

*City of Alexandria, Virginia*

MEMORANDUM

DATE: MARCH 10, 2010  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: JAMES K. HARTMANN, CITY MANAGER  
SUBJECT: BUDGET MEMO # 10 : QUESTIONS CONCERNING PENSION AND LIFE INSURANCE COSTS

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City Councilman Fannon requested the following factual information concerning pension and life insurance costs.

**Number of City Retirees?**

	Number Receiving Monthly Benefits
Virginia Retirement System	650
Supplemental Retirement Plan	295
Fire Fighters & Police Officers Pension Plan – Pension	91
Fire Fighters & Police Officers Pension Plan - Disability	147
Pension Plan for Firefighters and Police Officers -“Old Plan” closed in 1979	148

Notes about the number of City Retirees:

- Although Police Officers and Firefighters are in one retirement plan, the remaining City employees are in two pension plans (VRS and the Supplemental plan).
- In Alexandria, only full time employees participate in the VRS plan.
- The Supplemental Plan allows part timers and more could retire from the Supplemental plan than from VRS. However, many employees have chosen to receive a lump sum cash benefit in lieu of monthly benefits and that has reduced the size of the supplemental retiree rolls.

- The list of retirees does not include firefighters and police officers who retired under the defined contribution retirement program that was previously in effect for about 20 to 25 years, but ended in the early 2000s.

**Annual amount City pays for Employee Pensions? VRS? and Supplemental?**

See pages 8-3, 8-4, 8-18 and 8-19 of the Proposed Operating Budget document for information on retirement costs. In FY 2010 the City has budgeted \$31.2 million in the General Fund for retirement costs and in FY 2011 the proposed General Fund budget contains \$32.8 million for retirement costs (p. 8-4). The percent of salary paid for each type of employee is shown in a chart on p. 8-19.

**What year did the Supplement plan start in the City?**

The plan began in 1970.

**What is the payout formula for the supplemental plan?**

For general City employees the formula for service after 1987 is: Final Average Salary times 0.8% times Years of Service Credit. The formula for general employees was changed in 1988.

A general employee with 30 years of service would have a benefit of 24% multiplied by Final Average Salary.

For Deputy Sheriffs, Medics, and Fire Marshals there is a “back loaded” formula to encourage longevity. The formula for these employees was changed in 2005:

Years:

Years of Service	Benefit Formula
0-4	0.6%
5-15	0.9%
15 +	1.0%

A Deputy Sheriff, Medic and Fire Marshal employee with 30 years of service the following calculations would be made:

$$\begin{array}{r}
 5 \text{ times } 0.6\% = 3.0\% \\
 10 \text{ times } 0.9\% = 9.0\% \\
 15 \text{ times } 1.0\% = 15.0\% \\
 \hline
 \text{Total} \qquad \qquad = 27.0\%
 \end{array}$$

Therefore, such an employee with 30 years of service would have a benefit of 27% multiplied by the Final average salary.

**How many employees are enrolled in the 457 Plan?**

Currently about 1,200 employees contribute bi-weekly to the ICMA 457 retirement plan on a voluntary basis. The City does not make any contribution to this plan.

**Based on the Pension plan cost for the last five years what do we think we will be paying over the next five years, or what has been the % increase in Pension cost over the next 5 years?**

Using today's costs is a very good starting point for projecting future City pension costs. The long range forecast scenarios on pages 10-8, 10-9 and 10-11 of the budget document show the "All Funds" cost estimate for retirement/pension costs holding steady in FY 2012 and thereafter increasing at about a 3.6% annual rate if market rate adjustments resume in FY 2014 as shown in those scenarios.

**Determining Factors of Future Pension Costs**

The pension plans are funded by paying a projected level percentage of pay into the various pension funds based on independent actuarial studies. (Contribution rates do not increase just because a participant retires.) Future pension costs will depend on the following factors:

- Gains or losses in investments will impact the future required percentage of pay rates with a time lag (for better or for worse, but not easily predicted). For instance, the percentage of pay estimates required for meeting our annual pension contribution rates for FY 2012 and future years will be impacted significantly -- first down and then up -- by the significant drop and then rebound in the financial markets over the last year and a half.
- Although there have been changes in benefits for public safety employees, there have been very few changes in benefits for general employees. On balance benefits for them have decreased slightly for new hires, and not for existing employees. Over an extended period of time as long tenured employees retire and are replaced with new employees with lower benefits the total pension contribution rate will decrease slightly.
- If basic pay rates increase due to the application of a market rate adjustment or merit based step adjustments in future years, retirement costs go up proportionately since they are based on a percentage of pay.

