



Denver Public Schools
Professional Compensation System for Teachers

ProComp

**ProComp Trust Board of Directors
Meeting Minutes
Wednesday, February 8th, 2017
Emily Griffith Campus
1860 Lincoln Street, Denver, CO 80203
12th Floor – Conf. Room 1235**

ATTENDED: Tom Buescher, Scott Murphy, Donald Gilmore, Erik Johnson, Mark Ferrandino, Mike Johnson, Cecilia Miller (arrived approx. 6:00 pm)

VIA CONFERENCE CALL: Lawrence Garcia

STAFF IN ATTENDANCE: Chris Kampe

OTHERS: Mary Brauer

Called to Order: 5:35 pm

Discussion Item: New Trust Board Member

- Welcome Scott Murphy as new Community Trustee

Gilmore: Thanks Scott for willingness to serve on the Trust Board.

- Acknowledge service of David Hart

Kampe: David's service to the Trust and District has been invaluable.

Gilmore: David came on at a difficult time. His service was exemplary. He began as CFO for the District before joining Trust Board.

In recognition, I drafted a Proclamation in his honor. I will send to Chris who will send to all Trust Board members.

Discussion Item: Legal Counsel – Mary Brauer retirement

Kampe – Mary has provided extremely valuable advice over the years as the Trust has navigated complex legal situation. We appreciate her service to the Trust and that she provided sufficient notice for us to transition and look for replacement legal counsel.

Gilmore – Reads remarks to acknowledge Mary's service. We will miss your knowledge, service, and generosity. On behalf of the Trust Board, it's my honor to thank you for your service.

On this day, be it known that the Trust Board is losing a valuable member.

Kampe: Current District policy does not require using a Request for Proposal (RFP) process for competitive bidding of new legal counsel, however it is recommended as best practice. For this process, I would work with the District's Strategic Sourcing department to post the RFP, where candidates could submit their proposals.

Buescher: Mary - is there someone at your firm you would promote for this role?

Brauer: Simple answer is no. You want someone with experience in trust law. This is a very unusual trust.

Buescher: I know people who do ERISA work but this isn't specifically ERISA trust.

Gilmore: Chris - can you send out a rough timeline in the next few days for the RFP process and next steps?

Kampe: Yes, I will send this out in the coming days.

Ferrandino: In the legal profession, not many will be looking at website. We should proactively look and inform attorneys of the posting.

Garcia: I support moving forward with the RFP

E. Johnson: Mary – please find a list of potential candidates.

Brauer- You want someone neutral in terms of DCTA, etc.

Action Item: Approval of December 14th, 2016 Meeting Minutes

1st: Ferrandino

2nd: Buescher

Voice Vote: All – Passes (Murphy abstains because he was not part of the Board at that time)

Action Item: Election of Trust Board Officers (Chair, Vice Chair, Secretary)

Chairperson:

Buescher: I nominate Don Gilmore

Gilmore: I nominate Tom Buescher

Discussion amongst board favors Buescher for this role.

Nominate Tom Buescher for Chair

1st: Gilmore

2nd: Ferrandino

Voice Vote: All – Passes

Vice Chairperson:

Buescher: I nominate Don Gilmore

2nd: Ferrandino

Voice Vote: All – Passes

Secretary:

Buescher: I nominate Scott Murphy

2nd: Ferrandino

Voice Vote: All – Passes

Discussion Item: FY17 Q2 Financial Update

Kampe: We are currently forecasting significant savings as compared with the FY17 adopted budget.

One-Time Savings as a result of accounting timing change:

Approximately \$2.2M of these savings only apply to FY17 and will not recur in future years. This is a result of an accounting change related to July and August non-base building incentive payments. Previously, accounting treatment was to accrue these expenses back to the prior fiscal year that contains the school year they are associated with. For example, July and August 2016 non-base builders such as Hard to Serve and Hard to Staff were accrued back to June 2016 to be included as an expense in FY16. Going forward, accounting has determined that proper accounting treatment is that these expenses are earned by employees when they are paid based on the business rules of the incentive payouts. This means that July and August 2017 non-base building incentives will be an expense for FY18 rather than accruing back to FY17. The result of this timing change is that FY17 will not have any non-base building incentive expense for the months of July and August resulting in one-time savings of approximately \$2.2M including benefits.

