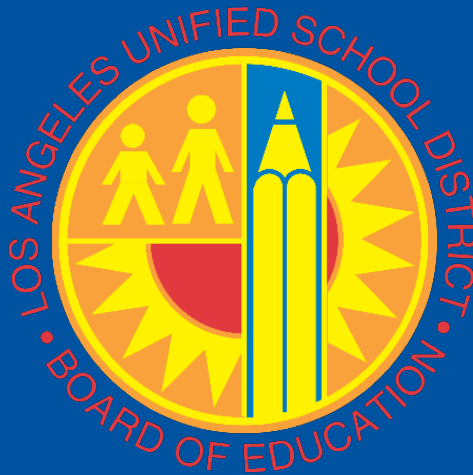


Los Angeles Unified School District



Los Angeles 5th Regional Investor Conference

David D. Hart, Chief Financial Officer

March 9, 2020



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Outline of Discussion

- I. District Overview
- II. Strategic Initiatives
- III. Capital Program and General Obligation Bond Credit
- IV. Financial and Budget Update
- V. Upcoming 2020 General Obligation Bonds

I. District Overview



Lawrence Middle School Model United Nations in England. Students visit Stonehenge.





Overview of LAUSD

Largest School District in State and
2nd Largest in U.S.

Governed by 7-member
Board of Education

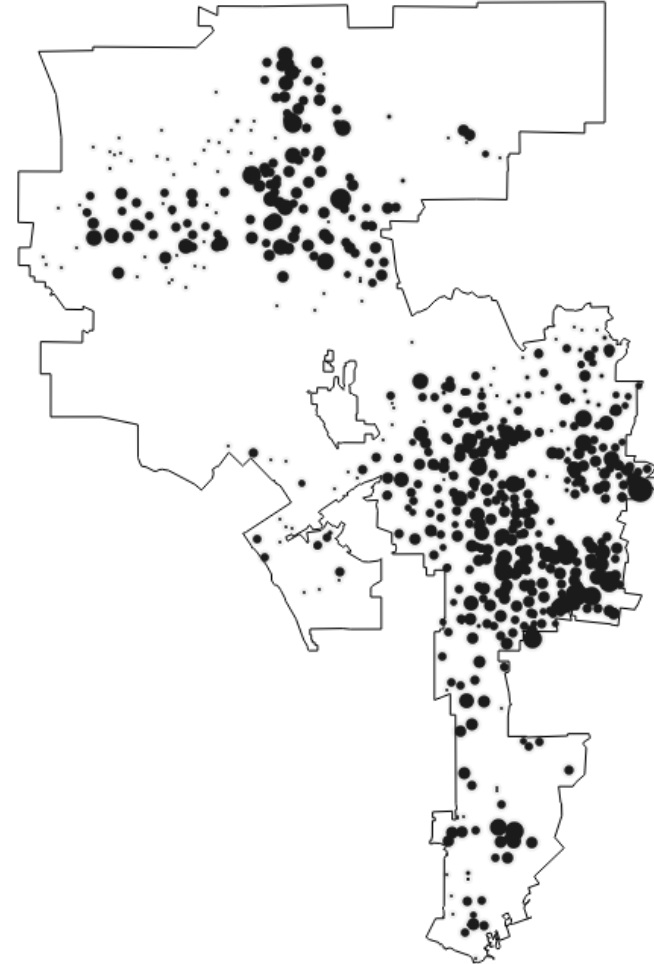
557,560 K-12 students
enrolled in FY 19/20

