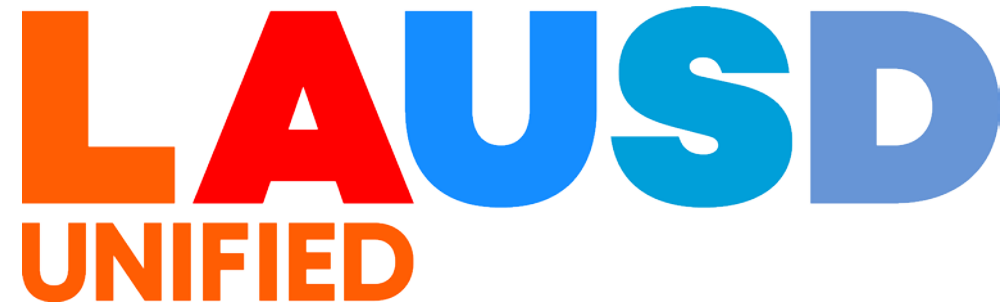




First Interim Financial Report Fiscal Year 2022–23

Committee of the Whole
December 6, 2022

Agenda

- Overview of 1st Interim
- Budget Timeline
- State and District Outlook
- Multi-year Projection

First Interim Overview

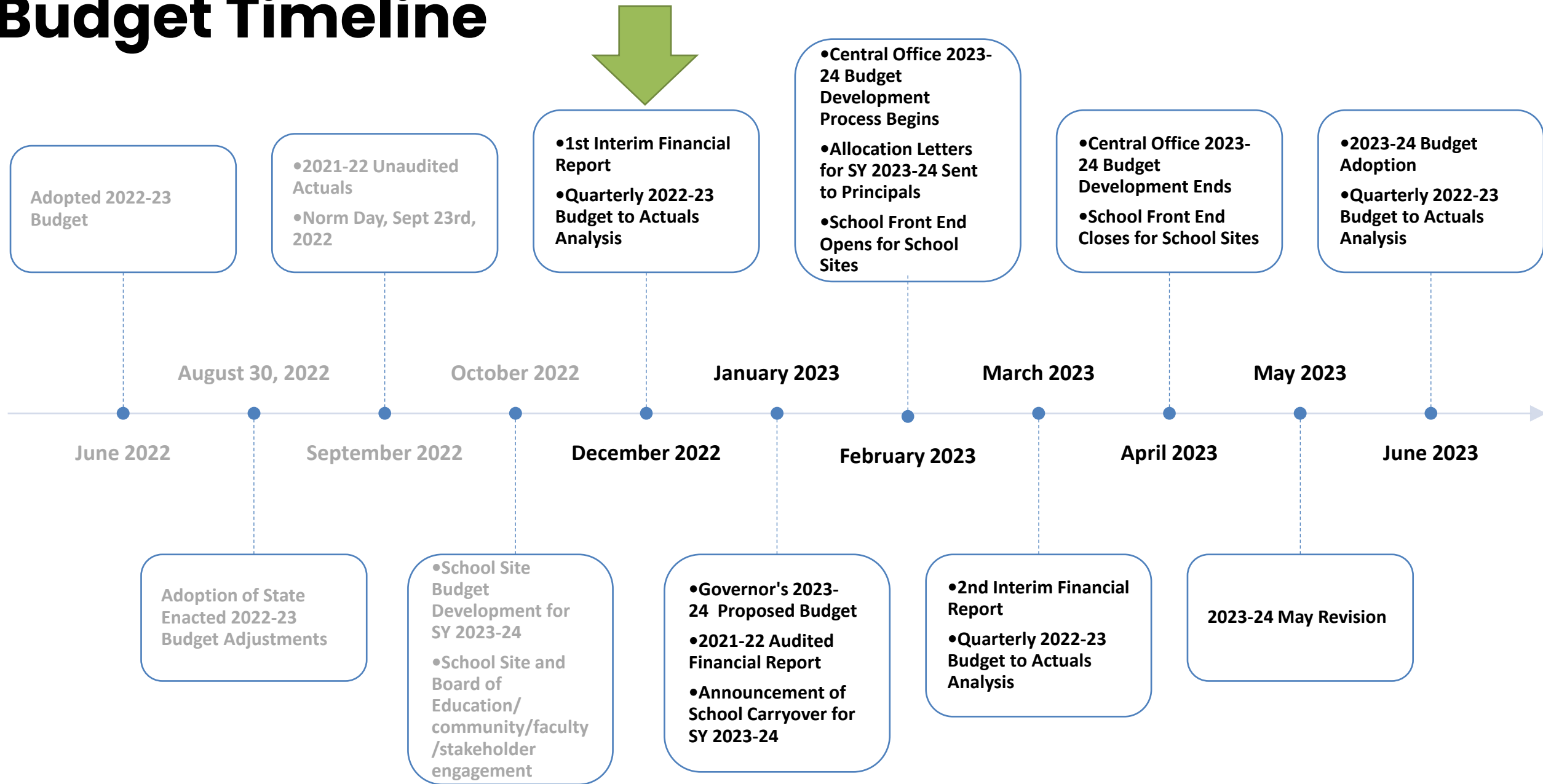
- Overview

- o The First Interim Financial Report is a midyear update to the current fiscal year 2022-23 General Fund budget and a forecast of the next two fiscal years
- o A legal requirement in compliance with Ed Code Sections 35035 (i), 42130, 42131, and a sound fiscal prudence practice
- o To be filed with the County of Los Angeles Superintendent of Schools on December 15, 2022
- o Board is requested to certify the District's financial condition as "Positive," meaning that the District will meet its financial obligations in fiscal year 2022-23 and two subsequent years

- Highlights

- o The First Interim Financial Report projects a General Fund (unassigned/unrestricted) ending balance of \$139.7 million in 2022-23; This ending balance is \$230.7 million lower than reported at Revised Budget in August, and \$123.3 million lower than the budget as of October 31, 2022
- o The multi-year changes in expenditures and revenues result in a cumulative ending balance of \$409 million by the end of 2024-25. This is an increase from the \$356.2 million reported at Revised Budget in August.
