

**Executive Limitation 3.G  
Compensation and Benefits**

To: Board of Education

From: Dr. Chris Fiedler, Superintendent of Schools

Re: Expectations of the Board – 3.G Compensation and Benefits

I hereby present my report on Compensation and Benefits, Executive Limitation 3.G in accordance with the schedule as set forth in Board policy. I certify the information in this report is true.

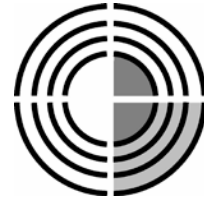
Signed: 

Date: March 11, 2014

Superintendent, School District 27J



COLORADO SCHOOL DISTRICT 27J  
GOVERNING POLICY OF  
THE BOARD OF EDUCATION



Management Limitations

## Policy 3.G – COMPENSATION & BENEFITS

Date Adopted/Last Revised: January 27, 2009

**The Superintendent will not cause or allow jeopardy to the organization’s fiscal integrity or public image when dealing with employment, compensation, or benefits for employees, consultants, or contractors.**

*I interpret cause or allow jeopardy to the fiscal integrity or public image of the District to mean that I must ensure that District-funded personnel costs will not produce an unfunded obligation for the District such that the District will not be able to meet its payroll and service payables. The District also conducts background and reference checks and completes CDE licensure verifications as appropriate in order to not impact negatively the district’s public image by employing unqualified personnel.*

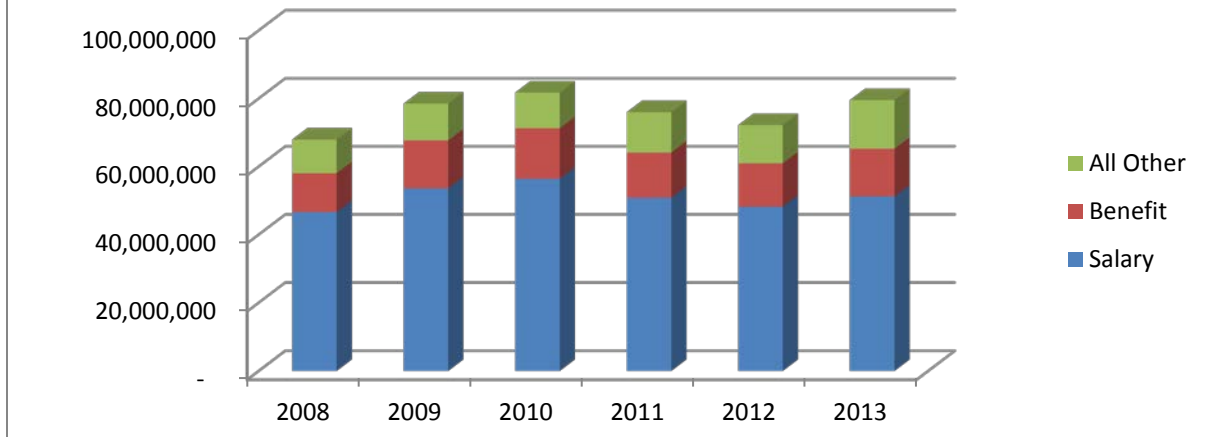
*I interpret consultants and contractors as suppliers who provide specialized services. These individuals are on contracts which are temporary in nature with a start and an end date agreement.*

### **Data Reported:**

For Fiscal Year 2014, \$84,007,817 is budgeted for salaries and benefits. Estimated expenditures for the fiscal year are \$82,207,623, or \$1,800,194 less than the revised budget. The estimated savings is primarily due to: (1) approximately \$500,000 savings from employee benefits; and (2) \$1.3 million budget for early retirement and long-term service programs that will be spent in future fiscal years.