Global Community with English
and 99 languages spoken at home

1,386 educational facilities
located in 710 square miles

\$9.68 Billion GO Bonds
outstanding as of 3/1/2020

About 90,000 households with an
estimated annual income < \$25,000



II. Strategic Initiatives



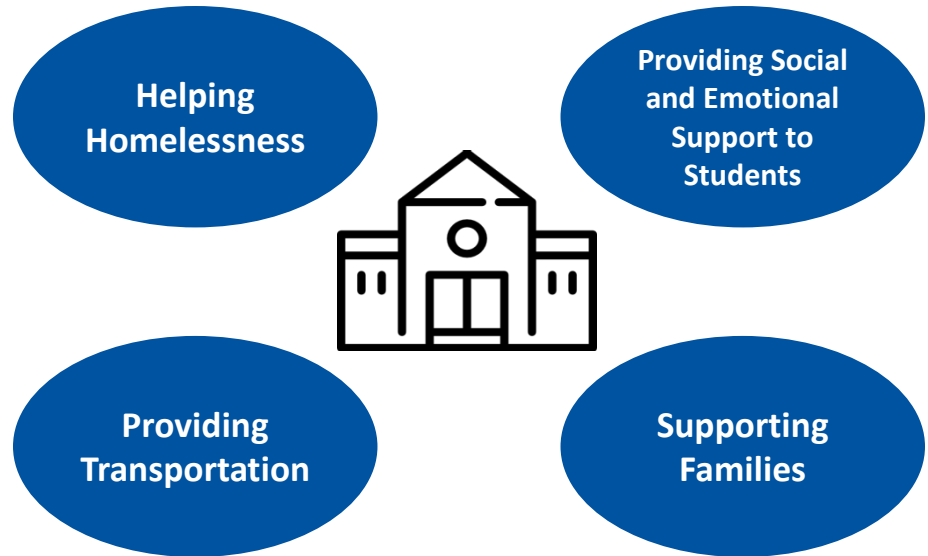
Legacy High's STEAM's winning team with their CTE teacher, Mario Ibarra pose with their hydrogen-fueled cars, after they took home the most honors at the Hydrogen Horizon Automotive Challenge in Prague.





Board and Superintendent's Objectives

- ❑ 2018-19 was a year of progress
 - Test scores, graduation rates, English proficiency, and suspension levels showed improvement
 - District capital program completed 466 rehabilitation, modernization and replacement projects valued at \$379 million
- ❑ District recognizes that it serves a high needs community
- ❑ Objective is to bring more services and support to our students and schools
- ❑ Schools are the center of every community—delivering some services through the schools would be effective and efficient
- ❑ By coordinating government agencies that share common goals, dollars can go further





LAUSD is Advancing its Priorities through its Advocacy Agenda

Local Level

- Pursue Partnerships
- Prop 63 funds (mental health)
- METRO free transit
- Homelessness/Section H Vouchers
- Civic engagement
- Increase green space
- Intergovernmental census outreach

State Level

- Special Education funding
- Mandatory kindergarten
- Modify funding metric
- School nurse programs
- P-12 increased funding
- Transitional kindergarten
- Design Build procurement

Federal Level

- Special Education Funding Act
- Specialized programs
- Magnet schools
- Rebuild America's Schools Act
- Immigrant Families Protection



Ongoing District Actions to Increase Enrollment and Attendance

Enrollment Efforts

- Increasing school design options
 - STEAM academies
 - Magnet expansion
 - Dual language programs
 - Expanded transitional K and Pre-K
- Investments to support targeted youth
 - A-G Courses Dropout Intervention
 - Afterschool, Foster , Health, Homeless Programs
 - Diploma Project and counseling support
- Communications and outreach efforts
 - Outreach strategy promoting LAUSD schools
 - Developing tools for branding and promotion

Attendance Improvement Programs

- Foundational efforts
 - Kindergarten orientation
- Improved attendance practices and accountability
 - Communication with parents and students
 - Staff-targeted student mentorship program
- Attendance improvement programs
 - Student Attendance Matters Events
 - Task Force Awareness Campaign
 - Campaign: Direct mail/Postcards/Calls
- Superintendent Data Driven Meetings
 - Analyze data and supporting information
 - Reflect on impact of accountability practices

III. Capital Program and General Obligation Bond Credit



West Point, 2nd Lt. Niliay Comer, visits her pen pals at 186th Street Elementary School.





LAUSD Voter Approved Capital Program

- ❑ One of the largest in the country
- ❑ Since 1997, LAUSD voters approved \$20.605B of GO Bonds in five elections
- ❑ 137 new schools have been built to end year-round calendars and the need to bus students outside of their neighborhood
- ❑ 22,600 rehabilitation, modernization and replacement projects completed
- ❑ 832 active projects valued at nearly \$5.4 billion underway
 - 536 projects valued at \$3.5 billion in pre-construction
 - 296 projects valued at \$1.8 billion under construction
- ❑ Fiscal Year 2019-20 highlights:
 - 65 projects valued at \$1.6 billion anticipated to receive Division of State Architect approval
 - 360 projects valued at \$637 million anticipated to start construction
 - 540 projects valued at \$870 million anticipated to be completed



Maywood Academy High School



LAUSD's General Obligation Bonds Security Features

□ District's GO bonds are a very strong unlimited property tax-backed credit



District General Fund is not the legal security for the GO bonds



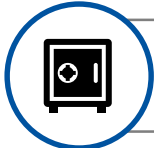
Dedicated unlimited *ad valorem* property tax bonds



