LAKE VILLA DISTRICT 41

FAMILY / COMMUNITY

STUDENTS/STAFF

Board of Education of Lake Villa Community Consolidated School District No. 41 Most Recent Offer and Cost Summary of Proposal for New Teachers' Contract

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Introduction

The Board of Education ("Board") and the Lake Villa Federation of Teachers ("Union") are currently involved in contract negotiations. On January 6, 2016, the Union initiated a statutory "public posting process." This process requires both parties to submit, and ultimately release to the public, a written copy of their most recent offer and a summary analyzing and explaining the costs related to its most recent offer. This document is submitted by the Board to meet its statutory requirement.

Introduction

History of Negotiations

The existing contract expired on August 23, 2015. Negotiations for a new contract began on May 5, 2015. The Board and the Union have met 9 times before mutually agreeing to involve the assistance of a federal mediator on November 5, 2015. Although not routine, it is a fairly common practice to involve a federal mediator in educational negotiations. The parties met 4 times with the federal mediator. Most of the 13 meetings have been approximately 3 hours in length. On multiple occasions, one party or the other presented a proposal and the other party indicated they needed the remaining scheduled bargaining time to review the proposal and prepare a response. On these occasions, only one proposal was made. *(For comparison purposes, the 2012-2015 negotiations began on January 31, 2012, and the parties reached an overall tentative agreement on October 23, 2012.)*

Introduction

The Parties are not at Impasse

Mediation and the public posting process are normally invoked when the parties reach an impasse (*i.e.,* neither party has any room for further movement). Throughout the negotiation process, the Board team has been open in letting the Union team know it still has some room for movement. It is the Board team's belief that the Union team continues to have room for movement as well. Therefore, the Board team does not believe the parties are at an actual impasse.

Negotiations Began Later than in the Past

The Board team acknowledges that, although progress is being made, there are still important economic items about which the parties are apart. As mentioned above, these negotiations began more than 3 months later into the school year than the negotiations of 2012 – due to the fact that, as of January 2015, the parties had not yet concluded negotiations concerning health insurance.

Consequently, these negotiations are extending further into the school year as well. Although this is unusual in the history of bargaining in District 41, the Board team appreciates the natural concern that arises when anyone interested in the outcome hears that negotiations are still ongoing in January.

Introduction

Although the parties have addressed many challenging issues, negotiations have been professional and collaborative.

Acknowledging Teacher Contributions

The Board recognizes and appreciates the many contributions made by teachers. Teachers at Lake Villa School District 41 do an exceptional job educating students. Lake Villa 41 students have consistently scored above the state average on the *Illinois Standards Achievement Test* (ISAT). In fact, test scores within the district have increased thirteen percent in the number of students meeting or exceeding state standards from 2005 to 2011. Not only do Lake Villa 41 students out-perform the state average, they out-perform many of the neighboring districts as well.

Board Objectives

As the Board proceeds through these negotiations, it is committed to:

- Maintaining an exceptional learning community by continuing to provide current academic and extra-curricular programming to its students;
- Providing an outstanding work environment for its teachers and staff;
- Continuing the practice of providing teachers and students reasonable class sizes in neighborhood schools; and
- Offering a fair and reasonable compensation package that recognizes the important contributions made by teachers while also ensuring the compensation package is both affordable and sustainable.

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District Economic Profile

District Economic Profile

Salaries and Benefits in District 41

- During the 2014-2015 school year, full-time teachers in District 41 earned between $36,380 and $120,924, in addition to receiving a generous benefits package.
- The average salary paid to a full-time teacher in 2014-2015 was $58,561.
- Some of the current benefits include:
  - 100% Board-paid Single Medical and 52%-60% Board-paid Dependent Medical coverage;
  - $50,000 Paid Life Insurance;
  - Tuition Reimbursement for up to $1,800 annually; and
  - 15 paid sick days.

District Economic Profile

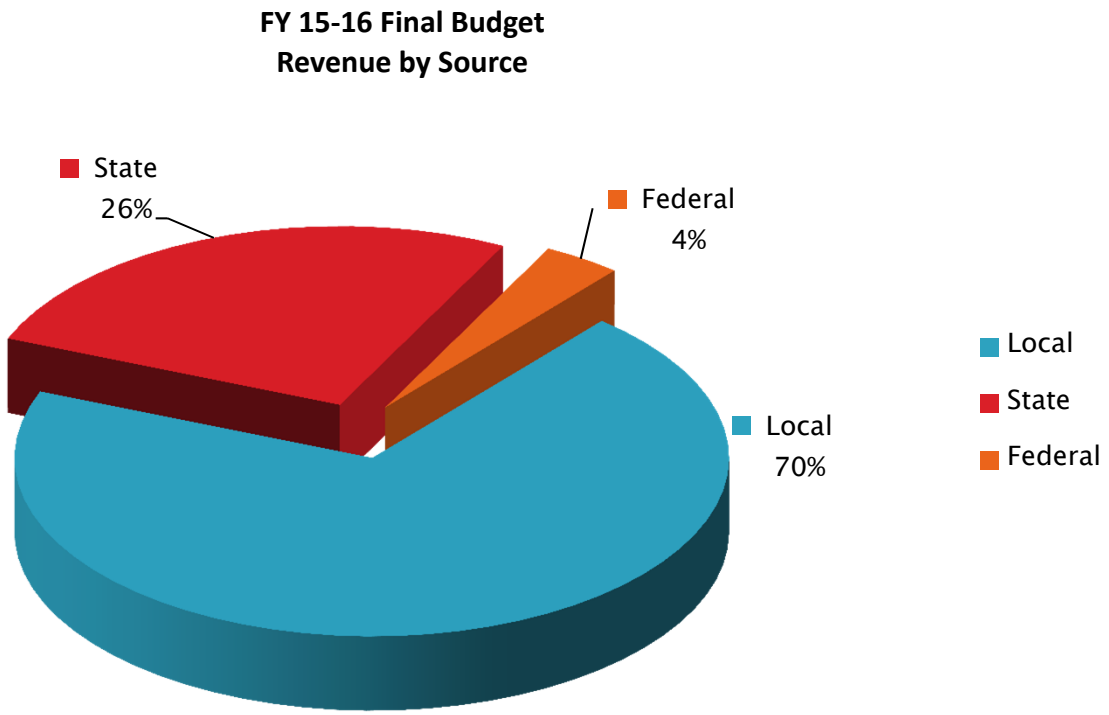
The Board believes that it provides an overall competitive compensation package, but acknowledges that its pay structure is generally equal to, or less than, comparably-sized elementary districts in northern Lake County.