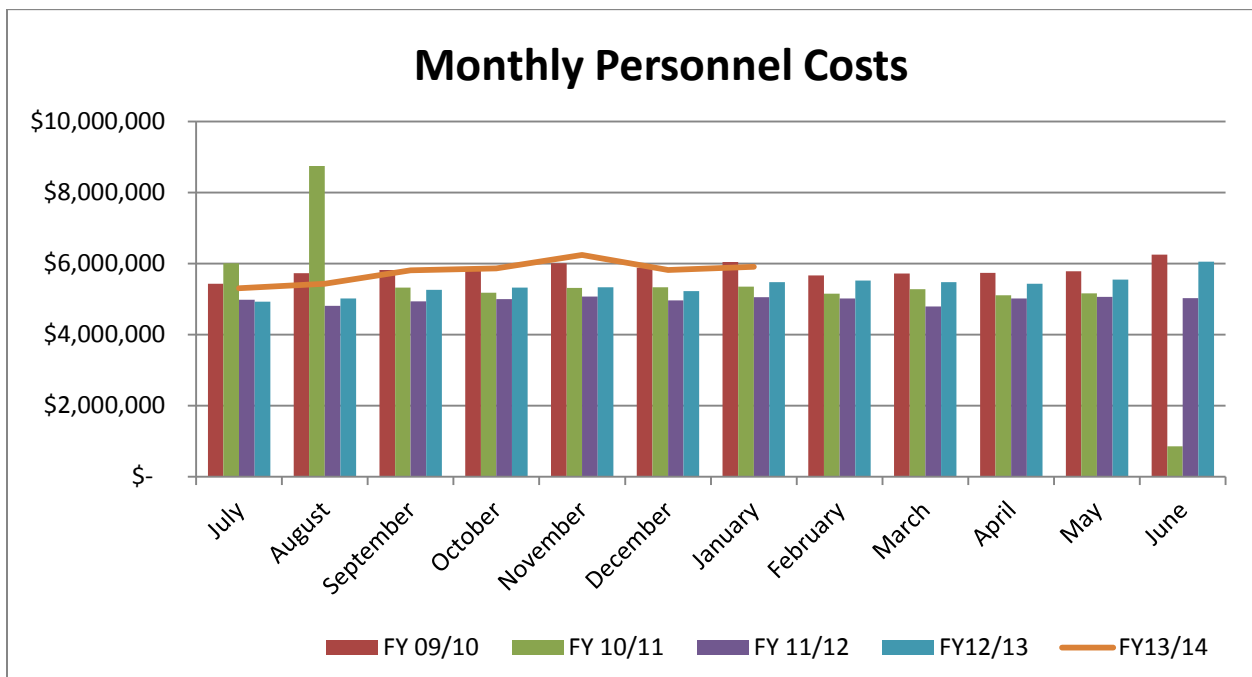
Salaries and benefits currently account for 81.6% of the general fund expenditures. The graph below shows the expenditure history in salaries and benefits for the past six (6) years. Salaries are approximately 64% of the total budget in spite of increasing enrollment and steady or decreasing per-pupil revenue. Over the last three fiscal years, benefit costs have remained relatively flat as a percentage of total salaries. However, a small increase was incurred for Fiscal Year 2014 due to the legislatively mandated increases in PERA retirement contributions.

## Salary and Benefits vs Total General Fund Expenditures



Below is an illustration of personnel costs for Fiscal Year 2009 through January of Fiscal Year 2014. Expenditures were much higher in August 2010 and much less in December 2011 than in other comparison years. This is due to a one-time adjustment to better align payroll with actual contract days. For example, previously the first day of a teacher's contract would be August 9<sup>th</sup> but the teacher would not receive pay for that new contract until September 30<sup>th</sup>. Under the new system, they would be paid at the end of August.

