



February 3, 2009

Dear Douglas County Employee,

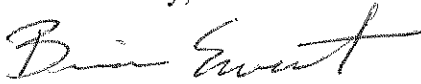
The Douglas County School District (DCSD), the Douglas County Federation (DCF), and the Amalgamated Transit Union (ATU) are providing this joint communiqué to update employees on the negotiations processes currently underway. Annually, each entity is represented by select individuals to negotiate the language and terms of their respective contracts in anticipation of the next school year. While the respective negotiation teams (DCSD, DCF, ATU) began their work for the 2009-10 school year this past Fall, the conversation around compensation (salary, health benefits, retirement benefits (PERA) and pay-for-performance elements) just began in earnest in the last couple of weeks. The discussion will be difficult this year due to the failed budget election in November and many other factors resulting in slowed economic growth. Yet, we are committed to honoring the Interest Based Bargaining process that has served the District very well in recent years. The Interest Based Bargaining process is valuable to our organization because no decision is reached in haste, and it ensures all factors are thoroughly studied and understood by all concerned parties. In addressing the compensation package for the 2009-10 school year, the District and Unions currently find themselves with a list of known but largely unsettled economic factors. These include:

- Colorado is facing a budget shortfall in the hundreds of millions of dollars; an amount that seems to be shifting almost daily. Various budget plans to balance the state's budget are being considered. While each is unique in its own way, all of the proposals are targeting significant across the board reductions that will impact funding for K-12 education and monies available through the School Finance Act. DCSD anticipates an impact of 6-8 million dollars from this state-level reduction. In addition, the timing of the reductions remains unclear – it is a distinct possibility monies budgeted to finish out this current school year will not be available, and any rescission would likely be on top of cuts in next year's budget.
- The Colorado State Legislature's Long Bill, which will contain details in scope and amount in per pupil funding cuts, will most likely not be finalized until late in this legislative session. This leaves DCSD's share of the million dollars in cuts and their financial impact to the district undecided until later this Spring.
- The Public Employee Retirement Association (PERA), along with most retirement funds, has been negatively impacted by the significant decline in the economy. It stands to reason that adjustments to PERA may be proposed in this legislative session – and if not this year, an even greater likelihood next year. Such adjustments may include changes to contribution amounts asked from both employer and employees; adjustments that may need to be made in order to keep PERA solvent.
- The Consumer Price Index (CPI) will not be released until February 20<sup>th</sup>. CPI is a significant driving force in determining the per pupil funding that comes to school districts each year. Estimates of the CPI are currently in a state of constant flux.


- Multiple benefit options, restructuring, and a Wellness Program are being considered by our Insurance Committee to reduce costs and motivate our workforce to become healthier and more conscious of actual health costs. This will be essential in future years to keep our self-funded plan solvent.
- While the outcome is uncertain, the Federal Government is currently debating a Federal Stimulus Package. The approval could bring some relief dollars to specific programs in Douglas County School District but while welcomed aren't expected to materially impact the District's General Fund nor positively contribute to the amount of revenue available for compensation.

All of these factors including the current economic uncertainties will have a significant impact on the negotiating teams' ability to settle issues related to compensation. The DCF, ATU, and DCSD will continue to follow an Interest Based process in order to make an informed and responsible decision related to compensation; accordingly, throughout the spring, updates will be communicated as warranted.

Sincerely,



Brian Ewert  
HR Director



Brenda Smith  
DCF President



Gary Schweers  
ATU President