

**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.



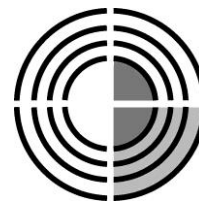
Signed: _____

Superintendent, School District 27J

March 13, 2018



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



Policy 3.G – COMPENSATION & BENEFITS

Date Adopted/Last Revised July 29, 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.

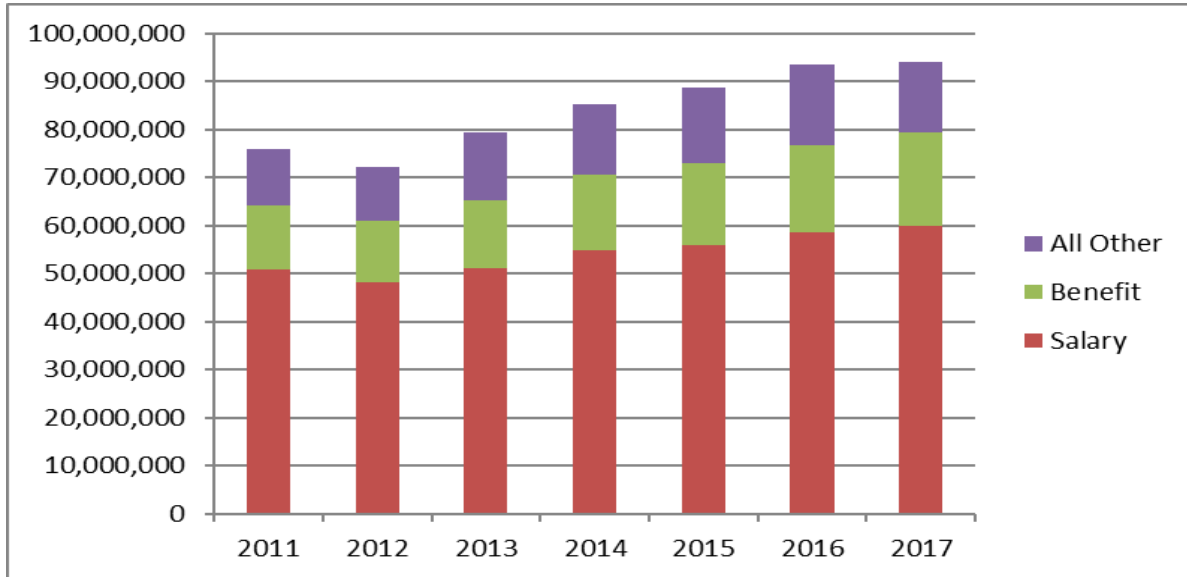
I interpret consultants and contractors as suppliers who provide specialized services. These individuals are on contracts which are temporary in nature with a start and an end date agreement.

Data Reported:

For fiscal year 2016-17, \$98,026,238 is budgeted for salaries and benefits. Actual expenditures for the fiscal year are \$96,650,439 or \$1,375,799 less than the revised budget. The savings is primarily due to budgeted reserves for staffing allocations and compensation variances for current and future fiscal years.

