



Denver Public Schools
Professional Compensation System for Teachers

ProComp

MEETING MINUTES

ProComp Trust Board of Directors FY19 Meeting #1

Wednesday, September 12, 2018

5:30 – 7:00 pm

Emily Griffith Campus (EGC)

1860 Lincoln St., Denver, CO 80203

11th Floor – Conf. Room 1135B

In Attendance (in person): Scott Murphy, Mark Ferrandino, Tom Buescher

In Attendance (via conference call): Don Gilmore, Ceci Miller, Lawrence Garcia, Lisa Flores

Others: Chris Kampe, Emily Marcus, Cara Sterling

Called to Order: 5:33pm

Action Item: Approve Prior Meeting Minutes

April 25th, 2018 Minutes

Motion to approve minutes as provided in meeting materials.

1st: M. Ferrandino

2nd: S. Murphy

Voice Vote: All Approve - Passes

Action Item: Annual Letter to Transition Team

- Financial Performance of the Trust – Letter to TT

C. Kampe: Background on this: The Trust Board provides a letter for financial update to Transition Team (TT) on an annual basis. Similar to years in the past, including being updated for fund balance for the year and know that the audit is not yet final – the letter shows the most recent ending fund balance. In the past we used to update what the investment advisors say the outlook is, such as last year with rate of return and investments.

As you know we've moved entirely to a Tier 1, safe money market account, so the letter is now simply stating the interest rate we're earning.

C. Miller: It looks ok to me

L. Flores: Looks fine to me

S. Murphy: Two things I noticed in the letter mostly for more information to put on there. I thought perhaps to put ballot language in the first section – include “November 2004”. Adding the date could be useful.

And then the second to last sentence – “tax revenue and unused principal” – add “and interest.”. Just house-keeping kind of stuff to include.

C. Kampe: To clarify, the second point in the second to last sentence – “after unused principal – add “and interest”.

S. Murphy: Yes that's right.

C. Kampe: And then the first point to clarify...

S. Murphy: Add the date for the Mill Levy – 2004? 2005?

M. Ferrandino: November 2005

C. Kampe: If everyone agrees with these clarifying changes, we'll update the draft letter and send it to the group to show exactly what we changed before getting signatures from the Chair, Vice-Chair, and Secretary.

With that said, assuming everyone is ok with those changes, we can still hold the vote.

T. Buescher: Fine by me. If nobody has an objection to those, we can approve and make sure signatures are taken care of.

Motion to approve Annual Letter to Transition Team

1st: S. Murphy

2nd: M. Ferrandino

Voice Vote: All Approve – Passes

Discussion Item: Financial Update

- 2017-18 Financial Performance (before audit is finalized)
- 2018-19 Forecast Update

C. Kampe: The first discussion item is financial update – no action item or vote.

At this time of year, as we have school starting back up, it's a good time to update our forecast & update the Board on where we expect to be based on our adopted budget last spring. We are finalizing the audit right now, so it's a good time to update on how last year closed out when we built the budget and looked at it last spring. Everyone should have the slide deck handout or on their computer.

Let's jump to slide 3. It's a look at last year, FY18, detailed performance: incentives now, then later how these impact the full budget. The first view showing last year – FY16/17 as a comparison. This is similar to how we looked at it in previous meetings. We can see what we adopted last year, how it was amended last year, and then what the final numbers are looking like at the end of the year.

You can see we have savings across various incentive groups of ~\$1.3M compared to the amended budget. A little over \$400k of that is coming from the payments that we make to ELA teachers – this was a traditional payment before ProComp replaced it with the Hard to Staff incentive. That amount was not included in the amended budget before. Additional savings was experienced across numerous non-base (bonus) incentive categories. The remaining amount came out of the base pay based on the number of base pay earned throughout the year.

Slide 4 may be more helpful as a refresher. Rather than just compare to amended budget, this compares to February, the most recent forecast we did, when we built the current year's budget. It shows where we expected to end up versus where we actually ended up. You can see from there that the majority of the difference was from the PDU cash payments & tuition/student loan reimbursement. Those are the two incentives that the majority of teachers will submit for payment at the beginning and end of the school year. There is a lot of volatility here because these require teachers to submit paperwork for these two kinds of payments. It makes it harder to forecast. We will continue to look at trends and forecast as best we can this year.

