

**GOVERNING BOARD AGENDA ITEM
AMPHITHEATER UNIFIED SCHOOL DISTRICT NO. 10**

DATE OF MEETING: April 13, 2010

TITLE: Review and Approval of Compensation and Fringe Benefits Package for the 2010-2011 Fiscal Year for Administrative, Administrative Exempt, Certificated, Support, Support Exempt, and Professional Non-Teaching Employee Groups (ADDITIONAL INFORMATION of 4-12-10)

BACKGROUND: This addendum provides additional information that was not available at the time the original board book materials were prepared.

The joint meet and confer teams have concluded their meetings and were unable to reach consensus on a compensation package recommendation for the 2010-2011 fiscal year. In a joint statement issued by the teams following their last meeting, the teams stated: "The teams understand the dire financial situation for public education in Arizona, and they deeply regret its inevitable impact on our students, our employees and our community."

Normally, of course, the Governing Board relies heavily upon the recommendation which emerges from the meet and confer process in establishing the compensation and fringe benefits package for each following year. Such a package is typically based upon the event of new or increased funding to be received by the District which will support the recommended compensation package terms. This year, of course, not only was there no new or increased funding for the compensation package terms for next year, but funding for existing compensation terms is to be dramatically reduced under two alternative scenarios.

This new reality of dramatic funding losses, unparalleled in District history, now unfortunately compels a compensation package which reduces existing compensation terms. And, notwithstanding the lack of a meet and confer recommendation this year, the Administration has considered the input of the meet and confer teams to determine the recommendation which is shown in the attached chart and is incorporated in the Budget Development & Reductions agenda item under separate cover.

With essentially 86 cents of every dollar in district operations going toward employee compensation and benefits, it is impossible for the funding cuts imposed by the legislature (as high as 20%) not to impact the compensation of the District's employees.

There are various forms that compensation decreases can take, and it was important to consult with District employees on the difficult options. The administration, in addition to considering the very valuable input received from the Amphitheater Education

Association through the meet and confer process, has also considered the input of employees received through the recent district-wide survey process in developing the attached recommendation. The results of the district-wide survey were shared in detail with the Governing Board at its meeting of March 30, 2010.

Pay Reductions – By Percentage of Pay and Furlough Days

The recommendation reflects a general salary reduction of 2%, across the board for all employee groups. This affects all employees by the same percentage.

In addition, the recommendation reflects three days of furloughs for “affected employees”, meaning those employees who work on certain non-student contact days – specifically: Friday, August 6; Friday, December 17; and Thursday, May 26. A substantial number of employees do not work on these days (instructional aides, bus drivers and monitors, and food service employees). Application of the furlough in this manner will minimize the total impact of the salary reductions upon many of the District’s employees earning the lowest wages.

Fringe Benefit Allocation Changes

Another term of the proposed package for next year would be to shift the existing allocation of “Benefit Bucks” contained in the District’s existing fringe benefit offerings toward the district’s premium support of health care insurance. Presently, employees who elect coverage under the District’s health insurance coverage already use the full annual allocation of \$790.92 to defray the cost of health insurance in addition to the \$2401.20 annual contribution specifically provided by the District toward the cost of health insurance. *(All figures described are on an annualized and full-time employment basis).*

There are, however, 738 employees who utilize Benefit Bucks for other benefit offerings, many of which carry tax burdens for the employees. The complications presented by the variety of options for which Benefit Bucks may presently be utilized also create substantial administrative burdens which are more difficult to fulfill given administrative reductions. The number of options also precludes automation of benefits enrollment.

By adding the existing Benefit Bucks allocation to the existing Health Care insurance contribution, the District’s fringe benefit offerings would reflect a total annual allocation of \$3192.12, or \$266.01 per month, which may better communicate the level of district funding toward health insurance.

There will be some financial savings from those 738 employees who do not presently elect to carry District health insurance, and who might continue not to do so even after the Benefit Bucks allocation is completely allocated to support of health insurance costs. The amount of savings depends upon the choices of affected employees and must be determined through actual experience.