As detailed in the following pages, several factors significantly influence the pay and benefits structure in the District:

- Heavy reliance on local property taxes as main source of revenue;
- Declining balances in the Education Fund;
- Deficit spending by the Board to make ends meet; and
- Property Tax Cap linked to a relatively flat CPI.

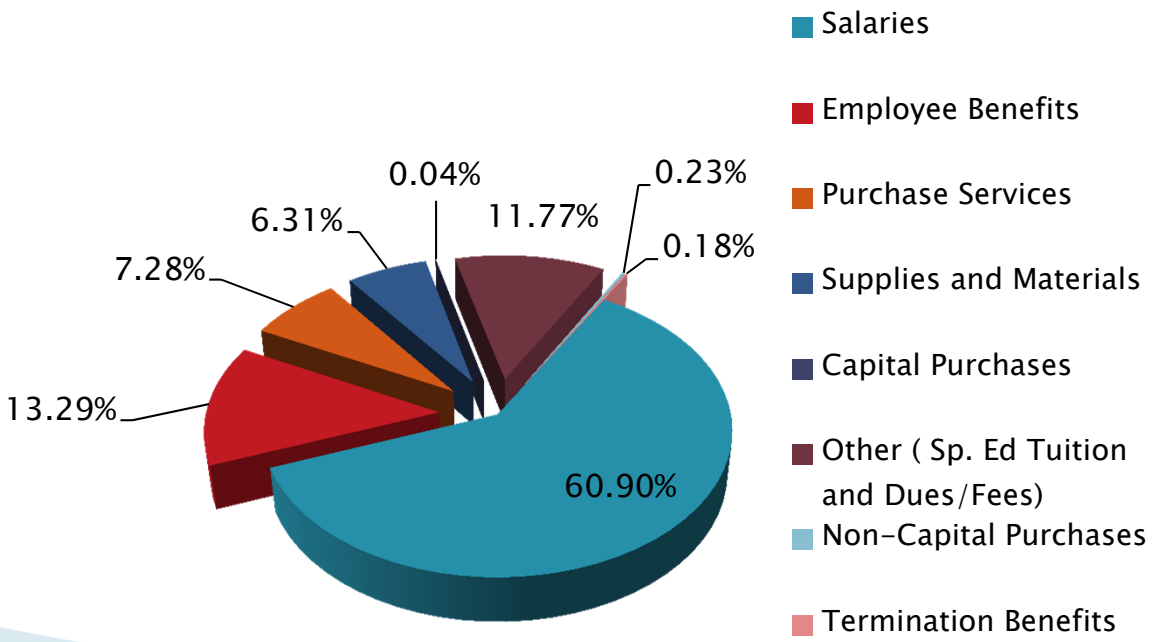
District Economic Profile

Sources of District Revenue



District Economic Profile

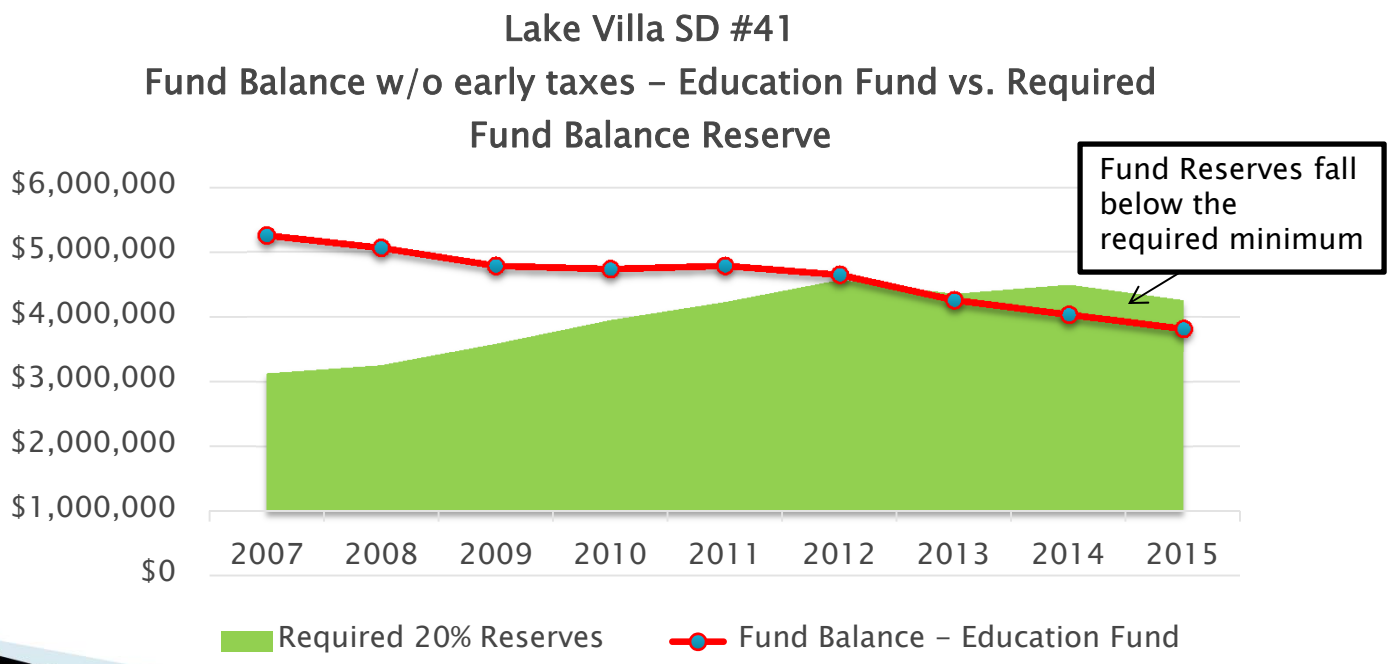
- The District operates with a $32 Million Annual Budget
- Salary/Benefits make up 74% of Education Fund Budget



