West Contra Costa Unified School District
Office of the Superintendent

Friday Memo
August 11, 2017

Upcoming Events – Matthew Duffy
August 14: Technology Committee, IT Center, 4:00 PM
August 15: Facilities Subcommittee, FOC, 4:00 PM
August 16: CBOC, FOC, 6:00 PM
August 17: All District Welcome, Richmond Auditorium, 8:00 AM
August 17: Governance Subcommittee, Alvarado, 6:00 PM
August 21: First Day of School
August 23: Sprint Kick-Off Event, DeJean Gym, 5:30 PM
August 23: Board of Education, DeJean, 6:30 PM
September 4: Labor Day Holiday, Schools and Offices Closed

Sprint Grant Kick-Off Event – Mary Phillips
WCCUSD employees, parents, students, CETF and Sprint will present to the Board at 5:30, before Closed Session on August 23, 2017. After a short 15-minute presentation, the Board will be asked to visit the DeJean Gymnasium where students will be provided with Sprint hotspots. Three-hundred parents were invited to this event. I look forward to sharing this presentation and kick-off event with you.

Gmail Information – Mary Phillips
WCCUSD converted from Outlook to Gmail on July 26th. This move was researched for a year before action was taken. Staff was surveyed (over 2/3 of staff surveyed wanted to move to Gmail), consultants were contacted and there were many meetings in between. Server security was discussed and researched at length. Attacks on Microsoft servers are notorious, as are attacks on cloud-based servers. Because we own a domain on Google's Gmail server, we are a bit more protected. Please see the following URL for more information: https://support.google.com/a/answer/60762?hl=en. WCCUSD also has administrative control over our own internal Gmail, allowing us to tighten security for our District's particular needs. The District has installed both a Cisco firewall and a content filter, which are CIPA (Children's Internet Protection Act) compliant.

Our greatest concern is not regarding the security of Google's servers. It is regarding the vulnerability created by our end-users when they do not follow simple security measures. We find that our users are still clicking on links that are obvious viruses or phishing schemes and that their passwords are not strong enough and therefore easily hacked. Strong passwords are the first line of defense when protecting email accounts. We recommend that a password should include:

- A mixture of numbers, symbols and letters.
- Both lowercase and uppercase letters randomly.
- Frequent password changes, at least once per month.
- Not using personal information as your password.

The topic of security is visited frequently and staff are informed on a regular basis.

Warm Classroom Conditions – Lisa LeBlanc
With the new school year fast approaching, the District will continue to monitor and provide some relief to those sites that experience warm classrooms. The District has several schools that do not have air conditioning and the two-story buildings are most affected by warm temperatures. Our Maintenance team will continue to monitor building and classroom temperatures, particularly in those two-story classroom buildings. Due to the significant cost to add air conditioning to an existing school, the team has implemented alternatives to provide relief. The District installed reflective film on exterior windows at Cesar Chavez, Dover, Ford, King, Harding and Lincoln Elementary School and installed wall fans at various sites. In addition, the District will continue to ventilate classrooms at night and turn off heaters in the morning. The Maintenance team will continue to monitor classroom conditions and work with individual sites if there are issues as the school year begins.

WCCUSD Solar Project Update – Lisa LeBlanc
Phase II of the WCCSUD solar project took place over the summer. The District worked to complete DeJean Middle, Ellerhorst Elementary, Kensington Elementary, Peres Elementary, Pinole Middle, Lincoln Elementary and Murphy Elementary. Within the next 4-5 weeks, the District will work to complete Bayview Elementary, El Cerrito High School, Kennedy High School phase 1, Ellerhorst Elementary and Tara Hills Elementary. District staff is aware of the impacts at sites during construction and are working closely with the principals to make site accommodations possible as we enter the new year. We will update the Board as we move toward the completion of all of our district sites.

District Receives Credit Rating Upgrades – Chris Mount-Benites
The West Contra Costa USD received ratings from Standard & Poor's in addition to a continued high rating from Moody's, all in connection with the District's 2017 general obligation refunding bonds. Specifically, the bonds were assigned ratings of "AA-" by Standard & Poor's Ratings Services and "Aa3" by Moody's Investors Service. For both services, their rating outlook is "stable."

The Bond Finance Team, financial advisor, underwriters and attorneys are excited to offer congratulations to the District for such outstanding ratings and to District staff for their excellent presentations to the rating agencies. Having both ratings in the AA/Aa range strengthens the WCCUSD's credit profile, will increase investor interest and will help achieve a good interest rate outcome for the District's 2017 bonds. The ratings reports are enclosed for your review and information.