In sum, we expect the change in demographics (more experienced people retiring and then being replaced with newer employees) will affect future City pension costs more than contribution rates per se. The rate of return actually earned by our investments typically has the largest impact on all the factors impacting contribution rates. Lastly, average pay levels also have a large impact on total retirement/pension costs.

**Do retirees pay all of their life insurance premium? (or some portion)**

The City pays the basic life premium for retirees hired prior to 7/1/09. All retirees pay the full cost of Supplemental coverage. The benefit for most retirees (depending on hire date) is 2 times the retiree's benefit base. At age 65 the benefit reduces to 1.5 times the retiree's benefit base and it is reduced each subsequent year, until the retiree reaches the age of 70. Thereafter it stays at one half the retiree's benefit base. (NOTE: Effective 12/1/2010, life insurance rates for the City, retirees and employees will most likely increase by 10%. This increase is contained in the proposed budget estimates.)

The City of Alexandria provides Basic Life Insurance and pays for basic group term life insurance, equal to basic coverage of the lesser of two times an employee's basic yearly salary on January 1, rounded up to the next thousand, or \$500,000 for retirees hired prior to 7/1/09. The coverage begins the first of the month following 90 days of continuous service.

An employee can purchase Supplemental Life Insurance in the amount of one (1) or two (2) times an employee's basic yearly earnings, but the total amount of basic and supplemental life will not exceed \$750,000.

**Do new employees as of 7/1/09 get retiree life insurance?**

Retirees hired on or after 7/1/2009 are not eligible for City paid life insurance benefits. They are able to obtain supplemental life insurance coverage but the employee/retiree is responsible for 100% of the premium.

Attachments:

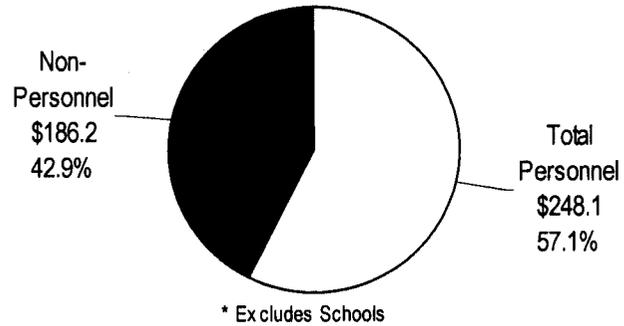
Pages 8-3, 8-4, 8-18, 8-19, 10-8, 10-9 and 10-4 of the FY 2011 Proposed Operating Budget.

# Personnel & Compensation Summary

## Personnel Budget

Personnel expenditures account for 57% of the All Funds budget.

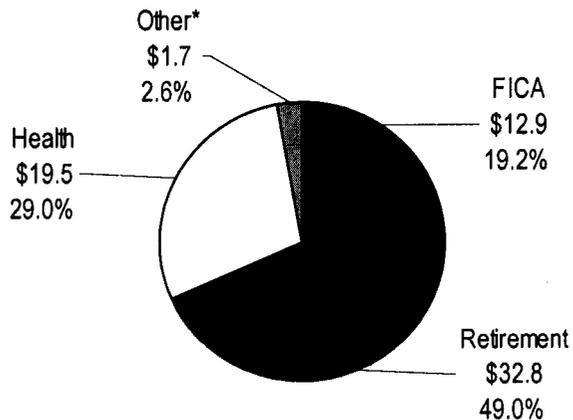
FY 2011 Proposed All Funds Budget\*  
\$434.3M



Of the \$248.1 million personnel budget, about \$181.1 million, or 73%, is for salaries. And about \$67.0 million, or 27%, is for fringe benefits.

Retirement and Healthcare are the biggest drivers of the fringe benefit costs. Retirement accounts for almost half of the fringe benefit costs, and healthcare almost 29%.