County is statutorily obligated to levy sufficient taxes to pay debt service – unlimited as to rate or amount and levied on all District property



County has long, successful record of managing the levy and collection of *ad valorem* taxes on behalf of school districts



Pledged revenues are deposited into segregated accounts at the County



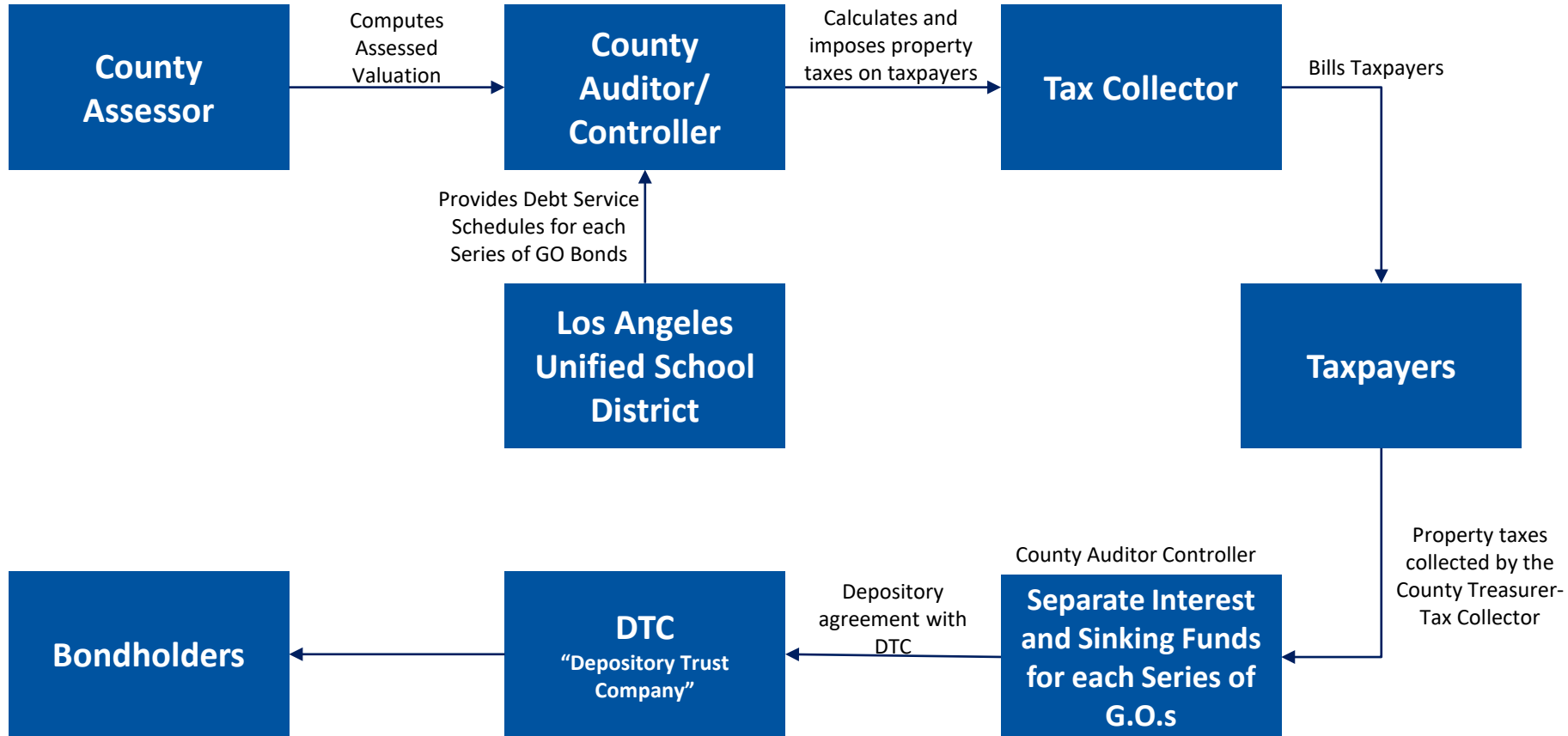
Statutorily, revenues can only be used for debt service payments