Public Records Log – Marcus Walton
Included in this week's memo is the log of public records requests received by the district. If you have any questions, please contact me.

S&P Global
Ratings

RatingsDirect®

Summary:

West Contra Costa Unified School District, California; General Obligation

Primary Credit Analyst:
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Summary:

West Contra Costa Unified School District, California; General Obligation

Credit Profile		
US$58.385 mil GO rfdg bnds (Federally Taxable 2019 Crossover) ser A-2 due 08/01/2034		
Long Term Rating	AA-/Stable	New
US$3.075 mil GO rfdg bnds ser A-1 due 08/01/2027		
Long Term Rating	AA-/Stable	New
West Contra Costa Unif Sch Dist GO		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to West Contra Costa Unified School District, Calif.'s 2017 general obligation (GO) refunding bonds, series A-1 (tax exempt) and series A-2 (federally taxable 2019 crossover). At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating and underlying rating (SPUR) on the district's GO debt outstanding. The outlook is stable.

Revenue from unlimited ad valorem taxes levied on property within the district secures the series A-1 bonds. The Contra Costa County Board of Supervisors has the power and obligation to levy these taxes at the district's request for the bonds' repayment. Proceeds from the series A-1 bonds will be used to refund the district's election of 2005, series B, bonds outstanding.

We understand management intends to use the series A-2 refunding bond proceeds to advance crossover refund the district's 2009 series C-2, election of 2005, GO bonds outstanding. Prior to the crossover date of Aug. 1, 2019, the 2017 GO refunding bonds will be secured by proceeds deposited into an escrow fund. We understand the proceeds in the escrow fund will be invested in noncallable federal securities. On and after the crossover date, unlimited ad valorem taxes levied on taxable property within the district will secure the series A-2 GO bonds. As such, the rating reflects the weaker of the district's long-term rating and the U.S. government sovereign rating until the crossover date. Afterward, the rating will reflect only the district's long-term rating.

The ratings reflect our opinion of the district's:

- Strong local economy with extremely strong wealth and above-average income indicators and participation in the broad and diverse San Francisco Bay Area economy;
- Maintenance of a strong to very strong reserve position;
- Additional revenue flexibility provided through the voter-approved assessment district program and parcel tax, which was recently extended for a 10-year period; and
- Good financial management policies and practices.

Partly offsetting the above strengths, in our view, are the district's:

- Estimated and projected deficit spending over the next three fiscal years, and
- High overall net debt burden on a per capita basis with elevated carrying charges and slow amortization.

Economy

West Contra Costa Unified School District serves an estimated population of 249,441, with its boundaries encompassing the cities of El Cerrito, Hercules, Pinole, Richmond, and San Pablo, as well as several unincorporated communities and unincorporated areas in western Contra Costa County. Located roughly 15 miles northeast of San Francisco, district residents have access to the large and diverse employment base throughout the San Francisco Bay Area. The local economy is primarily residential, and includes a sizable industrial and commercial component. In our opinion, median household effective buying income (EBI) is strong at 120% of the national level, but per capita EBI is good at 108%.

The district's assessed value (AV) has grown steadily since fiscal 2014, reflective of what we believe to be a robust housing market recovery, and increased by a cumulative 27.8% to $28.4 billion in 2017, surpassing its prerecession peak. At $113,900, we consider the district's market value per capita extremely strong. AV is expected to continue to grow over the near term, in line with favorable regional economic conditions.

We consider the tax base very diverse, with the 10 largest taxpayers--a mix of industrial, retail, and residential properties--accounting for approximately 14.1% of AV. Chevron USA Inc., the leading taxpayer, represented about 11.7% of total AV alone in 2017. Chevron's AV has exhibited some volatility in the past, which has led to fluctuations in the district's tax base. Most recently, in 2014, the district's tax base declined by 6% as a result of an assessment readjustment of Chevron, which ultimately stemmed from a fire at the refinery and a reassessment due to a prior error made by the county. In an effort to create more predictability in AV by minimizing swings in the AV of the large taxpayer, the county and Chevron have agreed to an annual meet-and-confer process to determine Chevron's AV, a process we believe will help reduce some of the volatility in the district's AV.

