

West Contra Costa Unified School District
Office of the Superintendent

Friday Memo
August 28, 2020

Upcoming Events – Matthew Duffy

September 1: Agenda Setting, 4:30 PM
September 7: Labor Day Holiday, Schools & Offices Closed
September 9: Regular Board Meeting, 6:30 PM
September 15: Agenda Setting, 4:30 PM
September 15: Governance Committee, 5:30 PM
September 30: Board/CBOC Joint Meeting, 5:00 PM

Budget Update and CARES Act Funding - Tony Wold (Regina Webber, Gustavo Aguilera, Andrea Arnold)

The adopted State budget is based upon the receipt of Federal funds to backfill the loss of State funding for education. In addition to deferring over \$10 billion in apportionment in the months of February - June of 2021, the State did **not** fund the normal Cost of Living Adjustment (COLA) because districts were receiving one-time Federal CARES act funds. This replaced ongoing funding with one-time funds.

As we have presented to the Board, the District has fixed costs that increase each year to maintain the same levels of service from one year to another. Without the COLA, this requires the District to make reductions in services due to a lack of COLA. The State also announced if the Federal government does not provide **additional funding beyond the CARES act** by November 2020 that there **very likely will be more cuts** coming to public schools.

Before the pandemic the District was required to make \$47.8 million dollars in reductions for the 2020 - 2021 current academic year. We met those requirements by doing the following:

- Negotiated and adopted budget reductions of \$29.8 million
- Utilization one-time of OPEB for the second year of \$15.6 million
- Use of one-time reserves of \$2.4 million

With these reductions the remaining structural deficit remaining (approximately \$18 million) was close to being equivalent to the increased costs that District had been required to pay for STRS and PERS increased past on by the State since the inception of LCFF which was over \$20 million that the District had been required to pay that did not contribute to additional services. **Simply stated, after making reductions in the 2019 - 2020 school year, the District's deficit could be directly tied back to a State mandate for expenditures!**

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Chart from September 14, 2019 Budget Story Presentation

Year	STRS Rate	PERS Rate	CalSTRS \$ Increase	CalPERS \$ Increase	Total \$ Increase	Cumulative \$ Increase
2015-2016	10.73%	11.847%	\$1,980,210	\$357,467	\$2,337,677	
2016-2017	12.58%	13.888%	\$2,874,898	\$1,402,373	\$4,277,271	\$6,614,948
2017-2018	14.43%	15.531%	\$3,569,569	\$1,157,209	\$4,726,778	\$11,341,726
2018-2019	16.28%	18.062%	\$3,870,338	\$1,738,226	\$5,608,564	\$16,950,290
2019-2020	17.10%	19.721%	\$2,417,469	\$1,535,401	\$3,952,870	\$20,903,160
2020-2021	18.40%	22.700%*	\$2,592,201	\$1,981,003	\$4,573,204	\$25,476,364
2021-2022	18.10%	24.600%*	(\$542,287)	\$1,489,768	\$947,481	\$26,423,845

This left the District with a need to make \$18 million in reductions this spring for the 2021 - 2022 school year prior to the pandemic. At budget adoption, the Governor’s proposal recommended cuts of 10% of all LCFF funds. This would have increased the cut target to up above \$60 million. The final budget did, however, eliminate the COLA which increases the cuts required for 2021 - 2022 to approximately \$26 - \$30 million.

The challenge for the public when viewing a budget in the SACs format is that all of the one-time funds and restricted funds also are included in the budget and therefore mask an ongoing structural deficit. Under Governor Brown, there were large sums of one-time dollars provided to school districts, and this was done over multiple years. This created the “**illusion**” of less deficit spending than what was actually occurring and the **real loss of spending power due to STRS and PERS was “hidden”** within the budget summaries.

From an accounting standpoint, in the current school year, the District is **not receiving almost \$8 - \$10 million** that it had planned on receiving from the State due to the loss of the Cost of Living Adjustment required to maintain the status quo AND is **required to spend \$20 million more on** STRS and PERS because the State mandated this expense without additional revenue.

Real life example of budget issues and Federal Support.

To explain what the State did school Districts would be similar to this analogy: Your gross salary remained the same for multiple years, BUT a new payroll deduction of \$500 was added. The net result for the individual is they have less to spend on essentials such as a mortgage, rent, food, and utilities with no additional benefits. For many individuals, the payroll reduction meant there was not enough money remaining to pay rent due to the loss of \$500!

To help school districts out the State announced that it would provide Federal funds to support the schools. However, the language of these bills was that this was for additional support. The individual in the example above needed \$500 dollars to pay their rent. The State provided \$500 but in the narrative of the funding letter suggested that the individual should use this \$500 to lease a new car, and to help the person out they can not pay their mortgage for 6 months until December 2020.

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Fast forward to December 2020, the individual did not pay their rent and now owes \$6000 for back rent and must pay the \$500 again in January. They also now have a lease payment on the car they were asked to get of another \$500. This person is now \$1000 short each month and has the credit card bill due for the \$6000 with no additional one-time money coming from the State or Federal Government. Due to the way the State funded schools, and what just happened to the person in this example they would end up losing both their home and their car.

So, what would have been the solution to this person's problem? The one-time Federal funds could be used for expenses, such as a mortgage/rent if it was a “new” mortgage/rent. So our person would need to move out of their home, and then immediately move back in. Now that \$500 each month pays for the rent. Fast forward to December and they do not owe anything. They did not get the luxury of leasing a new car, but they also do not have that ongoing expense. There is a \$500 issue that must be addressed in January to maintain their rent, but not the ongoing \$1000 issue and the credit card bill of \$6000.

Because the person in our example made reductions they could use the funds to support themselves and remain in a position, with some smaller, manageable reductions they would be able to sustain their life moving forward by using the one-time funding appropriately without increasing ongoing structural issues. Our sample person maintained their current quality of life by using these one-time funds to pay for things they would have otherwise had to immediately cut. They did not buy new things, but they did support what they had. This is the challenge in Public School Districts where the needs outway the ability to fund. The person identified what they *would* cut, and then used the funds to maintain that which became their lifeline during this period. This is not supplanting as you cannot supplant what would otherwise no longer be provided.

