond Program Performance Audits are underway and scheduled to be completed by March 31, 2020. The final audit results will not be available to the public until after the \$575 million local school bond measure (discussed below) comes before the voters on March 3, 2020. Information on these audits will be included in the CBOC's 2019 Annual Report.

2016 Forensic Accounting Investigation (FAI) Recommendations Implementation

As noted in the CBOC's 2018 Annual Report, the auditor that performed the 2017 and 2018 Performance Audits and the first FAI Recommendations Implementation Review recommended that the District engage external parties to supplement staff resources to complete the implementation of the FAI recommendations as well as open improvement recommendations from the Performance Audits.

Of the 161 total such recommendations across the FAI (112), the 2017 audit (21) and the 2018 audit (28), 75 of the still-open recommendations cover the policies, procedures and resolutions necessary to ensure effective internal controls over the bond fund and effective communication of those policies and procedures throughout the organization. These are separated into four key areas of bond program management: (1) Program and Operations; (2) Administrative; (3) Project Management; and (4) Fiscal.

In May 2019, the Board approved a contract with Swinerton Management and Consulting to assist staff in developing a comprehensive set of policies and procedures, known as the bond Program Management Plan (the PMP). Colbi Technologies was also contracted in May 2019 to provide (1) program and project management and reporting software; (2) construction document management software; and (3) electronic access to historical bond program information.

Implementation of the PMP and Colbi software are underway and the District forecasts completion according to the following schedule:

**PROGRAM MANAGEMENT PLAN:
ANTICIPATED SCHEDULE TO RELEASE WORKING DRAFTS**

- Program and Operations – December 2019
- Administrative – January 2020
- Project Management – February 2020
- Fiscal – March 2020
- Program Management Plan – April 2020
- Present to Board – June 2020

After publishing each section, the District will open a 30-day public comment window for suggestions.

Written suggestions for improvement are encouraged and may be submitted online using a google form.

<https://www.wccusd.net/Page/13520>

The status of FAI Recommendation implementation as of December 31, 2019, as self-reported by the District, is listed in the table below. Note that while the District has a process for internal verification by its Internal Auditor, independent verification by the external third-party auditor will not begin until the District says it has completed all implementation and is ready for external review. This independent third-party verification is expected to begin after June 30, 2020.

Status →	Implemented and Verified as of March 31, 2019 *	Undetermined (Attorney/Client Privilege) *	Implemented and Ready for Review **	Implementation by June 30, 2020 **
Recommendations (112 total)	35	6	51	20
High Risk Items (out of 112 total)			13	8
Percent of Total	31.3%	5.4%	45.5%	17.9%

* As reviewed and reported by independent third-party auditor Moss Adams, LLP.

** To be reviewed and reported by Moss Adams after completion of implementation.

2016 Long Range Facilities Master Plan Update

The Board-approved “FMP Implementation Plan Projects” (immediately below) include 21 of the 42 projects identified in the District’s 2016 Long Range Facilities Master Plan. The remaining 21 projects that will require new sources of funding to complete are referred to as the “Unfunded Master Plan Projects” (in the table following).

The first wave of 14 projects identified in the 21 project FMP Implementation Plan are underway or completed. On June 26, 2019, the Board approved a \$1 million budget for planning and preliminary design of the Lake Elementary replacement project, the largest of the remaining seven. The purpose of preliminary design activity is to ensure that the project, with a \$66.1 million 2016 FMP rough order of magnitude cost estimate, can be completed within the constraint of existing or projected bond funds; and is responsive to changing district demographics, the District’s Educational Specifications for new construction, and its Materials and Product Standards.

The status, estimates, and budgets for the 21 FMP Board-approved “Implementation Plan Projects” as of December 31, 2019 are included in the table below.