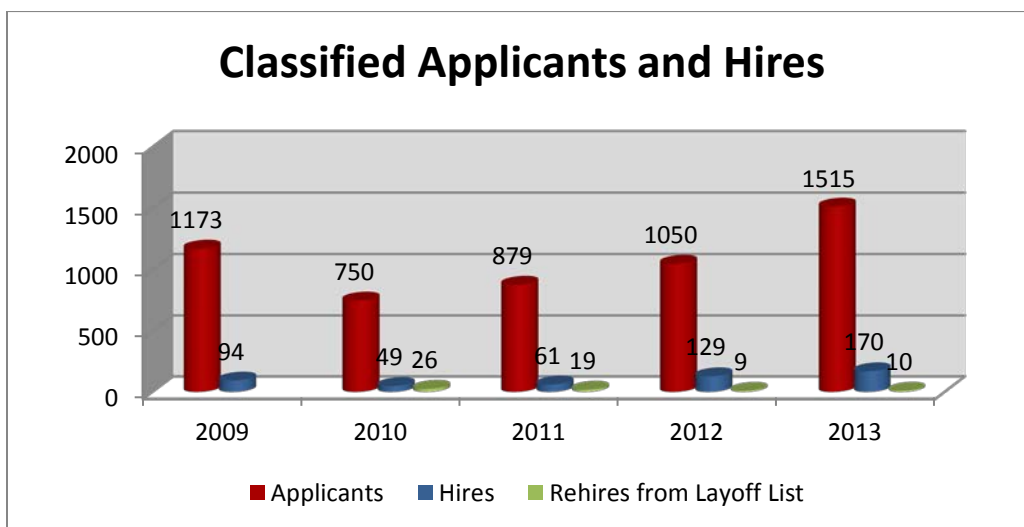
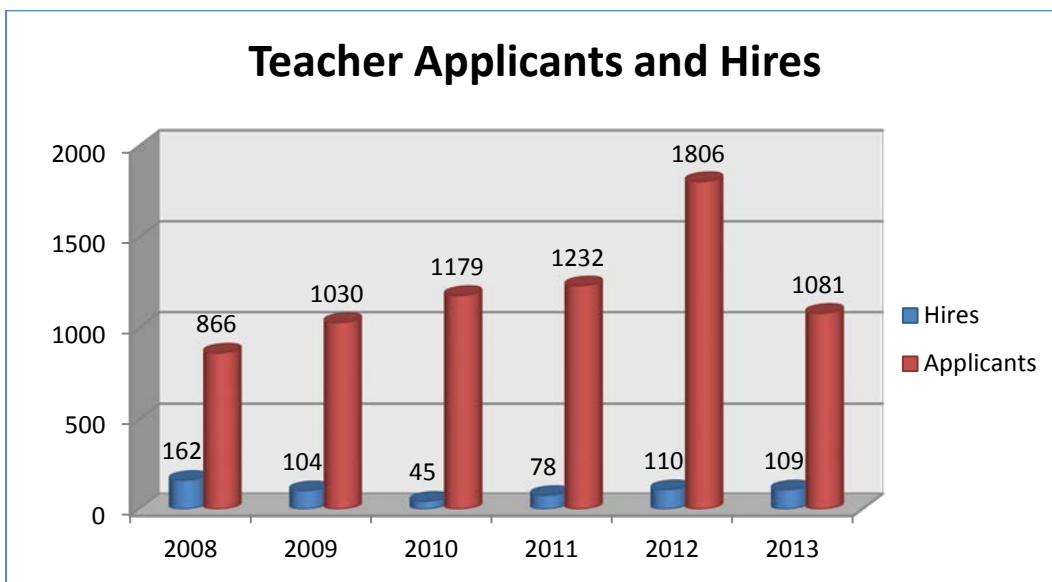
## Monthly Personnel Costs



To protect the District’s public image, the District conducts background checks and reference checks, drug testing as required by law, and completes licensure verifications for certified staff. This prevents the District from employing unqualified or unsafe personnel, which would negatively impact the District’s public image.

The image of the District as it pertains to employment can be measured by the number of position openings versus the number of applicants. An organization that possesses a valuable reputation as a quality employer will have a large number of applicants for its available positions.

The graphs below compare the number of open certified and classified positions to the numbers of applicants for those positions.

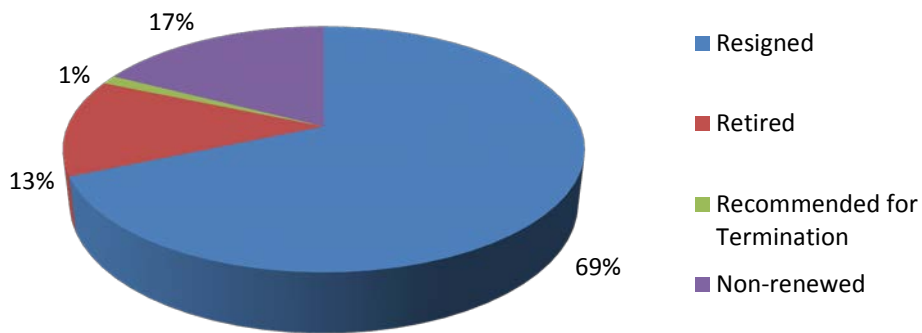


Recruiting and retaining high-quality employees is critical to maintaining public support and a positive public image. Poorly performing employees or employee misconduct was not allowed to jeopardize the District's public image without action. In this regard, appropriate administrative or disciplinary actions, up to and including suspension and employment termination, as evidenced by the terminations and non-renewals due to performance below, were recommended.