District Economic Profile

Declining Reserve

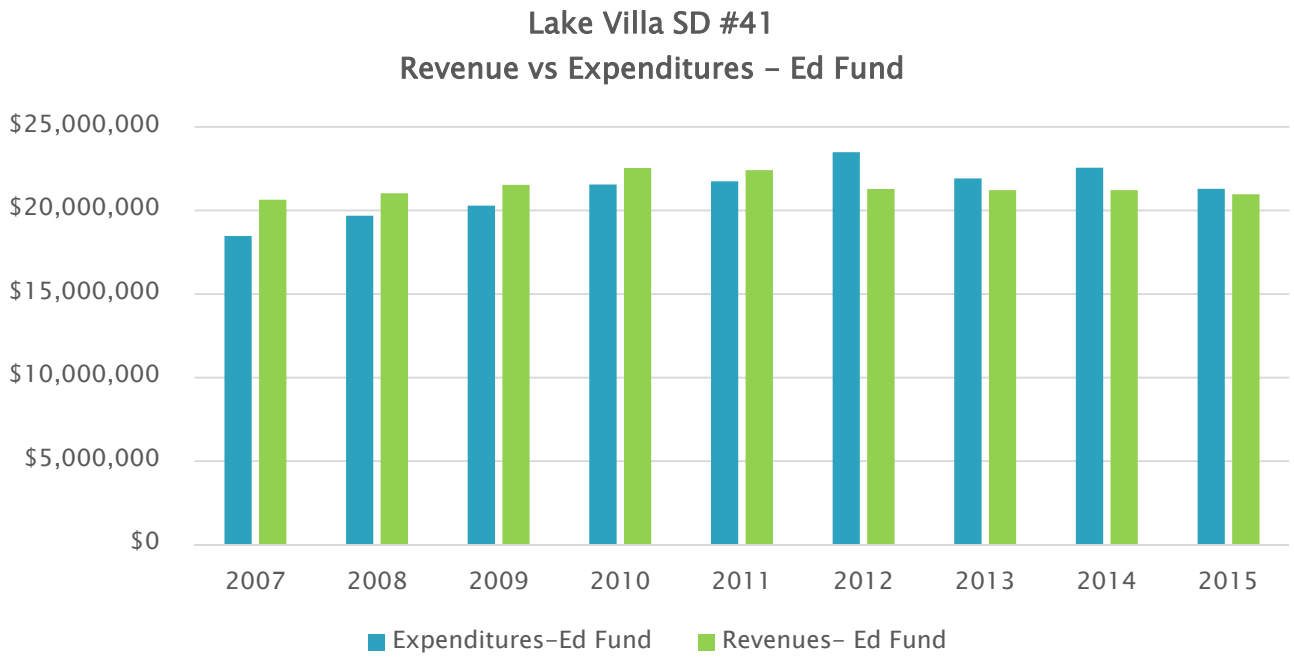
- District 41 no longer can maintain required 20% fund balance reserves in Education Fund



District Economic Profile

History of District Spending and Revenue

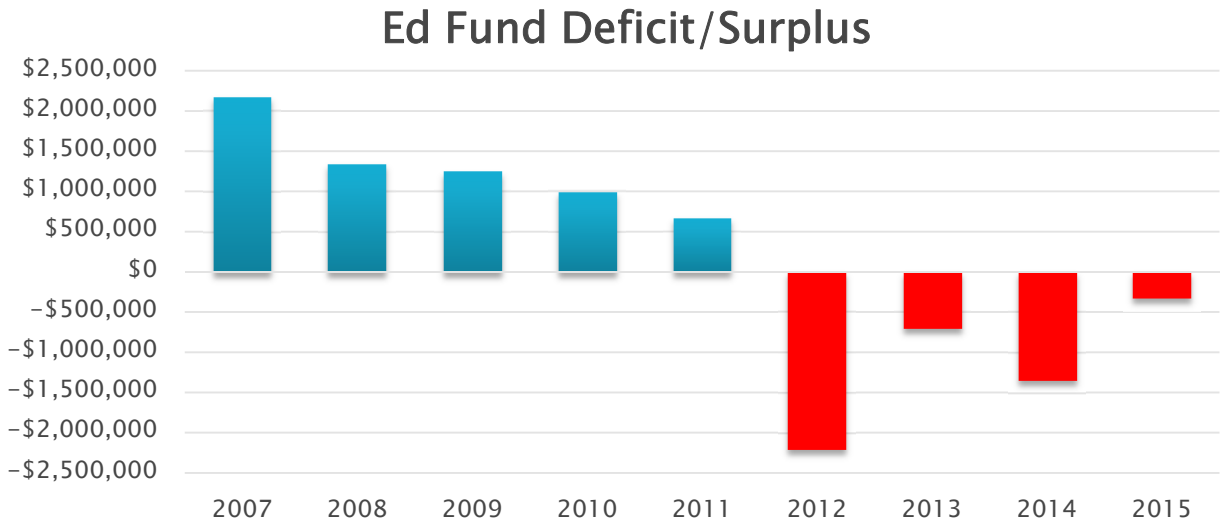
- Since 2007, the expenditures increased 15%, but the revenue increased only by 2%, creating a need for deficit spending.