Finances

General purpose funding for California school districts is determined by a formula based primarily on average daily attendance (ADA), grade levels served, and share of students served that are English language-learners, low to moderate income, or foster youth. Most school districts are funded through a combination of state general fund revenues and local property tax revenues, up to the amount determined by formula. For these districts, increases or decreases in ADA can lead to increases or decreases, respectively, in general purpose funding under the formula. The district's ADA has declined modestly over the last four fiscal years and stood at an estimated 27,023 in fiscal 2017, reflecting a less than 1% decline from the fiscal 2016 audited count. Management attributed the recent gradual decline to the opening of several new charter schools within the district and a slowing birth rate. Looking ahead, management anticipates ADA will remain relatively stable and the declines will likely slow as students return to the district from the charter schools. Additionally, under the state funding formula (the Local Control Funding Formula, or LCFF), districts are projected to receive additional supplemental grant funding for high-need populations. The district reports that about 74% of its enrollment qualifies for supplemental grant funding.

The district has maintained a strong financial position over the last five audited years, despite reporting two operating deficits during the same time period, which management attributed primarily to spending in prior years restricted grants received that were recorded in its restricted reserves, as its available fund balances (assigned and unassigned) remained relatively stable on a nominal level. In fiscal 2016, the district reported a surplus operating result of 9.6% of expenditures, increasing its available fund balance to $59.2 million, or a very strong 18.6% of general fund expenditures, up from a strong 11% in fiscal 2015. The district's total general fund revenue increased by about 14% from the 2015 level, with LCFF revenues alone increasing by nearly 14%, and includes about $15 million in one-time unrestricted funding (4.3% of general fund revenue) from the state as reimbursement for previously underfunding state-mandated costs.

Estimated actuals for fiscal 2017 report a general fund deficit of about 3.3% of expenditures, as the district implemented one-to-one devices and expended a portion of its one-time moneys. We note that this calculation includes only the district's general fund. Management, however, anticipates the deficit to be minimized on an audited basis to about $1.8 million, or less than 1% of expenditures, which we calculate would reduce reserves to about 16% of estimated expenditures, a level we still consider very strong.

The 2018 budget and multiple-year projections show continued deficit spending, which could ultimately indicate a structural deficit, with ongoing expenditures outpacing ongoing revenues. While the district has historically used one-time moneys and various adjustments to balance its budget, current multiyear projections show deficit spending of between $6.3 million and $6.6 million annually (about 2% of expenditures) through fiscal 2020, which we estimate will reduce reserves to about 11% of expenditures, which is strong, in our view. Management indicated that it intends to work to close the deficits in the current and future fiscal years through cost containment efforts and expects to maintain a strong fund balance position. Currently, the district has budgeted for a general fund deficit in fiscal 2018 of about 2% of budgeted expenditures. We also note that the district has a track record of outperforming its budget in each of the last three audited fiscal years and intends to continue to do so. While management plans to mindfully spend down a portion of its available fund balances in coming years to address various one-time items, it expects to maintain its reserve levels in excess of its 6% reserve policy, a ratio we consider good.

The district benefits from additional revenue flexibility in the form of a voter-approved parcel tax and assessment district program. The district receives about $5.6 million annually through its Maintenance and Recreation Assessment District program, which does not expire. Revenues are dedicated to recreation, lighting, facilities, and landscape operations and maintenance, alleviating some related pressure from the general fund. In addition, the parcel tax generates about $9.7 million annually, according to management. Voters originally approved the parcel tax in 2004 and renewed it every four years, most recently extending the parcel tax through 2027. Combined, the district's voter approved local revenue generates approximately 4.4% of general fund revenue.

In addition, we note that changes to state law may alter the financial management landscape for California school districts that have a consistent track record of maintaining fund balances that we view as strong to very strong resulting in neutral to negative credit implications, including West Contra Costa Unified School District. (For more information, see "Recent Changes To A California Law On School Districts' Reserves Result In Neutral To Negative Credit Implications," published July 7, 2014, on RatingsDirect.)

We understand that the Securities and Exchange Commission (SEC) was conducting an investigation to determine if there were any violations of federal securities law relating to, among other items, the district's GO bonds issued in the years 2009 through 2013. As of July 2017, the SEC has completed its investigation with no sanctions.

Management

We consider the district's management practices good under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis. Highlights of key policies and practices include the district's conservative revenue and expenditure assumptions based on several years of historical look-back and data from external resources. Management's forecasts include an informal additional two years beyond the state requirement of the current plus two future years, which are presented to the board for budgeting decisions. District management actively monitors its budget and presents the board with budget-to-actual performance four times annually. The district also maintains a formal facilities master plan, which identifies both cost estimates and potential funding sources for its list of prioritized capital needs through fiscal 2024, and is maintained by the district's separate facility and financing subcommittee. The district has adopted basic debt management and adheres to state investment policies, and the board reviews investment holdings and earnings annually at audit adoption. In addition to the 3% state minimum reserve requirement, the district has a reserve policy of maintaining a reserve for other than capital outlay of no less than 3% of expenditures, which it has exceeded historically.