California school districts cannot file for bankruptcy without State approval



“Lockbox” Flow of Funds for District G.O. Bonds

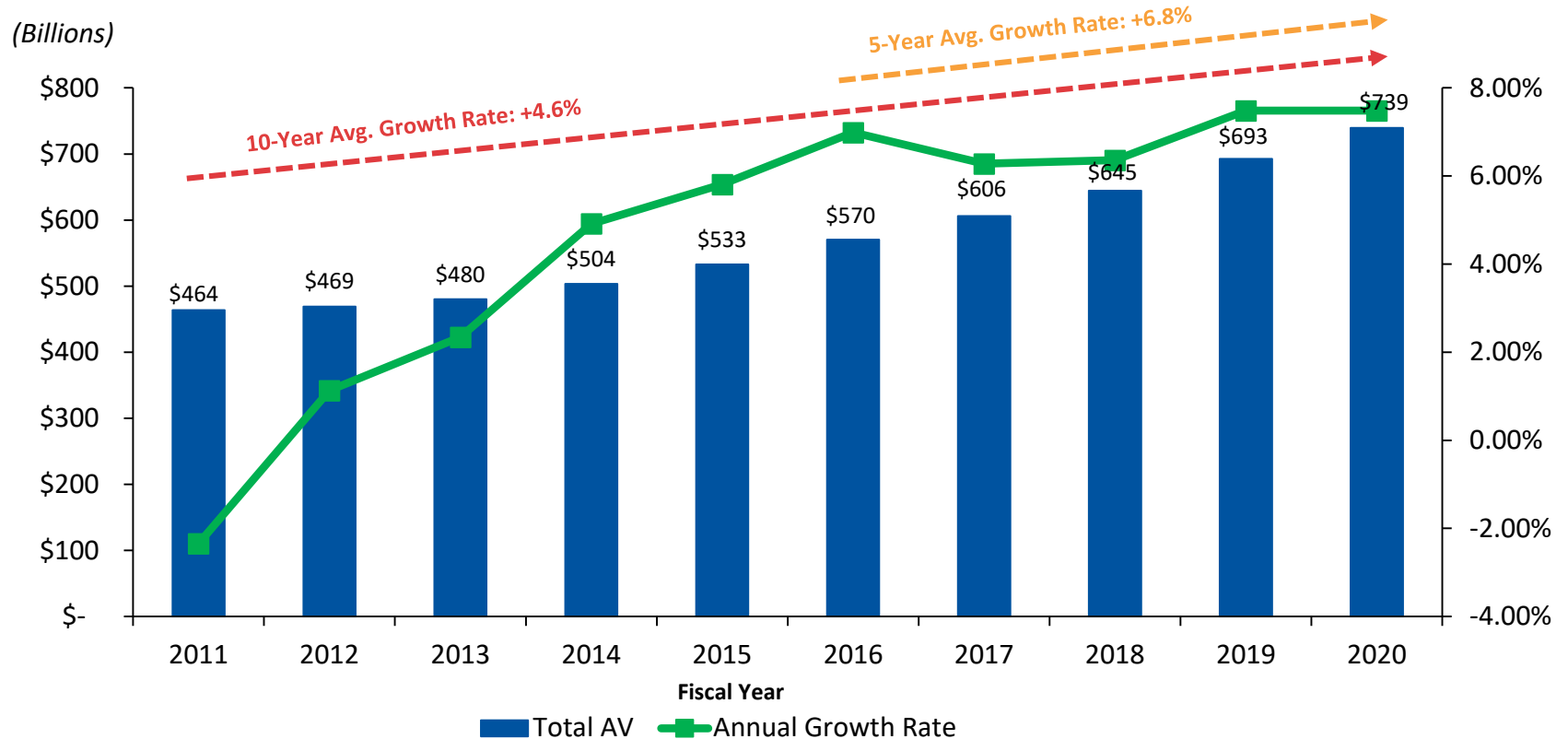


- ❑ The District never has access to the *ad valorem* taxes collected by the County for payment of the principal and interest on the bonds



Assessed Valuation has Been Strong and Continues to Grow

Assessed Valuation of Taxable Property (1)



(1) Full cash value; includes utility valuations.

Source: California Municipal Statistics, Inc.



