



GOVERNING BOARD AGENDA ITEM AMPHITHEATER UNIFIED SCHOOL DISTRICT NO. 10

DATE OF MEETING: **June 11, 2019**

TITLE: **Review and Approval of the Joint Recommendation of the Meet and Confer Teams for Compensation for the 2019-2020 Fiscal Year for Certificated, Classified, Classified Exempt, Professional/Non-Teaching, Administrative, and Administrative Exempt Employee Groups**

BACKGROUND:

On May 20, 2019, the joint District and Amphitheater Education Association (“Amphi EA”) Meet and Confer teams concluded their work for a joint recommendation to the Governing Board for a compensation package for employee pay and benefits for the 2019-2020 fiscal year.

I. Meet and Confer Process

When the teams finalized and signed the attached “Joint Recommendation of the Meet and Confer Teams for Personnel Policy and Compensation Matters” (“Joint Recommendation”), a budget bill had not even been proposed in the Arizona State Legislature. For this reason, the Joint Recommendation contains contingencies intended to address the different budget possibilities that were being discussed by the Governor and parties while the teams were involved in the meet and confer process.

Recognizing that the Governing Board must ultimately comply with any restrictions and/or laws imposed with the FY 2019-2020 budget adopted by the Legislature and signed by the Governor, the joint teams provide the contingencies in the Joint Recommendation as guidance for the Board as it considers and approves the compensation package for FY 2019-2020.

In doing so, the team first had to acknowledge certain changes in the Arizona state law affecting employee compensation during FY 2019-2020.

1. The voter-approved Proposition 123 guaranteed that the District would receive, at a minimum, an inflationary increase (2% for next year) to the Base Support Level for general use in the District’s maintenance and operations.
2. From this 2%, the District would be expected to fund new expenses related to employee compensation during FY 2019-2020 totaling approximately \$726,322.
 - a. These new expenses include the cost of the mandatory minimum wage increases (set by law to ensure minimum wage adjusts for inflation) required during FY 2019-2020 in the approximate amount of \$420,706.
 - b. They also include the mandatory ASRS employer contribution increase applicable for all categories of employment (certificated, professional, classified, and administrative), also increased to account for inflation, in the approximate amount of \$305,616.

3. Once these mandatory expenses were budgeted, the joint teams agreed to recommend that the Governing Board prioritize use of the remaining funds from the Prop 123 inflationary increase to better compensate all employees.
4. Last year, the Arizona Governor proposed a “20 by 2020” plan to increase teacher salaries by 10% in FY 2018-2019 and by an “additional” 5% in FY 2019-2020 and again in FY 2020-2021. Yet, when the State of Arizona ultimately determined those percentages based upon the average teacher salary statewide, the final Arizona state budget for FY 2018-2019 did not end up providing sufficient funding for every teacher in the state to receive a full 10% salary increase. Moreover, as the teams recognized, the percentage increase contemplated by the 20 by 2020 plan for teacher salaries also anticipated school districts using all of their inflationary funding from Prop 123 to increase teacher salaries and not using that inflationary funding for any other purpose. For example, the 10% increase for teacher salaries recommended by the Governor in FY 2018-2019 was not mirrored in a 10% increase to the Base Support Level for the school district that year. Instead, the Base Support Level only increased by 9% in FY 2018-2019, and part of that 9% included the mandatory inflationary funding that the voters had already put in place with Prop 123 for school districts to use to cover general maintenance and operations cost increases caused by inflation and unfunded mandates, as well as compensation for all employees.

II. Joint Recommendation from the Meet and Confer Teams

With this understanding, the meet and confer teams developed the attached Joint Recommendation which proposes three (3) possible contingencies for a FY 2019-2020 compensation package based on different potential increases to the Base Support Level. Those three contingencies are as follows:

1. **If the District receives a budget increase from the State of Arizona to its Maintenance and Operations budget in an amount that equals five percent (5%) of the Base Support Level, then the following revision to compensation package is recommended:**
 - a. District will set aside the approximate \$726,322 that it must use to pay the mandatory minimum wage increases and the mandatory increase to the Arizona State Retirement System.
 - b. Employees of the District shall receive a 2.25% raise.
 - c. Classified employees earning above \$12.00 per hour shall receive an additional one percent (1%) increase to address the minimum wage compression created by the mandatory minimum wage increase. Classified employees who earn below \$12.00 an hour will receive a mandatory minimum wage increase to \$12.00 per hour in January 2020 as discussed in paragraph a above.
 - d. All remaining funds received through the increase to the Maintenance and Operations budget shall be held for the joint meet and confer team to continue to develop and recommend criteria (which may for example include longevity in Amphitheater Public Schools or persons who were not previously adjusted in earlier years) for a one-time adjustment to base pay for qualified persons paid on a certificated or professional placement schedule. Once the budget is known from the State, the teams will reconvene and discuss which certificated or professional personnel qualify for the adjustment and when it will be made.
 - e. No changes to the District’s contribution to employee benefits are recommended.
 - f. The terms regarding the rate of pay out for unused sick at separation set forth in the “Joint Recommendation of the Meet and Confer Team for Personnel Policy Matters” dated April 17, 2019 and approved by the Governing Board on May 7, 2019 shall remain in effect for the 2019-2020 fiscal year.
 - g. The salary increases described above are based upon a 1.0 FTE.