### Turnover data for Certified Staff

Total Turnover = 12%

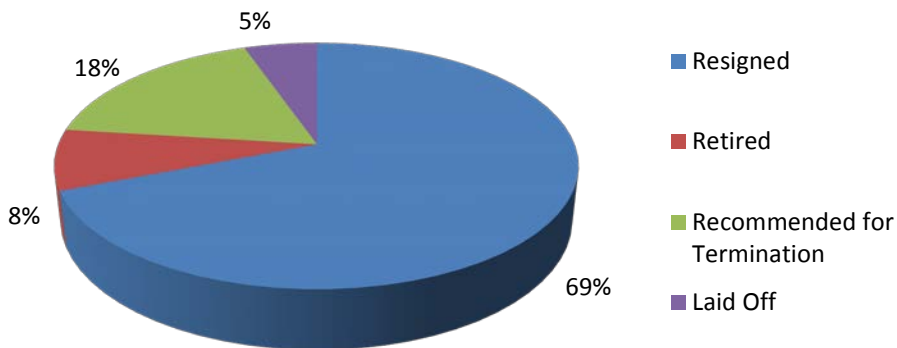
n = 113



### Turnover data for Classified Staff

Total Turnover = 19%

n = 86



As the charts above illustrate, of the 16% of total employees who left the District in 2013, 79% left of their own volition through resignations and retirements.

Exit surveys are given to staff who leave the district voluntarily. Of those who left the District

by choice, 76% reported feeling satisfied with their experience in the District.

When the District takes disciplinary action, it is inevitable that in some instances the District's image will suffer if the disciplined individuals' actions become public. However, the District's prompt and appropriate disciplinary actions prevent far more extensive and lasting damage to public image. The District's actions have been upheld as consistent with Board Executive Limitations and Superintendent Policy and have prevented potentially more severe and lasting damage to public image.

A further indicator of compliance with Superintendent policy is in the successful completion of negotiations with the employee associations. In the spring of 2013, interest-based negotiations culminated in contracts extending through June 2016 for both employee associations. In anticipation of the expiration of the contracts, employee associations and district staff continue to meet to draft potential contract changes.

**Conclusion: I report compliance.**

**The Superintendent will not:**

**1. Change his or her own compensation or benefits.**

*I interpret change his or her compensation and benefits to mean: The Board of Education sets the annual compensation and benefits package for the Superintendent.*

**Data Reported:**

I have not initiated any changes to my base salary, benefits, and/or other financial incentives outside of those outlined in the contract between myself and the Board of Education executed on May 24, 2011 for the period July 1, 2012 through June 30, 2014, and October 22, 2013 for the period July 1, 2014 through June 30, 2016.

Changes to my annual contract are initiated by Board of Education, implemented by Human Resources and reviewed for quality assurance by the Payroll department. In addition, external auditors include this review as part of their auditing process and report.

**Conclusion: I report compliance.**

**The superintendent will not:**

**2. Promise or imply anything other than "at-will" employment except designated classified and certified employees.**

*I interpret at-will employment to be an employment relationship that can be*

*terminated by either party at any time for any reason.*

*I interpret designated classified and certified employees as those employees who have entered into an express contract governing the employment relationship and those who are covered under a union collective bargaining agreement.*

### **Data Reported:**

Applicable state and federal laws along with Superintendent Policies, Master Agreements and other employment-related contracts prohibit language that indicates entitlement to employment beyond the current fiscal year, and provide for staff reduction as may be required. These documents provide for the discontinuance of the employment relationship as defined below:

#### Administrative/Professional Positions:

Certain employees within this classification are employed on a year-to-year basis and provided with an updated contract annually. Employees who are not issued contracts are employed on an at-will basis and the employment relationship can be severed at any time by either party.

