Denver Public Schools
Professional Compensation System for Teachers

ProComp

MEETING MINUTES

ProComp Trust Board of Directors
FY19 Meeting #4

Wednesday, March 20, 2019
4:30 – 6:00 pm
Emily Griffith Campus (EGC)
1860 Lincoln St., Denver, CO 80203
11th Floor – Conf. Room 1135A or
720-423-7777, Conf ID: 9144527

In Attendance: Tom Buescher, Lisa Flores, Scott Murphy, Cecilia Miller, Erik Johnson, Lawrence Garcia

Others: Chris Kampe, Emily Marcus, Cara Sterling

Invited: *Chris Kampe, Cara Sterling, Ceci Miller, Don Gilmore, Lisa Flores, Lawrence Garcia, Erik Johnson, Ramona Lewis, Emily Marcus, Scott Murphy, Tom Buescher*

Called to order: 4:38 PM by Tom

Action Item: Approve Prior Meeting Minutes

Tom Buescher: Any questions or concerns for the Nov 7 meeting minutes? On the top of page 4 "no opposes, extensions" should be "abstentions" not "extensions".

Emily Marcus: Will change

Tom Buescher: Approve as amended?

Erik Johnson: So moved.

Cecilia Miller: Seconded

Tom Buescher: Minutes approved.

Since January 22 minutes were not distributed enough in advance, is it acceptable to put off approving them until the next meeting, especially since it's not as important currently? Everyone will have time to review them for the next meeting.

No opposition. Jan 22 conference call meeting minutes will be approved at the next meeting.

Discussion Item: Summary of ProComp 3.0 Agreement

Chris Kampe: Go to the slide deck labeled "Summary of ProComp 3.0 Agreement". This is intended to put the new schedule in front of everyone and give a summary of what's changing from the Trust Bard's perspective. Slide 2 is new schedule and table as well as incentives.

Erik Johnson: To go over this high-level: We are moving to a modified traditional salary schedule. Modified meaning the outlay is similar to a traditional model, however, the way you move across can be multiple pieces, which adheres to the ProComp mill levy override ballot language. You can move not just through educational attainment but also through ways such as tenure and incentives.

The big news story is starting base salary at $45,800. This is third highest in metro area (after only Boulder and Westminster's next year); with any incentives it will push it above Boulder's.

We still retain the highest priority incentive and increased to $3,000. It's a retention incentive. Tuition reimbursement still there at $1,000/year for a max of 6 years or $6,000 total. Every person in a Title 1 school will get $2,000. Hard to staff (such as ELA S, HS Math), the positions that just haven't reached capacity in the market, will get $2,000.

Distinguished schools – a different version of Top Performing/High Growth – will get $750. Distinguished Schools is different concept in which 10 schools will be picked through an application and judgement process that adheres to "whole child" areas – not just metrics alone but different areas within their schools to achieve "whole child".

It is important to note a few things with all of this. These are set dollar amounts – not amounts that will fluctuate based on where the ProComp balance is. Teachers have certainty and a transparent expectation of what they can make the next year. From at least 3 years ago with our talks with DCTA and teachers about what is unfavorable in ProComp 2.0, this was top of the list – transparent, clear information about what the teachers can make the future years.

Tom Buescher: Based on this slide, what is now paid out of the dollars from the ProComp mill levy?

Erik Johnson: We expect the on-going money from the tax base to go out to future salaries. We are estimating the current trust balance to be about $9M for the end of the current year. Part of this will go to transition costs to the new salary schedule. Ongoing, we will be tying revenue received to expenses that go out the door. We proposed to DCTA that all incentive payments will come out of the trust, as well as all overhead costs – those approved by the transition team to pay people who support the trust, auditors, insurance, etc. We will do a calculation on a quarterly basis in which we look at total dollars expected and general fund vs. ProComp trust. Currently base payments out of trust is the delta between the old traditional schedule and the current payment. Now we will do the delta between the total dollars and gap between revenue and the ProComp trust.

Instead of general fund vs. ProComp Trust, we are looking at it all together to figure out the right amount between the two, though all incentives would still be out of the ProComp Trust.

Scott Murphy: So with regards to the $9M balance at the end of this year, how does that play into it?

Erik Johnson: Legally we are obligated to have 3% of revenue in fund balance for TABOR. We are projecting $5.5M of transition costs out of the fund balance to pay for these expenses. These transition costs are mainly 2 things: (1) Red-circling. Some people make more currently than where they would be placed on the new schedule for next year. We are not going to reduce their salary – they will be red-circled and kept as is. There will also be cash COLA payments for some employees to ensure employees receive at least the value of COLA as a year-over-year pay increase.

(2) The rest goes to paying out things under the 2.0 agreement for PDUs and banked PDUs that people did for salary builders. We want to pay those out to people to make sure they didn't do that with no benefit. We made an agreement to pay out PDUs through January.

This will leave us with about $3.5M. So we are better off and at a better balance - about 10% or slightly less. The reason to keep 10% rather than the legally-required 3% is because it's a good target and what we do for General Fund. It is also a Board policy to maintain that level in most funds.

Chris Kampe: The current signed agreement only does banked PDUs through January. It is a flat $1,700 cash payout per banked PDUs. The idea behind this is that a flat dollar will treat all the PDUs equally. There is currently a discussion with DCTA and DPS to determine if anything should be done for PDUs earned after January 2019. This adds some uncertainty to the exact cost we will have for PDU payout.