IV. Financial and Budget Updates



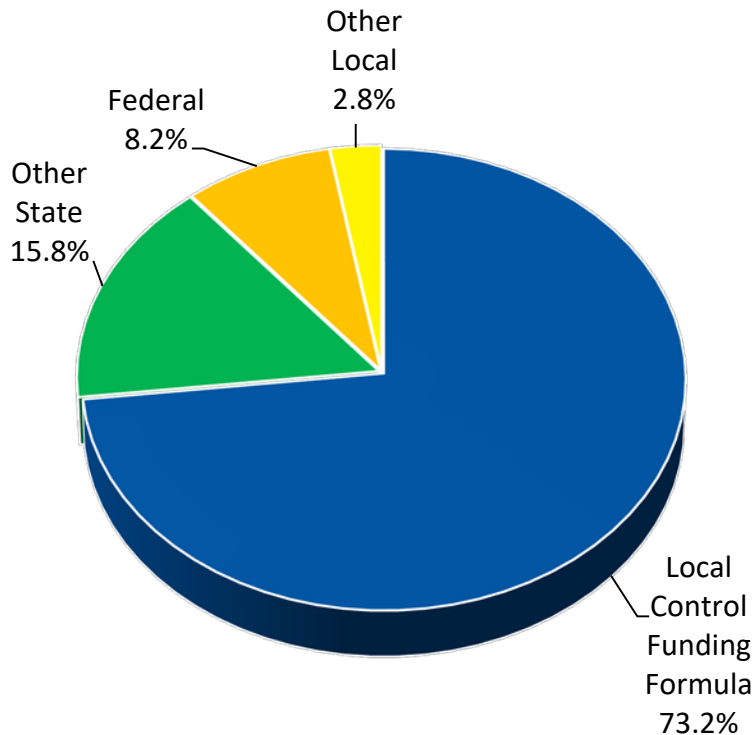
Superintendent Austin Beutner visits Canoga Park High School, where he observed introduction to Art and Geometry lessons, and visited the Horticulture Program.





Other Levels of Government Determine District's Revenues

General Fund Revenues
(as of June 30, 2019)