#### Certified Staff:

State Statute C.R.S. 22-63-203 (2)(a) *Teacher Employment, Compensation and Dismissal* indicates that all teachers new to the District, regardless of their previous experience, are subject to non-renewal during the first three years of employment.

Upon completion of the probationary period, teachers are subject to C.R.S. 22-63-301 *Teacher Dismissal* and are therefore subject to dismissal on statutory grounds. The statute and the Master Agreement require that the removal of non-probationary staff must be based on just cause and due process.

In the case of a reduction in force, the certified bargaining agreement contains specific guidelines for the implementation of a reduction as outlined in “Article 11 – Reduction in Force.” The ability to implement staff reductions supports a year-to-year employment relationship.

#### Classified Staff

Reductions in force for classified staff can be accomplished as outlined in the Classified Master Agreement Article 13 – “Layoffs” and Article 14 – “Reduction in Force.” Classified staff can be reduced with ten (10) days’ notice.

#### Substitute Staff

By virtue of there being no contract, substitute staff are at-will employees. The employment relationship can be severed at any time by either party.

**Conclusion: I report compliance.**

**The superintendent will not:**

**3. Establish current compensation and benefits that deviate materially from the geographic and/or professional market value for the skills employed.**

*I interpret deviate materially from the geographic or professional market to mean salary plans and other financial enhancements, as part of total compensation, will align with our organizational value of providing employee compensation at a level that allows us to become and remain an employer of choice in the market while remaining financially responsible.*

**Data Reported:**

**Salary Comparison**

The District maintains its compensation philosophy to remain 7% below to 3% above the market average in minimum, midpoint, and maximum salaries. Our market is composed of eight school districts who are in close proximity to 27J and who are comparable in size. Other public entities are included for comparison when they have comparable positions, as are private entities when they are willing to disclose salary information.

In February of 2014, Oehm Consulting Services, Inc. (OCS), the District’s market-based compensation consultant, conducted an annual salary survey comparing Denver metro-area school districts’ “benchmark positions.” These positions are common among employers within the market. The summarized results for Administrative/Professional and Classified positions are as follows:

<b>Position Type</b>	<b>Salary minimum % over (+) or under (-) market</b>	<b>Salary midpoint % over (+) or under (-) market</b>	<b>Salary maximum % over (+) or under (-) market</b>
Administrative/Professional	-5.31	-6.36	-6.85
Classified	-1.2	-1.8	-2.0

The District is within our band of tolerance of -7% to +3% of market average.

For certified staff, an analysis of selected points on the salary schedule was conducted by School Board Services in February of 2014. The summary of results for certified positions within our market is as follows:

<b>Position Type</b>	<b>Base salary % over (+) or under (-) market</b>	<b>BA maximum % over (+) or under (-) market</b>	<b>26-year* earning power % over (+) or under (-) market</b>	<b>Salary schedule maximum % over (+) or under (-) market</b>
Certified	-4.06%	+2.4	-1.48%	-4.03%

\*Twenty-six years is the average number of years of service teachers have when initiating their retirement.



In addition to base compensation, certified staff members have a number of opportunities to earn additional pay, or stipends, for additional work. These amounts are awarded contingent upon completion of tasks agreed upon in the Certified Master Agreement. Stipend amounts vary widely between districts and positions as is illustrated in this report in the Appendix.

Benefits Comparison

Employee benefits make up a significant portion of personnel costs. Benefit plan comparisons include premiums for Health, Dental, Vision, Life, and Disability insurance for employee-only benefits. The result of the benefit survey conducted in December of 2013 by School Board Services is as follows:

<b>Compensation Type</b>	<b>% over (+) or under (-) average market benefits contribution 2010-2011</b>	<b>% over (+) or under (-) average market benefits contribution 2011-2012</b>	<b>% over (+) or under (-) average market benefits contribution 2012-2013</b>
Benefits – premium only	-0.4	-14.5	-2.75
Benefits – premium plus Health Savings Account (HSA) contributions	12.38	8.4	3.32

In previous years, the District had offered the highest benefit package in our defined market. Over the past two years, if we include HSA contributions, we are third lowest out of the eight districts. Not including the HSA contribution (which is a benefit but not a premium cost) we are below our market average for premium contribution.