Use of one-time funds should not increase ongoing deficit

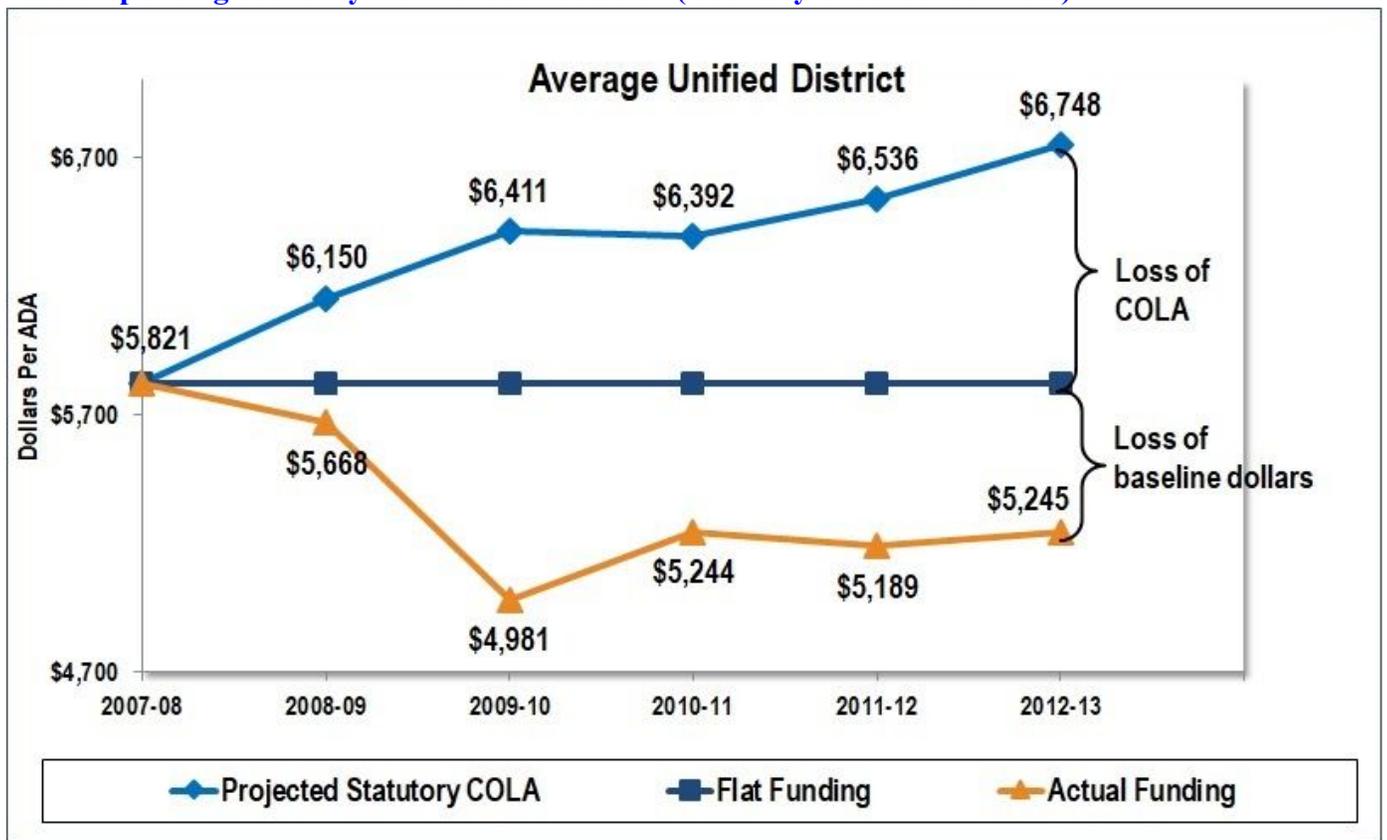
In 2008 - 2010, during the Great Recession, school districts utilized Federal funds to back fill the loss of State Revenue. With the knowledge of the funds, the districts were able to not finalize reductions that would have otherwise been required. Many districts would have been required to implement salary rollbacks, furlough days, and significant reductions in service but these Federal funds were able to support the programs for Special Education, Socio-economically disadvantaged youth (using Title I formulas), as well as per-pupil support. Using this methodology the Districts were able to maintain some services, but did not add services or provide salary increases to employees. For most districts, there were not salary increases for any employee groups from 2008 - 2009 until the 2014 - 2015 school year when LCFF funding started to slowly increase funding. Through all of these LCFF increases, however, school districts still have not gotten back to the spending authority they had in 2007.

When School Services of California, which is the premier support group for all fiscal matters for school business officials in the state, was founded the three leaders were Ken Hall, Carol Berg, and Ron Bennett. Every year, Ron Bennett would remind all current and prospective Chief Business Officials to **“Never spend one-time dollars on things that eat.”** What this translated to was to not use “soft” money or one-time funds to hire additional staff that would then need to be reduced or eliminated when those funds were eliminated. Moreover, he reminded business officials not to build ongoing programs or salary settlements that could not be sustained.

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As part of our reductions completed in the 2019 - 2020 school year we eliminated the practice of using “soft” funds for ongoing positions. This was a hard structural change for the organization, one that we are still feeling as we are not allowing the hiring of new staff with “soft” funds moving forward. Any positions or programs funded with the CARES act funds are temporary and would not remain once the funds are exhausted. The District is using these funds to maintain programs and services that would otherwise have needed to be cut.