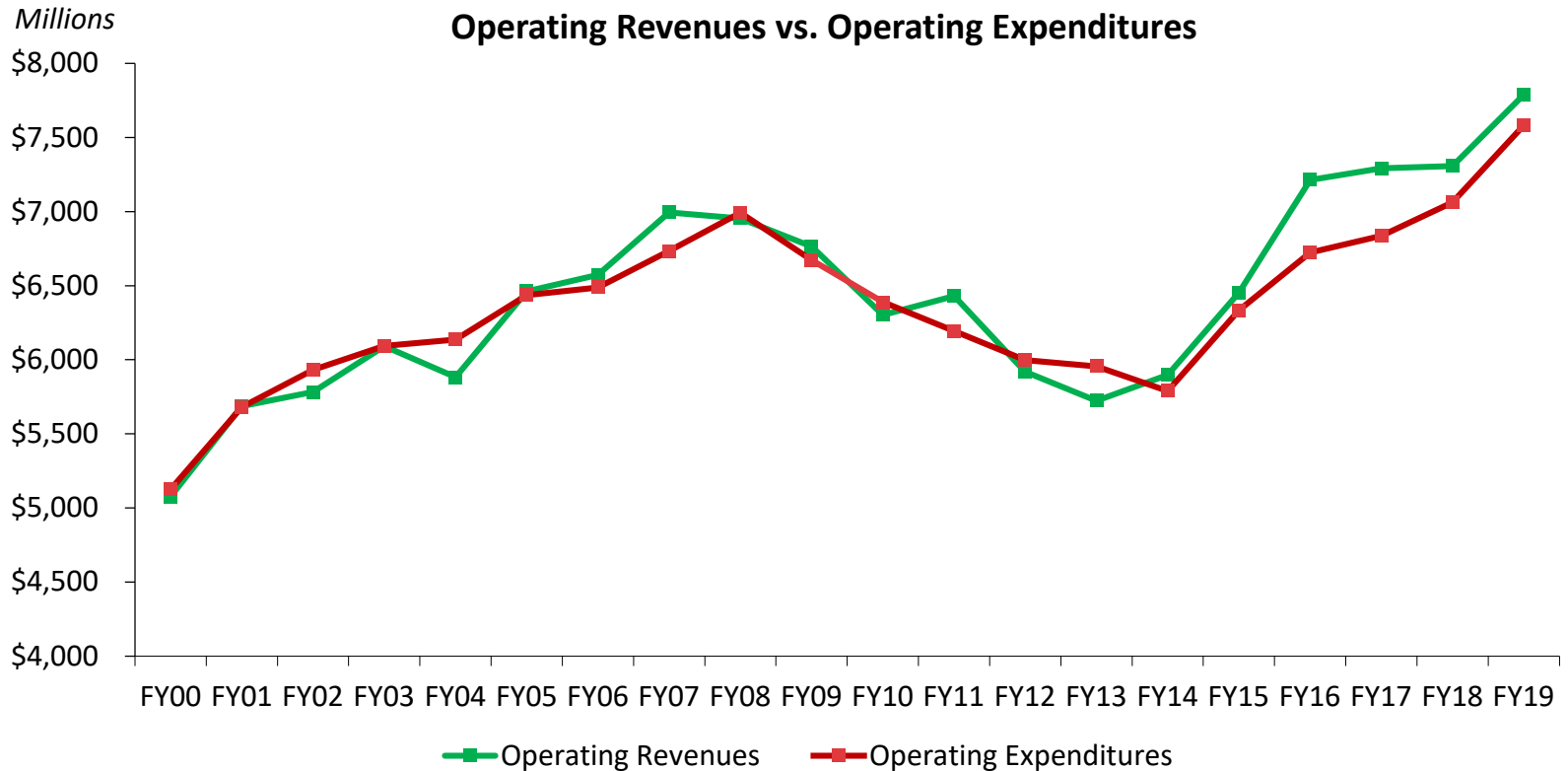


- ❑ Majority of the District's revenues are determined by the State through a constitutional formula
- ❑ State revenues depend on economically sensitive revenues including personal income and sales taxes and capital gains revenues
- ❑ State can impact both the amount and the timing of District revenues
- ❑ Federal and State mandates limit spending flexibility
- ❑ Financial management is therefore very important to the District's credit profile



Financial Management Across Various Revenue Cycles

- ❑ The District adheres to a Budget and Finance Policy that emphasizes funding reserves for both operating and liability management purposes
- ❑ The District has managed periods of revenue volatility with similar adjustments to expenditures



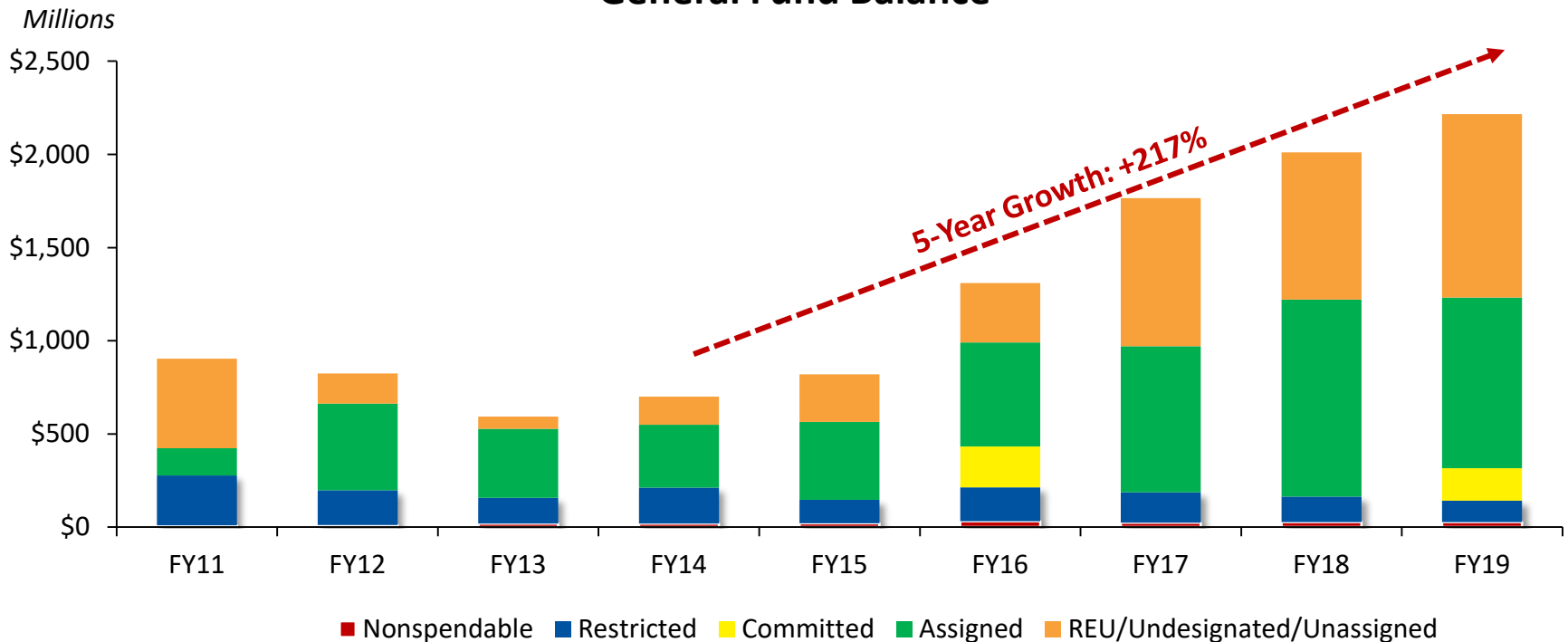
Source: District's 2000 – 2019 Audited Financials.