Our current place in the benefit market is consistent with our compensation philosophy. The move to consumer-directed health plans and paying HSA contributions instead of health insurance premiums was an intentional one, designed to contain costs. Premium costs are controlled by the insurance carriers and the health care market. Health-care costs can, to some extent, be controlled by the consumer on a high-deductible plan, and HSA contribution-levels are controlled by the District.

The District has realized additional savings in benefits cost due to the increase in the number of employees who waive medical insurance coverage. When a spouse or partner also has employer-provided health insurance, many of our employees had been “double-covered,” meaning that whatever our plan did not cover, the spouse’s plan typically would. Because double-coverage makes one ineligible for an HSA account, many employees have elected to waive our coverage in favor of a spouse’s. This saves the District premium as well as claims costs. For the 2012-2013 plan year, 162 employees waived medical coverage and for the current year, 157 have done so.

In order to curb ever-escalating health insurance costs and to bring our benefits package more in line with the market, the District changed health insurance plan design and coupled it with an employee wellness program.

These plans save in premium costs while making employees active consumers in their health care, thus reducing claims. Premiums, however, will continue to increase under these plans unless we work at the same time to make our employees healthier. In order to accomplish this, we continue to offer wellness programs to encourage employees to be more active, and offered preventative care under our new health plans covered at 100% well before it was required by health care reform to encourage employees to monitor and improve their health.

The results to date of employee wellness participation for the 2013-2014 school year are summarized below

Activity	Total
<b>Flu Shots</b>	261 employee shots
<b>Maintain Don't Gain Program</b>	79 participants
<b>Thrive Across America</b>	82 challengers with 136,515 activity minutes
<b>21 Kaiser Permanente Sponsored Fitness/Health Education Classes – completed or current (10 additional starting March/April)</b>	534 class attendees
<b>Polar Real Age Fitness Assessment Testing</b>	491 – 2012-2013 total tests – 136 - 2013-2014 after eight schools/worksites
<b>One time events at school/worksite or community - Race for Gym, Turkey Trot, District Swimming, Biggest Loser Contests, Walk to School Day, etc...</b>	364 participants at local and/or community level

Employee wellness participation survey results showed that 66% of staff were able to increase their amount of physical activity by participating in the onsite classes. Additionally, 72% stated they were able to make positive lifestyle changes from the offered Health Education classes, or inner school Biggest Loser challenges. Ninety-five percent (95%) of survey respondents plan to continue exercising and 86% overall felt their health improved since engaging in employee wellness events and classes. Thrive Across America challenges only increased physical activity for 22%. Polar Fitness testing was inconclusive: 31% made positive changes due to test results, however, not all locations have been tested yet.

**Conclusion: I report compliance.**

**The superintendent will not:**

- 4. Pertaining to consultants and contract vendors, create obligations over a longer term than revenues can be safely projected, in no event longer than one year.**

*I interpret obligations to mean total compensation costs, inclusive of accrued*

*benefits paid out on an annual basis.*

*I interpret one year to mean the fiscal year beginning July 1 of any given year and ending June 30 of the following year.*

**Data Reported:**

Each year the District purchases a variety of services. From July of 2012 through February of 2013, we had 267 instances where services were purchased. Most of those services were a one-time event or fall within a single fiscal year. If for any reason the services provided exceed a fiscal year, a contract is written, each of which includes a non-appropriation clause which enables the District to terminate the agreement at the end of the contract period without further obligation or penalty. This termination may be done in cases where the District is unable to obtain funding for future payment obligations on the contract. Such clauses are required to be compliant with the Taxpayer Bill of Rights (TABOR).