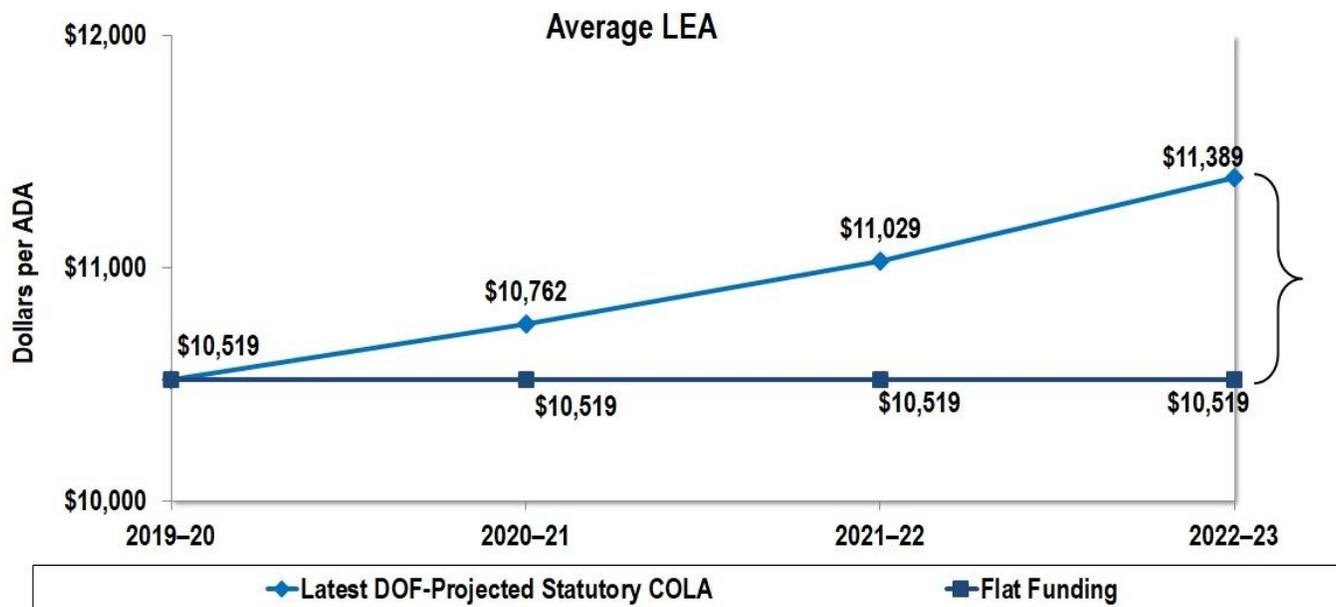
Loss of spending authority from Great Recession (Courtesy of School Services)



With the loss of COLA the State is once again not funding K-12 Education, just as what occurred in 2007 - 2008. The chart below shows what will occur in the upcoming years. This demonstrates that public education is once again starting down the same pathway as the last downturn and we can learn from the past to use the strategies that were successful then.

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Loss of spending authority from Adopted Budget (Courtesy of School Services)



District Budget Development assumptions

At budget adoption we defined that the district had placed approximately \$13,950,837 million in Federal CARES act and ESSER funds in the 2020 - 2021 budget. **Again, it must be emphasized that the District would be required to utilize these one-time funds to mitigate the loss of funding from the State to maintain staff, services, and not reduce salaries of employees.** Had those funds not been included, the required cuts would have been significantly higher.

The adopted budget utilized all of the known CARES act one-time funds to maintain programs that would have otherwise needed to be cut for the current 2020 - 2021 school year!

From June 9, 2020 Board Presentation

Description	Resource Codes	Object Codes	2019-20 Estimated Actuals			2020-21 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
A. REVENUES									
1) LCFF Sources		8010-8099	287,946,537.00	0.00	287,946,537.00	262,312,453.00	0.00	262,312,453.00	-8.9%
2) Federal Revenue		8100-8299	0.00	25,578,982.00	25,578,982.00	13,950,837.00	19,455,673.00	33,406,510.00	30.6%
3) Other State Revenue		8300-8599	9,610,122.00	28,781,197.00	38,391,319.00	5,152,185.00	27,748,467.00	32,900,652.00	-14.3%
4) Other Local Revenue		8600-8799	18,108,196.00	17,982,455.00	36,090,651.00	18,482,519.00	16,053,903.00	34,536,422.00	-4.3%
5) TOTAL REVENUES			315,664,855.00	43,561,434.00	388,007,489.00	299,897,994.00	63,258,043.00	363,156,037.00	-6.4%

One-time Revenue of CARES Act and Utilization of OPEB and Pre-school block grant

Reduction in LCFF Revenue

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Also in June at budget adoption the District did state that we anticipate that there would be unrestricted carryover due to reductions in spending the entire year to use, **to mitigate on a one-time basis**, the cuts necessary for 2021 - 2022. The District planned to utilize the OPEB transfer a second time in the current 2020 - 2021 school year along with CARES act and ESSER funds, and any reserves that could be generated due to expenditure controls that were implemented during the 2019 - 2020 and continue in the current year to remain fiscally solvent.

The District did not include all of the CARES act funding in the adopted budget as the allocations were not fully known at that time. In addition, at budget adoption the District was awaiting the rules and regulations for Federal CARES act funds as it pertains to the 2019 - 2020 school year. We have subsequently been provided with guidance that even though the District will not receive the actual funds and book them as revenue until the 2020 - 2021 school year we should begin spending those funds as of March 13, 2020 in the 2019 - 2020 school year.

This will create a very unique issue in our SACs forms where we will present negative carryover with expenditures being accounted to CARES funds that are not received until the next school year budget. The District will have utilized almost half of the CARES act funds in the 2019 - 2020 school year and the balance will be utilized prior to December 2020 as required by the guidelines.

