



Denver Public Schools
Professional Compensation System for Teachers

ProComp

ProComp Trust Board of Directors

March 04, 2015 5:30 p.m.
Emily Griffith Conference Room 1135
1860 Lincoln St, Denver CO 80203

IN ATTENDANCE: David Hart (Chairman), Mark Ferrandino, Mike Johnson, Tom Buescher (Secretary), Kate Kotaska,

ATTENDED VIA CONFERENCE CALL: Lawrence Garcia (Arrives 5:50);

STAFF IN ATTENDANCE: Matthew Groves

NOT IN ATTENDANCE: Donald Gilmore (Vice Chairman), Cecilia Miller

OTHERS: Stuart Payment, Jake O'Shaughnessy, Ryan Cunningham, Mary Brauer

Action Items:

I. Approval of Agenda

1. We will schedule a meeting prior to April 20th.

A. Mark will contact missing members.

II. Approval of January 28, 2015 meeting minutes (No Quorum)

III. Approval of FY16 Budget (No Quorum)

1. FY16 Proposed Summary

2. Cash Flow 5% return on investment

3. Cash Flow 6% return on investment

4. Transition Team Approved Assumptions

A. Hart: We need to know the underlying assumptions that the Transition Team made.

B. Garcia: Our situation is not the titanic, District growth is based on student growth.

C. Ferrandino: We're trying to get through this dip, do we want to take the risk of going below zero. We're looking at 2% and 3% growth in the foreseeable future.

D. Johnson: Why does the fund balance increase? Kotaska: Because the traditional pay scale will catch up and over take the ProComp salary.

- E. O'Shaughnessy: We also have a fiduciary responsibility. It appears that we're just going to hit a low point. What is your risk tolerance, what is your time horizon? Risk tolerance is very low, your horizon is short, but in the longer term your risk will increase as your funds improve. What would be the ramification over the next few years?
- F. Garcia: The decisions at the time were based on best available information.
- G. Hart: We need the Transition Team to reassess their point of view.
- H. Buescher: Any projection is not reliable beyond five years. Our job is to make sure we can pay what the ProComp has to pay. Our projection is going up, why? We aren't trying to make money. If the projection flattened out, wouldn't that be better? Quicker reassessment of assumptions needs to be done so that if there are issues, then in the short term, that we need to take that into account.
- I. Hart: The uptick is the unreliable part. The uptick is based on existing agreements and assumptions. It is an artifice that we're coming to the current fund level. We don't want to go so low that we don't have sufficient revenues to make payments. We do need to course correct more effectively. Initially, our investment income was really close to zero but not by design.
- J. Garcia: It was by design that it was initially so high, it was a totally different system initially, intended to backfill.
- K. Hart: Agree to Disagree.
- L. Ferrandino: I don't feel confident in the assumptions and projections that it isn't a place where we could be negative. I don't want a chance of being negative.
- M. O'Shaughnessy: Buck can show you the probability of going negative.
- N. Buescher: No one wants it to be negative. I don't see enough to cause concern in the near future. I've never known a finance director to be terminated for under estimating revenue and over estimating expenditures. Therefore, we underspend, which doesn't make sense, we're here to establish a system that draws teachers, rewards excellence. I will vote against a doom and gloom scenario.
- O. Ferrandino, we need to make sure our model happens. If we assume that this graph overstates our balance by 3M. Then we drop to 7M in the future. If we spend an extra million, and so on, we get down to a lower number. I need a 10-15% reserve to feel comfortable.
- P. Buescher: Let's look at revenues as well. Maybe the assumptions need to be reevaluated. We have a limited roll, I don't want to overstep.
- Q. Johnson: Who covers a negative?
- R. Ferrandino: Moral or legal answer?
- S. Hart: How would tabor impact too?
- T. Hart: Are the fall payments earned in the prior or current fiscal year? Garcia: Both, testing and growth from previous, and hard to serve from current.
- U. Johnson: We need to know if incentives can be lowered.
- V. Garcia: The incentives are dynamic, not static, they change, assumptions change.
- W. Johnson: Under the contract, can the Transition Team set the level of compensation on an annual basis? Or can they be no less than the levels from the previous year?

- X. Garcia: The contract estimates and Transition Team does the fine details. They don't decide what they get they decide what the cut points are. They have some flexibility but they have to work in a certain range.
- Y. Hart: Part of the problem is schools move in groups. SPF Data plays into the determination of eligibility.
- Z. Garcia: Agree.
- AA. Buescher: The amount of money paid for an incentive, only DPS and DTCA can only modify that amount.
- BB. Garcia: Yes it is negotiated. ProComp is currently being negotiated.
- CC. Kotaska: I don't think we have the ability.
- DD. Buescher: Let's talk about whether we bring Buck back and look at assumptions. Have underlying assumptions changed? Get an estimation of fees. What are our options?
- EE. Johnson: What would happened if there are benefits promised but there isn't enough money in the funds?
- FF. Brauer: Your duty is to ensure that doesn't happen.
- GG. Johnson: What would happened if we got a low balance, realizing that we would go below zero, how much flexibility does the Transition Team have to adjust?

Adjourned