**Conclusion: I report compliance.**

**The superintendent will not:**

**5. Establish or change retirement benefits so as to cause unpredictable or inequitable situations.**

*I interpret unpredictable or inequitable situations to mean those occurrences in which employees are entitled to financial enhancements that are in addition to base compensation and contribute to total compensation which cannot be planned for in the current fiscal year or three-year projections budgeting process. The three-year projection is reasonable because the revenue projections are based upon Colorado Department of Education data, current legislation impacting the School Finance Act, CSAFE and Colorado Trust, as well as historical trends for specific ownership taxes and collection of property taxes.*

**Data Reported:**

All employees are covered by the Public Employees Retirement Association (PERA) which provides a defined-benefit pension to qualified retirees from the District.

In addition, certain employees with 20 or more years of service are eligible for additional benefits from the District upon their retirement. While the District plans annually for these service benefits, they are not considered an unfunded liability per the Governmental Accounting Standards Board as verified by external auditors.

**Long-term Service Benefit**

Currently the District has one administrator with more than 20 years of service who is eligible for long-term service benefits. (S)he is eligible for a payout equal to the average teacher salary

in the year (s)he elects to retire. A gradual phase-out of this benefit for administrators was begun in 2005. At that time, eight employees were eligible for the benefit, seven whom have since retired.

No future administrators who reach this number of years of service with the District will be eligible for this benefit.

Twelve certified staff members who have 20 or more years of service are eligible for a long-term service payment in 2015. The amount of each payment in the certified employee group is dependent on each retiree's current salary: it is the difference between 2008-2009 salary and the average new teacher salary during the 2008-09 school year, which was \$45,128.65. If all 12 certified employees and one administrator were to claim this average benefit on January 31, 2015, a resulting liability of approximately \$338,730.35 would be incurred.

In addition, 14 other certified staff members have completed 15 or more years of continuous service as of July 1, 2009, and shall become eligible for the long-term service benefit after completing 20 years of continuous service, per section 10-10-1 of the BEA master agreement. The current liability for these 14 certified staff members is approximately \$217,041.90.

This benefit is being phased out and no additional certified staff members will be eligible for this benefit in the future.

Early Separation Pay

Five classified employees with 20 years or more of service to the District are eligible for early separation pay this year. Eligible employees receive one payment of 90% of their salary. If all five employees were to claim their benefit this year, a resulting liability of \$224,208.76 would be incurred.

As of this writing, four of the five employees have indicated a desire to retire this year. They have opted to receive the payout in January, 2015 in the amount of \$186,052.70.

This is the last year this benefit is available and no additional classified staff members will be eligible for this benefit in the future.

The following summarizes approximate liability totals, along with possible ways to address funding issues in the unlikely event that it is needed.

Administrator and Teacher Long-Term Service Benefits	\$555,772.35
Classified Early Separation Pay	\$224,208.76
Total Potential Liability	\$779,811.11

The following budgetary sources are available in the unlikely event funding is needed to cover the potential liability:

1. The District has 221 probationary teachers who could be non-renewed at an

average salary cost of \$45,783.05 each and an average benefit cost of \$14,069.05 per person for a total of \$13,227,314.19.

2. District classified staff can be reduced with a 10-day notice. With a total classified payroll of \$16,277,314.72 and benefits of \$4,557,648.12, portions of the total \$20,834,962.84 liability could be realized from this employee group to balance a fiscal need.
3. Administrative/Professional staff members are on year-to-year contracts and may be reduced as necessary, representing a payroll of \$6,974,910.17 and total benefits of \$1,767,886.02 for a total of \$8,742,796.19.

The current structure of retirement benefits is equitable across employee groups. Retirement payouts are being phased out in all employee groups. Only a limited number of employees who are “grandfathered” into the program are eligible for the payout and no new employees will become eligible.

In addition, these benefits are relatively predictable. In the case of certified employees, the payout is calculated based on the difference between average new teacher and the retiree’s last salary, but this difference has remained relatively stable as new teacher and veteran salaries have increased commensurately. In the case of classified staff, the payout is calculated based on the employee’s salary on the 2009 pay schedule. This is a static amount that can be calculated now and predicted in future budget years. District retirement benefits are now both predictable and equitable.