Debt

As a percentage of market value, we consider overall net debt to be moderately high, at 7.0%, and high on a per capita basis at $7,937. With 31% of the district's direct debt scheduled to be retired within 10 years, amortization is slow. Debt service carrying charges were 18.5% of total governmental fund expenditures excluding capital outlay in fiscal 2016, which we consider elevated. As of 2017, the district has about $332 million of bond authorization remaining under three bond measures. According to management, the district intends to issue new-money debt in fiscal 2018 and 2020 for capital improvements according to the facilities master plan.

Included in the district's debt profile are alternative financing obligations in the form of certificates of participation issued as a direct purchase with Capital One Public Funding in the principal amount of $5.3 million. While the lease agreement includes cross-default as an event of default, the covenants are otherwise standard, and we do not believe the associated remedies pose a contingent liquidity risk.

Pension and other postemployment benefit (OPEB) liabilities

The district paid its full required contribution of $18.3 million toward its pension obligations in fiscal 2016, or 3.6% of total governmental expenditures. Also the district paid $17.7 million, or 3.5% of total governmental expenditures, toward its other postemployment benefit (OPEB) obligations in fiscal 2016. Combined pension and OPEB carrying charges totaled 7.2% of total governmental fund expenditures in 2016.

The district participates in the California Public Employees' Retirement System and the State Teachers' Retirement System (CalSTRS) and has fulfilled its annual required contribution for the past three fiscal years. Using updated reporting standards in accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68, the district's net pension liability was $234.7 million as of June 30, 2016, for CalSTRS and CalPERS. CalSTRS, the largest plan, maintained a funded level of 70%, using its fiduciary net position as a percentage of the total pension liability. The state recently implemented increases in employer contributions for CalSTRS to be phased in over the next 10 years, and we expect that increasing rates will result in some budgetary pressure in the medium term. Management noted that the district incorporates the expected rate increases into its multiple year projections. The district has established an irrevocable trust to address its OPEB liabilities, and as of fiscal year-end 2016, the district reports the trust maintains a balance of approximately $21 million.

Outlook

The stable outlook reflects our view of the district's strong underlying local economy and maintenance of a strong to very strong financial position, reinforced by additional revenue flexibility derived from a voter-approved parcel tax and assessment district program. The outlook further reflects our expectation that the district will continue to maintain its fund balances at levels above its reserve policy despite the projected use of reserves as the district works to eliminate its structural deficit. We do not anticipate changing our ratings during the two-year outlook horizon.

Upside scenario

Should the district management's efforts to balance its budgets be successful and the district demonstrate a trend of balanced operations and very strong reserves, we could raise the ratings.

Downside scenario

We could lower the ratings if the district were to experience sustained operational imbalance, diminishing reserves to levels we consider below strong.

Related Research

Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

Ratings Detail (As Of August 10, 2017)		
West Contra Costa Unif Sch Dist GO		
Long Term Rating	AA-/Stable	Affirmed
West Contra Costa Unif Sch Dist GO bnds		
Long Term Rating	AA-/Stable	Affirmed
West Contra Costa Unif Sch Dist GO bnds (2010 Election)		
Long Term Rating	AA-/Stable	Affirmed
West Contra Costa Unif Sch Dist GO bnds (2012 Election)		
Long Term Rating	AA-/Stable	Affirmed
West Contra Costa Unif Sch Dist GO rfdg bnds		
Long Term Rating	AA-/Stable	Affirmed
West Contra Costa Unif Sch Dist GO (wrap of insured) (FGIC & AGM) (SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
West Contra Costa Unif Sch Dist GO (wrap of insured) (FGIC & BHAC) (SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Ratings Detail (As Of August 10, 2017) (cont.)		
West Contra Costa Unif Sch Dist GO (wrap of insured) (FGIC) (MBIA) (National) (AGM) (SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
West Contra Costa Unif Sch Dist GO (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
West Contra Costa Unif Sch Dist GO (BHAC)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
West Contra Costa Unif Sch Dist GO (BHAC) (SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
West Contra Costa Unif Sch Dist GO (FGIC) (MBIA) (National)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
West Contra Costa Unif Sch Dist GO		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
West Contra Costa Unif Sch Dist GO		
Long Term Rating	AA-/Stable	Affirmed
West Contra Costa Unif Sch Dist GO		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

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reference no.:840953

August 10, 2017

West Contra Costa Unified School District
1108 Bissell Avenue
Room 106
Richmond, CA 94801--3135
Attention: Mr. Christopher Mount-Benites, Associate Superintendent Business