2. **If the District receives a budget increase from the State of Arizona to its Maintenance and Operations budget in an amount that is less than five percent (5%) but more than two percent (2%) of the Base Support Level, then it is recommended that the Board decrease the above recommendation keeping the priorities that the team has set forth above.**
3. **If the District receives a budget increase from the State of Arizona to its Maintenance and Operations budget in an amount that is two percent (2%) of the Base Support Level, then the following revision to compensation package is recommended:**
 - a. District will set aside the approximate \$726,322 that it must use to pay the mandatory minimum wage increases and the mandatory increase to the Arizona State Retirement System.
 - b. Employees of the District shall receive a 1.28% raise.
 - c. Classified employees earning below \$12.00 per hour shall not receive an increase until January 2020 when the mandatory minimum wage increase occurs.
 - d. No changes to the District's contribution to employee benefits are recommended.
 - e. The terms regarding the rate of pay out for unused sick at separation set forth in the "Joint Recommendation of the Meet and Confer Team for Personnel Policy Matters" dated April 17, 2019 and approved by the Governing Board on May 7, 2019 shall remain in effect for the 2019-2020 fiscal year.
 - f. The salary increases described above are based upon a 1.0 FTE.

For all of these contingencies, the Joint Recommendation states that in the event that the District receives new and undesignated funding in the current fiscal year that can be used for salaries, the teams propose to reconvene to address the additional funds through the meet and confer process.

III. Applicable Contingency Based upon the FY 2019-2020 Budget Ultimately Signed by the Governor

After the teams signed the Joint Recommendation, the Arizona Legislature adopted a budget for FY 2019-2020. The Governor signed the budget into law on May 28, 2019.

The State's FY 2019-2020 budget provides for a 4.8% increase to the Base Support Level: the 2% inflationary factor and an additional 2.8% for the Governor's 20 by 2020 plan.

A budget of 4.8% increase to the Base Support Level negates the need for the Board to consider the "First Contingency" (addressing a 5% increase to the Base Support Level) or the "Third Contingency" (addressing a 2% increase to the Base Support Level). Because the budget increase to the Base Support Level provided by the State falls in between these two options, it is in fact a budget increase "*in an amount that is less than five percent (5%) but more than two percent (2%) of the Base Support Level*". Therefore, based upon the Joint Recommendation, the appropriate contingency for consideration before the Governing Board proceed is the "Second Contingency" identified as number "2" in Section II above, which states:

If the District receives a budget increase from the State of Arizona to its Maintenance and Operations budget in an amount that is less than five percent (5%) but more than two percent (2%) of the Base Support Level, then it is recommended that the Board decrease the above recommendation keeping the priorities that the team has set forth above.

IV. Application of the Second Contingency to Determine Compensation for Amphitheater's Employees for FY 2019-2020

The Second Contingency gives the Board some discretion in how to decrease the amounts set forth in the First Contingency. It recommends that the Board decrease the First Contingency "keeping the priorities that the team has set forth above". Those priorities are: (1) pay the mandatory expenses created by inflation and changes in the law; (2) increase compensation for all employees; (3) address minimum wage compression for hourly employees, and (4) use the remaining funds to increase compensation for teachers and professional staff.

As explained above, the budget increase of 4.8% to the Base Support Level consists of 2% to the Base Support Level from the voter-approved Prop 123 funding and an "additional" 2.8% increase to the Base Support Level for teacher raises provided through the Governor's 20 by 2020 plan:

$$2\% (\text{Prop 123}) + 2.8\% (\text{20 by 2020 plan}) = 4.8\% \text{ increase to Base Support Level}$$

Knowing this, it is important to understand that the following priorities can be paid entirely from the inflationary increase (2%) from Prop 123:

- Pay the mandatory expenses created by inflation and changes in the law;
- Provide a raise to all non-teacher employees in the amount of 2.25%;
- Address minimum wage compression for hourly employees by increasing the salary of classified employees earning above \$12.00 per hour by an additional 1%.

In other words, now that the state budget is known, it is clear that the first three (3) priorities can be funded entirely from the Prop 123 inflationary increase of 2% without using any of the "additional" 2.8% provided from the 20 by 2020 plan for teacher raises.

