

Internal Monitoring Report
September 11, 2018

Policy Title: **Compensation and Benefits**
Policy Type: Executive Limitation
Policy No.: EL 2.7
Period Monitored: August 2017 – July 2018

This report monitors the Board of Education's Executive Limitations Policy.

The Superintendent shall neither cause nor allow jeopardy to fiscal integrity or to public image through employment, compensation or benefits to employees, or independent contractors.

Among other things, the Superintendent shall not:

- 1. Change his or her own compensation and benefits.*
- 2. Promise or imply permanent or guaranteed employment.*
- 3. Establish compensation and benefits that deviate materially from the geographic or professional market for the skills employed.*
- 4. Create obligations regarding compensation and benefits over a longer term than revenues can be safely projected, in no event longer than one year and in all events subject to losses in revenue.*
- 5. Establish or change benefits so as to cause unpredictable or inequitable situations, including those that:
 - a. Incur unfunded liabilities; or*
 - b. Provide less than some basic level of benefits to all full-time employees, unless differential benefits encourage longevity and District Ends performance.**
- 6. Employ or contract with any member of the Board.*

This report is presented in accordance with the Board's monitoring schedule. I certify that the information is true and complete.

Sandra Smyser, Ph.D.
Superintendent of Schools

September 11, 2018

Executive Summary

The main emphasis of this Policy relates to the District's ability to manage and offer competitive compensation and benefits to employees.

The evidence included in this monitoring report indicates that:

- The Poudre School District and its employee groups negotiated a one-year agreement of the Employee Agreement for the 2017-18 school year. The agreement included defined changes to compensation and benefits for employees.
- The negotiated Employee Agreement, contracts, and district policies provide evidence that the District does not guarantee permanent employment to any employee.
- Eleven school districts are routinely monitored and are compared to benchmarks in relation to compensation and benefits. PSD targets to stay within 10% of relevant labor market range for position/salary comparisons and monitors classified, licensed, and administrative/professional staff positions.
- For PSD licensed staff, starting salaries were 5.32% under comparable districts in 2017-18 vs. 3.10% under in 2016-17, salaries for masters & 12 years' experience were 7.54% under comparable districts vs. 5.70% under in 2016-17, and highest salaries were 7.27% under comparable districts vs. 5.28% under in 2016-17. For PSD classified staff, salaries were 0.03% under comparable districts vs. 2.0% over in 2016-17. For administrative/professional staff, salaries were 1.4% over comparable districts vs. 6.0% over in 2016-17. PSD is within the 10% relevant labor market for job/salary comparisons.
- PSD's health plan coverage is more generous than the plans offered by most peer districts including comparable co-payments and co-insurance, and significantly lower deductibles.
- On June 30, 2018, the Employee Self-Insurance Fund had unrestricted reserves of approximately \$6 million. The reserve fund is maintained at a level sufficient to cover approximately three months of claims.

Policy Wording:

Among other things, the Superintendent shall not:

1. Change his or her own compensation and benefits.

Interpretation:

The District interprets this policy to mean that adequate controls are in place that will preclude the Superintendent from being able to change her compensation and benefits approved by the Board of Education, without the approval of the Board of Education.

Evidence:

A written contract between the Board of Education and Superintendent exists.

The Superintendent's Employment Contract is the primary document that defines the compensation and benefits package. The Board of Education determines the annual compensation and benefits package for the Superintendent. The Superintendent's salary and benefits can be confirmed through an audit of the payroll to be determined by the Board of Education.

The above-cited evidence demonstrates that the District has met the requirements of EL 2.7.1 regarding the Superintendent's compensation and benefits.

Policy Wording:

Among other things, the Superintendent shall not:

2. Promise or imply permanent or guaranteed employment.

Interpretation:

The District interprets this policy to mean that the Superintendent shall not obligate the District or lead someone to believe that he or she will always work for the District. District policies, Employee Agreement and other employment contracts do not contain language that indicates entitlement to employment beyond the current fiscal year, and provide for staff reductions as may be required.