Fringe Benefit Expenditures  
\$67.0M



\*Includes Life Insurance; Worker's Compensation; Clothing/Care Allowance; Unemployment; Recruitment; & Long Term (LT) Disability

# Personnel & Compensation Summary

## Personnel Budget

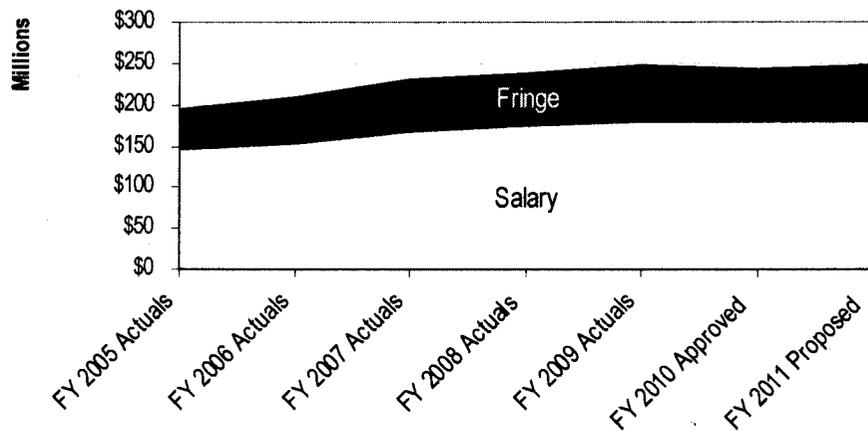
**Total compensation increased by \$4.5 million, or 1.9%. The budget for salaries increased by \$2.2 million (1.2%) and total fringe benefits increased by \$2.4 million (3.6%).**

**The cost for fringe benefits has been rising in conjunction with increases for salaries. Salaries rise in FY 2011 due to the cost of the step/merit provided to employees. The cost for fringe benefits also increases after declining in FY 2010.**

Title	FY 2010 Approved	FY 2011 Proposed	\$Change FY10/11	%Change FY10/11
Total Salary	\$178.9	\$181.1	\$2.2	1.2%
<b>Fringe</b>				
FICA	12.9	12.9	(0.0)	(0.1%)
Retirement	31.2	32.8	1.6	5.2%
Health	18.9	19.5	0.6	3.2%
Other*	1.7	1.8	0.1	8.3%
<b>Total Fringe</b>	<b>64.7</b>	<b>67.0</b>	<b>2.4</b>	<b>3.6%</b>
<b>Total Personnel</b>	<b>\$243.6</b>	<b>\$248.1</b>	<b>\$4.5</b>	<b>1.9%</b>

\*Includes Group Life; Workers Compensation; Clothing/Car Allowances; Unemployment; Recruitment ;LT Disability

**History of Salary and Fringe Benefits**



# Personnel & Compensation Summary

## Employee Compensation – Retirement

**FICA payments by the City will remain relatively flat (decreasing by only 0.1%) in the FY 2011 Proposed Budget.**

**Retirement costs for the City are budgeted at \$32.8 million in the FY 2011 Proposed Budget, which is a \$1.6 million increase from the prior year.**

**Retirement costs increase in FY 2011 party due to rate increases, which had been expected given major stock market declines in CY 2009 and 2010.**

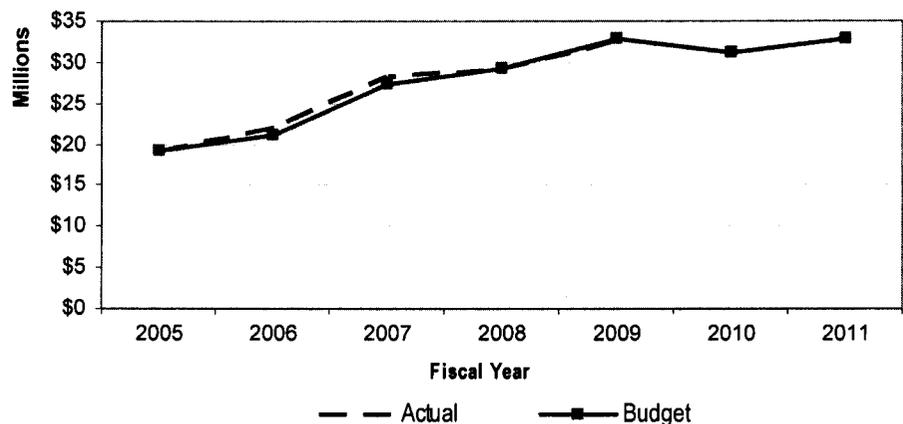
## Federal Insurance Contributions Act (FICA)

This represents the City share of Social Security and Medicare tax. The \$12.9 million budgeted in FY 2011 is equivalent to the share that employees also pay. The CY 2010 maximum earnings cap remains at the CY 2009 level of \$106,800, so earnings above this amount will not be taxed for Social Security, but are still subject to Medicare.