District Economic Profile

History of District Spending and Revenue

- In order to continue to maintain quality educational programs and a generous total compensation package, the Board elected to spend its reserve funds.



District Economic Profile

Managing the District's Limited Resources

In the simplest terms, the Board can address declining reserves by either controlling costs or raising revenues.

Controlling Costs

- A drop in student enrollment (420 students since 2010, with an additional anticipated drop of 350 students by 2020) compelled the Board to close Pleviak School at the end of 2014-2015. This decision enabled the District to consolidate operations and save costs.
- The Board also reduced 38 FTE teachers – due, in part, to the closing of Pleviak School.
- While closing a school and reducing staff helps to control costs, a decline in student enrollment also means a reduction in General State Aid.
- After careful examination, the Board also made changes to its health insurance plan to help contain costs.

District Economic Profile

Managing the District's Limited Resources

Increasing Revenue

- A significant percentage of the District's annual revenue is derived from local property taxes. However, the District, like all school districts in Lake County, is subject to a "tax cap" which severely limits its ability to raise revenues through property tax increases.

- Generally, the District is limited to increasing the tax levy – its major source of revenue – by the increase in the Consumer Price Index – 12 month All Urban ("CPI"), or 5%, whichever is less.

- Over the last 5 years, the average increase in the CPI has been 1.7%. Most recently the CPI increased by only 0.8%; well below the increases in the economic package the District is offering. The negligible rate of increases in the CPI has resulted in the District having to deficit spend to meet its expenses.

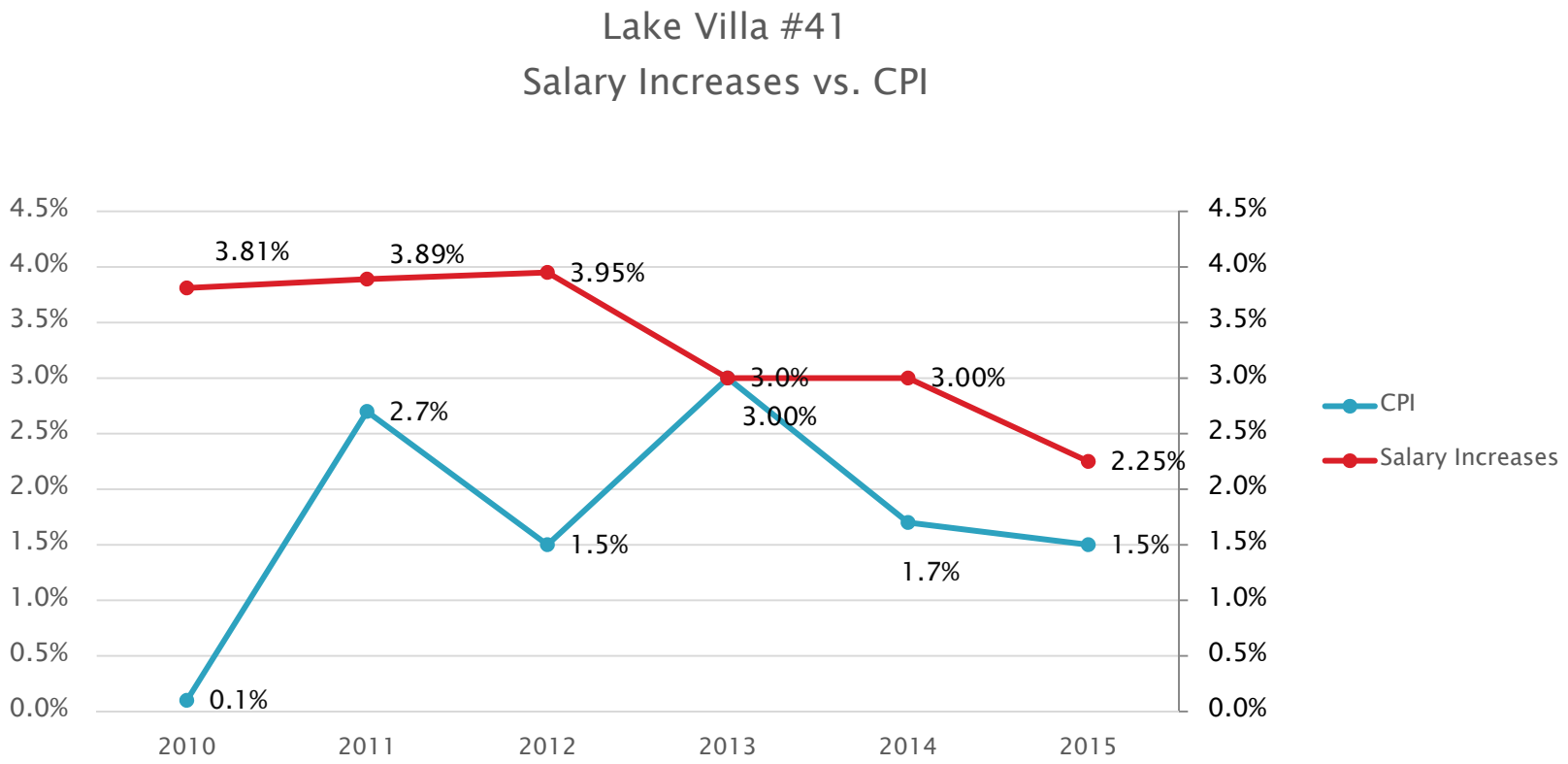
District Economic Profile

- Approximately 94% of the money in the Education Fund (which is used to pay salary and benefits) is tied to CPI (see budget).

