
LASD

CACF Year-End Report 2021-2022

— Citizens Advisory Committee on Finance —
June 6, 2022

Agenda

- Current financial situation
- Enrollment trends
- Expense projections
- Recommendations

Financial Situation/Revenue

- Property tax revenue (69% of total) is in a very good position.
- Tax growth (Assessed Value) for the current year supports the District's projection of 5% growth in property taxes for FY22.
- Other local revenues, parcel tax and LAEF, (20% of total) are flat or in decline.
- LAEF funding has declined along with enrollment by \$600K.

Financial Situation/Property Tax Projections

- CACF considered two risks, a near-term recession, and longer-term inflation.
- The base case scenario balances these risks with a robust real estate market.
- The recession scenario has a decline in tax growth in 2024-25 following a recession in the next 12 months.
- No inflation scenario is presented although it poses substantial risk.

Historical, Base case and Recession

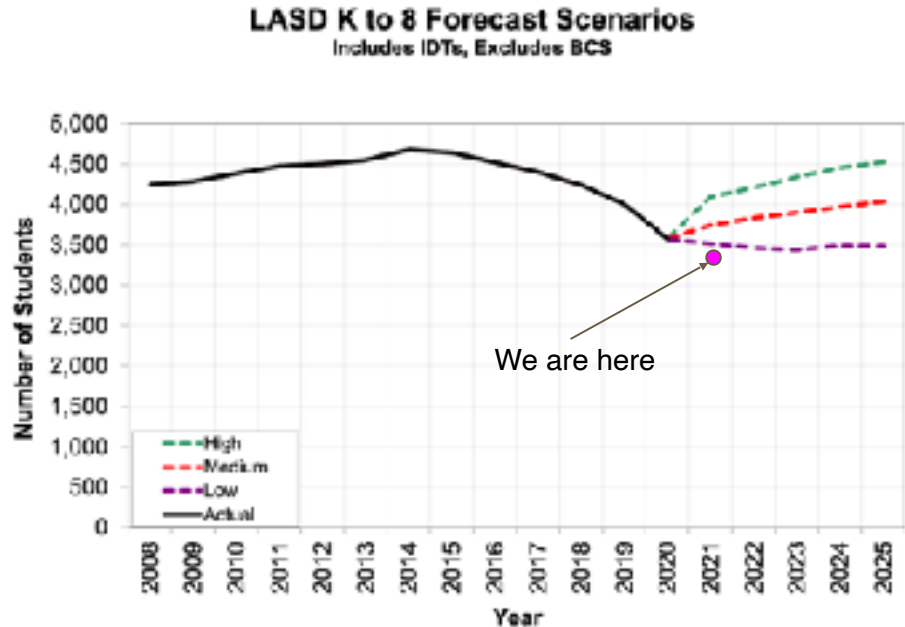


Financial Situation/Reserves









- Reserves are at 18-19%, but will be difficult to maintain at this level.
- Inflation pressure will be challenging.
- Inflation will impact all expenses - general operating, capital, maintenance and salaries.
- Revenue is not likely to keep up with the current rate of inflation.

Enrollment Is Down. Likely To Stay Down/Flat.

- Current enrollment below lowest estimate made 2 years ago
- Macro trends suggest enrollment will stay low or recover slowly
- Best enrollment growth mid-term (1.5% for 2022-23) expected to be below revenue growth
- New TK program adds new student population to forecast



Macro Trends Impacting Enrollment Growth

	Enrollment Impact	Financial Impact
COVID and remote work has accelerated a long running trend of California losing population overall.		
High housing costs + tech company support of remote work means population growth in Bay Area will be muted (not a spike!)		
Birth rates have declined		
Graduating 6th-8th grade populations significantly larger than K-3 grade populations. Addition of TK provides minor offset.		

	CBEDS 2021
TK	99
Kinder	291
1st	295
2nd	343
3rd	314
4th	389
5th	361
6th	415
7th	430
8th	481
Total	3351

929

-397

1326

Expect to lose 397 over 3 years

Expenses Will Increase

- The operating finances are currently in good shape.
- Inflation will drive up costs - general operations, capital improvements, maintenance, salaries.
- Revenue growth is not likely to keep up with inflation.

Expenses/Resignations and Retirements

Staff turnover is disruptive and expensive.

The historical data between the 2014/15 and 2020/21 doesn't suggest a problem.

- Resignations average 15 per year.
- Retirements average 7 per year.
- The attrition rate (resignations and retirements) is 9%, considered reasonable.

However, it will be very important to monitor our attrition rate and be prepared to offer mitigation.

Inflation may force salary adjustments in order to stay competitive.

Recommendations

- Maintain solid reserves
 - A financial cushion in the event of a deep recession.
 - A financial cushion in the event of prolonged inflation.
- Low enrollment growth offers opportunity
 - Consider on-site facility utilization for rental income
 - Moving to the middle school model will be less disruptive
- Consider funding to address mental health needs.
- Create a multi-year plan for managing and funding maintenance expenses.
- Create a plan to manage the costs of opening the 10th school site.