**Conclusion: I report compliance.**

**APPENDIX**  
Stipend Comparison

**2013-2014 COACHING PAY  
SCHEDULE**

DISTRICT	HEAD		ASST		MS		HEAD		ASST		MS		HEAD		HEAD		HEAD	
	FOOTBALL		FOOTBALL		FOOTBALL		BASKETBAL		BASKETBALL		BASKETBALL		TRACK		WRESTLING		VOLLEYBALL	
	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX
BRIGHTON 27J	3030	4505	2063	3337	1360	1360	3030	4505	2063	3337	1360	1360	2470	3867	3030	4505	3030	4505
ADAMS 12 FIVE STAR	3683	4955	3042	4294	1761	2970	3683	4955	3042	4294	1761	2970	3523	4760	3523	4760	3523	4760
JEFFERSON	3698	6088	2857	5247			3698	6088	2857	5247			3362	5652	3362	5752	3698	6088
AURORA	3916	6164	2984	4697			3916	6164	2984	4697	2611	4110	3357	5284	3357	5284	3357	5284
COMMERCE CITY	2786	4028	1959	2924	1959	2924	2786	4028	1959	2924	1959	2924	2786	4028	2786	4028	2786	4028
MAPLETON	2713	4587	1900	3207	1358	2293	2713	4587	1900	3207	1358	2293	2328	3934	2328	3934	2328	3934
BOULDER	3795	5488	2530	3659	2017	2917	3795	5488	2530	3659	1641	2373	2872	4153	2872	4153	2872	4153
ST. VRAIN	3966	6148	2932	4544			3966	6148	2932	4544			3966	6148	3966	6148	3277	5079
WESTMINSTER	3645	5485	2486	4326	1221	3081	3645	5485	2486	4326	1221	3081	2858	4718	2916	4776	2916	4776
Market Average	3462	5368	2586	4112	1663	2837	3462	5368	2586	4112	1759	2959	3012	4835	3021	4854	3095	4763
% Above / Below Market	-12.49	-16.07	-20.23	-18.85	-18.23	-52.06	-12.49	-16.07	-20.23	-18.85	-22.66	-54.03	-18.00	-20.01	-0.31	-7.20	-2.09	-5.41

**2013-2014 CO CURRICULAR PAY  
SCHEDULE**

DISTRICT	BAND		VOCAL/CHOIR		DRAMA		NEWSPAPER		YEARBOOK		HONOR SOC		CHEER/PEP		JUN CL SPON		SEN CL SPON		STUD COUNCIL	
	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX
BRIGHTON 27J	3685	3685	3392	3392	2292	3578	1672	2637	1982	3056	920	1408	3030	4505	920	1408	920	1408	1982	3056
ADAMS 12 FIVE STAR	3683	3683	3683	3683	2626	2626	1921	1921	1921	1921	1185	1185	1281	1281	3202	3202	640	640	1921	1921
JEFFERSON	3698	6088	3698	6088	3698	6088	2017	6088	2857	6088			857	6088					2017	4407
AURORA	3916	6164	3916	6164	3916	6164	3357	5284	3357	5284	500	500	3916	6164	1200	1200	1200	1200	2611	4110
COMMERCE CITY	1654	2580	1654	2580	1654	2580	1654	2580	1654	2580	1237	1863	1654	2580					1237	1863
MAPLETON	1592	2267	1592	2267	1592	2267	967	1238	1745	2947	1358	2293	1745	2947	2713	4587	2713	4587	967	1238
BOULDER	1983	2868	2359	3411	2359	3411	2359	3411	2359	3411	1094	1582	2154	3115	718	1038	718	1038	1641	2373
ST. VRAIN	Varies by school location		Varies by school location		Varies by school location		Varies by school location		Varies by school location		Varies by school location		2932	4544	Varies by school location		Varies by school location		Varies by school location	
WESTMINSTER	3645	5485	3645	5485	2916	4776	2858	4718	2858	4718	1221	3081	2916	4776	2312	4132	1526	3386	2858	4718
Market Average	2882	4162	2935	4240	2680	3987	2162	3606	2393	3850	1099	1751	2182	3937	2029	2832	1359	2170	1893	2947
% Above / Below Market	27.88	-11.46	15.56	-19.99	-14.48	-10.27	-22.66	-26.87	-17.18	-20.62	-16.30	-19.57	38.87	14.43	-54.66	-50.28	-32.32	-35.12	4.69	3.69