Evidence:

The following contractual and policy information provides evidence that the District does not guarantee permanent employment:

1. Under 9.2.1 EVALUATION OF PRINCIPALS, ADMINISTRATORS & PROFESSIONALS and 10.8.6 EVALUATION OF LICENSED EMPLOYEES in the Employee Agreement, the Superintendent's ability to guarantee employment is limited by the following language that states, "Nothing in this policy shall be construed to imply in any manner the establishment of any property rights or expectancy or entitlement to continued employment not explicitly established by statute, Board policy, or contract. This policy and/or the evaluation system will not be deemed or construed to establish any conditions prerequisite relative to renewal of contracts, transfer, assignment, dismissal, or other employment decisions relating to school personnel except as outlined in Colorado state law."
2. Permanent employment is not guaranteed to licensed staff since:
 - a. Teacher employment is governed by the Teacher Employment, Compensation, and Dismissal Act of 1990 and is subject to dismissal based on statutory grounds. Further, the PSD Employee Agreement, Article 14.2.2 states, "The Superintendent shall make the final recommendation to the Board of Education to cancel the employment contract of any non-probationary teacher." Thereby confirming that permanent employment is not guaranteed to licensed educators.
 - b. In the case of a "staff reduction", the Employee Agreement contains specific guidelines for implementation of a reduction as referenced in Article 14.2 – Reduction in Force – Licensed. The ability to implement staff reductions further supports that permanent employment is not guaranteed for licensed staff.
3. Permanent employment is not guaranteed to classified staff since:
 - a. By district policy GDQD, classified employees operate under a 90 calendar-day performance trial period.
 - b. District policy GDQD affirms that the Board of Education delegates to the executive director of human resources the authority to discipline and dismiss classified personnel.
 - c. In the case of a "staff reduction", the Employee Agreement contains specific guidelines for implementation of a reduction as referenced in Article 14.1 – Reduction in Force – Classified. The ability to implement staff reductions further supports that permanent employment is not guaranteed for classified staff.
 - d. Article 15.1 of the Employee Agreement provides a process for building administrators to follow when staffing fluctuations require the elimination or reduction in hours of one or more school-based classified positions.
4. Article 17.1.3 of the Employee Agreement states "An administrator's employment status with respect to his or her current administrative assignment shall be at-will, which means that the administrator serves at the discretion of the Superintendent

and that his or her administrative assignment may be terminated without cause.”.

The District utilizes the procedural contract language respecting all employment, thereby assuring no employees are guaranteed permanent employment. For these reasons, the District has met the requirements of EL 2.7.2.

Policy Wording:

Among other things, the Superintendent shall not:

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

Interpretation:

The District interprets this policy to mean that hourly rates, salaries, and other paid benefits are competitive within the Northern Colorado area. The District utilizes set standards for the amount of money paid to employees and will provide additional offerings to include health, dental, life, retirement, paid and unpaid time off that are not outside a range of more than 10% of the Northern Colorado market of similar local and state school districts or businesses who hire and pay for like services.

Evidence:

Prior to the negotiations and the budget development process, the District’s human resources team reviews appropriate data to ensure that the compensation and benefits programs are in-line with both the geographic area and similarly situated school districts. This is done through local salary survey review and by inspecting salary schedules of like groups in other districts. When potential discrepancies are found, the District works to make modifications either through individual adjustments or through gradual increases and changes to salary scales. This ensures both fiscal responsibility and continued commitment by the District to achieve as much equity as possible for skilled groups.

The following chart summarizes salary comparisons using benchmark positions with other comparable markets during the 2017-18 school year. The market comparison districts are: Academy 20, Aurora Public Schools, Boulder Valley School District, Cherry Creek School District, Colorado Springs District 11, Weld District 6, Littleton Public Schools, Jefferson County School District, Adams 12, St. Vrain Valley School District and Thompson School District. These market comparable districts are defined as the school districts in Colorado having annual student enrollment counts approximately one-half to three times that of PSD located along the Colorado Front Range. Additionally, reference is made to city/county governments and applicable private sector employers using similar benchmark positions as defined by major duties, responsibilities and functions. The customized survey data is reasonable as it is related

to industry standards used by Oehm Consulting Services and Employers Council.

	PSD Classified Positions		PSD Administrative/Professional Positions	
	2016-17	2017-18	2016-17	2017-18
Number of job titles	215	213	46	50
Number of benchmark titles	92	99	29	36
% over/under market	2.0% over	0.03% under	6.0% over	1.4% over

The chart demonstrates that Poudre School District’s Classified and Administrative/Professional pay plans are within the 10% relevant labor market range for job/salary comparisons.

The following chart summarizes salary comparisons for licensed educators at three key points in the salary schedule.