School	Project Type	Original R.O.M. Cost Estimates *	Board-approved Adjustments **	Board-approved Budget	Status
Ed Specs & School Sizing		\$ 0.2		\$ 0.2	Completed
Chavez ES	Critical Needs	0.6	- 0.53	0.07	Completed
Grant ES	Critical Needs	0.9	- 0.69	0.21	Completed
Harmon Knolls	Soils Testing	0.1	- 0.06	0.04	Completed
Harmon Knolls	Critical Needs	0.2	0.25 - 0.04	0.41	Completed

Lake ES	Critical Needs	----	0.5 - 0.35	0.15	Completed
Ohlone ES	Critical Needs	0.8	- 0.18	0.62	Completed
Valley View ES	Critical Needs	1.0	0.15 - 0.06	1.09	Completed
Crespi MS	Critical Needs	3.1	2.2	5.3	Underway
Fairmont ES	Critical Needs	3.0		3.0	Underway
Highland ES	Critical Needs	0.8		0.8	Underway
Olinda ES	Critical Needs	1.0		1.0	Underway
Richmond HS	Critical Needs	15.1	5.9 + 1.0	22.0	Underway
Wilson ES	Replacement	40.3	2.6	42.9	Underway
Lake ES	Replacement	----	1.0	1.0	Assessment
Stege ES	Critical Needs	2.9		2.9	Design/Plan
Riverside ES	Critical Needs	6.9		6.9	Procurement
Cameron	Critical Needs	1.3			Future Project
Collins ES	Critical Needs	3.5			Future Project
Hercules MS	Critical Needs	7.5			Future Project
Hercules HS	Critical Needs	7.2			Future Project
Kennedy HS	Critical Needs	12.2			Future Project
Shannon ES	Critical Needs	7.1			Future Project
Lake ES	Replacement	66.1	- 1.5 ***		Future Project
Currently Budgeted Projects		\$ 76.9	\$ 8.1 + 3.6	\$ 88.6	X
Not Yet Budgeted Future Projects		\$ 104.9	- \$ 1.5	\$ 103.4	
Totals (\$ millions)		\$ 181.8	\$ 6.6 + 3.6	\$ 192.0	

Keys to Budget Table

* "Rough Order of Magnitude (R.O.M.) Cost Estimates" (above and below) are fully defined in the CBOC's 2018 Annual Report and on the District's "Bond Program Financial Status" Report #13, Note 5.

** Negative (-) values are savings (totaling \$1.91 million-to-date) from actual Closed Out costs v Budgeted costs. *Italicized* values are Board-approved budget supplements using other District funds outside of Bond Fund 21.

*** Funds re-allocated from Lake's "Original R.O.M. Cost Estimate" to cover Critical Needs (\$0.5 million) and Assessment (\$1.0 million).

ES = Elementary School; MS = Middle School; HS = High School. Harmon Knolls is an Elementary School and Cameron is the WCCUSD's "Early Intervention Program (EIP)" school.

As noted in the CBOC's 2018 Annual Report, there are 21 "Unfunded Master Plan Projects" with rough order of magnitude cost estimates totaling \$1.1 billion identified in the 2016 FMP, as shown below.

School Site	Project Type	Future Funding (R.O.M. Cost Estimates)
Alvarado Adult	Critical Needs	\$ 4.2 million
Sierra Adult	Critical Needs	3.4
Stege Elementary	Replacement	86.4
Highland Elementary	Replacement	121.9
Valley View Elementary	Replacement	108.5
Grant Elementary	Modernization/Partial Replacement	46.6
Richmond High	Modernization/Partial Replacement	119.2
Shannon Elementary	Modernization/Partial Replacement	28.1
Olinda Elementary	Replacement	89.6
Fairmont Elementary	Replacement	102.4

Crespi Middle	Modernization/Partial Replacement	65.5
Collins Elementary	“	37.2
Kennedy High	“	110.4
Riverside Elementary	“	58.1
Chavez Elementary	“	24.6
Hercules Middle	“	7.2
Hercules High	“	15.9
Ohlone Elementary	“	10.2
Cameron School (EIP)	“	37.4
Alvarado Adult	“	25.7
Sierra Adult	“	17.4
Unfunded FMP Projects		\$ 1,119.9 million

On November 20, 2019, the Board approved Resolution 43-1920 to place a \$575 million local school bond measure on the March 3, 2020 ballot in order to provide funding for at least some of these projects. This is officially referred to as Measure R on the State ballot. If the measure passes, it will be the first new funding initiative by the District since it last passed a local school bond measure in 2012. The District’s website for Measure R is at [https://www.wccusd.net/ domain/3342](https://www.wccusd.net/domain/3342).

