

November 4, 2009

Dear Colleagues

As you may know, representatives from PAEA, CSEA, and the District have been working diligently this year to reach agreements that address our shared and group interests. Over the past week, tentative agreements have been reached between the District and both PAEA and CSEA. These agreements are now subject to ratification by unit members and the Board.

One of the most difficult issues for us to address is the structure and costs associated with medical insurance. Clearly this is not just a challenge for our district community, but it is also a vexing problem for our nation. We all share an interest in maintaining quality medical insurance, keeping costs under control, and administering a set of benefits that allows us to attract and retain the finest staff possible. If these things weren't difficult enough, they were done while the District faces a looming multi-million dollar structural deficit.

We believe our work this fall addresses these shared interests. New eligible employees will receive dental coverage that reduces costs to the district while reducing the employee contribution to the cost of preventative dental care. This change, and any current employee migration to this new dental plan, will reduce our collective benefit costs. In addition, a new contract with our life insurance provider also yielded savings.

The biggest cost of benefits, however, is medical insurance. Prices in this area were slated for a 7% increase, on average, at a cost of \$1.2-\$1.5 million. While this increase was less in percentage terms than in previous years, it comes at a time when the district faces greater budgetary strain than we have seen in years. We realized that saving money on health benefits now meant saving jobs in the next several years.

After lots of good thinking and strong efforts by all parties, we have agreements that do several important things that, we believe, have the potential of making our system more efficient while addressing shared interests. Most importantly, the agreement continues outstanding medical insurance coverage with no premium cost borne by the employee. Second, while there are modest increases in the cost of copayments, employees will be eligible during the 2010 calendar year for a district-matching contribution of up to \$200 in pre-tax Flexible Spending Account (FSA) to pay for these higher co-pay charges and other qualified medical costs. The FSA has been available through the District for a number of years, but currently is utilized by about fifteen percent of eligible employees. You will be hearing more about this program during Open Enrollment next month. Encouraging employees to take advantage of this tax benefit is in the interest of the District and the Associations. For most individuals, this \$200 incentive will likely cover the increase in medical co-pays.

It is no secret that we face financial challenges in the coming years. It seems clear that the exploding cost of medical insurance is and will be part of this challenge. We are committed to meeting the medical coverage needs of all employees. A crucial part of this work will be in encouraging and supporting healthy lifestyles. Our long-term financial health is dependent on the collective experience of our insured.

In the upcoming weeks and months, the work will shift to addressing the \$5.7 million structural deficit challenges we face next year which could grow to \$10 million by 2013. We have every confidence we can do this work while upholding the values the school board adopted in September for this process. These values are below.

- Maintain academic excellence
- Avoiding layoffs is a high priority
- Transparency and openness about our challenge
- Continued support and fidelity to the district's Strategic Plan
- Participation by all stakeholder groups
- Understanding of and dedication to what works educationally
- Optimism about ability to solve problem
- Long term fiscal health – no gimmicks
- Staffing levels that sustain program quality as we grow

We face strong challenges in the upcoming months, but we believe we have the right team to do this work. We encourage you to stay informed and to offer your input.

Sincerely

Kevin Skelly, Ph.D.
Superintendent

Triona Gogarty
President, PAEA

Jeremy Sakakihara
President, CSEA