Slide 5: You can see how these numbers play into our overall budget, as it is including benefits that teachers are paid and overhead costs. At the bottom you can see ending fund balance. The amended budget had approved a \$5M year over year fund balance burn. We expected to end at \$6.7M because we experienced these savings, we now expect to end at \$8.6M.

Slide 6: Similarly, this compares where we're actually ending versus where the last discussion we had in February was going to end. You can see a roughly \$1.2M change across that period. Some of that has to do with the tax receipts to true-up actual amounts and some has to do with the incentives teachers earned.

Are there questions before we jump into the current 2018/19 year?

S. Murphy: Is the ProComp mill fund impacted by ownership tax?

M. Ferrandino: No. The ProComp fund does not receive that. No overrides. The amount goes into general funds.

C. Kampe: Slide 7 is for the current 18/19 school year. Similar to before, it looks at specific incentives teachers are earning in those specific categories. You can see comparisons: in middle column, the adopted budget, approved last spring for the current year, compared to the forecast, as of today, updated as of today now that teachers are in the building so we can better understand cost. We are expecting base to come down a little but not a great deal. Across a lot of bonuses (non-base incentives) we are expecting some savings. Due to some of this, we were able to get a more accurate forecast after last year ended, and we expect to continue.

Finally the ELA payments we have; those did not make it into the adopted budget. This specific line item was not in there. This is a reduction in what the ProComp trust pays that will come off in the 18/19 year. We highlighted those areas to draw your eye to how we're updating the forecast as we start the year.

Slide 8: You can see how this all plays into the overall budget. There are two main pieces helping our budget situation from where we had built out adopted budget.

The first part being a better starting point because of savings last year.

The second part is savings. We continue to expect to have savings in the 2018/19 year.

Combining the \$1.17M of savings from last year (2017-18) along with the expected \$1.35M better than expected budget this year (2018-19), fund balance projection has improved by \$2.5M. This includes benefit cost as well. It's the total dollar amount if we were to keep status quo from the

adopted budget. We would expect to have a higher ending fund balance than the adopted budget.

T. Buescher: So that would show no fund balance burn down?

C. Kampe: Correct –if we stay the course, we are projecting, given the volatile incentives and our trending, we would expect ~\$1M surplus. Key catch to that is, if you recall, the adopted budget the Transition Team proposed to Board, included reducing the value of the Top Performing/High Growth incentive. Last fall, in November, it was valued at \$2,500. In the adopted budget for this year, the proposal was to reduce it to \$1,000. The big drop was made in order to reduce, and nearly eliminate, the annual fund-balance burn.

That brings us to the final slide, which is only a discussion item for the Trust Board. This will all be shared with Transition Team so that they can decide how they want to approach this now that there are some savings expected. These are the three potential options they would look at.

The first option: stay the course with current adopted budget. That means paying out \$1,000 per FTE and requires the expected drop in incentive. The upside is a healthy fund balance with ~\$1M surplus going into the fund balance.

Option two is middle ground: lower Top Performing/High Growth from \$2,500 to \$1,750 this year. It's not as big of a drop, and we'd end up having a \$1.5M fund balance burn going from last year to this year. But, with the ending point on June 30, 2019, that actually puts us where we thought we would be when we made the adopted budget. It's a better starting position, though we would still have fund balance burn. We would get to the same end of year fund balance that we had projected and approved in the adopted budget.

Option 3 is keeping Top Performing/High Growth as high as it was last year – maintain the \$2,500. Keep in mind the final SPF (School Performance Framework) could influence cut points. The Transition Team will look at this. Assuming this all stays the same, we would have ~\$4M fund balance burn year over year. We would then end fiscal year 18/19 ~\$2.5M lower than what we had expected in adopted budget. We would end the year at about \$4.6M. Are we comfortable with that level of cushion in our fund balance?

We just wanted to put this out there so all Board members understand and can ask questions. Ultimately the Transition Team would discuss and propose to the Trust Board if they want to change anything.