Highlights from the Resolution (and from the October 23, 2019 “Annual Bond Program Report” to the Board by the District’s bond advisor) are as follows for Measure R:

- \$575 million is the largest of the eight local school bond measures placed on the ballot by the WCCUSD since the program first began in 1998.
- The anticipated tax rate on property owners for these new bonds is \$60 per \$100,000 of assessed value. For comparison, the maximum tax rates for the preceding six successful WCCUSD local school bond measures are as follows (CBOC Annual Report 2018, Appendix B).

1998 Measure E	\$ 24.60 per \$100,000 of assessed value
2000 Measure M	\$ 55.60
2002 Measure D	\$ 60.00 *
2005 Measure J	\$ 60.00 *
2010 Measure D	\$ 48.00 **
2012 Measure E	\$ 48.00 **

* \$60 is the maximum tax rate allowed under State law for each local school bond measure.

** “The District had a publicly stated goal for 2010’s Measure D and 2012’s Measure E to maintain the tax rate at \$48 per \$100,000 of assessed value”. [WCCUSD KPI Report #1, Note 4].

- Property owners are currently forecast to pay a total of \$1.065 billion to cover principal (\$575 million) and interest (\$490 million) over the full term of these new bonds.
- For tax year 2019/2020, the total rate of tax across all six existing WCCUSD bonds since the 1998 inception of the bond program is \$237.90 per \$100,000 of assessed value, which is down 16% from a peak of \$281.80 during tax year 2013/2014.
- The District may have to ask the State for another waiver of the limitations on bonded indebtedness in order to issue these new bonds, which would be its fifth such waiver since the 1998 inception of the bond fund. The State requires such a waiver if the District’s total bonded indebtedness exceeds 4% of the total assessed value of all property in the District (residential and commercial) subject to property tax for its local school bonds. As of December 31, 2019, the District’s total bonded indebtedness is estimated at \$1.325 billion (\$1.630 billion in total bond authorization through 2012, less \$0.305 billion in estimated principal payments-to-date). This will rise to \$1.9 billion if Measure R is passed by the voters in March.

Other Significant Items during 2019

In September 2019, Mr Luis Freese was promoted from District Engineering Officer to Associate Superintendent for Facilities, replacing Ms Lisa LeBlanc who retired in June. The job of District Engineering Officer remains unfilled at present.

Beginning in August 2019, Dr Tony Wold began as the new Associate Superintendent for Business Services. He follows Dr John al-Amin, who left the District in June after 1-year on the job.

A new Director of Internal Audit, a position created in response to a recommendation from the FAI, began in July 2019. This position had remained unfilled for a year, since the departure of the previous incumbent in June 2018. This new hire subsequently resigned for health reasons in October 2019.

A key responsibility of this position is to provide internal verification of FAI recommendation implementation and performance audit improvement recommendations, before they then go to an outside auditor for independent third-party verification of effective implementation. Since the District currently has no plans to fill the Director of Internal Audit position, these responsibilities have been assigned to the Internal Auditor, reporting to the Associate Superintendent for Business Services. The CBOC has recommended that the Director of Internal Audit position be filled and that it report to the Board of Education to assure full internal independence from those District functions being audited.

The CBOC made a number of recommendations to the Board and the District in 2019. A list of these recommendations and their status, as of November 30, 2019, is available in the CBOC's Meeting Packet for its December 10, 2019 meeting, Agenda Item K, pages 62-66 of 106.