Re: ***US$58,385,000 West Contra Costa Unified School District, California, General Obligation Refunding Bonds, (Federally Taxable 2019 Crossover), Series A-2, dated: Date of delivery, due: August 01, 2034***
US$3,075,000 West Contra Costa Unified School District, California, General Obligation Refunding Bonds, Series A-1, dated: Date of delivery, due: August 01, 2027

Dear Mr. Mount-Benites:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AA-". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

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Sincerely yours,

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js
enclosures
cc: Mr. Blake Boehm, Director
KNN Public Finance

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MOODY'S
INVESTORS SERVICE

CREDIT OPINION
10 August 2017

New Issue

Rate this Research

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

West Contra Costa Unified School District, CA

New Issue - Moody's assigns Aa3 to West Contra Costa Unified School District, CA's GO bonds

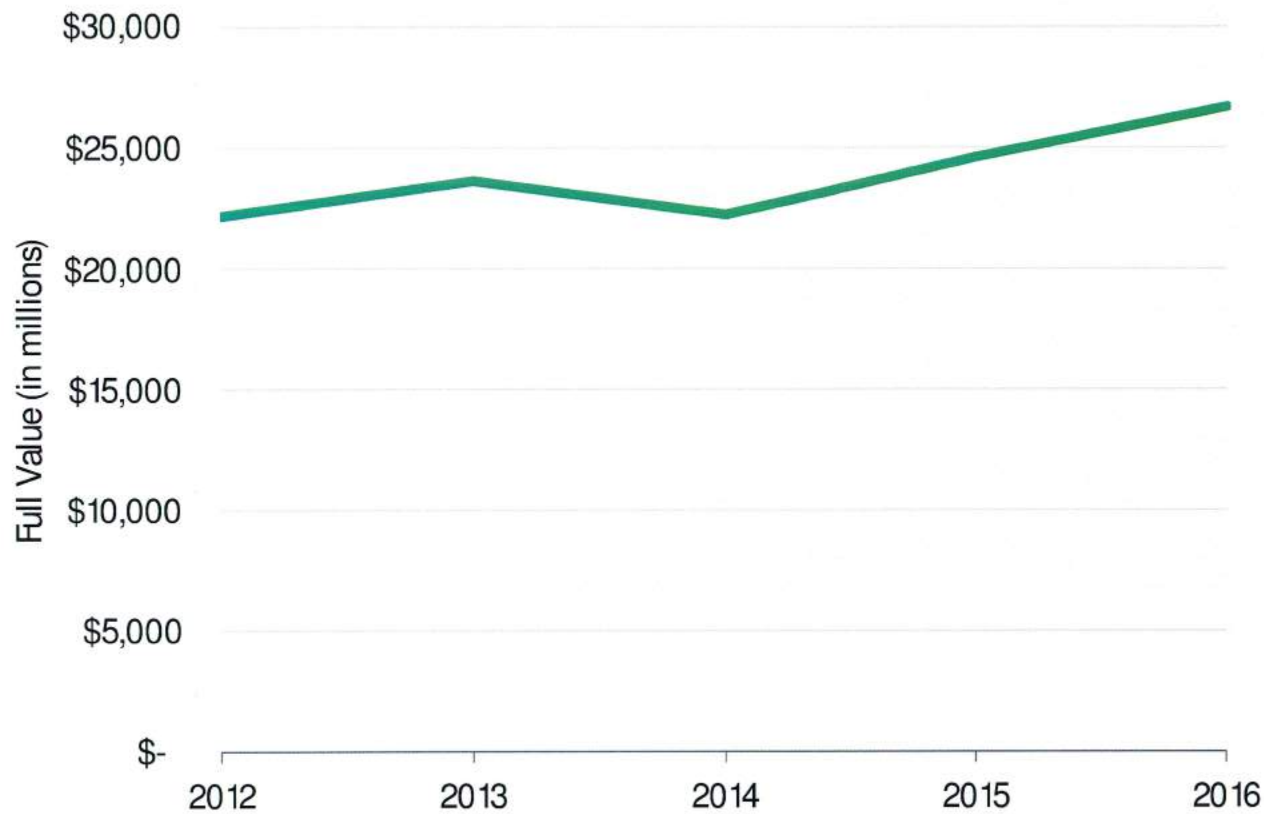
Summary Rating Rationale

Moody's Investors Service has assigned an Aa3 rating to West Contra Costa Unified School District's (CA) $3.7 million 2017 General Obligation Refunding Bonds Series A-1 (Tax-Exempt) GO Bonds, and $57.6 million 2017 General Obligation Refunding Bonds Series A-2 (Federally Taxable 2019 Crossover). Moody's rates the district's outstanding parity GO bonds Aa3 and outstanding certificates of participation A2. The outlook is stable.