Increased Fund Balances to Prepare for Longer-Term Challenges

- ❑ Following the implementation of LCFF in FY2014 and the ongoing economic expansion, the District's revenues grew
- ❑ To prepare for longer term cost pressures, the District has been growing its fund balance

General Fund Balance

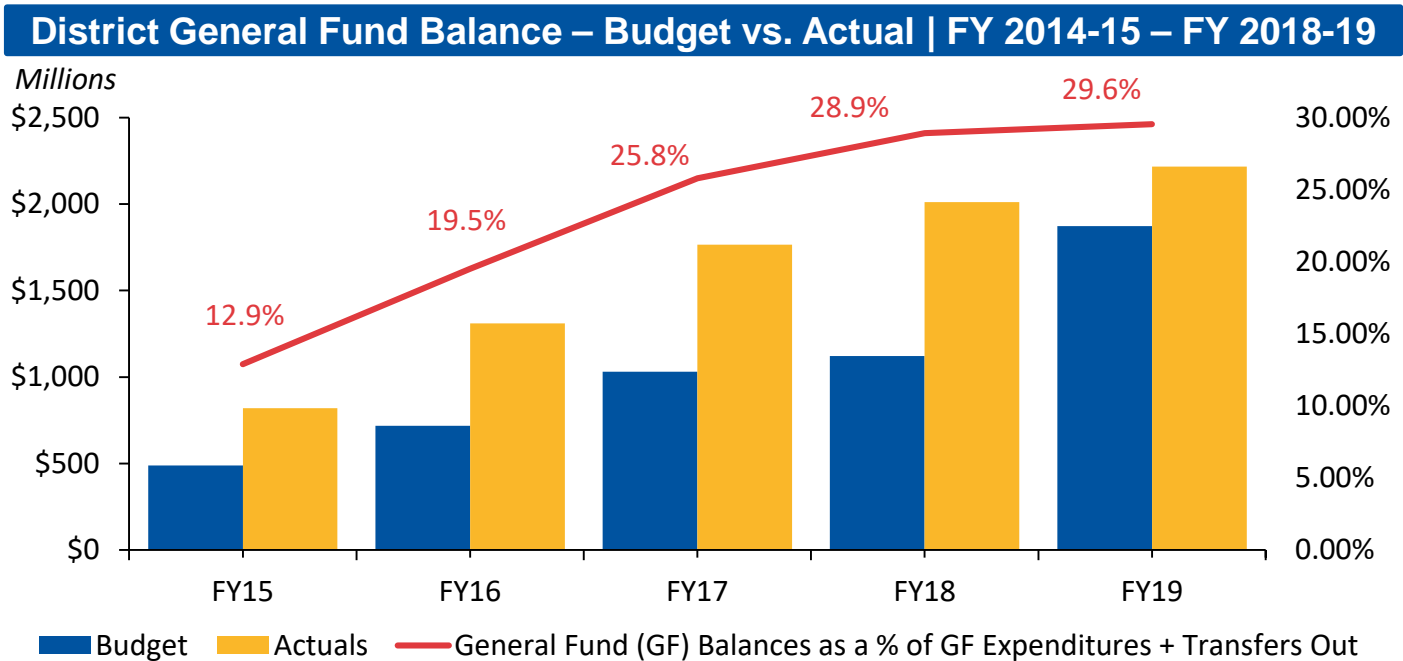


Source: District's 2011 – 2019 Audited Financials.



Track Record of Conservative Budgeting

- ❑ The District's ending balance continues to exceed its budget projections
- ❑ Average ending fund balance variance from budget over the last 4 years has been a favorable \$640 million
- ❑ Most recently, ending balance grew by \$206 million from FY 2017-18 to FY 2018-19
- ❑ Increased fund balances generally attributable to lower than projected expenditures
- ❑ Ending fund balance of \$2.22 billion in FY 2018-19



Source: District's 2015 – 2019 Audited Financials.