- The Board cannot sustain cost increases in salary and benefits that are above CPI while maintaining reasonable class sizes or existing programs and staffing levels.

District Economic Profile

Salary Increases vs. CPI



*The percentages of the salary increases shown on the graph, do not include increases due to lane movements, longevity or retirement and reflect the average increases on the base salary only

District Economic Profile

In addition to the District's own finances, the Board must factor other economic uncertainties into its decision-making:

- Reductions in General State Aid;
- Reduction of reimbursement for transportation costs;
- Reduction in reimbursement for special education;
- Elimination of state funding for text books and other grant programs;
- Increase of unfunded mandates;
- The State's substantial unfunded pension debt and likely cost shift to school districts; and
- Possible property tax freeze.

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Current Board Proposal

Tentative Agreements

Over the course of these negotiations, the parties have reached tentative agreement on a number of individual contract terms, including:

- Teacher Protection for Damage to Personal Property
- Notice of Upcoming Assignments
- Seniority/Honorable Dismissal
- Vending Machines
- Parental Leave
- Term Life Insurance
- Movement on Salary Schedule
- Grievance Procedure
- Payroll Procedures
- Recognition Language

Additionally, the parties have nearly reached a tentative agreement on multiple contract provisions involving leave-related issues and, as of the bargaining session on December 17th, were actively engaged in attempting to resolve multiple other open language items.

Key Open Economic Items

Items about which the parties have not reached agreement:

- Salary/Longevity
- Health Insurance
- Retirement

There is a single pool of dollars to address all these economic items.

Salary/Longevity

Board's Proposal

For 2015-2016, the Board has proposed to increase the salary of every teacher who has room for movement on the salary schedule by 2%, in lieu of Step movement. If the Board applied the additional money it already spent on the health insurance for the bargaining unit in 2015-2016 to the teachers' salary increase instead, it would constitute a **4.09% salary increase for the 2015-2016 school year.** The Board's proposal ensures that most employees will receive a net increase in take home pay. Additionally, for teachers on the salary schedule, the Board has not proposed to eliminate lane movement (*i.e.,* additional salary for additional educational attainment). Like many school districts, the Board did initially propose to eliminate its current step/lane salary schedule structure and link future salary increases to CPI (the major economic factor in the District's future revenue stream) but, in the spirit of compromise, the Board withdrew this proposal.

In subsequent years (16-17, 17-18 and 18-19), the Board has proposed to increase the salary of every teacher who has room for movement on the salary schedule by 2% in lieu of Step movement.

The Board has proposed to increase the salary of teachers in longevity by the following percentages:

Prior Year's Salary	Percentage Increase
$59,400 - $85,999.99	1.5%
$75,000 - $89,999.99	1.25%
$90,000 +	1%

Salary/Longevity Cont'd

Although the Board believes its current compensation proposal (combined salary/insurance) is very fair, given the District's finances, this does not constitute a final compensation offer by the Board. As indicated earlier in this document, the Board has some room for movement. However, at present, there are two very significant cost items to be resolved: salary and health insurance. The Board believes the parties must determine how to prioritize spending between these two benefits and believes that until this occurs, the Board cannot overcommit to spend its limited financial resources by proposing costly increase to salary and benefits. There is a single pool of dollars to address these items.

Cost Summary of New Compensation

- 15-16:
  - Total Salary cost: $9,993,629
  - Longevity Salaries: $1,933,193
- 16-17:
  - Total Salary Cost: $10,187,669
  - Longevity Salaries: $1,959,158
- 17-18:
  - Total Salary Cost: $10,192,498
  - Longevity Salaries: $1,985,002
- 18-19:
  - Total Salary Cost: $10,382,724
  - Longevity Salaries: $2,011,077

Health Insurance

Board's Proposal

The Board has proposed to maintain the current level of benefits through the end of the current Plan Year (June 30, 2016).

The Board has proposed to contribute the following monthly amounts toward the cost of single coverage for any District-offered insurance selected by the teacher:

- July 1, 2016 — Up to $800 per month
- July 1, 2017 — Up to $840 per month
- July 1, 2018 — Up to $882 per month

The current premium cost for single coverage is $798.38 per month.

The Board has not proposed an increase in the premium amounts it contributes toward dependent coverage.

Additionally, the Board team has indicated to the Union team that it wishes to make additional insurance plan options available. These plans would have somewhat higher deductibles/out of pocket limits and other plan design changes, but would offer more affordable insurance premiums to employees who purchase dependent coverage, or who elect single coverage only and wish to make little to no premium contributions.