PSD Licensed Staff					
Starting Salary		Masters & 12 Yrs. Exp.		Highest Salary	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
3.10% under	5.32% under	5.70% under	7.54% under	5.28% under	7.27% under

The chart demonstrates that Poudre School District’s licensed educator salaries are within 10% relevant labor market range for job/salary comparisons as noted at three key comparison points: starting salary, mid salary, and highest salary. During the 2018-19 negotiation process all parties agreed to work with an independent compensation consultant to research and recommend any changes to PSD’s current salary structure with special attention focused on the licensed salary schedule.

Benefit Plan Comparison

The following charts compare Poudre School District’s 2017-18 employer contributions for medical, dental and vision insurance in four categories: employee only, employee/spouse, employee/child(ren) and employee/family.

Benefits data used include district contributions for medical, dental, and vision coverage combined.

Peer districts in the market comparison include: Academy 20, Aurora Public Schools, Boulder Valley School District, Cherry Creek School District, Colorado Springs District 11, Weld District 6, Littleton Public Schools, Jefferson County School District, Adams

12, St. Vrain Valley School District and Thompson School District.

Employer Insurance Contribution for Medical, Dental, Vision

	PSD Minimum	Minimum of Peer Districts	Difference	PSD Average	Average of Peer Districts	Difference	PSD Maximum	Maximum of Peer Districts	Difference
Monthly contribution Employee Only	\$531.00	\$471.96	12.51%	\$576.33	\$500.52	15.15%	\$599.00	\$527.80	13.49%
Monthly contribution Employee/ Spouse	\$531.00	\$528.71	0.43%	\$576.33	\$560.58	2.81%	\$599.00	\$590.57	1.43%
Monthly contribution Employee/ Child(ren)	\$531.00	\$513.71	3.37%	\$576.33	\$544.30	5.88%	\$599.00	\$572.78	4.58%
Monthly contribution Employee/ Family	\$531.00	\$600.36	-11.55%	\$576.33	\$639.21	-9.84%	\$599.00	\$677.02	-11.52%

In looking at the chart, PSD appears to be out of the 10% range in the employee only and employee/family tiers. However, these numbers are skewed for the following reasons:

- One peer district contributes significantly less toward the employee-only premium. Removing the data for this district would change the minimum difference from 12.51% to 5.73%, average difference from 15.15% to 8%, and maximum difference from 13.49% to 6.27%.
- Two peer districts contribute significantly more toward premiums for their employees that elect employee/family coverage than they do for employee-only coverage. Removing the data for these districts would change the minimum difference from -11.55% to -1.92%, average difference from -9.84% to 2.16%, and maximum difference from -11.52% to 2.64%.

Furthermore, data shows more districts are increasing premium cost share requiring their employees to pay more of the employee-only premium. PSD has not done this and continues to pick up the majority of the employee-only premium.

Overall, the comparisons show that PSD offers generous benefits at a reasonable premium and tends to be in-line with our peer districts.

The PSD health plans fall mid-range in relation to peer districts for coverage. The PSD plan deductibles are significantly lower than other peer district plans, and the out-of-pocket maximums tend to be on the low end in comparison to peer districts.

When comparing to peer districts, the PSD premium is lower, but the coverage

percentage paid by the plan for services is not quite as good at 75% versus 80-90%.

Poudre School District offers three (3) medical plans including the EPO, PPO-1, and PPO-2 Plans. The health plan coverage is more generous than the plans offered by most peer districts including comparable co-payments and co-insurance, and lower deductibles. Providing more plan options and better coverage is considered a positive when hiring and retaining employees and results in less out-of-pocket costs to employees when obtaining services. However, the more generous coverage generally results in higher premiums.

The following chart lists the maximum number of paid days the classified and administrative/professional employees in the Poudre School District were afforded during the 2017-18 fiscal year in comparison with other similar districts. These figures are based on full time, 260-day employees. Calculations include vacation, floating holidays, personal, and yearly earned sick days.

Paid Days Off	Maximum of PSD	Maximum of Peer Districts
Administrative/Professional	45	49
Classified	45	47

Licensed standard contract length is 186 days per year and is consistent with peer districts.

The District's paid days off of work are statistically similar to peer districts.

For the above reasons, the District has met the requirements of EL 2.7.3.

