Denver Public Schools
Professional Compensation System for Teachers
ProComp

MEETING MINUTES

ProComp Trust Board of Directors
FY18 Meeting #4

Wednesday, April 25th, 2018
5:30 – 7:00 pm
Emily Griffith Campus (EGC)
1860 Lincoln St., Denver, CO 80203
11th Floor – Conf. Room 1135A

In Attendance (in person): Cecilia Miller, Lisa Flores, Erik Johnson, Tom Buescher, Scott Murphy

In Attendance (via conference call): Lawrence Garcia

Others: Chris Kampe, Cara Sterling

Called to Order: 5:36 pm

Action Item: Approve Prior Meeting Minutes

February 21st, 2018 Minutes

Motion to approve minutes as provided in meeting materials.

1st: E. Johnson

2nd: Flores

Voice Vote: All Approve - Passes

Action Item: FY2018/19 Budget

- Review Transition Team Proposed Budget Assumptions for fiscal year 2018-19
- Vote to approve or deny

Kampe: Please reference the FY18/19 Proposed Budget printout in the materials.

Slide 3 is an update to the current year forecast and where we expect to end the fiscal year. This slide shows the details of teacher incentive pay. The columns show a comparison between last year's actual amounts, the 17-18 adopted budget, the 17-18 amended budget (that was approved by the Board last fall), and our current forecast. We expect to come under the approved amended budget by about $800k, which is a combination of base salary savings (the $3M amount referenced last fall as savings was conservative and we are now showing a more precise amount) and traditional ELA payments. The ELA payments represent payments that were made to ELA teachers prior to ProComp and were replaced by the Hard to Staff incentive. They are included on the invoice as an offset to the ProComp Trust for a payment the traditional pay schedule would have made. We have always made this adjustment on the ProComp invoice, but it just wasn't included in the forecast or budget this year.

Slide 4 shows the overall forecast for the current year including revenues and overhead costs. We expect to end the year (6/30/2018) with a fund balance of approximately $7.4M. Even though this is higher than the $6.7M ending fund balance approved in the amended budget, it is important to remember that the approved budget included a fund balance burn. The 2017/18 year began with a fund balance of $11.8M and is projected to end with $7.4M, which is a $4.4M fund balance burn.

Buescher: It appears the forecast is as of Feb 2018. Will there be additional updates /changes to the forecast?

Kampe: The forecast is up-to-date as of February end-of-month payroll. Only one additional payroll (March) has posted since then. This late in the year, we are confident in most cost drivers including base pay and monthly non-base builder incentives. The main variability in the forecast is PDU and tuition/loan reimbursement because teachers typically submit for these incentives at the beginning of the year and the end of the year, there could be a shift in our current forecast (based on historical trend) as those amounts get submitted.

Slide 5 shows the detail incentives, both base and non-base that are being proposed by the Transition Team for the 2018/19 budget. Cut points are being proposed consistent with FY17/18 for all incentives with the exception of the Top Performing / High Growth incentive. For this incentive, the Transition Team saw that in order to keep total costs within budget, this incentive would need to be reduced to $909 per FTE. This assumes other factors such as SPF ratings remain consistent with FY17/18. The Transition Team decided to move this amount up to a round $1,000, resulting in a small fund balance burn to be budgeted of $266,547.

Slide 6 shows the overall trust budget, including revenues and overhead costs. You can see the $27.7M figure from slide 5 highlighted in yellow on the overall budget. The proposed budget would start with approximately $7.4M in fund balance. Costs would exceed revenues by $317,138 resulting in an ending fund balance of $7.1M.

Sterling: What is the 10% of revenue figure shown on slide 6?

E. Johnson: There is a board policy that recommends keeping 10% in fund balance and we are required by statute to keep at least 3%.

Flores: What is the policy for ProComp?

E. Johnson: There isn't a specific one for ProComp other than state statue. We need to look at the 30 year viability of trust. Chris put this in to show we are well above that.

Flores: So board policy is 10%, but we are over 20%. Do we want to spend down more? This is my second meeting so I just want to understand.

E. Johnson: The recommendation we have given is to continue to spend down in a prudent fashion while understanding risk. Given the human behavior element, we thought we want to be in that $5-8M range. The trajectory from an actuarial view is an upward curve.

Buescher: This is the first time I recall seeing this data point. It has been more of a discussion of what we are comfortable as Erik described. The thought is as we get to ProComp 3.0, then we can do new projections going forward into 30 years. If we did that with the current ProComp, it would be a waste of money because it will likely change.

Flores: I would like to hear the intention of maintaining $5-8M. Seems like it should be an action taken by this board to approve or institutionalize that.

Buescher: We have never officially done that but I think it is something worth considering when we get to the new version.

E. Johnson: Part of our bylaws require us to do an actuarial analysis every few years, so we will do that.

Buescher: Where are we on that requirement?

E. Johnson: We are right up against it.

Buescher: Let me raise to the board that I think it would be foolish to do an analysis on assumptions we know will change.

Motion to approve 2018/19 ProComp Trust Budget as proposed by the Transition Team

1st: E. Johnson

2nd: Garcia

Voice Vote: All Approve - Passes

Discussion Item: Future Agenda Items

- Review Future Meeting Placeholders:
    - Wednesday, September 12th, 2018
    - Wednesday, November 7th, 2018
    - Wednesday, February 13th, 2019
    - Wednesday, April 24th, 2019

Adjourned: 6:04 pm