This permits all of the 2.8 funding received from the state for teacher raises to be used to fund increases for teachers as contemplated by the Governor's "20 by 2020" plan. This would include the 2.25% raise contemplated in priority #2 for teachers as well as directing that the meet and confer teams develop a plan to distribute all remaining balance of that 2.8% to teachers as contemplated in priority #4.

Based upon this contingency, it is recommended that the Governing Board approve an employee compensation package for the 2019-2020 fiscal year that addresses each of the following matters:

1. The Meet and Confer Teams' Recommendation for a 2019-2020 Compensation Package for Employees in the Certificated, Support (a.k.a., Classified), and Professional/Non-Teacher Employee Groups

- A. Increase the salary of all employees by a minimum of 2.25%.
- B. Increase the salary of classified employees earning above \$12.00 per hour by an additional one percent (1%), or any amount thereof, to address the minimum wage compression created by the mandatory minimum wage increase.*

*It is recommended by the joint meet and confer teams that this additional increase not occur for any classified employee who earns below \$12.00 an hour after the increase identified in paragraph IV(1)(A) above (recommended 2.25% for all employees) is applied, as these

employees will receive a mandatory minimum wage increase to \$12.00 per hour in January 2020 pursuant to the Arizona Fair Wages and Healthy Families Act (“Act”) (ARS 23-363).

- C. Set aside the remaining funds received through the increase to the Maintenance and Operations budget and direct the joint meet and confer team to continue to develop and recommend criteria (which may for example include longevity in Amphitheater Public Schools or persons who were not previously adjusted in earlier years) for a one-time adjustment to base pay for qualified persons paid on a certificated or professional placement schedule.**

** If a determination is made to proceed with item 7, then the meet and confer teams would be required to reconvene to discuss which certificated or professional personnel qualify for any such adjustment and when it will be made. Also, it is important to understand that the reality is that the only money that will remain after (A) and (B) are completed will likely be money that can only be used for teacher raises.

- D. District contribution to employee benefit plans shall remain the same.
- E. Salary increases described herein are based upon a 1.0 FTE.
- F. The terms regarding the rate of pay out for unused sick at separation set forth in the “Joint Recommendation of the Meet and Confer Team for Personnel Policy Matters” dated April 17, 2019 and approved by the Governing Board on May 7, 2019 shall remain in effect after July 1, 2019.
- G. In the event that the District receives new and undesignated funding in the current fiscal year that can be used for salaries, the teams will convene to address the additional funds through the meet and confer process.

2. Superintendent’s Recommendations for the 2019-2020 Compensation Package for the Classified Exempt, Administrative and Administrative Exempt Employee Groups

The Classified Exempt, Administrative and Administrative Exempt Employee Groups are not represented by the Amphi EA and, therefore, are not addressed in the meet and confer process. This group of employees includes administrative assistants or other hourly employees working in positions that are exempt from representation by the Amphi EA because they may have access to confidential financial or employment information, and administrative personnel.

For these groups, the Superintendent recommends that the global package set forth in section III(1)(A)-(G) above also be approved for these personnel. This will ensure that all District personnel, regardless of whether they are represented in the meet and confer process, receive the equivalent compensation and benefits authorized by the Governing Board for FY 2019-2020.

IV. Anticipated Costs of the Recommended FY 2019-2020 Compensation Package

Estimated new funding:

Inflationary increase from Prop 123 (2% to Base Support Level)	\$1.35 million
Increase to Fund 11 & 13 (Prop 301)	\$169,000
20 by 2020 plan for teachers (2.8% to Base Support Level)	<u>\$1.96 million</u>
Total Estimated New Funds	\$3.48 million

Less cost of mandatory expenses (paid from Prop 123 funding) -\$726,322

Less cost of 2.25% increase for all employees (includes teachers)	-\$1.394 million
Less cost of additional 1% increase for hourly employees* earning above \$12.00 per hour (paid from Prop 123 funding)	-\$132,406

**employees who earn below \$12.00 per hour receive the mandatory minimum wage increase to \$12.00 per hour on 1/1/20.*

Remaining funds (approx. \$1.12 million primarily from the additional 2.8% to the Base Support Level for teachers under the 20 by 2020 plan) is to be set aside for the meet and confer teams to develop criteria for the Board to provide additional salary increases for employees paid as certificated or professional personnel. Increases for these qualified employees to be paid during FY 2019-2020 based upon the criteria (such as longevity in Amphi or persons not previously adjusted in earlier years) to be developed by the teams.

V. Policy HD Feedback Process

Policy HD requires the final meet-and-confer recommendations of the committees be communicated to District employees for feedback. Following the conclusion of the meet and confer process, the joint Amphi EA and District teams presented the Joint Recommendation to District personnel for feedback. Employees were able to provide feedback between May 24-29, 2019.