- o District to certify "positive", meaning the District would meet obligations for the current year and the next two years

Budget Timeline



Fiscal Outlook

- State Fiscal Outlook:
 - o Legislative Analyst's Office (LAO)* November 2022 report projects a state budget shortfall of \$25 billion in 2023-24 due to lower revenue estimates than projected in the 2022-23 Enacted State Budget
 - o Despite an increased risk of an economic downturn due to rising inflation, LAO does not assume a recession in its fiscal analysis. However, if a recession occurs, it may result in a further reduction to revenues
 - o Although Funding in Proposition 98 is anticipated to be lower, expenditure adjustments would allow funds to be available to cover the COLA in 2023-24
 - o Governor's 2023-24 Proposed Budget anticipated in January 2023
- LA Unified Fiscal Outlook:
 - o LA Unified is operating from an operating deficit
 - o Enrollment declined less than forecasted in 2022-23, but the long-term trend of declining enrollment is projected to continue
 - o Each 1% increase in attendance generates approximately \$58M in revenue
 - o Prop 28, Arts Education Fund, passed on Nov 8, 2022

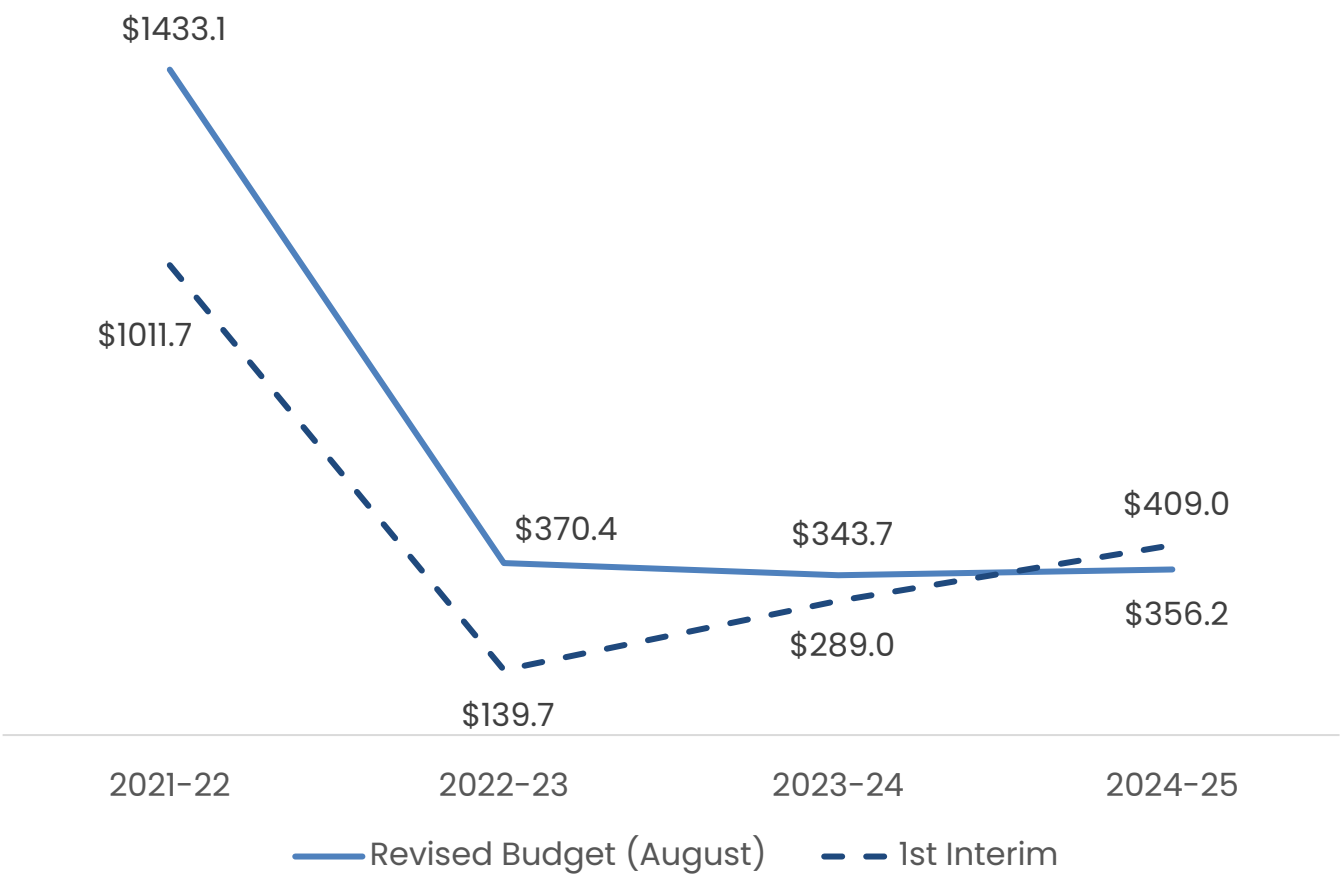
*The LAO is a nonpartisan government agency that provides fiscal and policy advice to the California Legislature.