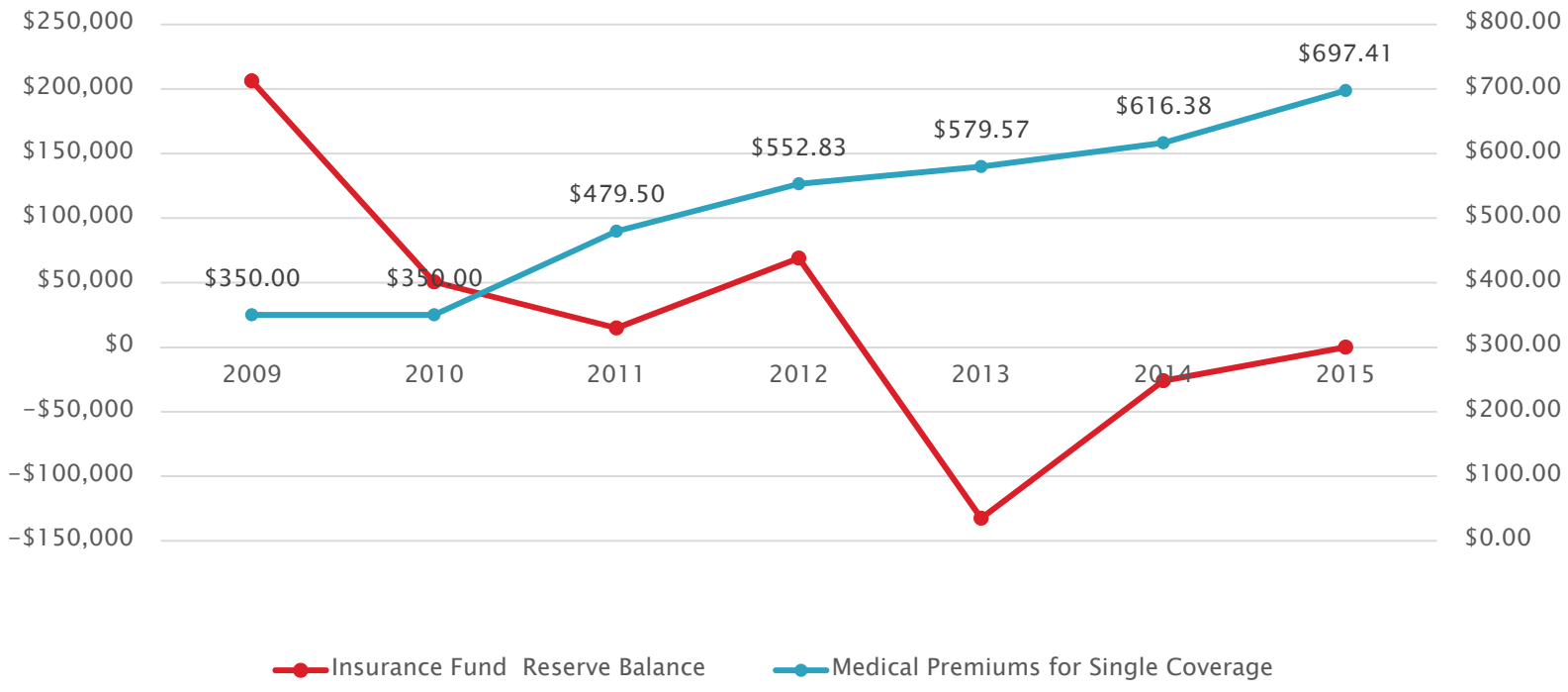
Health Insurance Cont'd

Board's Rationale

The Board currently pays 100% of the cost of the single premium for teachers who elect coverage through the lone plan offered by the District. In actuality, the Board is self-insured and pays most of the medical expenses incurred by Plan participants. The District has secondary insurance to cover claims in excess of $50,000, and aggregate claims in excess of $275,000, but it generally self pays the majority of participant's medical expenses. Unfortunately, due to the high cost of the claims incurred by participants, and other changes taking place in the insurance industry, the Board must annually make significant increases to the "premiums" it sets aside to pay medical claims. **Over the past 8 years the Board has increased its premium contributions by 128%, from $350 to $798.31 per month per employee.**

Health Insurance Cont'd

District Paid Medical Premiums for Single Coverage vs. Insurance Fund Reserves



Health Insurance Cont'd

The insurance consultants who advise the Board have recommended that the Board maintain enough money in its insurance fund to cover 60 days of claims. In other words, if the Board paid $3,650,000 in claims each year, it should maintain a cushion of $600,000 to cover unanticipated expenses and/or higher than usual claims. In reality, the Board maintains only enough additional funds to cover 30 days of claims. The Board chose to fall below the 60 day recommended level to avoid having to impose a large premium increase, which would significantly impact those employees who elect dependent coverage.

Long term, the ever increasing cost of medical insurance is not sustainable for the District. The District simply cannot continually absorb significant year-over-year increases in health insurance. The Board realizes that it must take steps to contain the cost of providing insurance, and it is proposing to do what many other public school districts have done – ask employees to contribute, and look closely at the package of benefits being provided – which are the only real ways it can contain costs. Additionally, the Board feels strongly that it is in the overall interest of the District for employees who participate in the District's health insurance plans to be stakeholders who have an incentive to make knowledgeable and efficient use of health care dollars. The Board believes that, if it continues to be responsible for 100% of the cost of insurance, employees will not have a stake in the future of health insurance.

Health Insurance Cont'd

The Board is also sensitive to the impact that future increases in health insurance cost could have on an employee's household finances.