Projected Ending Fund Balance as presented on June 9, 2020 based on Governor’s Budget Proposal

Year	Beginning Fund Balance	Ending Fund Balance	Change
2014 – 2015	\$33,697,397.30	\$34,549,022.28	\$851,624.98
2015 – 2016	\$33,963,035.64	\$61,125,190.75	\$27,162,155.11
2016 – 2017	\$61,125,190.75	\$63,134,077.09	\$2,008,886.34
2017 – 2018	\$63,134,077.09	\$48,849,344.06	(\$14,284,733.03)
2018 – 2019	\$48,849,344.06	\$38,082,475.70	(\$10,766,868.36)
2019 – 2020	\$43,575,032.20*	\$42,013,293.12	(\$1,561,739.08)
2020 – 2021	\$42,013,293.12	\$24,426,527.12	(\$17,586,766.00)
2021 – 2022	\$24,426,527.12	(\$28,615,824.88)	(\$53,042,352.00)

Posting of Unaudited Actuals may not be completed until the week of the meeting

The Unaudited Actuals and changes will be presented September 9th - **Information may have to be presented at time of the meeting** and might not be posted on Friday, September 4th due to significant changes in rules and regulations which delayed our ability to complete all year-end closing procedures in the normal time frames.

We are providing this summary now because **we are still working to close the books** from 2019 - 2020. This has been delayed due to changing requirements from the State and the fact that CARES act funds

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were partially spent last year without receiving any revenue creating a negative carryover which cannot be coded correctly in SACs which impacts our ability to create State forms. We are working to have everything published by the Friday before the Board meeting, but like the LCP which will be delayed as stated by the parent groups we may be in a similar situation with Unaudited actuals due to circumstances that are not within our control.

For this Friday letter, however, we did want to provide some overview of the big-ticket components of the budget and how we are going to be able to utilize greater carryover funds which will reduce the cut target over the next two years as Trustee Panas stated when he reviewed the cash flow at the board meeting this week. This summary will describe the one-time CARES act and ESSER funds that are being utilized by the District to maintain programs and staffing and also allow the district to address the ongoing structural deficit that is due to lack of State funding is addressed over a period of several years. The final balances are not yet available, so this summary is estimates.

CARES act and ESSER funds the District will receive this year is as follows:

Legal Reference	Fund	Res.	Uses of Funds	Amounts	Expiration Date
SB 98 Sec 110(a)	GEER	3215	Support Special Education Expenses	\$1,897,086	9/30/2022
SB 98 Sec 110(a)	CRF	3220	Support Special Education Expenses	\$6,113,647	12/30/2020
SB 98 Sec 110(b)	CRF	3220	Support distance learning and PD efforts directed to unduplicated count students	\$15,371,831	12/30/2020
SB 98 Sec 110(c)	GF	7420	Support distance learning and PD efforts for all students	\$2,435,275	12/30/2020
SB 98 Sec 110(c)	CRF	3220	Support distance learning and PD for students based upon need	\$1,983,867	12/30/2020
SB 117	GF	7388	For PPE, Technology, Custodial	\$464,356	6/30/2021
PL 116-36	ESSE R	3210	Support for Distance Learning and PD efforts for all students	\$6,014,537	9/30/2022
TOTALS				\$34,280,599	

Legal References: Pursuant to Sec. 110 of Senate Bill (SB) 98, allocations are paid from federal and state resources including Federal CARES Act: Coronavirus Relief (CR) Fund, Section 5001 and Governor's

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Emergency Education Relief (GEER) Fund, Section 18002; and State General Fund (GF). Funds are allocated based on three formulas established in SB 98: (1) Sec. 110(a) is based on Special Education Pupil Count multiplied by \$460.01 for GEER Fund and by \$1482.46 for CR Fund; (2) Sec. 110(b) is based on LEA proportion of statewide Supplemental and Concentration Grant funding; (3) Sec. 110(c) is based on LEA proportion of statewide LCFF entitlement

Summary of Federal Funding

- SB 117 costs associated with maintaining nutrition services, cleaning and disinfecting facilities, personal protective equipment, and materials necessary to provide students with opportunities for distance learning. The priority for these funds is health and safety needs for LEAs, including for student meal access, during COVID-19 closure periods.
- ESSER - Congress set aside approximately \$13.2 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the CARES Act for the [Elementary and Secondary School Emergency Relief \(ESSER\) Fund](#). This funding will provide local educational agencies (LEAs) with emergency relief funds to address the impact that Novel Coronavirus Disease 2019 (COVID-19) has had, and continues to have, on elementary and secondary schools across the nation some of the utilizations of these funds include:
 - **Providing principals and others school leaders with the discretionary resources necessary to address the needs of their individual schools**
 - Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population
 - Developing and implementing procedures and systems to improve the preparedness and response efforts of LEAs
 - Planning for and coordinating on long-term closures (including on meeting IDEA requirements, how to provide online learning, and how to provide meals to students)
 - Staff training and professional development on sanitation and minimizing the spread of infectious disease
 - Purchasing supplies to sanitize and clean the facilities of LEA, including buildings operated by the LEA
- CARES act - The focus for the use of the funds and distribution formula are outlined in the 2020–21 budget package, with focus to use the funds to support pupil academic achievement and mitigate learning loss related to COVID-19 school closures. The CR Funding and the GF do not include a supplement not supplant provision. Based upon guidance from CDE and the US Treasury funds may be used for:
 - **Payroll expenses** for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID19 public health emergency.
 - Providing integrated pupil supports to address other barriers to learning, such as the provision of health, counseling, or mental health services, **professional development opportunities to help teachers and parents** support pupils in distance-learning contexts,

access to school breakfast and lunch programs, or programs to **address pupil trauma and social-emotional learning.**

- **Purchasing educational technology** (hardware, software, and connectivity) for students, that aids in the regular and substantive educational interaction between students and their classroom instructors, including low-income students and students with disabilities, which may include assistive or adaptive technology
- Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
 - Expenses for food delivery to residents and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
 - **Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.**
 - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
- Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
- **Other activities that are necessary to maintain the operation and continuity of services in LEAs and to continuing the employment of their existing staff.**
- Addressing learning loss or accelerating progress to close learning gaps through the implementation, expansion, or enhancement of learning supports that begin before the start of the school year and the continuation of intensive instruction and support into the school year.
- Extending the instructional school year or taking any other action that increases the amount of instructional time or services provided to pupils based on their learning needs.
- Providing additional academic services for pupils, such as diagnostic assessments of pupil learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices or connectivity for the provision of in-classroom and distance learning.