## Retirement

The FY 2011 retirement budget represents the contribution that the City pays towards employee retirement plans. The chart below shows actual retirement costs from FY 2005 – 2009 and the budgeted costs for retirement from FY 2005 – 2011. The chart on the following page details the planned contribution rates the City and employees pay.

City Retirement Budget and Costs FY 2005 - FY 2011



# Personnel & Compensation Summary

## Employee Compensation – Retirement

Retirement contribution percentages by the City vary by the retirement plan.

Plan	Employees (Pre July 1, 2009)		Future Employees (Post July 1, 2009)		Employees (Pre July 1, 2009)		Employees (Post July 1, 2009)	
	Contribution Rates for City Employees		Contribution Rates for City Employees		Contribution Rates for City Employees		Contribution Rates for City Employees	
	FY 2010 City	FY 2010 Emp'ee	FY 2010 City	FY 2010 Emp'ee	FY 2011 City	FY 2011 Emp'ee	FY 2011 City	FY 2011 Emp'ee
VRS	12.07%	-	12.07%	-	12.78%	-	12.78%	-
City Supplemental Plan <sup>5,6</sup>	5.60%	-	3.60%	2.00%	6.47%	-	4.47%	2.00%
<b>VRS &amp; City Supplement Total<sup>1</sup></b>	<b>17.67%</b>	<b>-</b>	<b>15.67%</b>	<b>2.00%</b>	<b>19.25%</b>	<b>-</b>	<b>17.25%</b>	<b>2.00%</b>
Sworn Fire & Police <sup>2,3</sup>	27.20%	8.0%	27.20%	8.0%	25.58%	8.0%	25.58%	8.0%
Deputy Sheriffs, Fire Marshals & ERT <sup>4</sup>	22.35%	-	22.35%	-	22.60%	-	22.60%	-

<sup>1</sup> VRS includes only full-time GS employees; City Supplemental includes those working 20 hours or more.

<sup>2</sup> Employer contribution includes 2.35% for Disability Income Plan. Of the 8.0% employee contribution, 7.5% is for the Defined Benefit plan and 0.5% is for the Disability component.

<sup>3</sup> Beginning in FY 2010 the City allocated expenses for pension plan management through a pension administration recovery fee. This fee results in a 0.41% increase to the City contribution for the Sworn Police and Fire pension plans.

<sup>4</sup> This contribution includes VRS and the City Supplemental Plan plus a defined contribution amount of 1.79% to equal the Sworn Fire & Police FY 2008 contribution rate of 22.35%. This rate has not changed as the Sworn Fire & Police rate changed due to actuarial

<sup>5</sup> As of FY 2010 General Salary employees hired on or after July 1, 2009 will pay 2% into the supplemental retirement system. This does not include employees who are Deputy Sheriffs, Fire Marshals, or ERTs.

<sup>6</sup> For employees hired before July 1, 2009 the 2% employee share paid by the City will continue to be paid by the City but will be characterized as a City contribution. Thus, an employee who leaves before vesting will not be entitled to a refund of this contribution.

# Forecast Scenarios

## Low Growth Scenario

Each of the three scenarios that will be presented include policy proposals that were included in the FY 2011 budget. Per Resolution #2368, the FY 2012 forecast accommodates a step increase in FY 2011 and the planned increase of cost sharing of medical insurance premiums by City employees, among other policy changes.

