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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
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)

(Billions)


$464 $469 $480 $504 $533 $570 $606 $645 $693 $739

10-Year Avg. Growth Rate: +4.6%
5-Year Avg. Growth Rate: +6.8%

Source: California Municipal Statistics, Inc.

(1) Full cash value; includes utility valuations.
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

- 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.

<table>
<thead>
<tr>
<th>Source of Revenue</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Local Control Funding Formula</td>
<td>73.2%</td>
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<tr>
<td>Other State</td>
<td>15.8%</td>
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<tr>
<td>Federal</td>
<td>8.2%</td>
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<tr>
<td>Other Local</td>
<td>2.8%</td>
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</tbody>
</table>
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.

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

<table>
<thead>
<tr>
<th></th>
<th>Millions</th>
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<tbody>
<tr>
<td>FY11</td>
<td>$0</td>
</tr>
<tr>
<td>FY12</td>
<td>$500</td>
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<td>FY18</td>
<td>$2,500</td>
</tr>
<tr>
<td>FY19</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

5-Year Growth: +217%

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


Snapshot of District’s Financial Position

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?