How were CARES act funds utilized?

District staff is still working through the coding of expenditures but in broad strokes the CARES act and ESSER funds are supporting the following activities within the budget to ensure that the District continues to meet our budgetary requirements and provides additional supports to our most vulnerable students which otherwise would have been reduced due to the lack of State funding. Because these funds were received the District was able to maintain the LCAP budget, shift multiple resources to address support for the AASAT resolution, and maintain sufficient reserves to mitigate the ongoing structural deficit. This shall all be part of the December budget report to parents in regard to the LCAP.

It should be noted that when LCFF funds are received, all funds are provided to the District as General Fund, Resource 0000. The District must demonstrate that a proportionate amount of these funds are provided for support for students that are within the unduplicated count groups of English language learners, socio-economically disadvantaged, homeless, or foster youth. In designing the budget for the

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coming year, the District has ensured that a proportionate amount of funds (over \$50 million) remain dedicated to LCAP programs in adherence to the requirements. The CARES act funds were utilized to maintain programs and staff that otherwise would not have been funded due to the lack of State Funding, they did not however all of the sudden create new ongoing funds as was explained in the example earlier. With this model we set out to ensure that WCCUSD will not “short change” any of our at risk students due to the lack of ongoing funding from the State.

CARES Act Resource 3220 is covering expenditures such as:

- Technology for students and staff including Chromebooks and Hot Spots
- Professional development and the cost of staff salary to attend Friday sessions in systemic racism and racial bias and integration of technology/distance learning curriculum focused offerings
- These training sessions are NEW and DIFFERENT and it needs to be targeting our most at risk students
 - This focus is directed toward provided ongoing SEL support for our students; and
 - ensure the implementation of a high-quality distance learning program well beyond what was offered in the spring
- Redistribution of our transportation contracts to provide delivery services for student meals and materials to support distance learning
- GEER funds for Special Education contracts for additional services and supports for students with our virtual classrooms
- ESSER funds to provide sites with budgets for expenses necessary to operate the site
- ESSER funds for the creation of supplemental instructional materials as necessary
- SB 117 for Nutrition Services, Custodial and PPE

Estimated timelines of use of CARES act / ESSER Funds

Funding	2019 - 2020	2020 - 2021	Total Funds
ESSER 3210	\$1.5 million	\$4.5 million	\$6,014,537
SB 117	\$0.2 million	\$0.2 million	\$464,356
GEER 3215	N/A	\$1.9 million	\$1,897,086
CRF 3220	\$3.5 million	\$2.6 million	\$6,113,647
CRF 3220	\$2 - \$3 million	\$12.3 - \$13.3 million	\$15,371,831
CRF 3220	\$1.9 million	N/A	\$1,983,867
GF 7420	\$2.4 million	N/A	\$2,435,275
TOTALS	\$11.5 million	\$22.5 million	

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State Board of Education Bonding Capacity Waiver - Tony Wold and Luis Freese (Blake Boehm, KNN)

At the September 9 Board meeting we will bring a resolution for the board to submit a request to the State Board of Education to increase the District's bonding capacity from 2.5% to 4.1%. This is lower than the last waiver the District received from the State Board of Education which was 5%. This waiver is required for the District to be able to sell any of the approved Measure R bonds for construction projects. While we are not immediately going to market to sell the first series of these bonds, it is essential that the approvals be in place so that the District can be prepared if market conditions are such that selling bonds becomes essential in the near future. Working with our Financial Advisor, KNN, we have outlined a detailed history of the District's previous waivers and bonds.

Summary. The West Contra Costa Unified School District (the "District") is seeking a waiver of Education Code Sections 15106 and 15270(a). Each of these statutes limit the statutory bonding capacity of a unified school district to 2.5% of its current assessed valuation. The District is seeking a waiver to increase its bonding capacity limit to 4.10% of its current assessed valuation for a period of eight years, ending June 30, 2028. The 2020 waiver will be applicable to (i) 2020 Measure R authorization and (ii) 2005 Measure J authorization. Approval of such waiver would enable the District to issue bonds under its recently approved 2020 Measure R bond authorization without delay, in amounts necessary to keep its bond program moving forward to its scheduled completion. The waiver will also enable the District to access remaining 2005 Measure J authorization as a secondary resource although this measure is currently tax rate constrained and would require the use of AB 182 compliant Capital Appreciation Bonds (CABs). The District currently has no immediate plans to access 2005 Measure J.

Bond Program Size and Public Support. Since 1998, the District has effectively managed a facility improvement program focused on modernizing/rehabilitating school sites to ensure safe and equitable learning environments for students district-wide. The goal of the facility bond program is to bring all District facilities to a common and equitable standard with regard to seismic and structural safety issues, upgrades to building systems, new classrooms, technology upgrades, and security. The facility bond program has received broad community support over the last 23 years, with voters approving general obligation bond measures on seven separate occasions:

- 1998 Bonds – June 1998, 75.70% of voters approved \$40 million in bonds for construction, modernization, and safety improvements. All of the bonds have been sold.
- 2000 Bonds – November 2000, 77.50% of the voters approved \$150 million in bonds for construction, modernization, and safety improvements. All of the bonds have been sold.
- 2002 Bonds – March 2002, 71.80% of the voters approved \$300 million in bonds for classroom safety, relieve overcrowding, seismic upgrades, classroom modernization, safety and facilities improvement. All of the bonds have been sold.
- 2005 Bonds – November 2005, 56.90% of the voters approved \$400 million in bonds for upgrades, repairs, and relieving overcrowding and replacing portables. There is \$77.59 million in remaining authorization however the measure is facing statutory tax rate constraint and has limited accessibility.