	FY 2011 Proposed	FY 2012 Forecast	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
<b>General Fund</b>											
General property tax revenue											
Real property tax	296,237,904	281,136,568	278,295,509	281,086,930	288,877,805	299,076,514	311,115,574	323,636,197	336,657,645	350,199,951	364,283,949
Personal property tax	31,700,000	32,017,000	32,337,170	32,660,542	32,987,147	33,317,019	33,650,189	33,986,691	34,326,558	34,669,823	35,016,521
Penalties and interest	1,870,000	1,870,000	1,870,000	1,870,000	1,870,000	1,870,000	1,870,000	1,870,000	1,870,000	1,870,000	1,870,000
<b>Total general property tax revenue</b>	<b>329,807,904</b>	<b>315,023,568</b>	<b>312,502,679</b>	<b>315,617,472</b>	<b>323,734,952</b>	<b>334,263,533</b>	<b>346,635,763</b>	<b>359,492,888</b>	<b>372,854,203</b>	<b>386,739,774</b>	<b>401,170,471</b>
Other Local Tax Revenue	117,830,000	119,558,300	121,753,513	124,389,255	127,153,829	130,015,618	132,969,499	135,999,495	139,107,713	142,296,315	145,567,530
Other Non-Tax Revenue	80,299,091	78,850,960	78,473,139	79,085,147	79,715,515	80,364,794	81,033,552	81,722,372	82,431,857	83,162,626	83,915,318
<b>Total General Fund Revenues</b>	<b>527,936,995</b>	<b>513,432,828</b>	<b>512,729,331</b>	<b>519,091,874</b>	<b>530,604,296</b>	<b>544,643,945</b>	<b>560,638,813</b>	<b>577,214,755</b>	<b>594,393,772</b>	<b>612,198,715</b>	<b>630,653,319</b>
<b>Other Financing Sources (Uses)</b>											
Appropriation from Fund Balance for Op. Budget	6,191,004	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
<b>Total General Fund Revenue &amp; Other Sources</b>	<b>534,127,999</b>	<b>517,032,828</b>	<b>516,329,331</b>	<b>522,691,874</b>	<b>534,204,296</b>	<b>548,243,945</b>	<b>564,238,813</b>	<b>580,814,755</b>	<b>597,993,772</b>	<b>615,798,715</b>	<b>634,253,319</b>
<b>Special Revenues &amp; Other Funds</b>											
Appropriation from Schools Fund Balance	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199
Other Special Revenue (donations/charges)	102,134,161	104,219,490	106,347,805	108,520,004	110,737,004	112,999,742	115,309,175	117,666,280	120,072,054	122,527,517	125,033,711
Sanitary Sewer Fund	7,742,500	7,974,775	8,214,018	8,460,439	8,714,252	8,975,680	9,244,950	9,522,298	9,807,967	10,102,206	10,405,273
Equipment Replacement Fund	5,774,848	5,948,093	6,126,536	6,310,332	6,499,642	6,694,632	6,895,471	7,102,335	7,315,405	7,534,867	7,760,913
<b>Total Special Revenue &amp; Other Funds</b>	<b>121,298,708</b>	<b>123,789,557</b>	<b>126,335,558</b>	<b>128,937,974</b>	<b>131,598,097</b>	<b>134,317,252</b>	<b>137,096,794</b>	<b>139,938,112</b>	<b>142,842,625</b>	<b>145,811,790</b>	<b>148,847,095</b>
<b>Total Revenues, All Funds</b>	<b>655,426,707</b>	<b>640,822,386</b>	<b>642,664,889</b>	<b>651,629,847</b>	<b>665,802,393</b>	<b>682,561,197</b>	<b>701,335,608</b>	<b>720,752,867</b>	<b>740,836,397</b>	<b>761,610,505</b>	<b>783,100,414</b>
<b>Expenditures &amp; Other Uses</b>											
<b>City Personnel</b>											
Salaries	178,218,616	180,571,196	184,760,335	187,716,500	194,474,295	201,475,369	208,728,482	216,242,708	224,027,445	232,092,433	240,447,761
Change City Staffing/Population Change	0	0	0	0	0	0	0	0	0	0	0
Step Increase	2,186,580	2,889,139	2,956,165	3,003,464	3,111,589	3,223,606	3,339,656	3,459,883	3,584,439	3,713,479	3,847,164
MRA	0	0	0	3,754,330	3,889,486	4,029,507	4,174,570	4,324,854	4,480,549	4,641,849	4,808,955
Social Security	13,067,145	13,209,144	13,515,588	14,002,149	14,506,227	15,028,451	15,569,475	16,129,976	16,710,655	17,312,239	17,935,479
Health Care	19,469,918	20,443,414	21,465,585	23,182,831	25,037,458	27,040,455	29,203,691	31,539,986	34,063,185	36,788,240	39,731,299
Retirement	33,300,703	33,279,705	34,051,773	35,277,637	36,547,632	37,863,347	39,226,427	40,638,579	42,101,567	43,617,224	45,187,444
LT Disability & Life Ins.	1,229,917	1,229,184	1,257,701	1,302,978	1,349,885	1,398,481	1,448,826	1,500,984	1,555,019	1,611,000	1,668,996
Other Fringe Benefits	632,918	651,906	671,463	691,607	712,355	733,725	755,737	778,409	801,762	825,814	850,589
<b>Total City Personnel</b>	<b>248,105,797</b>	<b>252,273,688</b>	<b>258,678,610</b>	<b>268,931,496</b>	<b>279,628,925</b>	<b>290,792,941</b>	<b>302,446,864</b>	<b>314,615,379</b>	<b>327,324,822</b>	<b>340,602,278</b>	<b>354,477,687</b>
City Non-personnel	142,325,073	148,091,962	151,675,743	157,603,955	163,858,744	170,462,131	177,437,830	184,811,390	192,610,346	200,864,386	209,605,535
OPEB Contribution	1,700,000	1,800,000	2,000,000	2,400,000	2,700,000	2,700,000	2,700,000	2,500,000	2,500,000	2,500,000	2,500,000
Debt service	38,186,774	42,449,463	46,364,070	48,951,689	54,586,506	57,789,228	59,996,742	62,849,719	65,332,259	65,553,679	65,553,679
Cash capital	4,000,000	4,000,000	6,000,000	10,000,000	12,000,000	12,000,000	13,000,000	13,500,000	14,500,000	16,000,000	16,000,000
Schools Personnel	186,814,758	191,742,760	196,108,845	204,989,947	214,138,449	223,324,414	232,499,504	242,010,901	251,875,949	262,096,439	272,698,083
Schools Non-personnel	34,294,304	36,180,491	38,170,418	39,621,025	41,142,196	42,737,603	44,411,115	46,166,804	48,008,958	49,942,093	51,970,964
<b>Total Expenditures</b>	<b>655,426,707</b>	<b>676,538,363</b>	<b>698,997,685</b>	<b>732,498,113</b>	<b>768,054,820</b>	<b>799,806,316</b>	<b>832,492,055</b>	<b>866,454,193</b>	<b>902,152,134</b>	<b>937,558,875</b>	<b>972,805,948</b>
<b>Excess/(Shortfall) of Revenues and Other Sources over Expenditures and Other Uses</b>	<b>-</b>	<b>(35,715,978)</b>	<b>(56,332,796)</b>	<b>(80,868,265)</b>	<b>(102,252,427)</b>	<b>(117,245,119)</b>	<b>(131,156,447)</b>	<b>(145,701,326)</b>	<b>(161,315,737)</b>	<b>(175,948,371)</b>	<b>(189,705,535)</b>

