



# ProComp

## Teacher Compensation Trust Board of Directors

### MINUTES

October 13, 2010

MEMBERS IN ATTENDANCE: Jerry Graves (Chairman), Donald Gilmore (Vice Chairman), Tom Buescher (Secretary), Suzi DeYoung, Lee White, and David Hart. STAFF IN ATTENDANCE: Deb Cunningham, Patrick Riordan and Mandy Potts. OTHERS IN ATTENDANCE: Mary Brauer, of Reinhart, Trust Board attorney. MEMBERS NOT IN ATTENDANCE: Mark Harmon and Mary Seawell.

I. Review and Approval of the Agenda

*The meeting convened at 4:42pm. Don Gilmore moved to approve the agenda and Tom Buescher seconded. Motion passed.*

II. Approval of the June 9, 2010 meeting minutes

*Tom Buescher requested adding the results on action item III and VI. Tom Buescher motioned to approve the June 9, 2010 meeting minutes as amended and David Hart seconded the motion. Motion passed.*

Action Items:

I. Acknowledge new ProComp Trustee/ Chief Financial Officer David Hart (Jerry Graves)

*According to the ProComp Trust Agreement, the composition of the Board of Directors is to include three representatives of the District, namely Treasurer of the Board of Education, Chief Financial Officer and Executive Director of Budget and Academic Finance. Brett Fuhrman resigned from the position of Chief Financial Officer of Denver Public Schools effective June 2010. The ProComp Trust Board welcomed David Hart, the new Chief Financial Officer of Denver Public Schools.*

II. Presentation of the 2009-10 Annual Audit Report (JDS Professional Group and Mandy Potts)

*Ms. Korenek stated the audit was free of material misstatement and did receive full and timely cooperation from management. JDS Professionals did not identify any errors or deficiencies and did not make any final audit adjustments. JDS Professional Group used a sample size of 40 transactions and did a "walk through" analysis on each transaction. During this analysis, they did not identify any issues with the internal control structure.*

*Ms. Potts stated the ProComp Trust payroll expenditures rose from \$6,753,016 in FY08 to \$21,841,986 in FY09 to \$28,640,724 in FY10. For the year ended June 30, 2009, the ProComp Trust Fund incurred net investment losses of \$5,650,151. For the year ended June 30, 2010, the ProComp Trust Fund incurred net investment gains of \$4,397,275 due to better performance of investments. At the end of the current fiscal year, the Trust's special revenue fund reported an ending fund balance of \$66,693,665.*

*David Hart made a suggestion to add a disclosure in the annual audit report that the ProComp Trust uses an investment advisor to assist in investment decisions. The Board agreed to add this item in the 2011 annual audit report. David Hart also asked why a subsequent note was not added regarding the November 2010 ballot Amendment 60. Mr. Hart added that if Amendment 60 passes, the district is currently over the allowable mill levy override by roughly \$25M and it is not clear how DPS would solve for the overage. In addition, the CPI that the Trust receives would be illegal. Voters can only vote for the amount in the ballot, thus, there cannot be an inflator and the property tax revenue would return to the original \$25M levy.*

*Tom Buescher asked what the benefit would be to adding this subsequent note. Mr. Hart responded that the addition would show the general public that the Trust is aware of the pending implications to the ProComp Trust Fund. The Board decided that the conversation would be noted in the meeting minutes and not in the annual audit report.*

*David Hart moved to accept the audit and Tom Buescher seconded. Motion passed.*

- III. Motion to approve "Officers of the Trust should be given, upon demand information (summary data, names of teachers) regarding ProComp payouts as it relates to the performance of their duties in monitoring the Trust's internal controls" (Don Gilmore)

*Don Gilmore made a request to DPS for data from the district. Mr. Gilmore added that he does not feel comfortable making an opinion regarding the payment controls if he has limited data access. Deb Cunningham noted the request for data from Don Gilmore was over a three year time period, which is outside the audit period. Ms. Cunningham added this type of data request takes a long time to compile and would like clarification regarding the necessity of this request.*

*Mary Brauer was asked if the ProComp Trust Board has the authority to receive from the district such information as necessary to monitor the Trust. Ms. Brauer asked the Board to consider if the information was necessary to monitor the Trust.*

*David Hart questioned if possession of the data would give any assurance as to the accuracy of payouts. The annual ProComp audit examines the issue of internal controls and proper payouts.*

*The Board asked Tom Buescher to draft an access to information policy and will discuss it at the next scheduled meeting.*

*Don Gilmore motioned to table the motion and Tom Buescher seconded. Motion tabled.*

- IV. Motion to approve Transition Team budget requests- Lawson position management (Deb Cunningham)

*Deb Cunningham reviewed the district's current project, Lawson position management. Lawson position management is a new program designed to specify where teachers work and is important when determining High Growth and Top Performing qualification. The Transition Team approved a budget in the amount of \$225,000 to update the system. Don Gilmore asked if the cost was within the 5% allowable administration cost. Ms. Cunningham responded that it was within the 5% costs.*

*David Hart motioned to approve and Tom Buescher seconded. Motion passed.*

- V. Motion to amend 2010- 2011 ProComp budget (Mandy Potts)

*Mandy Potts presented a budget revision that reflects an increase of \$3,094,153 to the beginning balance, \$131,438 to property tax revenue and \$2,941,244 to the Net Unrealized Investment gains. The revenue is being revised to reflect the actual beginning balance and to match the district's general fund interfund account. Tom Buescher noted that a discussion was held previously that any changes to the actuals should be shown as a variance, not a change to the budget. Mandy Potts responded that the Trust Fund would be out of balance with the General Fund, thus a budget revision is necessary. Suzi DeYoung stated that it was a compliance issue and that by statutory, the Trust's expenses or revenue cannot exceed the budget. The Trust is compelled to adjust the budget to allow the expected revenue.*

*Tom Buescher motioned to approve and Jerry Graves seconded. Motion passed.*

VI. Executive Session: Discuss personnel matters and review legal advice

*An executive session was held to discuss personnel matters and receive legal advice from the ProComp Trust legal counsel.*

Information Items:

I. August 2010 Financials (Mandy Potts)

*Mandy Potts reviewed the August 2010 financials. The Net Assets of the Trust Fund as of August 2010 was \$69.2M.*

XII. Future Agenda Items

1. Elect ProComp Trust Officers
2. Approval of the FY12 ProComp budget
3. Approve Investment Advisor contract

The meeting adjourned at 6:40 pm.

The next meeting will tentatively be January 19, 2011 at 4:30pm.