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- 2010 Bonds – June 2010, 62.60% of the voters approved \$380 million in bonds for construction and upgrades, energy efficiency projects, heating and air conditioning systems, classroom repairs and safety improvements. All of the bonds have been sold.
- 2012 Bonds – November 2012, 64.40% of the voters approved \$360 million in bonds for health/safety repairs, handicap accessibility, technology and energy upgrades, classroom repairs and earthquake safety improvements. All of the bonds have been sold.
- 2020 Bonds – March 2020, 58.73% of the voters approved \$575 million in bonds to update and modernize classrooms, address district-wide safety and security, update technology infrastructure, and provide classrooms for workforce job training.

Bond Program Status. To date, the District has issued/expended \$1.55 billion of the \$2.205 billion that has been approved by voters. Such issuances have allowed the District to create equitable learning environments for students and address many of the priority modernization upgrades and repairs at various sites. Funds from the District’s recently approved 2020 bond measure will allow the District to continue to invest in its facilities on an ongoing and consistent basis. It should be noted that while the District has State funding eligibility, the State Allocation Board has not been approving apportionments for several years, and so the District has had to improve its facilities without the benefit of State funding.

Bonding Capacity: The District has a total assessed value of approximately \$33.58 billion in fiscal year 2019-20, providing a 2.5% statutory bonding capacity of \$800.96 million. As of August 1, 2020, the District has \$1.23 billion in bonds outstanding from prior authorizations. Without approval of this waiver request by the Board of Education, the District will not be able to issue any bonds under 2020 Measure R. Voter approval of 2020 Measure R shows the community’s desire for the District to issue additional bonds to continue to construct and improve school facilities, and approval of this waiver will allow the District to do so.

Public Disclosure of Intent to Apply for a Waiver. When 2020 Measure R was placed on the ballot, the District recognized it would require a bonding capacity waiver to issue bonds under 2020 Measure R. The District’s plan was discussed at public meetings including meetings that were broadcast to the public by cable television. Furthermore, the long-form ballot language included the following sentence: “In order to fund projects and prior to the issuance of any bonds authorized by this Measure, the District may seek a waiver from the State Board of Education of the applicable bonding limit requirements of Section 15106 of the Education Code.” The voter pamphlet contained additional references to the amount of bonds that the District had outstanding relative to state limitations and standards in the Argument Against Measure R and in the Rebuttal to Arguments for Measure R. The District’s intent to apply for a bonding capacity waiver in connection with 2020 Measure R was a matter of public record. Voters within the District approved 2020 Measure R by a vote of 58.7% in favor.

Prior Waivers: The District has received bonding capacity waivers from the Board of Education on four prior occasions.

- In November 2002, the District received a bonding capacity waiver in connection with three prior authorizations – 1998 Measure E, 2000 Measure M, and 2002 Measure D. The 2002 waiver increased the District’s bonding capacity to 3%.

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- In March 2009, the District received a bonding capacity waiver in connection with 2005 Measure J. The 2005 waiver increased the District’s bonding capacity to 3.5% for all 2005 Measure J Bonds issued through December 31, 2019. The District has issued two series of bonds under such waiver and has \$77.6 million of 2005 Measure J Bonds that remain authorized but unissued.
- In March 2011, the District received a bonding capacity waiver in connection with 2010 Measure D. The 2011 waiver increased the District’s bonding capacity to 5% for all 2010 Measure D Bonds through December 31, 2021. The District issued 7 series of bonds under such waiver and has no remaining authorization under 2010 Measure D.
- In May 2013, the District received a bonding capacity waiver in connection with 2012 Measure E. The 2013 waiver increased the District’s bonding capacity to 5% for all 2012 Measure E Bonds through December 31, 2025. The District issued 5 series of bonds under such waiver and has no remaining authorization under 2012 Measure E.

Equity Issues. Denial of this waiver request would deny the community the benefits of a facility bond program recently supported with a vote of 58.7% in favor. The District notes other equity issues raised by the fact the District’s statutory bonding capacity relative to the amount of students served is significantly less than a majority of similarly sized local school districts in the local Bay Area. In fact, the District’s statutory bonding capacity per student is among the lowest and less than half the statutory bonding capacity per student of a number of these unified school districts. Please reference the table below which lists various unified school districts in the Bay Area with enrollment similar to the District’s, their 2019-20 tax base and statutory bonding capacity, and how their statutory bonding capacity compares to that of the District. These school districts represent school districts with a similar educational charge as the District (in terms of number of students served) and similar facility costs (since they are all located in the Bay Area), but in most cases have considerably more resources on which to draw in terms of local bond funding.

School District	County	Assessed Value (2019-20)	Est. Bonding Capacity (2019-20)	Enrollment (2019-20)	Est. Bonding Capacity per Student
Santa Clara USD	Santa Clara	\$67,590,344,480	\$1,689,758,612	15,306	\$110,398
Palo Alto USD	Santa Clara	\$43,022,441,276	\$1,075,561,032	11,745	\$91,576
San Jose USD	Santa Clara	\$57,161,135,115	\$1,429,028,378	30,172	\$47,363
Pleasanton USD	Alameda	\$25,322,149,995	\$633,053,750	14,878	\$42,550
San Ramon USD	Contra Costa	\$52,043,063,480	\$1,301,076,587	31,911	\$40,772
Livermore USD	Alameda	\$21,471,629,044	\$536,790,726	13,722	\$39,119
Fremont USD	Alameda	\$54,303,108,668	\$1,357,577,717	35,431	\$38,316
Mt. Diablo USD	Contra Costa	\$44,185,524,404	\$1,104,638,110	31,037	\$35,591
Alameda USD	Alameda	\$14,488,931,935	\$362,223,298	11,285	\$32,098
New Haven USD	Alameda	\$12,594,343,440	\$314,858,586	11,047	\$28,502
Hayward USD	Alameda	\$23,785,398,717	\$594,634,968	22,329	\$26,631
West Contra Costa USD	Contra Costa	\$33,584,071,753	\$839,601,794	32,143	\$26,121
Gilroy USD	Santa Clara	\$11,341,890,510	\$283,547,263	11,672	\$24,293
San Lorenzo USD	Alameda	\$8,864,856,220	\$221,621,406	10,876	\$20,377
Antioch USD	Contra Costa	\$12,343,264,996	\$308,581,625	17,167	\$17,975
Pittsburg USD	Contra Costa	\$5,849,402,139	\$146,235,053	11,367	\$12,865