Enrollment/ADA Used in Multi-Year Projection

	2022-23	2023-24	2024-25
Enrollment (TK-12)	422,276 Updated since August Revised Budget	394,186 To be updated at 2 nd interim	378,234 To be updated at 2 nd interim
ADA	90% May be updated at 2 nd interim	90% May be updated at 2 nd interim	90% May be updated at 2 nd interim

Multi-Year Projection

Unassigned/Undesignated Ending Balance
amounts in millions



(in millions)	2022-23	2023-24	2024-25
Estimated Ending Balance at Revised Budget (August)	\$370.4	\$343.7	\$356.2
1 st Interim Estimated Balances	\$139.7	\$289.0	\$409.0
Change	(\$230.7)	(\$54.7)	\$52.8

Factors Not Reflected in Multi-Year Projection

- Future changes in compensation
- Additional contributions to LSI not already reflected
- Any potential additional unrealized loss on cash balances
- Prop 28 Arts Education funding
- Capital planning
- Potential cyber security investments
- Potential impact of economic downturn
- State's January proposed budget

First Interim General Fund Unrestricted

	Modified Budget 2022-23	1 st Interim 2022-23	Variance by Dollars
Total Revenues	\$6,834.1	\$6,840.3	\$6.2
Total Expenditures	\$5,857.0	\$5,446.4	(\$410.6)

Amounts in Millions

- Salary and benefit savings due to vacant positions
- Projected underspending on some carryover programs (i.e., TSP & Textbooks)
- Shift of spending to available one-time COVID funding resources

First Interim General Fund Restricted

	Modified Budget 2022-23	1 st Interim 2022-23	Variance by Dollars
Total Revenues	\$5,671.4	\$4,525.8	(\$1,145.6)
Total Expenditures	\$6,068.3	\$4,368.2	(\$1,700.1)

Amounts in Millions

- Federal revenues are comprised primarily of grants, which recognize revenue based on expenditures incurred. Projected lower spending primarily in Title I and Elementary and Secondary School Emergency Relief (ESSER) funds
- Lower expenditures primarily due to vacancies and timing of spending, especially for books and supplies

Components of General Fund Ending Balance

2022-23	
Non-Spendable – Inventory/Prepays/Revolving cash	\$43.0
Restricted	\$1,750.0
Committed	\$2,333.2
Assigned	\$426.8
Unassigned	
Reserve for Economic Uncertainty	\$238.8
Undesignated	\$139.7

Amounts in Millions

- Reserve cap is 10% of General Fund expenditures and other financing uses
- District in compliance with Reserve cap
- Commitments include Inflation Protection, OPEB contribution, and SENI contributions