Savings that are expected to continue:

Approximately \$3M of savings are a result of lower than expected ProComp FTEs in FY17, lower than expected cost per FTE for the ProComp Trust's portion of base salary, savings in overhead costs, and true up of expected tax revenues. FTEs were expected to increase more as a result of traditional salary schedule DCTA members retiring or leaving the District and being replaced by ProComp FTEs. We are currently seeing FTE level very similar to FY16 with negligible net increases.

Gilmore: FY19 shows FTE that seems low.

E. Johnson: We haven't built into this model the 2016 MLO growth because we are planning to fully fund the cost of those FTEs from mill funds. We haven't figured out the mechanics of this yet, but because we're setting aside funds, we didn't want to show it here.

M. Johnson: Would we pay ProComp with these funds?

Ferrandino: No we can't do that, but will find agreement between parties (District and DCTA) to include in teacher compensation. Because we knew added ProComp FTE would add cost to the Trust, we set aside the funds to cover this amount if we come to a place where that is needed. This is a much more complicated issue because talking about general fund and negotiations between DCTA and District are different from ProComp discussions.

Gilmore: This will certainly be a critical topic of discussion.

Ferrandino: Tom Boasberg and Henry Roman have talked about this issue already.

Kampe: The provided slide deck includes a comparison of our projections in April 2016 at the time the Trust Board sent a letter of recommendation to the Transition Team and our current updated projections. The April 2016 projection outlined three years of reductions that would still include an existing budget deficit after three years in FY19. With the improved forecast in our current projection, after making similar reductions over the next two years, the Trust would completely eliminate the budget deficit and have a much more substantial remaining fund balance at that time. The Transition Team ultimately will propose FY18 budget assumptions and develop a specific plan for incentive cut points and % of index as well as how much fund balance should be reserved for other uses. The role of the Trust Board is to approve this budget and ensure fiscal responsibility of the Trust over a 30-year rolling period.

Buescher: You mentioned declining school enrollment. Is this specific enough to outline by school boundary?

E. Johnson: We release projections for next 5 years enrollment in each region.

Buescher: Does it show a detail of ProComp expected payouts?

E. Johnson: It is regional not school specific so doesn't go into that detail. We do have At-Risk or FRL data. We do look at specific schools to help them plan.

Ferrandino: We are seeing large reductions each year in our FRL populations. Height was 74%. We are 67%. Projected to be 60% by end of decade.

Kampe – I will send this analysis to Tom Buescher as requested.

Discussion Item: FY18 Budget Development Timeline

Kampe: The Transition Team will be discussing potential FY18 budget assumptions at their next meeting, which is scheduled for February 15th. Depending on discussion, the Transition Team may vote and approval or need to postpone until their next meeting. During April, the District will present initial proposed FY18 budget to the Board of Ed. We will ensure the Transition Team provides final FY18 budget assumptions during April as well. During May at the latest, the Trust Board will vote on the assumptions from the Transition Team and the District will present the FY18 budget to the Board of Ed to be adopted.

E. Johnson – We have reached out to the Transition Team and they are aware of the timeline to approve proposed budget assumptions

Future Agenda Items:

- Next ProComp Trust Board meetings – tentative dates (scheduling inquiry to follow):
 - Tuesday, March 7th, 2017

Ferrandino: We should in late March to ensure the Transition Team has time to approve budget assumptions so the Board can vote at the next meeting.

Kampe: I will send out a scheduling poll for later in March for our next meeting.

- Tuesday, April 4th, 2017

➤ Tuesday, May 9th, 2017

Kampe: I will leave the tentative dates for these last two meeting for now but will likely need to push them back.

Adjourned: 6:28 pm