Los Angeles Unified School District

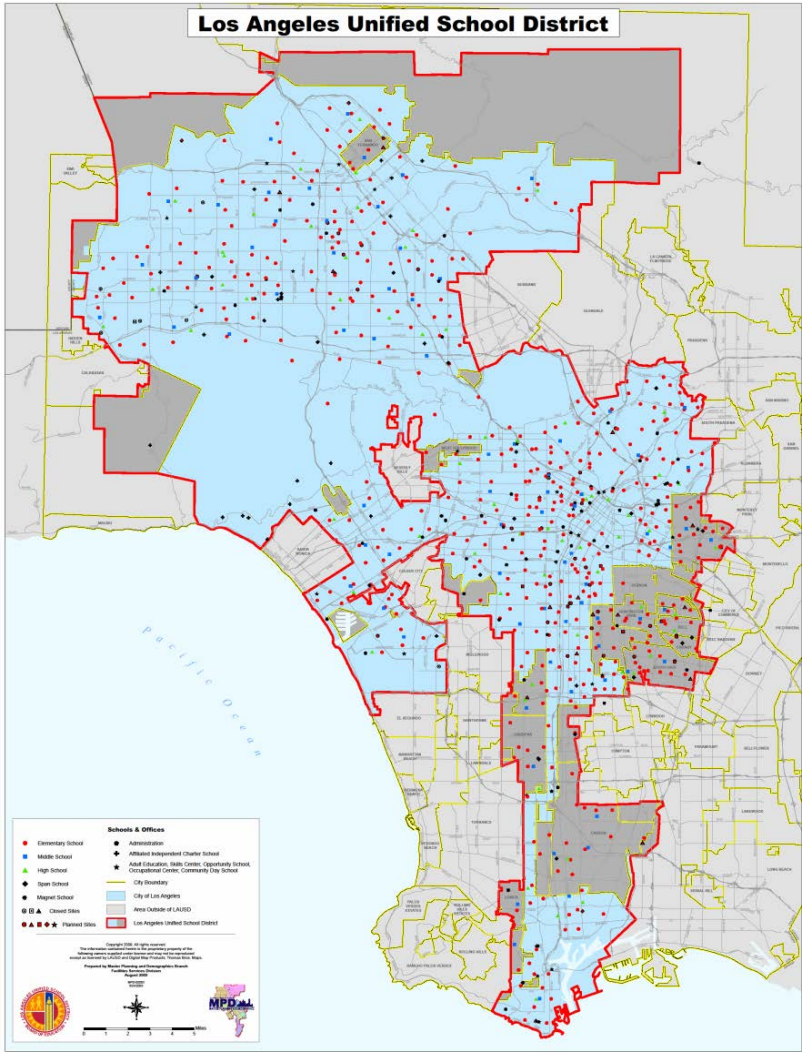
Presentation at the LA Regional Conference
Los Angeles, CA

February 27, 2014

Overview of LAUSD

Fingertip Facts

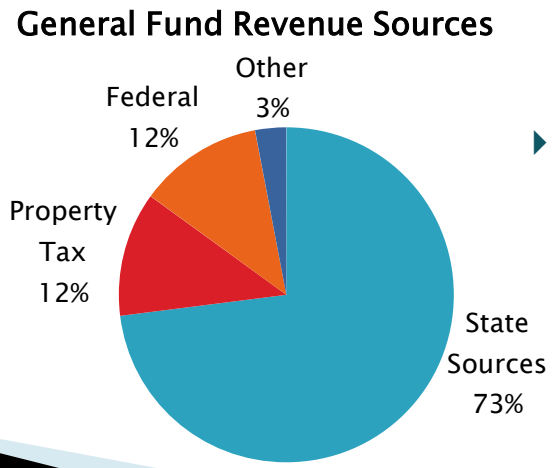
- Second largest school district in the U.S.; largest in California
- Student Population (Sep 2012)
  - K-12 students 566,604
  - Adult/other students 71,230
  - Total 637,834
- Area Served
  - 710 square miles
  - 28 cities, including nearly all of the City of Los Angeles
  - Population of 4.6 million
- Facilities
  - Approximately13,000 school buildings
  - Approximately 1,000 individual schools/programs



Fingertip Facts (cont'd)

- District's 2013-14 All-Funds Budget is approximately $13.0 billion
- The General Fund (GF) is the District's major operating fund for classroom and special education
- General Fund revenues come from four principal sources

