ProComp Trust Board of Directors
Wednesday, March 22th, 2017
5:30 – 7:00 pm
Emily Griffith Campus
1860 Lincoln Street, Denver, CO 80203
11th Floor – Conf. Room 1135

ATTENDED: Scott Murphy, Tom Buescher, Erik Johnson, Mark Ferrandino, Mike Johnson

VIA CONFERENCE CALL: Donald Gilmore, Lawrence Garcia (Attending at 5:53)

STAFF IN ATTENDANCE: Chris Kampe, Luis Gonzalez

OTHERS: Mary Brauer

Discussion Item (5:35 – 5:45): Update on Legal Counsel RFP

Kampe: The discussion item is on the RFP for legal counsel. We are working with Strategic Sourcing, which is the District's purchasing department. Mary, we will be reaching out soon to get your input in some of the language we are using to get the best candidates. We have received several references. We really appreciate that. That gets us started to get more people aware. We will let you know when it is posted live and there is a link I will be able to update you.

Buescher: So that everyone is aware, my former firm might submit a bid under the RFP. If that happens, I will recuse myself from all discussions. I will make sure the agenda is set up as the last item and I will simply leave, so that I will not influence the decision.

Kampe: Makes sense. Any other questions about the RFP process. Goal is to have someone ahead of June 30 so that he/she can meet with Mary and connect.

At our last meeting, we talked about the three-year reduction plan and current forecast. There have since been two transition team meetings. We started out by presenting the same information letting them drill into that and looking at different scenarios and budget assumptions. At their last meeting, they approved assumptions that are being presented to the Trust Board today. Similar to the year before they are making the year two of three years of cumulative reductions in the combined top performing high growth incentive. We looked at it a little over a year ago and started seeing that we were not getting to the bottom of the projected curve as expected. So the transition team had agreed to find a way over three years to eliminate the recurring year budget deficits. This is the second of three years. Our forecast is more favorable than expected due to an increase in FTEs. To get that recurring deficit eliminated when the FTEs get to the levels we are expecting, they are proposing these reductions. All the other assumptions are staying even. Nothing is changing for hard to serve/hard to staff, base builders incentives are not changing in terms of percent of index, the amount to be pay out, or the expected amount of FTEs that will be paid. When looking at slide two on the PowerPoint, highlighted in orange are the drivers, some of these are

set up in bargaining with the union. Some of these the Transition team has the authority to change. Many of the FTE amounts for some of the base builders are based on trends we expect be paid out and what the corresponding cost will be to the budget. The main driver used by the Transition Team is the big payout for top performing and high growth schools.
The one time payout happens the year after it is earned and is only for teachers and special service providers that return. That is where they can meet the overall budget that is being set up right now. That is why the highlighted area for that incentive is the total dollar budget instead of setting it in stone the percent of index of those amounts. The plan is to pay out the green and blue schools. When SPF ratings come out in the fall it will determine the cut point, depending where the schools land. The percentage of index will set to stay within the budget of just under 5.5 million.

Buescher: How much money is being saved by this particular change?

Chris: The payout that happened last fall, which was earned in FY16, totaled about 9.5 million, so it was a substantial reduction.

Buescher: Going forward I would like to see dollar changes to understand when compared to the previous year.

Kampe: Ok. I will send figures after the meeting.

Murphy: When the top performing and high growth combined, was it 50% and 50%?

Kampe: It was. In previous years, these have been two separate incentives but they are identical value.

They are making full reductions in this incentive line.

Murphy: If a school is high performing but not high growth, how will the payment work out?

Kampe: It will be the same as how it was last year. I want to confirm with Michelle Berge who worked through the Memo of Understanding (MOU). I think they are using the growth measure now, since both SPF measures where overlapping.

E Johnson: We looked at both of them to see which would correlate more.

Murphy: So it is not top performing and high growth.

Kampe: Part of ProComp 3.0 work is trying not to rebuild the incentives while that work is happening.

Part of why the cuts are substantial, is to keep the percent of index and FTE assumptions the same. With the index level going up and FTEs going up, the budget the transition team is proposing is to keep those assumptions the same, even if costs go up teachers will keep the same percentages. They are making those reductions in the top performing and high growth to stay in their budget target.

Buescher: Clarify last point.

Kampe: Base building was to be a priority and they did not want to make any reductions. Base building with hard to serve and hard to staff are the largest. The index will go up next year based on grades and steps for teachers as well as FTE projection rising, the cost will increase. To keep those paying out 6.4% of index for hard to serve and hard to staff will increase the cost with more FTEs to pay out. To keep their target budget level they had to make those reductions to top performing high growth. The majority of the reduction will be part the of the 3 year plan.

Slide 3 shows the overall budget the Trust Board would approve for the board of Education to adopt. Bottom line item 30 million is the teacher and SSP salary incentive line item before benefits. This page lets you see the whole budget picture, including Mill Levy and overhead costs. It shows target fund balance to spend 3.7 million more than we bring in. If we did similar reductions in FY19, we would not burn the fund balance.

Murphy: What is ProComp percentage incentives for benefits?

E Johnson: It is the percentage charged for all salary to cover the employer portion of benefits such as PERA contributions. This is what we talked about last year about the 12 million dollar amount and take it down by 4 million every year the next three years.

Garcia: Hello, this is Lawrence on the phone.

Kampe: We are discussing the slide deck from the proposed budget from the transition team.

Buescher: We now have a quorum; we call the meeting to order and vote on approving the past minutes meeting.

Called to Order: 5:54pm

Action Item (5:30 – 5:35): Approval of February 8th, 2017 Meeting Minutes
1st Ferrandino
2nd E. Johnson
Voice Vote - All - Passes

Buescher: Chris please continue with page 3.

Kampe: Page 3 shows the overall budget. We can see the effect on the revenue side from the proposed budget by the transition team. It shows the overall fund balance with this proposed budget. The transition team is proposing to burn the fund balance by 3.7 million and will set them up next year for FY19 the final year of reductions and get the Trust where revenue equal expenses and we are not burning the Trust balance. The forecast picture looks better than we expected. We still have to make the reductions, but the projected ending fund balance looks healthier. The Transition team discussed that it was good to have cushion given the incentive structure. Given the ProComp 3.0 discussions, some of the proposals will likely request one-time dollars to transition to a new pay structure over a five-year period. Some of the proposals will need an infusion of one-time dollars; they believe it would be a good idea to keep some money available for that possibility.

Buescher: Any questions or comments about the proposed budget? Do we have to approve this?

Kampe: We do. The Trust Board has to vote to approve this proposed budget by the Transition Team. If approved this budget will go to the board of Education to be adopted.

Buescher: Motion to approve FY18 Budget Assumptions as proposed by the Transition Team

Action Item: Approval of FY18 Budget Assumptions
1st Garcia
2nd Gilmore
Voice Vote - All - Passes

Future Agenda Items (6:00 – 6:05):

- Next ProComp Trust Board meetings – tentative dates (scheduling inquiry to follow):
  - Tuesday, April 25th, 2017
  - Tuesday, May 23rd, 2017

Adjourned: 6:01pm