T. Buescher: When is next Transition team meeting?

C. Kampe: They usually meet monthly though the last one was cancelled. The next one is not yet on the calendar.

T. Buescher: We do expect it to be before our next meeting though?

C. Kampe: Yes.

T. Buescher: We expect the Transition Team to amend things to do it at their next meeting if things do get changed?

C. Kampe: Yes, we would think so.

M. Ferrandino: Make sure the SPF is out by then.

C. Kampe: The date lines up identical to last year. It's a good time to put the final audit on our agenda. It also lines up, at the last-minute, if the Transition Team wants to propose a Top Performing/High Growth change. Then it can get into the November 22 payroll. Will connect better if our meeting needs to be moved up or not. It's similar to last November for the Transition Team.

T. Buescher: I look forward to hearing from the Transition team.

M. Ferrandino: It's a good position to be in compared to last few years. The model is finally starting to hold. Now we're starting to see it go back up. The question is, which the Transition Team can discuss, not going back up – not too much – but keeping steady state in terms of fund balance – comfortable but not so big.

T. Buescher: As Lisa recommended, we can have discussion about what we want our fund balance to be.

M. Ferrandino: Remember negotiations are still going on. Our current agreement expires mid-January. If we can get to ProComp 3.0, it's important to have money in the trust to deal with transition costs of that. Not from a systems perspective but holding people harmless. If a new system means some people go down, not actually having them go down. We need to factor that in and want to think through all of that.

C. Miller: Are we planning on having someone from the Transition Team at the next meeting?

C. Kampe: We can do that. Last year they formally emailed their proposal to the Trust Board. But, no it wouldn't be a problem to have them here. Some members are on both. It's set-up to have both DCTA and district representation.

T. Buescher: It all depends on what the Transition Team does. Last year they came to us with sort-of a recommendation but comments from parties as well. If they unanimously agree to a recommendation then maybe just the overlap would be sufficient. But if it's something like last year, we should have more people. It depends on what the Transition Team decides to do. Hopefully they'll do that and get it to us sooner so we can do an appropriate thing at our next meeting.

Discussion Item: Future Agenda Items

- 2017-18 Audited Financial Statements (CliftonLarsenAllan)
- Review Proposed Meeting Placeholders for FY 2018-19:
 - Wednesday, Nov 7^h, 2018
 - Wednesday, Feb 13th, 2019
 - Wednesday, April 24th, 2019

T. Buescher: So the audit will be done soon?

C. Kampe: We should have draft financials in early October, so then we will have the November 7 placeholder meeting set-up to have representative from CliftonLarsenAllan there to discuss the audit. We can wait to see if the Transition Team has a proposal and can add it to agenda or not. In the interim, if anyone has any agenda items to add for next time, let me know.

M. Ferrandino: Given the new payroll stuff, I worry if November 7 may be too late if we're going to make changes. We may need to have a conference call just to get what the Transition Team recommends. We can review before then and have a quick call to see if we're comfortable with it or not. That could be helpful. You can talk to Kathleen Masteller, head of payroll, to see what timing would be best to get it into the November paycheck.

T. Buescher: Anyone who knows November 7 does not work?

S. Murphy: I'll be out of state, so it won't work for me.

T. Buescher: Before or after?

S. Murphy: Either.

C. Miller: I prefer week after.

T. Buescher: Let's see what we get from the Transition Team. It may be easy to do with a phone call. Can we meet via telephone?

C. Kampe: Yes.

T. Buescher: If it looks like it's going to be all smooth with the Transition Team, then that may be the simplest thing to do.

M. Ferrandino: We don't have the ability to vote electronically do we?

C. Kampe: Yes, I think so. We can verify with Cara Sterling.

T. Buescher: I think that's right. I don't mind voting electronically. I just don't like discussions electronically – would prefer over the phone or in-person discussion.

C. Sterling: Yes, it is okay to hold votes electronically.

T. Buescher: We should at least have the opportunity to talk amongst ourselves before we vote, however we vote.

Anything else? Welcome to the new school year – hope it goes smoothly! Thank you for participation, and in hearing nothing else, meeting can be adjourned.

Adjourned: 6:01pm