Feedback was received from approximately 41 employees. The vast majority of those providing feedback identified themselves as a teacher. All 41 of those providing feedback expressed concern about the compensation increase amounts identified in the Joint Recommendation. The complaints generally fell into one of the following categories (where appropriate, accurate information is included in italics below the complaint to correct that complainant's misunderstanding):

- The mandatory minimum wage increases should not be coming out of money provided by the State for teacher raises.
 - *In reality, however, the 2.8% provided by the State for teacher raises is only being used for teacher raises. The recommended increases for other employees would be covered by the inflation funding increase.*
- The change in sick time payout is unfair/wrong and was not communicated to employees.
 - *The qualified employees who retired or separated during FY 2019-2020 received the sick leave payout amount approved and in place when they signed their contract and/or accepted their annual wage. The recommendation to maintain that \$85 per day as a sick leave payout for qualified employees (certified/professional and classified) who retired before July 1, 2019 was, in effect, a recommendation to pay those employees the same amount that they would have received (at no loss) when their contract (aka the fiscal year) began.*
- Teachers should be getting 7 percent (2% from Prop 301, 5% from 20 by 20).
 - *These comments seem to be premised on the incorrect belief that the state has provided 5% in additional funding just for teachers in addition to 2% inflationary funding. In reality, the state only provided 2.8% for teacher raises in addition to the 2% inflationary funding.*
- Amphi teacher pay is too low
 - *Amphitheater's teacher salaries are competitive with the surrounding school districts. There has been some confusion on this point because the state's Auditor General incorrectly reported the District's average teacher salary in its 2018 Classroom Dollars report. While*

the Auditor General reported an average teacher salary in Amphitheater as \$38,596, which is actually just about our starting salary.

- Other school districts are giving the full 5% or more
 - *First, it is important to note that after all terms of the recommendation are applied, the average teacher raise in Amphitheater will in fact come very close to, if not reach, 5%. Comparisons to other districts can be difficult to make on an “apples to apples” basis, because so many factors vary from district to district: staffing levels, program offerings, overrides and other sources of funding, etc. Some districts are using significant amounts of their capital funds to achieve their specific raise levels, just as last year, Amphitheater had to use half of its capital funding to fund raises for non-teaching employees, because the raise for teachers absorbed all of the inflationary funds as well as the specific funds allocated by the legislature for the 20 by 2020 plan.*

The teams have reviewed the feedback received from 41 employees. As indicated above, the majority of the feedback appears to be based upon inaccurate information or an overall misunderstanding of the actual amount of funding being provided to school districts by the state pursuant to the 20 by 2020 plan. Based on this, the teams believe the Joint Recommendation is appropriate for consideration by the Governing Board. Amphi EA has indicated that no further ratification is required from its membership.

RECOMMENDATION:

The Superintendent recommends approval of the Recommendation which, for ease of reference again, provides for the following salary increases:

- A. Increase the salary of all employees by 2.25%.
- B. Increase the salary of classified/hourly employees earning above \$12.00 per hour by an additional one percent (1%), or any amount thereof, to address the minimum wage compression created by the mandatory minimum wage increase.*

*It is recommended in the Joint Recommendation that this determination not apply to any classified employee who earns below \$12.00 an hour after the increase identified in paragraph 5 above (recommended 2.25% for all employees) is included, as these employees will receive a mandatory minimum wage increase to \$12.00 per hour in January 2020 pursuant to the Arizona Fair Wages and Healthy Families Act (“Act”) (ARS 23-363).

- C. Set aside the remaining funds received through the increase to the Maintenance and Operations budget (which encompasses funds received for teachers through the 20 by 2020 plan) and direct that the joint meet and confer team continue to develop and recommend criteria (which may for example include longevity in Amphitheater Public Schools or persons who were not previously adjusted in earlier years) for a one-time adjustment to base pay for qualified teachers.

Finally, appreciation is expressed to the members of the meet and confer teams who spent many hours together pursuing the resolution of issues of concern through a positive, interest-based approach. Those team members were:

For the Amphitheater Education Association:

Lisa Millerd
Michelle Barcanic
Rebecca Green

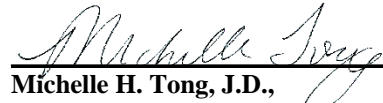
For the District:

Michelle Tong
Roseanne Lopez
Christy Sullivan

Robert Wacker
Sue Clark
Fabienna Godlewski
Shannon Langley
Brianne Ronnie


Jim Burns
Chris Gutierrez
Brice Menaugh
Tassi Call
Jon Lansa

INITIATED BY:



Michelle H. Tong, J.D.,
Associate to the Superintendent and General Counsel

Date: June 6, 2019



Todd A. Jaeger, J.D., Superintendent