# Forecast Scenarios

## Medium Growth Scenario

In the medium growth scenario, the City's shortfall is expected to be approximately \$22.6 million in FY 2012.

	FY 2011 Proposed	FY 2012 Forecast	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
<b>General Fund</b>											
General property tax revenue											
Real property tax	296,237,904	290,831,769	295,230,027	304,173,347	317,976,655	335,808,880	355,859,413	377,324,978	400,078,476	424,197,185	449,763,016
Personal property tax	31,700,000	32,587,600	33,500,053	34,438,054	35,402,320	36,393,585	37,412,605	38,460,158	39,537,042	40,644,080	41,782,114
Penalties and interest	1,870,000	1,888,700	1,907,587	1,926,663	1,945,929	1,965,389	1,985,043	2,004,893	2,024,942	2,045,191	2,065,643
<b>Total general property tax revenue</b>	<b>329,807,904</b>	<b>325,308,069</b>	<b>330,637,667</b>	<b>340,538,064</b>	<b>355,324,904</b>	<b>373,967,854</b>	<b>395,257,061</b>	<b>417,790,029</b>	<b>441,640,461</b>	<b>466,886,456</b>	<b>493,610,773</b>
Other Local Tax Revenue	117,830,000	120,868,100	124,757,055	129,498,535	134,507,909	139,782,039	145,316,748	151,104,899	157,159,244	163,493,218	170,120,978
Other Non-Tax Revenue	80,299,091	80,240,151	81,228,091	83,243,963	85,316,710	87,448,137	89,640,106	91,894,549	94,213,462	96,598,913	99,053,041
<b>Total General Fund Revenues</b>	<b>527,936,995</b>	<b>526,416,320</b>	<b>536,622,813</b>	<b>553,280,561</b>	<b>575,149,524</b>	<b>601,198,029</b>	<b>630,213,914</b>	<b>660,789,477</b>	<b>693,013,167</b>	<b>726,978,587</b>	<b>762,784,793</b>
<b>Other Financing Sources (Uses)</b>											
Appropriation from Fund Balance for Op. Budget	6,191,004	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
<b>Total General Fund Revenue &amp; Other Sources</b>	<b>534,127,999</b>	<b>530,016,320</b>	<b>540,222,813</b>	<b>556,880,561</b>	<b>578,749,524</b>	<b>604,798,029</b>	<b>633,813,914</b>	<b>664,389,477</b>	<b>696,613,167</b>	<b>730,578,587</b>	<b>766,384,793</b>
<b>Special Revenues &amp; Other Funds</b>											
Appropriation from Schools Fund Balance	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199	5,647,199
Other Special Revenue (donations/charges)	102,134,161	105,198,186	108,354,131	111,604,755	114,952,898	118,401,485	121,953,529	125,612,135	129,380,499	133,261,914	137,259,772
Sanitary Sewer Fund	7,742,500	7,974,775	8,214,018	8,460,439	8,714,252	8,975,680	9,244,950	9,522,298	9,807,967	10,102,206	10,405,273
Equipment Replacement Fund	5,774,848	5,948,093	6,126,536	6,310,332	6,499,642	6,694,632	6,895,471	7,102,335	7,315,405	7,534,867	7,760,913
<b>Total Special Revenue &amp; Other Funds</b>	<b>121,298,708</b>	<b>124,768,253</b>	<b>128,341,885</b>	<b>132,022,725</b>	<b>135,813,991</b>	<b>139,718,995</b>	<b>143,741,149</b>	<b>147,883,967</b>	<b>152,151,070</b>	<b>156,546,187</b>	<b>161,073,156</b>