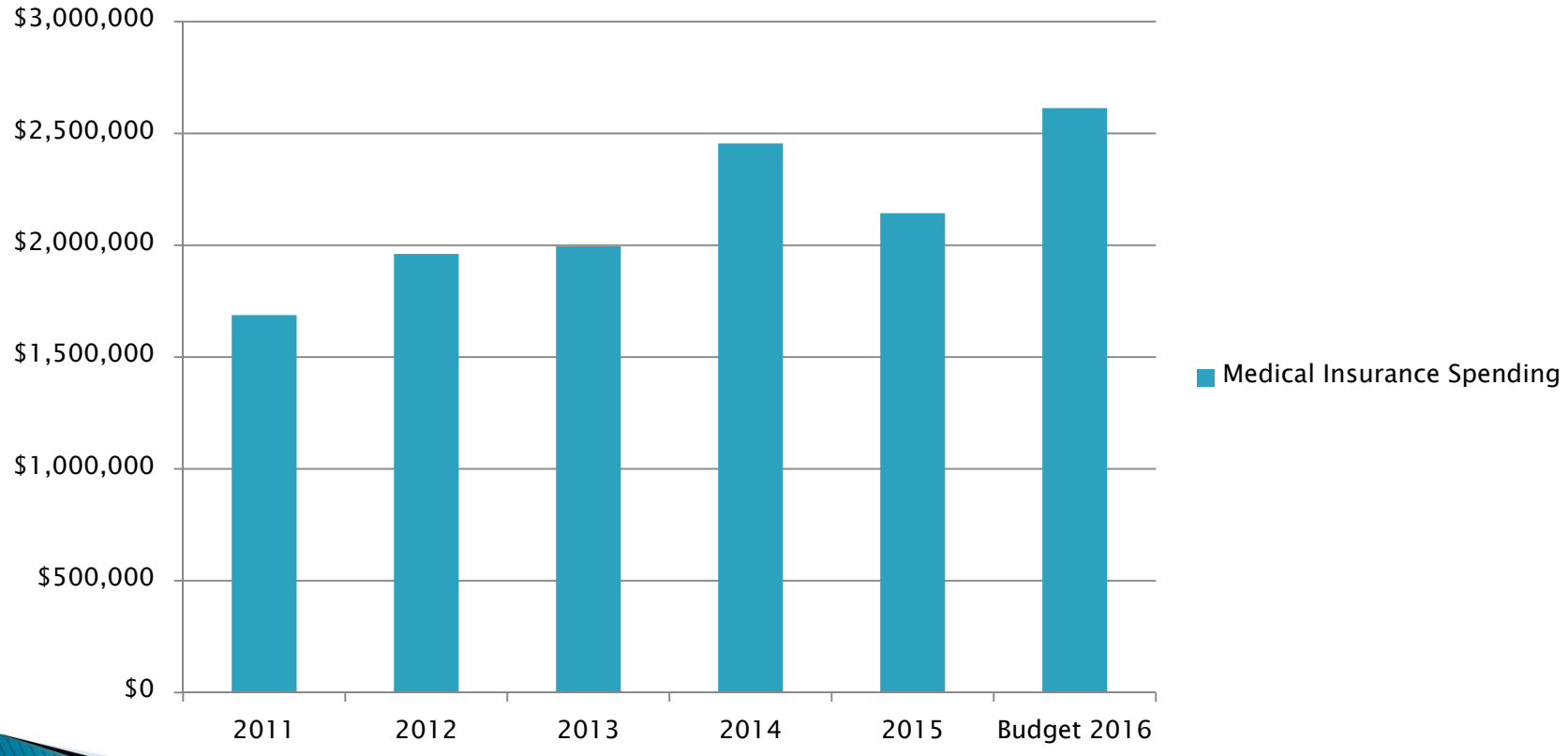
Therefore, the Board has offered to provide guaranteed 5% annual increases in its premium contributions and it would like to offer more affordable plan options for employees to choose how to spend their health care dollars.

Cost to Board

Year 1: $1,540,923 – Current
Year 2: $1,543,800
Year 3: $1,614,840
Year 4: $1,689,432

Health Insurance Cont'd

Medical Insurance Spending



Retirement Benefits

The now expired contract included a retirement benefit that provided eligible teachers, who submitted notice of intent to retire, the opportunity to elect to receive 5% salary increases in up to the 3 final years of employment. This benefit expired, but the Union has proposed to extend it indefinitely and to also enhance the benefits. Although the Board is willing to consider all economic proposals made by the Union, it has continued to reject proposals to extend retirement benefits indefinitely and enhance the current level of benefits.

Board Rationale

The Board's rationale is consistent with its rationale on all economic items; it has to be careful not to overcommit its financial resources. Moreover, philosophically, the Board believes that by providing end-of-career salary increases – which are then used to calculate retirement benefits – it is adding more debt to an already overburdened state pension system. Additionally, the Board believes that, by offering an unlimited time period in which to elect retirement benefits, it is not creating an incentive to decide to retire.

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Other Open Economic Items

Leaves

Both the Board and the Union teams have submitted multiple proposals to modify the existing language. The entire Leave Article is a "package," meaning it will not become a tentative agreement until the parties come to an understanding on every component in the Article. At present, the parties have reached agreement on such issues as expanding the definition of the immediate family (for sick/bereavement leave), increasing the perfect attendance incentive, creating a process allowing for the possible donation of sick leave days to a colleague who experiences a catastrophic illness and has exhausted his/her available sick leave, and expanded rights concerning the use of personal leave days on the first/last days of school and before and after a school break or holiday.

The parties have not reached agreement concerning one new leave day.

Union's Proposal

The Union team proposed to increase the number of annual personal leave days from the present number of 3 to 4.

Leaves Cont'd

Board's Response

After some negotiations, the Board tentatively agreed to add one additional day of sick leave, increasing the total from 15 to 16 (including the 3 days which can be used for personal leave), but does not agree to allow 4 of the sick leave days to be used for personal leave.

Board's Rationale

The Board believes that its current level of personal leave is an adequate number and is comparable to, or greater than, the number of personal leave days offered at most local school districts. The Board believes that its current level of sick leave is comparable to, or less than, the sick leave days offered at most local school districts. Additionally, the Board is aware of the shortage of substitute teachers and the impact the shortage has on the staff. Indeed, the Board has even taken action to increase its daily substitute rate to attract more substitute teachers. The Board believes that by granting one additional personal leave day, rather than one additional sick leave day, it would very likely increase the need to hire more substitute teachers.