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Structure of Bond Program. The approval of this waiver will not cause tax rates to increase beyond tax rate targets established in connection with the 2020 Measure R nor tax rate targets established in connection with prior District bond measures. The District expects to issue the first series of the 2020 Measure R bonds in 2021 and then approximately every two years through 2027. The District further intends to structure debt repayment around a \$60 per \$100,000 of assessed valuation tax rate target. The District has a 22-year track record during which tax rates have been levied on 89 occasions on various measures with none of these tax rates exceeding targeted maximums. Since 2009, the District has issued refunding bonds on seven occasions, and on each occasion has reduced taxpayer obligations. The District expects that all of the bonds to be issued under 2020 Measure R will be issued as current interest bonds.

Additional Taxpayer Safeguards. It should be noted that approval of this waiver will not impact the tax rate limits for any of the District's bond measures. The District will remain subject to Education Code Section 15106 that requires the District to, at the time of each bond issuance, certify that the tax rate is not expected to exceed \$60 per \$100,000 of assessed values for bonds issued under a single bond measure for a unified school district. Regardless of the outcome of the District's waiver application, local taxpayers will continue to retain the protection of Section 15106 of the Education Code, and the District would be prohibited from issuing any 2020 Measure R bonds if projections indicate such issuance would cause future tax rates to exceed \$60 per \$100,000 of assessed value.

Conclusion. The District understands the importance of bonding capacity limitations and of prudent debt management practices. The District's voters have shown support for the District's bond program by approving bond election measures time and again. The District's bond program is well managed and transparent, and the District's bonds are safe investments, as evidenced by their strong credit ratings ("Aa3" by Moody's, "AA-" by S&P and "AAA" by Fitch, current ratings as of August 2020). However, given the importance of addressing priority upgrades and safety improvements at school sites, the District requires a temporary waiver of the statutory bonding capacity limitation. The District's plan to apply for a waiver has been publicly disclosed and was publicly discussed prior to the submission of the waiver application. Approval of this waiver will allow the District's facilities bond program to proceed without delay or require the use of other more costly financing options. The District desires that its students have the same learning opportunities and safe learning environments that are available to students in neighboring areas, and the public supports this objective. The District requests that the Board of Education grant this waiver so that the District can move ahead with its voter supported facility bond program to improve the safety and equity of educational facilities for its students without delay.

Purchasing Update - Tony Wold (David Johnson and Mary Kitchen)

The Purchasing Department launched a new process the week of August 24th for requesting toner and service for desktop printers. The new process will be on the Informed K12 platform. The process will insure that sites have funds encumbered for the toner or service as needed. The process of approving invoices will also be part of the Informed K12 platform. School Sites and Departments will experience a more efficient process to fulfill their needs for their desktop printers.

Effective August 31, 2020 all Schools will receive instructions to set up an account for an online procurement platform with School Specialty. The District will be utilizing School Specialty for a variety

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of procurement needs. For example, Education Technology, Early Childhood Resources, Safety & Security Products, Special Needs Resources, Art Supplies, Physical Education Products, Science Supplies, and Classroom Office & Facility Supplies. The intent is to streamline the procurement process for these areas of need. The process will be evaluated midway through the school year.

College Engagement Activities - Rubén Aurelio (Allison Huie & team)

Department staff is currently collaborating with partners in higher education to coordinate two upcoming opportunities for WCCUSD students to participate in college information events.

WCCUSD College & Career staff are participating as members of the East Bay Consortium to plan and facilitate the 43rd annual College Information Day. This event is usually held at UC Berkeley's campus. The event will be held digitally this year on Saturday, October 10th, and will include presentations from partner institutions on-campus culture, applications, financial aid, scholarships, and more.

WCCUSD College & Career staff are also working in conjunction with UC Berkeley's Center for Education Partnerships to host a District College Night on Tuesday, October 19th from 4-7. This event will be attended by representatives from higher education institutions around the country.

Virtual Work-Based Learning - Rubén Aurelio (Allison Huie & team)

WCCUSD students participating in College and Career Pathway programs focusing on the Information Technology and Engineering industry sectors are invited to participate in a virtual job shadow event hosted by our partners at HP on Wednesday, August 26th. HP's Innovation Day is designed so that HPers can inspire and mentor the next generation of tech disruptors. Volunteers from HP will share what it's like to work in a fast-paced tech company and help students develop their own unique path to career success.

ELD Professional Development, Training, and Workshops - Rubén Aurelio (Leticia Castañeda & Esaul Orozco)

Multilingual & Multicultural Services (M&M) is working to build and align systems across TK - 12 to improve the effectiveness of programs, activities, and other services provided and supported by our department for the academic achievement and growth of our English Language Learners (ELL) including our immigrant and newcomer scholars. Our goal is to bring a closer alignment of the work we do with the California English Learner Roadmap and English Language Development Standards.

In order to accomplish this fundamental and essential alignment with the CA EL Roadmap, M&M will implement activities that support and promote a stronger understanding of an assets-oriented and needs-responsive program (valuing home language and cultural aspects of families), the intellectual quality of instruction and meaningful access needed for academic outcomes (essential features of integrated and designated ELD), system conditions that support effectiveness (progress monitoring and program evaluation), and the alignment and articulation within and across systems (TK - 12).

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Workshops for principals to help promote a stronger understanding for supporting language development, designated and integrated English Language Development (d/iELD), and progress monitoring in order to adjust ELD instruction and scheduling to meet the diverse needs of all ELs are tentatively scheduled for September 2020 and January 2021.