<b>Total Revenues, All Funds</b>	<b>655,426,707</b>	<b>654,784,573</b>	<b>668,564,697</b>	<b>688,903,287</b>	<b>714,563,515</b>	<b>744,517,024</b>	<b>777,555,063</b>	<b>812,273,444</b>	<b>848,764,237</b>	<b>887,124,773</b>	<b>927,457,949</b>
<b>Expenditures &amp; Other Uses</b>											
<b>City Personnel</b>											
Salaries	178,218,616	180,571,196	184,760,335	187,716,500	194,474,295	201,475,369	208,728,482	216,242,708	224,027,445	232,092,433	240,447,761
Change City Stalling/Population Change	0	0	0	0	0	0	0	0	0	0	0
Step Increase*	2,186,580	2,889,139	2,956,165	3,003,464	3,111,589	3,223,606	3,339,656	3,459,883	3,584,439	3,713,479	3,847,164
MRA	0	0	0	3,754,330	3,889,486	4,029,507	4,174,570	4,324,854	4,480,549	4,641,849	4,808,955
Social Security	13,067,145	13,209,144	13,515,588	14,002,149	14,506,227	15,028,451	15,569,475	16,129,976	16,710,655	17,312,239	17,935,479
Health Care	19,469,918	20,443,414	21,465,585	23,182,831	25,037,458	27,040,455	29,203,691	31,539,986	34,063,185	36,788,240	39,731,299
Retirement	33,300,703	33,279,705	34,051,773	35,277,637	36,547,632	37,863,347	39,226,427	40,638,579	42,101,567	43,617,224	45,187,444
LT Disability & Life Ins.	1,229,917	1,229,184	1,257,701	1,302,978	1,349,885	1,398,481	1,448,826	1,500,984	1,555,019	1,611,000	1,668,996
Other Fringe Benefits	632,918	651,906	671,463	691,607	712,355	733,725	755,737	778,409	801,762	825,814	850,589
<b>Total City Personnel</b>	<b>248,105,797</b>	<b>252,273,688</b>	<b>258,678,610</b>	<b>268,931,496</b>	<b>279,628,925</b>	<b>290,792,941</b>	<b>302,446,864</b>	<b>314,615,379</b>	<b>327,324,622</b>	<b>340,602,278</b>	<b>354,477,687</b>
<b>City Non-personnel</b>											
OPEB contribution	1,700,000	1,800,000	2,000,000	2,400,000	2,700,000	2,700,000	2,700,000	2,500,000	2,500,000	2,500,000	2,500,000
Debt service	38,186,774	42,449,463	46,364,070	48,951,689	54,586,506	57,789,228	59,996,742	62,849,719	65,332,259	65,553,679	65,553,679
Cash capital	4,000,000	4,000,000	6,000,000	10,000,000	12,000,000	12,000,000	13,000,000	13,500,000	14,500,000	16,000,000	16,000,000
Schools Personnel	186,814,758	191,742,760	196,108,845	204,989,947	214,138,449	223,324,414	232,499,504	242,010,901	251,875,949	262,096,439	272,698,083
Schools Non-personnel	34,294,304	36,180,491	38,170,418	39,621,025	41,142,196	42,737,603	44,411,115	46,166,804	48,008,958	49,942,093	51,970,964
<b>Total Expenditures</b>	<b>655,426,707</b>	<b>676,538,364</b>	<b>698,997,686</b>	<b>732,498,114</b>	<b>768,054,821</b>	<b>799,806,317</b>	<b>832,492,056</b>	<b>866,454,194</b>	<b>902,152,135</b>	<b>937,558,876</b>	<b>972,805,949</b>
<b>Excess/(Shortfall) of Revenues and Other Sources over Expenditures and Other Uses</b>		<b>(21,753,791)</b>	<b>(30,432,989)</b>	<b>(43,594,827)</b>	<b>(53,491,306)</b>	<b>(55,289,293)</b>	<b>(54,936,993)</b>	<b>(54,180,750)</b>	<b>(53,387,898)</b>	<b>(50,434,103)</b>	<b>(45,348,000)</b>