Lisa Flores: Some folks looked at the voter intent of ProComp. Does the chart at the bottom [PowerPoint slide 2 incentive chart] filter on traditional ProComp ballot language that was drafted? Have you heard of any folks that have expressed discontent with this?

Erik Johnson: Discontent is too strong of a word - slight discomfort is better wording. The way I think about it and spoken with those people about it is that when we think about steps and lanes and what was done under ProComp with PDUs being proxy for step function as well works within that language. That is how you got base builders and increased salary before.

Lisa Flores: To clarify, that speaks to master agreement rather than ProComp?

Erik Johnson: No, you still have to do professional development to increase long-term base salary. With this, there is an assumption and understanding built into this new agreement that dollars for PDUs would be pushed into step function knowing that we do professional development from a district base into schools and within schools themselves. Professional development happens regularly – whether official or not. Some prior PDUs approved through old process were weak. There were varying levels of difficulty and rigor within those PDUs. Some very rigorous, some were good, and some were not so good. We are creating PDU structure to move lanes – 5 or more to move a lane. We are also developing a more rigorous structure around those. This is now built into the step function. We strongly believe this adheres to ballot language and haven't received any strong pushback on this.

Discussion Item: Forecast Update

Erik Johnson: Slide 2 [PowerPoint deck "Forecast Update"] goes through where expenses are going. We are currently forecasting $9.1M going into base salary. The delta between the old traditional salary and what we are paying out is what was invoiced. The next section shows the different buckets of incentives – about $16.5M for this year. Total for this year is about $25.7M for base and incentives. We are running under budget a little bit, which is expected. We always budget conservatively, so I think this is a slight benefit and helped us when we were negotiating the agreement for the additional transition costs – especially when we go through the transition process for what may come up.

One thing to note: As we move into ProComp 3.0, the breakout between salaries and expenses will not change substantially. This is good because we are adhering to where we typically were in the past.

Chris Kampe: Another main takeaway from the deck is the ending balance is a little higher than budgeted – now in the $10M range. Most operating budgets are firm by now, but this one has more future fluctuation. This is partially due to tuition reimbursement and PDUs that tend to be submitted by teachers closer to the end of the year. Transition costs will also be tracked separately.

Erik Johnson: When we were going through negotiations the budget said about $7.1M, though we were expecting about $9.5M. So rather than $3M better, this is really about $1M better than we thought for budget versus forecast

No questions; moved on to next discussion item.

Discussion Item: Actuarial Study

Tom Buescher: We used to get actuarial projections for 30 years out to make sure we had enough money to pay expected incentives. We haven't done one in a while and had then decided not to until ProComp 3.0 was decided. Now that 3.0 will spend annually what the ProComp mill levy brings in, it may not be necessary to do a long-term projection.

Erik Johnson: Yes, that is probably accurate. When we were operating under ProComp 2.0, the ProComp Trust bore the risk of staffing levels and other fluctuations. With new model and new invoicing, the general fund bears all that risk. The invoicing process can now only go up until the revenue for each individual year. If teachers go up or moves to other areas, ProComp still stays steady since that is now on the general fund.

Scott Murphy: So the risk goes to general fund.

Tom Buescher: What will we as the Trust Board do in the future? This is directed at all members of the Board. We must exist but what will we be doing under 3.0? We must exist but what do we expect to do under 3.0? Any ideas?

Erik Johnson: This is really interesting because as long as the Transition Team budget doesn't go above the ProComp revenue (for a combination of incentives and overhead costs), there really isn't much discussion. As long as they're under the number, the general fund bears the risk.

Tom Buescher: The whole ProComp agreement is being reworked still?

Erik Johnson: Yes.

Tom Buescher: The other things to look at, such as 5% admin cost cap, will be in there? What about some of the other things we're responsible for, such as letter to the parties about the status of the Trust every year? Once the agreement is completed it seems we should anticipate having to go look at our bylaws to make them consist with modified new agreement to make sure not putting unnecessary things on ourselves and to make sure we're in agreement with ProComp 3.0.

Ceci Miller: Is Cara responsible for this to see what we need to do? Or wait until the new ProComp agreement is taken care of and then she will come back to us with suggestions?

Tom Buescher: That's what I would anticipate. Mostly we need to make sure we're consistent with that agreement and then have a discussion of what that means.

Cara Sterling: That is my understanding for way to do it too: Once we have the ProComp agreement, we can then move forward.

Discussion Item: Future Agenda Items

Tom Buescher: I assume we need to approve the FY 19/20 budget at some point. When can we expect that?

Erik Johnson: May. We are planning to go to Board with a proposed budget in May. We want to bring it to you either right before or right after that so the ProComp side can be approved before the adopted budget in June. We want to make sure the Transition Team has approved it as well before going to the Board.

Tom Buescher: We probably should not have the meeting on April 24 then and put it off until May.

General Discussion

Tom Buescher: Does anyone else have anything now that we have a change in circumstances?

None.

Tom Buescher: Congratulations to everyone who participated in negotiations. I know how hard that is and know that no matter what comes out of it, sometimes there are second thoughts. But it sounds like both sides are at least satisfied, if not happy, with the outcome and deserve congratulations for that.

Scott Murphy: Well said!

Tom Buescher: We will set-up a meeting in May when budget will be approved then.

Adjourned: 5:07 PM