The Aa3 rating incorporates the district's sizeable tax base with concentration; slightly above average socio-economic indicators; satisfactory reserve levels; and high debt and manageable pension burdens.

The GO rating also reflects the strength of the voter-approved, unlimited property tax pledge securing the bonds and the well-established levy and collection history for the debt service levy. This supports the credit quality of these bonds, somewhat offsetting the risk of future financial weakness. The county rather than the district levies, collects, and disburses the district's property taxes, including the portion constitutionally restricted to debt service on general obligation bonds.

Exhibit 1
Tax Base Returns to Healthy Growth after Recent Volatility



Source: Moody's Investors Service

Credit Strengths

- Sizable tax base in the San Francisco Bay Area
- District is a beneficiary under the Local Control Funding Formula

Credit Challenges

- Above average direct and overall debt burdens
- Volatility in tax base further magnified by concentration in largest taxpayers

Rating Outlook

The stable outlook incorporates the expectation of continued tax base growth and the maintenance of a satisfactory financial position.

Factors that Could Lead to an Upgrade

- Substantial improvement to the financial position
- Increased diversity and improvement in the assessed valuation

Factors that Could Lead to a Downgrade

- Deterioration of financial position
- Substantial decline of the assessed valuation

Key Indicators

Exhibit 2

West Contra Costa Unified School District, CA	2012	2013	2014	2015	2016
Economy/Tax Base					
Total Full Value ($000)	$ 22,170,563	$ 23,632,927	$ 22,225,132	$ 24,611,630	$ 26,700,078
Full Value Per Capita	$ 93,315	$ 98,344	$ 91,904	$ 100,846	$ 109,403
Median Family Income (% of US Median)	111.6%	112.0%	108.9%	108.0%	108.0%
Finances					
Operating Revenue ($000)	$ 334,991	$ 313,819	$ 346,152	$ 388,698	$ 593,533
Fund Balance as a % of Revenues	27.5%	28.5%	28.5%	28.5%	24.9%
Cash Balance as a % of Revenues	23.9%	24.2%	26.4%	32.0%	25.5%
Debt/Pensions					
Net Direct Debt ($000)	$ 829,994	$ 803,345	$ 907,538	$ 1,012,443	$ 1,218,306
Net Direct Debt / Operating Revenues (x)	2.5x	2.6x	2.6x	2.6x	2.1x
Net Direct Debt / Full Value (%)	3.7%	3.4%	4.1%	4.1%	4.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	1.4x	1.5x	1.5x	1.1x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	1.9%	2.4%	2.4%	2.4%

Source: Moody's Investors Service

Recent Developments

The district board, in response to allegations of potential financial mismanagement of its bond program, directed a special subcommittee to pursue a forensic audit of its bond program. The forensic audit was completed in September 2016 and submitted to the board. The audit details recommendations and the district is implementing a majority of the recommendations.

In August 2014, the district received a subpoena from the SEC requesting documents related to the district's GO bonds issued from 2009 through 2013. The district has responded to the subpoena and has produced documents requested and has cooperated with the SEC investigation. The district has received notification from the SEC that the SEC has concluded its investigation and does not intend to pursue enforcement action.

Detailed Rating Considerations

Economy and Tax Base: Tax Base Posts Strong Growth After Recent Volatility; Diverse Socio-economic Indicators; Overall Metrics Approximate the Nation

The district's AV is sizeable at $28.4 billion in fiscal 2017, growing 6.4% over fiscal year 2016. In fiscal year 2017 the district tax base the district tax base eclipsed its pre-recession peak of $27.1 billion reached in 2009.

The five year average annual tax base growth is a healthy 5.1% and includes a 6% decline in 2014, attributed to a refinery fire at the largest taxpayer, Chevron Corporation (Issuer Rating Aa2/Stable). Chevron and affiliates were about 22% of fiscal 2013 AV, and are now approximately 11.7% of fiscal 2017 AV.

The AV volatility of recent years has improved with continued overall tax base growth as well as a settlement agreement between the county and Chevron. Chevron had routinely filed appeals with varying degrees of success, causing, in the case of successful appeals, the district to adjust its GO debt service levy to account for reimbursements to Chevron. In fiscal 2014, the county and Chevron approved a settlement agreement whereby the two parties will annually meet and confer regarding the value of Chevron's taxable property, with the agreement providing that any dispute first proceed to mediation prior to a filing before the Appeals Board. While Chevron can still appeal values moving forward, it cannot appeal its base year value or enrolled values prior to January 2013. Chevron continues to move forward with a $1 billion refinery modernization project that would benefit district AV, but the project faces potential legal and state regulatory challenges, and the tax base impact is uncertain at this time.

