

National School District (NSD) has experienced declining enrollment over the 2020-21 and 2021-22 school years, leading to an overall decline in enrollment of 12% over two fiscal years. NSD is funded through Average Daily Attendance (ADA). As enrollment declines, so too does ADA, which creates a structural deficit if expenses are not reduced.

### **Projected Ending Fund Balance**

	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>Change in Fund Balance</b>	\$ 227,857	- \$ 8,885,458	- \$ 8,528,269	- \$ 8,935,454
<b>Ending Fund Balance</b>	\$ 20,659,455	\$ 11,773,997	\$ 3,245,727	- \$ 5,689,727

Our projections show a negative fund balance as early as the 2024-25 school year, which would require the district to certify a qualified status starting in the 2022-23 fiscal year. A qualified certification is assigned when the district may not meet its financial obligations for the current or two subsequent fiscal years.

To prevent a qualified status certification and to ensure continued fiscal solvency, NSD must identify and implement reductions to expenses to better align the services provided to the number of students enrolled. Management recommends a 2-phase approach to identifying and implementing the reductions.

Phase 1 will implement reductions that were identified by both Michele McClowry, Fiscal Consultant, and the Budget Reduction Task Force. In addition, management recommends moving forward with reducing the number of campus student supervisors. Phase 1 reductions would be implemented in the 2021-22 school year, with savings beginning in the 2022-23 school year.

Phase 2 will establish a budget committee to identify additional restructuring and reduction areas, explore the closure of a school site, and examine district efficiencies. Additionally, the District will conduct a salary study, engage in a staffing study, and potentially reclassify existing positions. The target amount of savings for Phase 2 would be \$8.2 million in on-going savings.

### **Phase 1 Reductions**

- Overlapping recommendation of Michelle McClowry and Budget Reduction Task Force.
- Implement throughout the 2021-22 fiscal year.
- Projected savings of \$2,844,902 beginning in the 2022-23 fiscal year.

### **Phase 2 Reductions**

- Implement throughout the 2021-22, 22-23 and 23-24 fiscal years.
- Establish a budget committee immediately and meet throughout the year.
- First actions to begin in Fall 2021.
- Target on-going savings of \$8.2 million.

**PHASE 1  
OVERLAPPING RECOMMENDATIONS**

Recommendation	Projected Savings	Effective Date
Reduce classroom positions by 15 FTE	\$1,725,000	07.01.2022
Reduce transportation student attendants by 8	\$136,536	07.01.2022
Restructure 4 supervisory positions	\$80,750	07.01.2022
Reduce 1 FTE office technician D.O.	\$70,457	07.01.2022
Reduce lead language assessment Center Instructional Assistant	\$58,555	07.01.2022

**NON-OVERLAPPING RECOMMENDATIONS**

Reduce campus student supervisors by 10	\$113,695	07.01.2022
<b>Total Phase 1 Proposed Reductions</b>	<b>\$2,184,993</b>	<b>07.01.2022</b>

**ACTIONS TAKEN TO DATE**

Action	Savings	Effective Date
Site discretionary budget reductions	\$300,000	07.01.2021
Vendor contract restricting and elimination	\$100,000	07.01.2021
Field trip costs added to LCAP	\$30,000	07.01.2021
Reduction of 1 Vice Principal position	\$155,000	07.01.2021
Reduction of certificated teaching positions through retirement/attrition, 20 full time equivalent.	\$2,300,000	07.01.2021
<b>Total Reductions to Date</b>	<b>\$2,885,000</b>	<b>07.01.2021 – 09.01.2021</b>

**PROPOSED TIMELINE**

Action	Target Date
Establish budget committee	09.30.2021
Meet and establish parameters of committee and areas of focus	10.15.2021
Choose a vendor to assist in the salary study process	11.30.2021
Approve actionable items and propose to the board for action	01.19.2021
Study demographic report and initiate recommendations	06.30.2021