Snapshot of District's Financial Position

LAUSD's 2019-20
First Interim Report⁽¹⁾

**CERTIFIED
POSITIVE**

Statutory 1% Reserve
For FY2021-21,
2021-22 and 2022-23


MET

FY2018-19 Ending
Fund Balance

\$2.2B

★ **HIGHEST
EVER** ★

District's 5%
Minimum Reserve

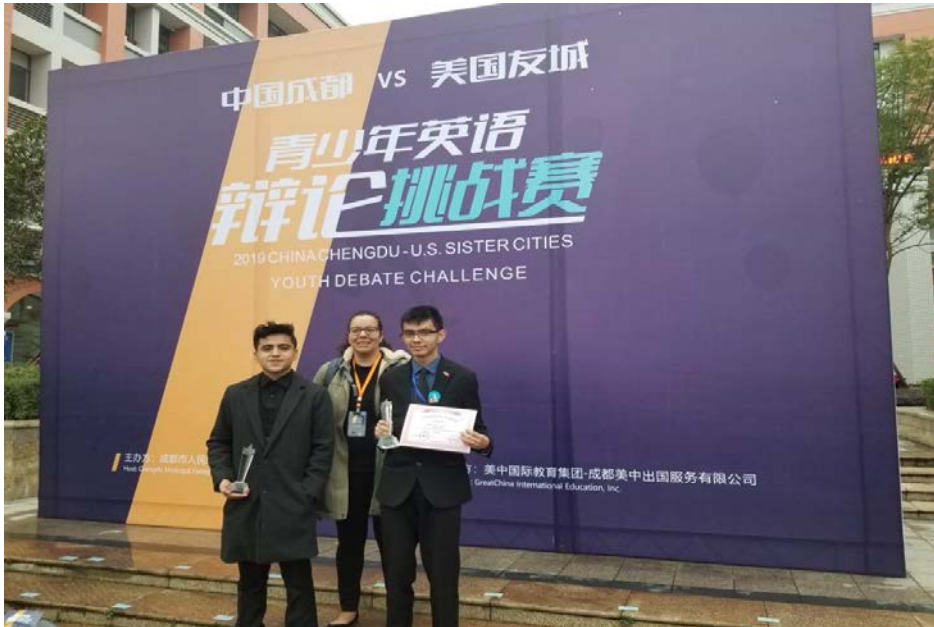

MET

- Governor's January Budget: Additional State revenues
 - \$3.0 billion increase in Prop 98 funding over FY 2019-20 enacted budget
 - \$1.2 billion in additional LCFF funding
 - 2.29% for LCFF base grant targets
- Additional funds are needed to meet the need of the students and teachers
- District is continuing to address a structural deficit: declining enrollment, increasing costs and inadequate school funding
- District is committed to maintaining or improving its financial position

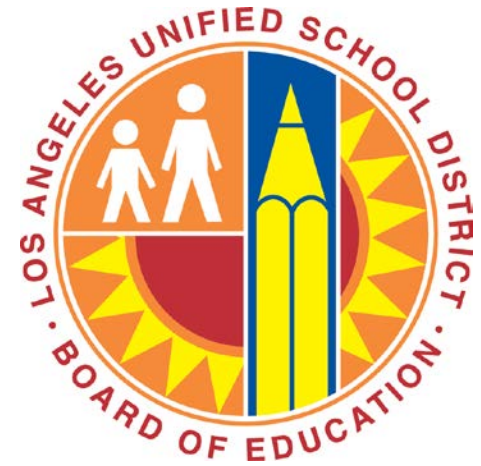
(1) Under State law, districts must submit Interim Reports at least two times a year



V. Upcoming 2020 General Obligation Bonds



Congratulations to STEAM Legacy High School for making it to the 2019 Youth Debate Challenge semi-finals in Chendu, China!





LAUSD's Outstanding Debt and 2020 Debt Calendar

As of March 1, 2020, District has:

- \$20.605 billion of GO bonds authorized
- \$15.062 billion of GO bonds issued
- \$9.681 billion of GO bonds outstanding
- \$5.543 billion GO bonds authorized but unissued
- \$164.430 million of COPs outstanding

District's Debt Calendar⁽¹⁾ for 2020:

- Approximately \$790 million of new money and \$308 of refunding GOs in May
- Approximately \$14 million of refunding COPs in November
- Approximately \$810 million of new money GOs in December

(1) Preliminary, subject to change.

Thank You

Questions?