District residents participate in the broader San Francisco Bay Area economy, and income levels across the district vary from about 80% to 187% of the US median household income in the cities served by the district. Unemployment and poverty also vary widely, with poverty rates in Richmond (18.5%) and San Pablo (15.9%) more than double those of El Cerrito (8.5%) and Hercules (6.0%). The City of Richmond (Issuer Rating Ba1) represents about half of the district's assessed value (AV), and is one of the weaker tax base constituents in terms of diversity and resident wealth. The unemployment rate of the county was 3.5%, which was below the state's 4.2% rate and the US rate of 4.1% for the same period.

Financial Operations and Reserves: Satisfactory Financial Position; Surplus Operations in FY 2016

The district ended fiscal year 2016 with a significant $30.3 million operating surplus, growing General Fund reserves to $84.4 million, or a healthy 24.3% of revenues. This level of reserves compares favorably to the median for school districts in the rating category. Like many districts in California, fiscal year 2016 was a good year with the receipt of one time monies from the state which augmented reserves. It is our expectation that the district would plan to spend these one time monies received in fiscal year 2016 on one time uses in subsequent years.

Unaudited results for fiscal year 2017 show the district drawing down General Fund reserves by $11.6 million. The drawdown reflects use of one time monies received in fiscal 2016. The adopted fiscal 2018 budget includes an additional draw down of $7.4 million, and will end the year with a projected $53.6 million General Fund reserve. The fiscal 2018 decline in reserves is also reflective of budgeting of one time money from fiscal year 2016.

The district's unduplicated student count is nearing 75% and as a result the district benefits considerably from implementation of the LCFF, particularly important as enrollment continues its decline, though declines have somewhat lessened from prior history.

The district benefits from a parcel tax that contributes approximately $10 million annually and now expires in fiscal 2027 as voters approved an extension in November of 2016.

LIQUIDITY

The district's net cash position is healthy with a fiscal 2016 ending General Fund cash balance of $69.3 million or 19.9% of revenue. We would expect district liquidity to continue to improve given the improved state funding environment and the elimination of deferrals of state aid to school districts.

Debt and Pensions: Very High Direct Debt Levels More Than Four Times the State Median

The district's debt levels are very high by comparison with medians, and additional debt is anticipated. Direct debt represents 4.2% and overall debt 6.2% of AV. These levels are both more than twice the medians for comparably rated school districts in California and nationwide; the district's direct debt is more than four times the median for California school district issuers. The district's debt is also very high on a per capita basis, a particular credit weakness given that the district's residents are not exceptionally affluent. The district already has a high tax rate, and the district's debt structure includes capital appreciation bonds (CABs) that were issued assuming a somewhat aggressive, given historic volatility, long-term average annual growth rate of 4% for AV, which, if realized, will allow the tax rate for the district's overall GO debt service levy to remain at or below target levels over time. If the growth rate in AV does not happen as expected, the district's GO bond tax rate will necessarily have to increase. The district also has tax stabilization funds that can be applied to reduce the GO bond tax rate. The district failed to pass a bond measure in June 2014, which represented the first defeat suffered by the district and may signal a reduced willingness on the part of voters to support additional debt. The district is currently operating under two separate waivers from the state board of education that cap its debt limit at 5% of AV. Payout is slow with approximately 32% of principal repaid in ten years. The district's high direct debt burden is mitigated by the fact that the district has only one General Fund backed lease obligation, on which maximum lease payments represent less than 0.3% of revenues.

DEBT STRUCTURE

The majority of district debt is fixed rate general obligation debt at $1.17 billion outstanding, after the current issue. The district has $5.6 million in outstanding certificates of obligation.

DEBT-RELATED DERIVATIVES
The district has no debt-related derivatives.

PENSIONS AND OPEB
District employees participate in the California Public Employee Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS). The Moody's adjusted net pension liability (ANPL) for the district, under our methodology for adjusting reported pension data, was $701.8 million in FY 2016. The three-year average of ANPL to full value is above average at 2.4% of assessed value, and the three-year average of ANPL to operating revenues is average at 1.1 times. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the district's reported liability information, but to improve comparability with other rated entities.