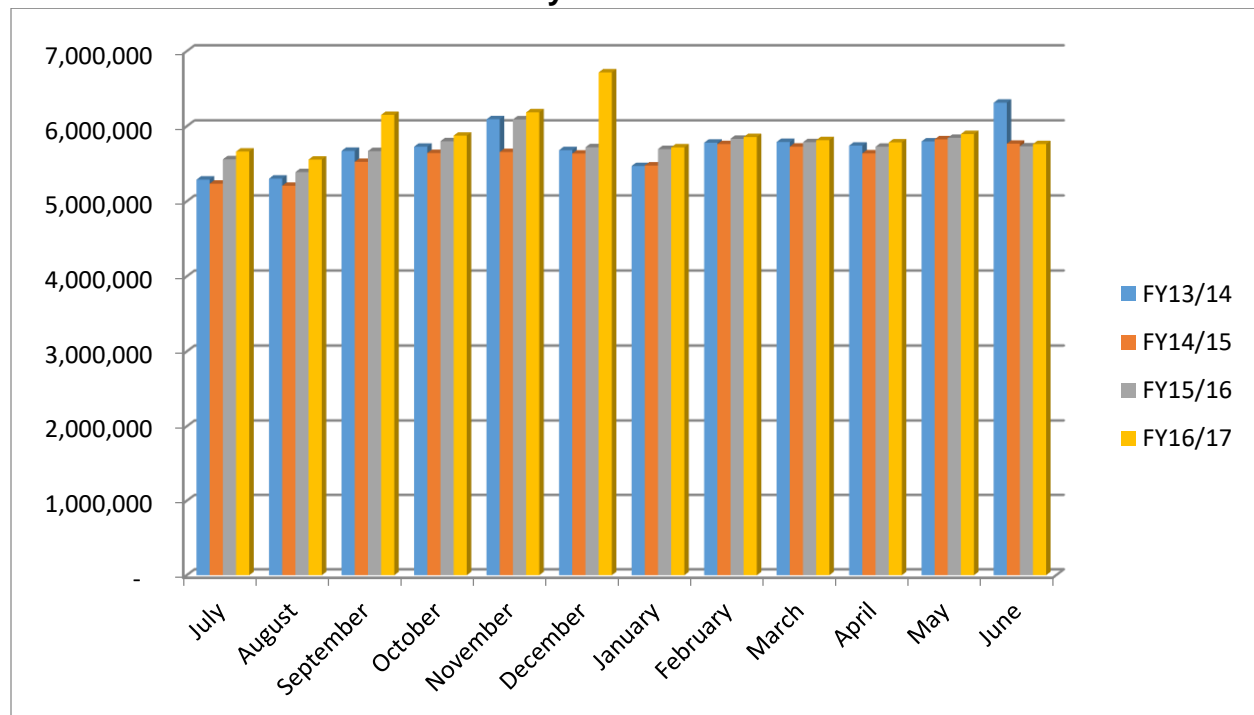
Salaries and benefits currently account for 84.3% of General Fund expenditures. The graph below shows the expenditure history in salaries and benefits for the past seven (7) years. Salaries are approximately 64% of the total budget.

Salary and Benefits vs. Total General Fund Expenditures



Below is an illustration of personnel costs (salaries) for fiscal year 2014 through 2017. In fiscal year 2013-14 the five-year agreement for classified early retirement reached its end. Due to the completion of the agreement the personnel costs in fiscal year 2014-15 were lower. In addition, the District paid one-time stipends in September and December to all employees in fiscal year 2016-17.

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 graph below compares the number of open certified and classified positions to the numbers of applicants for those positions.

Applicant and Hires Certified		
	Applicants	Hires
2015-2016	579	122
2016-2017	942	121

Applicant and Hires Classified		
	Applicants	Hires
2015-2016	519	176
2016-2017	909	266

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.

Causes of turnover for Certified Staff 2016-2017

Retired	Resigned	Non renewed	Positive eliminated	One Year Only	Leave of absence	110 ended (PERA)
19	95	18	1	5	4	6

Causes of turnover for Classified Staff 2016-2017

Retired	Resigned	Resigned in lieu of dismissal	Dismissed	One Year Only	Exhausted FMLA	No call No shows
5	149	2	9	6	5	5

Of the 148 certified staff who left the District in 2016-2017, 85% left of their own volition. Of the 181 classified staff who left the District 86% left of their own volition.

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 2017, interest-based negotiations culminated in contracts extending through June 2020 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 School District 27J executed on October 22, 2013 for the period July 1, 2014 through June 30, 2016, and between myself and the District executed November 11, 2014 for the period July 1, 2015 through June 30, 2017, and between myself and the District executed October 27, 2015 for the period July 1, 2016 through June 30, 2018, and between myself and the District executed November 14, 2017 for the period July 1, 2018 through June 30, 2021.

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. 22-63301 *Teacher Dismissal* and are therefore subject to dismissal on statutory grounds. The statute and the Master Agreement require that the removal of nonprobationary staff must be based on just cause and due process. The Master Agreement under Article 7 – Evaluation has a process for supporting and dismissing non-probationary teachers for teaching performance called the Intensive Track.