Policy Wording:

Among other things, the Superintendent shall not:

- 4. *Create obligations regarding compensation and benefits over a longer term than revenues can be safely projected, in no event longer than one year and in all events subject to losses in revenue.*

Interpretation:

The District interprets this policy to mean that total compensation costs, including accrued benefits paid out on an annual basis, are analyzed and integrated into budget planning for the current fiscal year and the following year projections without creating a violation of EL 2.3, Financial Condition and Activities.

Evidence:

The licensed salary schedule used in the District provides the ability for compensation increases on an annual basis. These are normally referred to as “step” increases. Implementation of steps, as well as, any increases to salary schedules is dependent upon state revenues and subject to the collective bargaining process where applicable. Budget planning takes into consideration annual and one-year projections that include compensation and benefits. The January 2018 “Financial Planning and Budgeting” monitoring report details evidence that the District does not create financial obligations that cannot be satisfied within one year.

The above-cited monitoring report is evidence that the District has met the requirements of 2.7.4.

Policy Wording:

Among other things, the Superintendent shall not:

5. *Establish or change benefits so as to cause unpredictable or inequitable situations, including those that:*
 - a. *Incur unfunded liabilities; or*
 - b. *Provide less than some basic level of benefits to all full-time employees, unless differential benefits encourage longevity and District Ends performance.*

Interpretation:

The District interprets this policy to mean that an implementation or change in benefits will only occur with Board of Education approval. Further, the District interprets this policy to mean that financial enhancements that are in addition to base compensation and contribute to total compensation are planned for in the current fiscal year and future years budgeting process.

Evidence:

Through the governance of Poudre School District’s Plan Document and the Open Enrollment information reported annually, the District demonstrates both predictability as well as fair treatment in accordance with the policy since Poudre School District benefits are administered according to the guidelines set forth in the Plan Document that governs the eligibilities of the benefits program. Employee Benefit Eligibility tables, as governed by the Plan Document, are published annually and given to every Poudre School District employee as a part of the Open Enrollment period that occurred from July 2, 2018 to July 16, 2018. In addition, newly hired employees are provided the Employee Benefit Eligibility tables as part of the new employee

information materials.

Policy Wording:

a. Incur unfunded liabilities; or

Interpretation:

The District interprets this to mean that the District's Employee Self-Insurance Fund balance should maintain an undesignated and unreserved fund balance sufficient to cover approximately three months of claims, which is consistent with industry standards.

Evidence:

A stop loss policy is an umbrella policy that limits the District's liability on the total claim of dollars owed for an individual and group in a given plan year. To protect against liabilities incurred through unforeseen benefit claims, the District maintains a stop loss policy of \$300,000.00 per individual.

On June 30, 2018, the Employee Self-Insurance Fund had unrestricted reserves of approximately \$6 million. The Fiscal Management Summary reports, prepared by staff monthly and summarized and presented to the Board of Education on a quarterly basis include supplementary information regarding the Employee Self-Insurance's year-to-date revenues, expenses and changes in fund balance. The reserve fund is maintained at a level sufficient to cover approximately three months of claims.

Based on the above cited evidence, the District has met the expectations outlined in EL 2.7.5a.

Policy Wording:

b. Provide less than some basic level of benefits to all full-time employees, unless differential benefits encourage longevity and District Ends performance.

Interpretation:

The District interprets this policy to mean that staff who are 1.0 equivalency and in regular positions are provided eligibility for employee-related enhancements in addition to base salary.

Evidence:

Employees who work 90 consecutive days (excluding temporary, substitute employees on the “S” salary schedule, and/or any employees with variable working hours and employees receiving PERA retirement benefits) and work 100% based on the then current administrative, professional, licensed, or classified (8 hours per day) calendar are considered full time.

Additionally, all full-time employees are notified in writing of their eligibility for benefits and the specific enrollment requirements as defined in the guidelines set forth in Section 2 of the Employee Agreement.

Additionally, employees meeting the guidelines of a full-time employee as defined by the Affordable Care Act are notified in writing of their eligibility for benefits and the specific enrollment requirements.

All full-time employees are offered the same basic level of health, dental, life, vision, retirement, and paid and unpaid time off. Based on this evidence, the District meets the expectations of EL 2.7.5b.

Policy Wording:

Among other things, the Superintendent shall not:

- 6. *Employ or contract with any member of the Board.*

Interpretation:

The District interprets this policy to mean pay money or other offerings to a current Board member.

Evidence:

A review of hiring records demonstrates that no member of the Board of Education works for the District as an employee or as an independent contractor.

The District has met the expectations of EL 2.7.6