The district's combined pension contribution to CalPERS and CalSTRS in fiscal 2016 was $18.3 million. Similar to most California school districts, pension costs will become an increasing budget pressure as rates increase over the next several years.

The district funds its other postemployment benefits (OPEB) on a pay-as-you-go basis. The district's annual OPEB cost was $22.4 million in FY 2016 and the district contributed $17.7 million.

Management and Governance: Limited Revenue Raising Flexibility
INSTITUTIONAL FRAMEWORK
California school districts have an institutional framework score of "A" or moderate. California school districts have a low level of revenue raising ability. For most school districts, revenues are primarily set by the state with revenue raising ability limited to fundraising or approval of a parcel tax requiring a two-thirds majority vote. State law sets a minimum annual funding level for K-12 schools that is designed to provide schools with a guaranteed funding source that grows each year with the economy and the number of students enrolled. However, revenue predictability has proven somewhat unstable, given that the state can easily make unexpected revenue reductions based on the volatility of the state's general fund revenues per capita. Expenditures for K-12 schools can be projected, but the ability to reduce expenditures is moderate due to pressures from collective bargaining and state rules that limit when and how staff reductions can be made.

OPERATING HISTORY AND MANAGEMENT
The district's five-year average of operating revenues to expenditures in 2015 is average at 1.02x, reflecting relatively balanced budgeting of operating funds over the last five audited fiscal years.

Legal Security
The 2017 bonds are general obligation bonds of the district, payable solely from ad valorem property taxes.

Use of Proceeds
Proceeds from the current issue will refund the August 1, 2018 maturity and a portion of the August 1, 2019 maturity of the District's General Obligation Bonds, Election of 2005.

Obligor Profile
The district is located approximately 15 miles northeast of San Francisco and covers an area approximately 110 square miles in western Contra Costa County. The district provides educational services to the residents of the cities of El Cerrito, Hercules, Pinole, Richmond and San Pablo, the unincorporated communities of El Sobrante, Kensington and North Richmond, and certain other unincorporated areas in the County. The district serves grades TK through 12th grade and currently maintains 36 elementary schools, two K-8 school, six middle/junior high schools, six high schools and six alternative/continuation programs, 60 adult education sites, nine operation sites and 17 State-funded preschools. The estimated enrollment for the 2018 year is approximately 28,248 students.

Methodology
The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

West Contra Costa Unified School District, CA

Issue	Rating
2017 General Obligation Refunding Bonds, Series A-1 (Tax Exempt)	Aa3
Rating Type	Underlying LT
Sale Amount	$3,675,000
Expected Sale Date	08/23/2017
Rating Description	General Obligation
2017 General Obligation Refunding Bonds, Series A-2 (Federally Taxable 2019 Crossover)	Aa3
Rating Type	Underlying LT
Sale Amount	$57,615,000
Expected Sale Date	08/23/2017
Rating Description	General Obligation

Source: Moody's Investors Service

REPORT NUMBER 1084197

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MOODY'S
INVESTORS SERVICE

Public Records Request Log 2017 - 2018
Week Ending August 10, 2017

	Date of Receipt	Requestor	Requested Records/Information	Current Status
1	7/6/17	Sallie DeWitt CBOC, Chair	CBOC Annual Report 2016 / Photos of Projects completed in 2016 and photo of students	7/13/17 Photos of 2016 Completed Projects sent via email **COMPLETED**
3	7/18/17	Kyra Kocis Transparent California	WCCUSD 2016 Employee Compensation Report	Gathering Data for Report
4	8/1/17	John Paul Teague Smaha Law Group	Nystrom Elementary School Modernization and Classroom Building Rehabilitation Documents	8/10/17 Acknowledgement letter mailed 8/18/17 Documents available for review
5	8/3/17	Julian Parker	Lincoln Elementary School Class Pictures	8/10/17 No Responsive Docs letter mailed **COMPLETED**
6	8/8/17	Kyra Worthy For Richmond	Approved Contracts with Invoices and Individuals Served for 2016-2017 School Year	8/10/17 Acknowledgement email sent 9/15/17 Documents ready for review
7	8/10/17	Denise Morgan California Charter School Assoc	Charter School records for 2017-2018 School Year	8/10/17 Acknowledgement email sent
Public Records Request Log / Ongoing 2016 - 2017				
29	9/14/16	Matt Cagle American Civil Liberties Union	Surveillance Technology and Digital Searches beginning January 1, 2013 – Present	12/2/16 Documents sent via email 3/31/17 Documents sent via email 5/5/17 Documents sent via email 7/13/17 Documents sent via email Gathering/Reviewing additional Docs 8/18/2017 Response Due