Our series of professional development opportunities for teachers that are aligned to the ELD Standards and the CA EL Roadmap begins on September 1, 2020. M&M will be supporting all aspects of ELD during Distance Learning and beyond including instructional grouping structures, lesson design, research-based instructional strategies, and progress monitoring. We are also working in partnership with the Special Education team to support our dually served scholars.

English Language Proficiency Assessments for California (ELPAC) - Rubén Aurelio (Leticia Castañeda & Esaul Orozco)

As you may already know, all state testing was suspended as of March 2020. This action severely impacted the work of M&M/RAP Center. As a result, initial testing to identify potential English language learners (ELs) has not taken place. ELPAC testing is crucial in the process of properly placing scholars in the classes they need in order to support language development as they engage in content-specific instruction.

The California Department of Education (CDE) is exploring options for local educational agencies (LEAs) to administer the Initial ELPAC remotely. In the meantime, plans are being developed for testing should we become able to bring scholars onto our campuses for testing. M&M is working with the Logistics & Operations Implementation Team to develop testing safety procedures and protocol.

Acknowledgments - Rubén Aurelio (Leticia Castañeda & Esaul Orozco)

Marylee Stadler-Cabrera is retiring on August 28, 2020, after 30 years of service to the WCCUSD community. Please join M&M/RAP Center in wishing her well, and thanking her for her years of service.

Bond Audit Performance Audit Update - Tony Wold and Luis Freese (Margarita Romo and Melissa Payne)

There has been significant conversation about the scope of audits that are required for the Bond Program. The District is required to complete a performance audit as well as financial audit each fiscal year for which bond funds are being utilized. The District, following best practice, is planning to issue an RFP for the performance audit requirement. The scope of the audit is listed here:

- Compliance – Audit against compliance criteria established by laws, regulations, contract provisions and other requirements. Compliance work scope provides the minimum amount of performance audit coverage required to comply with Proposition 39, the State Constitution and the Education Code.

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As has been stated this is a simple audit focusing just on the requirements within the law. The District is required to do this audit and the bond financial audit. Christy White is under contract to complete the bond financial audit. Moss Adams is under contract to complete work on the special audit and to review the implementation recommendations. This RFP is for performance audit.

Our CBOC has expressed interest in adding scope to the standard performance audit. Staff believes that the District **should first complete and finalize the special audit and validation** and determine what areas require additional audit work prior to initiating any new additional audits. The District does, however, believe that if there are outstanding issues after finalizing the special audit work being done by Moss Adams that we should then commission an appropriately scoped new audit at that time.

This has become a significant issue about control of the program, when in reality, all parties are looking to achieve the same outcome which is to finalize the original special audit and formalize and implement necessary recommendations from that audit. **The conflict seems to be in how this is accomplished.** As the Board has received from the CBOC there have been legal opinions on whether bond funds can be used for audits. Both parties agree that normal scope audits do fall within the allowable expenditures for bond funds. The summary of both opinions is listed below:

- From Adam Ferber, CBOC independent Counsel: **“Based on the forgoing I conclude that the cost of required Proposition 39 school construction annual independent performance audits and annual independent financial audits can be charged to bond funds.”**
- From Graham Beck, Nixon Peabody District Bond Counsel: **“To confirm, under State law, the District may use bond funds to pay for (i) the normal Prop 39 performance audit with a normal scope, and (ii) the normal Prop 39 financial audit with a normal scope.”**

The difference comes when scope is added to a bond as can be seen below in the opinion from Nixon Peabody. The opinion provided by Adam Ferber did not address additional scope and how that can be charged.

- From Graham Beck, Nixon Peabody District Bond Counsel: **“As stated in the previous Letter, audit-related expenditures generally do not constitute capital expenditures. As detailed in the Letter, it was determined based on information provided by the District that only 62% of certain of the audit costs were “directly related” to the capital expenditures paid with proceeds of the District’s 2015 and 2016 bond issues (with the other 38% applicable to projects financed by earlier bond issues with no unexpended proceeds). The proceeds of the bond issues with then-available unexpended proceeds could pay no more than 62% of those audit costs (subject to the overall limitation that no more than 5% of each of the 2015 and 2016 issues could be used to pay the audit costs or other working capital expenditures).”**

Thus, for Federal tax law purposes, the bond issue(s) with available proceeds must first be identified and a determination made as to whether and the extent to which the audit costs are “directly related” to the capital projects provided by such issue(s).

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Any audit costs that are beyond the scope of a normal Prop 39 audit could not be paid with unexpended proceeds of an issue unless it can otherwise be established that those audit costs are “directly related” to the capital projects provided by such issue.

Any such costs that are “directly related” can be paid with bond proceeds, subject to the overall limit of 5% of each issue that is available to pay working capital expenditures. To the extent an issue has fully utilized its 5%, no additional working capital expenditure may be paid with proceeds of such issue.”

In simple terms, if additional scope is necessary it cannot be 100% paid for with Bond Funds and only bond funds remaining from the appropriate issuance proceeds could be used. For example, Measure R funds would not be allowable to audit previous measures. Should the board believe, by majority vote, that additional scope is required, the District staff would issue a separate RFP request for that special audit and would need to allocate the appropriate funds to pay for this audit.

The chart below is presented to summarize this issue and the current operational plans moving forward.

Type of Audit	Firm/Staff Assigned	Completion Date	Next Steps	Funding Source
Annual Bond Financial Audit	Christy White	March 2021	Timeline adjusted due to COVID	Fund 21
Annual Bond Performance Audit	RFP released on Monday, August 31, 2020	March 2021	Firm to be brought for Board Approval in October	Fund 21
Special Audit completion	Moss Adams / Margarita Romo Lead Internal Auditor	June 2021	In progress to validate and finalize implementation of forensic audit	Fund 21 AND Fund 01 GF
New audit scope request from CBOC	N/A	N/A	Staff recommendation to complete special audit criteria for a final report which will identify what scope may be required for any additional special audits	Not budgeted but would require both Fund 21 and Fund 01 GF