\*A step increase for employees in FY 2011 increases salary and benefit costs by \$3,638,440 in FY 2012.

# Forecast Scenarios

## Multi-Year Revenue and Expenditure Projections

### Impact of FY 2011 policy changes on the FY 2012 budget

Resolution 2368, passed by City Council in November, requires the City Manager to provide a detailed estimate of the impact in FY 2012 of recommended expenditures in the FY 2011 base budget. The chart below shows the impact of expenditure changes to the FY 2011 budget on FY 2012 expenditures. All changes are included in the long-term forecast models.

	FY 12 before policy changes	FY 12 after policy changes	Change to FY 12 budget
<b>No change</b>			
Cash Capital	4,000,000	4,000,000	-
<b>Increases</b>			
FY 2011 Step Increase Effect on Salary and Benefits in FY 2012	228,818,356	231,830,274	3,011,918
Debt Service	38,804,824	42,449,463	3,644,639
Whittier Park operating costs	-	304,000	304,000
Depreciation, New Ambulances	-	90,000	90,000
Human Resources Systems Operations Cost	-	274,590	274,590
Contractual Services to Defend Assessments	-	156,550	156,550
Tree Maintenance and Replacement	-	189,064	189,064
Establishment of Emergency Communications Department	-	323,712	323,712
Two new peak time medic units operating cost	-	392,381	392,381
Add Fiscal Officer and Administrative Specialist to Fire Department	-	176,958	176,958
Add Public Defender Pay Supplement	-	23,440	23,440
Senior Appraiser (Real Estate)	-	101,700	101,700
<b>Decreases</b>			
Health Insurance Employee Cost Sharing	21,838,906	21,027,511	(811,395)
Other Post-employee Benefit (OPEB) contribution	3,000,000	1,800,000	(1,200,000)
Other Miscellaneous Expenditure Reductions*			(7,403,521)
<b>Total</b>			<b>(725,964)</b>

\*For details on other expenditure reductions, see the departmental detail sections.