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 2017, 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:

Position Type	Salary minimum % over (+) or under (-) market	Salary midpoint % over (+) or under (-) market	Salary maximum % over (+) or under (-) market
Administrative/Professional	-2.77	-2.09	-1.59
Classified	-5.40	-6.50	-7.20

For certified staff, an analysis of selected points on the salary schedule was conducted by School Board Services in February of 2016. The summary of results for certified positions within our market is as follows:

Position Type	Base salary % over (+) or under (-) market	BA maximum % over (+) or under (-) market	26-year* earning power % over (+) or under (-) market	Salary schedule maximum % over (+) or under (-) market
Certified	-9.82	-2.03	-6.80	-9.78

*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.

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

Benefits Comparison

Employee benefits make up a significant portion of personnel costs. Benefit plan comparisons include premiums for Health, Dental, Vision, and Life insurance for employee-only benefits. The result of the benefit survey conducted in February 2017 by School Board Services is as follows:

Compensation Type	% over (+) or under (-) average market benefits contribution 2012-2013	% over (+) or under (-) average market benefits contribution 2013-2014	% over (+) or under (-) average market benefits contribution 2014-2015	% over (+) or under (-) average market benefits contribution 2015-2016	% over (+) or under (-) average market benefits contribution 2016-2017
Benefits – premium only	-2.75	+0.27	+1.0	+0.54	+8.27
Benefits – premium plus Health Savings Account (HSA) contributions	+3.32	+5.45	+4.58	+2.20	+9.91

In previous years, the District had offered the highest benefit package in our defined market. Including the HSA contribution (which is a benefit but not a premium cost) we are currently 3rd highest in our market.

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 2016-2017 plan year, 200 employees waived medical coverage.

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 of employee wellness participation for the 2016-2017 school year are summarized below:

Activity	Total
<u>Onsite</u> physical, mental or emotional type classes sponsored by Kaiser Permanente	402 different class sessions offered for 271 employees to attend
<u>Telephonic</u> Health Coaching sponsored by BratLabs Inc.	104 personal sessions conducted with employees
JOOL Health – Purpose Driven Health Engagement App	Overall positive outcomes with noted improvements in sleep, presence, activity, creativity, eating, energy and willpower
SMART – Mindfulness in Education – Mindfulness for Educators	93% of post survey expectations were met, exceeded or greatly exceeded
District Wide Weigh and Win Program	46% reduction in weight across participants

End of Year – Stress Survey	75.5 % of 302 employee responses –indicated their level of stress in the prior 9 months was chronic
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These continued efforts can result in even further containment of benefits costs.

Conclusion: I report non-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 2016 through June 2017, we had 682 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.

Certified Long-term Service Benefit

Currently eleven certified staff members who have 20 or more years of service are eligible for a long-term service payment per section 10-10-1 of the BEA Master agreement. Eligible employees who voluntarily resign or retire shall receive a payout that equals the difference between the teacher's actual salary for the 2008-2009 school year and the \$45,128.65 average salary of full-time teachers hired by the District during that school year.

If all eleven certified employees and one administrator were to claim this average benefit a resulting liability of approximately \$202,576.04 would be incurred.

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

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

1. The District has 226 probationary teachers who could be non-renewed. 194 Non-SPED and 32 SPED Teachers -- AVG cost non-sped (194) is \$55,380 + benefits of \$18,829 = \$14,396,546 SPED Teachers (32) cost \$57,532 + Benefits \$17,639 = \$2,405,472 . Total combined is \$16,802,018.
2. The District has 790 classified staff who could be reduced with a 10-day notice. With an average classified salary cost of \$22,373.45 each and an average benefit cost of \$8,859.31 per person, portions of the total \$24,673,880.40 liability could be realized from this employee group to balance a fiscal need.
3. The District has 114 administrative/professional technical staff members who are on year-to-year contracts and may be reduced as necessary, representing an average salary cost of \$74,953.14 each and an average benefit cost of \$21,159.45 per person for a total of \$10,956,835.26.

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 a static amount that can be calculated now and predicted in future budget years. In the case of classified staff, the payout has ended. District retirement benefits are now both predictable and equitable.

Conclusion: I report compliance.