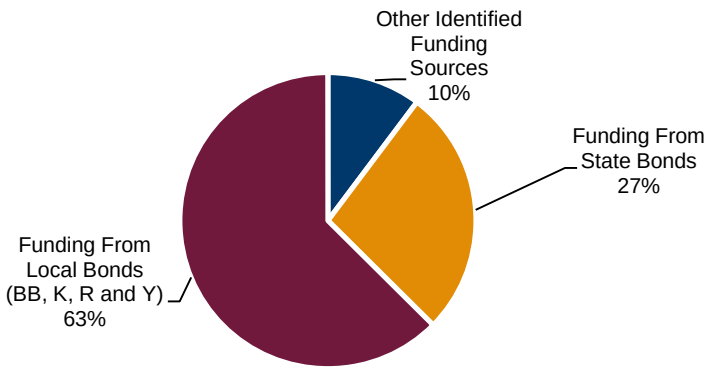
FY 2013-14 All-Funds Budget	($ billions)
Operating Funds	$7.1
Capital Funds	3.2
Debt Service Funds	1.6
Internal Service Funds	1.1
	$13.0



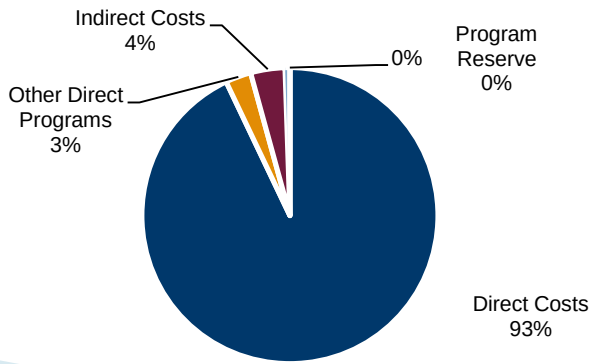
- Approximately 85% of GF funds come from the State and Federal sources

Capital Facilities Activity

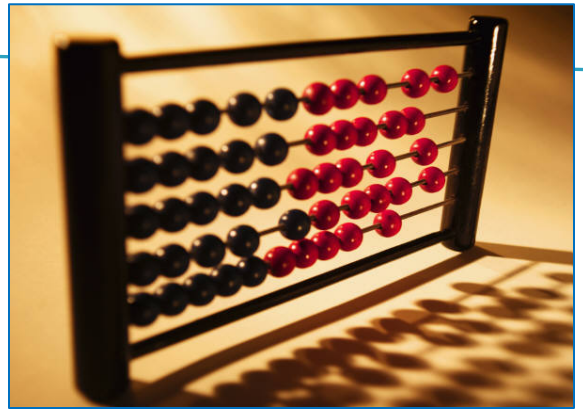
Sources of Funding for Capital Program



Breakdown of Target Bond Funding Amounts



- Voters have approved 5 local bond measures totaling $20.6 billion of authorization since 1997
- Current Capital Program is addressing overcrowding
  - Completed 130 of the 131 new K-12 schools needed to provide every student with the opportunity to attend a neighborhood school operating on a two-semester calendar
  - 165,000 new seats created from 2002 through 2013
  - 65 of 65 New K-12 Addition Projects Completed
  - No Schools Operating on a Concept 6 Calendar -- in Compliance with the Williams Settlement Agreement
  - Only 1 School Operating on a Multi-Track Calendar -99% Decrease Over the Last 10 Years
- Full Day Kindergarten Implemented Districtwide
- More than 23,000 Modernization Projects Completed - ~$7 Billion Invested in Repairing/Modernizing Existing School Facilities



Budget and Finance

State Funding is Improving

- Governor's January budget is favorable to K-12
  - Proposes 10.9% increase in school funding, the largest increase since 2001
    - 2014-15 Prop 98 guarantee will grow to $61.6 billion, $4.7 billion higher than the revised 2013-14 spending level
    - K-12 Prop 98 Proposals for 2014-15
      - $5.5 billion would be used to extinguish all cross FY deferrals
      - $4.5 billion would be used to increased Local Control Funding Formula (LCFF) funding
      - $685 million would be used for other purposes including a 0.86% COLA for categoricals
    - The LAO reported it agrees with the Governor's approach
  - May Revision is next key checkpoint for the Governor, followed by adoption of the FY 2014-15 State Budget in June