Other Package Terms

An additional recommendation is to indefinitely continue the suspension of supplemental sick leave which was part of last year's meet and confer recommendation.

Early Retirement Phase Out Program

The ERPOP was established several years ago to reduce the more than \$3.7 million in annual costs incurred by the District through its former Early Retirement Program. The ERPOP program provides wage enhancements to a very limited number of employees or former employees (21 to 23 per year) under three options.

Option A and B are both premised on a compensation incentive which is calculated by multiplying the participating employee's base pay by a factor of 1.5 (or 150%). The result is then divided by ten, resulting in an amount equal to 15% of an employee's base pay.

Under Option A, the 15% amount is added to the employee's compensation for each of five years prior to the employee's retirement. The 15% amount is also paid to the employee for each of five years following retirement. Under Option B, the 15% amount is paid to the employee for each of ten years following retirement. Under both Option A and B, the employee also receives \$900 annually to defray the cost of health insurance during the post-retirement phase (five years under A; ten years under B). The retired employee also provides 15 days of substitute service during each of the post-retirement years under A and B.

Under Option C, the employee receives \$200 in compensation for each year of service to the District at the time of retirement, with no requirement for post-retirement service and no provision for health insurance cost support.

Last year, the absence of any new funding led the joint meet and confer teams to recommend limited ERPOP participation opportunity under the current year compensation package. Funding derived from the suspension of the supplemental sick leave benefit was allocated to enable a new, more limited group of participants under Option C only.

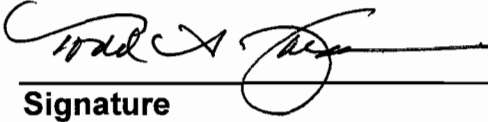
The administration recognizes the long history of an early retirement program within the District. At a time when employees are facing 2% pay reductions as well as furloughs, however, the continuation of a program providing 15% pay increases or post-retirement wages to a very limited number of employees cannot be recommended, particularly when ERPOP's continuation into next year would require additional pay reductions of approximately 1% or three additional furlough days for all other employees.

It is recommended that termination of the ERPOP program be effective June 30, 2010. Compensation currently provided under the program to all participants would cease at

that time (with the exception of amounts due to those electing 12 month distribution of income to only complete payment of funds obligated for the current fiscal year). In turn, the obligations of all participants for provision of substitute days would cease with the end of this fiscal year as well.

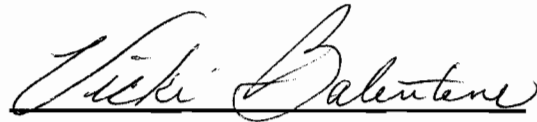
RECOMMENDATION: This item is presented for the Board's approval, recognizing that should the District receive increased funding for 301 beyond that projected, those funds would have to be allocated to teachers, specifically, to mitigate compensation reductions proposed above. In addition, if the budget scenario conditions detailed above improve unexpectedly, the need for furlough days can be re-evaluated and modified as those conditions permit.

With these caveats, approval is recommended.

INITIATOR:		Todd A. Jaeger	
	Signature	Name/Title	Date
		Associate to the Supt.	4/12/2010

**ASSOCIATE SUPERINTENDENT
SIGNATURE:**

SUPERINTENDENT SIGNATURE:



Recommended Compensation and Benefits
Package Terms
For 2010-2011 Fiscal Year

<ul style="list-style-type: none">• 2% Salary and Wage Reduction for All Employee Groups
<ul style="list-style-type: none">• Three Days of Furlough – Affecting Only Employees Normally Working on Friday, August 6; Friday, December 17; Thursday, May 26
<ul style="list-style-type: none">• Transfer of District Benefit Bucks Allocation to Health Insurance Allocation
<ul style="list-style-type: none">• Indefinite Suspension of Supplemental Sick Leave
<ul style="list-style-type: none">• Termination of Early Retirement Phase Out Program, Effective June 30, 2010