Cost to Board

1 Additional sick leave day: Potential substitute cost of $19,005, plus the resulting impact from more absenteeism.

Graduate School Tuition and Related Lane Movement

Teachers in District 41 are lifelong learners. An impressive 68.4% of the teachers have earned a Master's Degree, thanks, in part to a generous tuition reimbursement benefit and corresponding salary increases for additional education. During the current negotiations, the Board has tentatively agreed to increase tuition benefits by 25%, from $1,800 to $2,250 annually, with a new cap on annual expenses.

Graduate school tuition reimbursement enables teachers to "advance lanes" and earn more money on the salary schedule. In any given year, 10-15% of teachers advance a lane. In addition to their contractual annual pay increase, these teachers receive an extra approximate 4% increase in salary.

- In 2012/13, 25 teachers advanced lanes.
- In 2013/14, 28 teachers advanced lanes.
- In 2014/15, 18 teachers advanced lanes.
- Currently 16 teachers are scheduled to advance lanes for 2015/16.

Cost of Graduate School Tuition	Annual Cost of Lane Movement
Between $100,000 and $125,000 annually	Annual cost of $44,401

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Internal Substitute Pay

The Board has tentatively agreed to increase the rate of pay it provides to teachers who must substitute internally from $33.56 to $35.00 per 25-40 minute period (a 4.3% increase) .

This item is part of a pending package.

Cost: $31,563

Supplemental Duties

Historically, the Board and the Union have not begun discussions about any increases in pay for performing supplemental duties (coaching, supervising, etc.) until the key economic terms of a new contract have been resolved. In these current negotiations, the parties have engaged in some discussion on supplemental duties – related to the topic of guaranteeing teachers the first right to perform and receive additional pay for supplemental duties. Additionally, the parties formed a subcommittee to review pay issues concerning a small number of supplemental positions. As of the last bargaining session preceding this document, the parties have not exchanged any economic proposals related to overall increases for supplemental duties.

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Remaining Pending Items

Evaluations

The Union proposed to subject all aspects of the evaluation process to collective bargaining. Additionally, new language proposed by the Union would allow teachers to appeal their evaluation rating to their evaluator and, if the evaluator denies the appeal, to the Superintendent. Alternatively, a teacher could inform the Superintendent that he/she wishes to repeat the observation/evaluation process with a new evaluator.

Board Response

The Board did agree to include some new terms in the Evaluation language. However, by and large, it has rejected the Union's proposal.

Evaluations Cont'd

Board's Rationale

The courts and the Labor Board have long held that the substantive components of a teacher evaluation plan are not mandatory subjects of bargaining, about which the parties are not obligated to bargain. The parties have a long history of collaboration concerning the evaluation plan. The current evaluation plan and the student growth component, which is currently being piloted, are both an outgrowth of a long, dedicated committee process which sought out and valued teacher input, while still honoring legitimate managerial concerns. The Board does not wish to "contractualize" and subject the evaluation plan to the bargaining process.

The Board believes that its evaluators are knowledgeable, fair and objective. Historically, very few teachers in the District receive a "Needs Improvement" or an "Unsatisfactory" as their summative evaluation rating. Additionally, the District's evaluators are all "Qualified' and, to earn this credential, they must complete a rigorous state training program. The process of observing and evaluating multiple teachers is very time-consuming and constitutes a significant percentage of a principal/evaluator's work year. The Board does not wish to create a procedure whereby the Superintendent, who has not personally observed a teacher's performance, is called upon to hear appeals. The District has a high ratio of teachers-administrators and attempts to operate in a very lean manner. In addition to the Board's confidence in the current evaluation process, the District does not have the administrative "bandwidth" to agree to appoint additional observers/evaluators.

Pending Package Proposal

There are a number of remaining items still pending. However, at the time this document was prepared, the parties had been working diligently on a "package proposal" to resolve these issues. It is the Board's hope these items will already be resolved at the time this document is published. Therefore, the Board is providing only a brief description of these pending items proposed by the Union.

Remaining pending items include proposals by the Union to:

- establish a new benefit of paid release time for the Union president
- establish contractual limits on class sizes
- place limitations on the methods to be used by the District in the development of the curriculum
- guarantee the level of planning time
- limit the number of evening events (*i.e.,* Open House, plays, concerts) which teachers are required to attend
- prohibit the Board from proposing any mid-term changes to the contract
- use some of the time on student early release days for report card preparation
- pay teachers who are required to stay 5 minutes past the end of their work day
- pay teachers for a half day of pay any time they are required to "cover" a portion of another teacher's assignment due to that teacher's absence
- protect extra-curricular assignments for teachers

Also included in this "package proposal" are proposals by the Union to increase graduate tuition reimbursement and increase the internal substitute rate of pay, to which the Board has tentatively agreed (as part of the package).

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Key Economic Points of Board's Most Recent Offer

Key Economic Points of Board's Most Recent Offer*

There are many other contract enhancements listed throughout this document. The following summarizes only the key economic points:

Salary for Teachers on Schedule

Increase by 2%, plus lane movement

Salary for Teachers on Longevity

Increase by 1-1.5%, or lane movement

Health Insurance

For 15-16, maintain current level of Board contributions (for which the Board absorbed a cost increase which equates to a 2% salary increase).

For single coverage in subsequent years, the Board will contribute up to:

- $800 in 16-17
- $840 in 17-18
- $882 in 18-19

For a teacher on schedule, the 5% increase in premium contributions in 17-18 and 18-19 are equivalent to an additional salary increase of approximately .5% - 1.2%

Sick Leave

Increase from 15 to16 annual days

Tuition Reimbursement

Increase from $1800 to $2250 (25%)

*This constitutes the Board's most recent, not its final offer.