Budget Challenges Remain

- Pressure for salary increases and program restoration
- Increases in pension contributions
- OPEB

East Valley HS

Other Post Employment Benefits (OPEB)

- Latest actuarial report delivered in January 2012
  - OPEB liability at June 30, 2012 was $11.2 billion
  - Annual required contribution $1.1 billion
  - Historically PAYGO funding, but created an OPEB Policy
    - Policy calls for OPEB Trust to be created
    - Approximately $81 million already reserved to be contributed, with an additional $50 million budgeted in FY 2013-14
- Actuarial study for June 30, 2013 expected soon

West Adams Preparatory HS

Policy Changes

- New Budget and Finance Policy adopted in 2013
  - Incorporates formula-driven contributions to pay down liabilities
  - Intended to address OPEB liabilities

AB 1200 Oversight Creates Discipline

- Two interim financial reports required each year with a third report required for "qualified" districts
  - Reports cover current and subsequent two Fiscal Years
- District's Interim Reports have been Qualified since 2008-09
  - Self Qualified
  - State Funding Uncertainties
  - Outyear deficits
- LACOE approval needed before issuing Certificates of Participation (COPs) and Tax and Revenue Anticipation Notes (TRANS)

MacArthur Park Primary Center

Accomplishments

- Aa2/AA- ratings maintained and stable
  - Adhered to minimum 5% reserves policy
  - Frequent updates and communication with rating agencies
- GFOA certificates for financial reporting
- Despite cuts and demographic challenges, the District has <u>improved</u> instructional results from 2007-08 to 2012-13:
  - Graduation rate has increased from 48% to 61%
  - Increased % of students with 96% or higher attendance: 62% to 68%
  - English Language Arts (ELA):
    - Percentage of proficient elementary has increased from 39% to 51%
    - Percentage of proficient secondary has increased from 31% to 45%

LAUSD Cash Management

Cash Management Practices

- Became increasingly important as the State imposed successively larger intra-FY and cross-FY deferrals on K-12
- Monitor cash carefully
- State has now eliminated the bulk of the intra-FY deferrals and has reduced the cross-FY deferrals from $9.5 BN to $5.5 BN Statewide
- Governor has proposed elimination of all cross-FY deferrals in FY 2014-15
- For 2013-14, District is not projecting any significant cash deficits
  - Significant temporary borrowing capacity from non-GF funds available (>$750 million) to address any temporary cash deficits

LAUSD's Debt Profile and Financings

LAUSD DEBT PROFILE

	GO Bonds	COPs	TRANs

Highlights	▪ 5 Authorizations: $20.6 billion
	▪ $7.7 billion of unused authorization remaining
	▪ Outstanding:
	  ▪ $10.6 billion
	  ▪ Fixed rate
	  ▪ No CABs
		▪ Issued for various capital projects and central headquarters
		▪ Outstanding:
		  ▪ $366.5 million
		  ▪ No variable-rate
		▪ Rated A1/A+
			▪ Issued annually since 1992
			▪ $1.38 BN in 2012-13
			▪ Set-asides were made on or before scheduled dates
			▪ Highest possible short-term rating

Issuance Coming Up?	Potential G.O. Refunding in April/May; approximately $500 MN-$600 MN	No	No

IPAD Project

- Key District initiative to put high technology learning devices in the hands of all students
- Goal is to furnish customized tablets operating on a fully integrated IT system to all students and teachers
- Largest effort underway in K-12 education in the U.S.; a goal of about 630,000 tablets
  - Phase 1program in place (30,000 tablets)
    - Valuable lessons learned
  - Phase 2 (up to 67,000 tablets) recently approved
  - Additional phases expected to be folded into a multi-year year horizon to reach goal
- Short-term bonds will finance tablets; longer-term bonds will finance IT in accordance with useful life constraints

Refundings

Helen Bernstein High School

Debt Refunded	Number of Series	Nominal Savings
G.O. Bonds	15	$237 MN
COPs	20	Approx. $400 MN*

* Represents savings to the General Fund, $372 MN of which was attributed to shifting the cost of COPs to general obligation bonds.

Conclusion

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- LAUSD is a unique school district due to its:
  - Size
  - Spread-out physical assets
  - Diverse student population with language and poverty challenges

Central L.A. Area HS #9

- Management focus continues to be on academics, improvement of student learning environments, fiscal policies and stability