

# *City of Alexandria, Virginia*

## MEMORANDUM

DATE: NOVEMBER 2, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: COMPENSATION ISSUES AND POTENTIAL COST IMPACT

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Attachment I is a 53 page detailed PowerPoint Presentation on employee compensation for the City of Alexandria. This presentation includes information on recommended changes to the City's compensation philosophy, as well as, possible salary and benefits compensation options and their potential cost impact. Cheryl Orr, Director of the Human Resources Department, will present an 18 page abbreviated version of this presentation at the Retreat.

The initial section of the presentation addresses the recommended updates to the City's Compensation Philosophy. In 2008, with the assistance of Watson Wyatt Worldwide the City undertook a comprehensive study of pay for performance, position classification and compensation philosophy. A 42 member employee group known as the Watson Wyatt Project Team was assembled by the City Manager under the initial direction of Deputy City Manager, Michele Evans and subsequent guidance of the Director of Human Resources, Cheryl Orr. The Team reviewed the City's current compensation philosophy which was established by City Council in December 2005 in order to update its principles. The Team has finalized its recommended changes to the current philosophy and has shared their findings with the City Manager's Senior Staff and the City Council Pension and Compensation Subcommittee. The recommended changes are presented in the PowerPoint presentation. For comparative purposes a copy of the current compensation philosophy is included in Attachment II with mark-ups showing the recently recommended changes.

As part of the Watson Wyatt study, Alexandria's pay and benefits options were compared to several other local governments in our region in order to determine the City's market competitiveness. Watson Wyatt assisted the committee in agreeing to five local government comparator jurisdictions which included: Arlington County, Fairfax County, Montgomery County, Prince George's County and Prince William County.

The second section of Attachment I outlines several options available to the City to compensate staff with regard to pay and salary. Slide 14 of the presentation lists and defines each of these options. Throughout this presentation you will find background information on each option, the potential impact to employees, and cost estimates for implementation. The option that requires the greatest amount of detail and understanding is the one that would apply the City's current

benchmark pay practices. This is labeled in the presentation as the Adjusted Benchmark Rate (ARB). It is important and relevant to understand the current pay practice, why it is cost prohibitive at this time, and how it can be modified to achieve financially realistic benchmarking for the City that still fairly compensates our employees. To this end, the presentation provides multiple benchmarking options.

Information regarding the City's new Compensation Based Classification System is also provided in the presentation. Less information is available regarding this option because specific funding details are still in development, however the presentation provides a timeline for implementation of this new system. We expect to have project implementation cost estimates from Watson Wyatt by December 2009.

Finally, cost estimates are provided for three of the City's more traditional pay compensation options which include: Market Rate Adjustments (MRA), Performance Based Merit/Step Increases, and One-time Pay Supplements. A 10 year history showing when MRAs were provided to employees is included to create some perspective (Slide 42), along with table showing how our comparator jurisdictions have compensated their staff using MRAs in recent years (Slide 43).

The Human Resources Department has replicated the Watson Wyatt Benefits Plan Rankings that were in the recent study. The table on Slide 48 of Attachment I lists the City's Benefits by the following areas: Retirement, Health, Paid Time Off and Security. The presentation also provides a ranking of Alexandria's benefits package to that of our comparators. Please note that General Employees benefits were compared to five jurisdictions and Public Safety benefits were compared to four jurisdictions. A summary of City sponsored benefits – those paid for by the City as well as those for which employees make contributions – has been developed to provide some details on the benefits plan design. A chart on Slide 49 of Attachment I with the total FY 2010 City expenditures for salary and benefits has been included for your information. Finally, we have recently issued a Benefits Employee Satisfaction and Incentives Survey to all City employees. The results of the survey will be available later in November.

Included in Attachment III for your information is a FY 2011 Budget Considerations spreadsheet for Human Resources and Compensation Issues. Many of the options were explored last year by OMB, Pension and HR Staffs. You have also been provided in this attachment the budget memo (if applicable) for the option and estimated costs when available. This spreadsheet serves as a starting point for FY 2011 discussions which will take place over the coming weeks and months. Some items included in this list may not be proposed, while additional items may be added to the list if they present themselves during our deliberations.

I am providing a separate memorandum to City Council on a funding option for Other Post Employment Benefits (OPEB). That memorandum describes a possible \$1.0 million reduction in funding for OPEB from FY 2011 General Fund revenues.

I also am providing a memorandum with updated information on the status of city-wide vacant positions and a staffing report for October 2009.



CITY OF ALEXANDRIA, VIRGINIA

# COMPENSATION REVIEW

Attachment I

Presented to

**City Council – Fall Budget Retreat**

Presented By:

**Cheryl D. Orr, SPHR, IPMA-CP**

Director, Human Resources Department

November 7, 2009



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# Compensation Philosophy Recommendations

## Compensation Philosophy of 2009



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# Compensation Highlights

- **Conduct Benchmark Study every 2 years (versus 5 years)**
- **Add budget for general salary adjustments**  
Add: Market Rate Adjustments
- **Emphasis on employees meeting or exceeding established performance standards to receive pay increases (merit) annually in base salaries**
- **Merit increases are not automatic**
- **Specific schedules will be competitive at 100% of the average pay level for relevant labor market**
- **For additional information on changes to the City's compensation philosophy please see *Attachment II***



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# Competitiveness and Comparability

## COMPENSATION PHILOSOPHY



### ■ Principle:

- Competitive with the average pay of comparator organizations in the primary labor market (Counties of Arlington, Fairfax, Prince William, Montgomery and Prince George's) as well as the Washington DC metropolitan area employers, where appropriate, including regional agencies, Federal Government, and private sector.

**The City Manager may recommend other comparators for recruitment/ retention purposes.**

\*Source: Watson Wyatt World Wide Compensation Review Project  
for the City of Alexandria, Virginia, 2009.



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# Competitiveness and Comparability

## COMPENSATION PHILOSOPHY



### ■ Principle:

- Information for an assessment of pay competitiveness will be ascertained through reliably published compensation survey data.

**Every two years, the City will conduct a market study of benchmark positions to determine the competitive posture of the organization, and propose a plan of action. The City may determine a classification needs review in the interim.**

*\*Source: Watson Wyatt World Wide Compensation Review Project for the City of Alexandria, Virginia, 2009.*



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# Competitiveness and Comparability

## COMPENSATION PHILOSOPHY



### ■ Principle:

- If an average salary falls below market averages to the extent that attracting and retaining qualified employees may be jeopardized, the City will propose action necessary to align the position or classification with the competitive marketplace for implementation at the next fiscal year or sooner, if financially feasible.

\*Source: Watson Wyatt World Wide Compensation Review Project  
for the City of Alexandria, Virginia, 2009.



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# General Salary Adjustment

## COMPENSATION PHILOSOPHY



- **Annually, the City Manager will recommend a budget for general salary adjustment that is based upon:**
  - Overall competitive posture of the organization
  - Market rate adjustments
  - Comparator organizations in the primary labor market
  - Financial affordability

\*Source: Watson Wyatt World Wide Compensation Review Project  
for the City of Alexandria, Virginia, 2009.



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# Pay Scales

## COMPENSATION PHILOSOPHY

- **The City may promulgate pay scales for all employees that will provide information on salary increases that an employee may expect from year to year if performing satisfactorily.**
- **In the public safety classifications, the pay scale schedules will differ from the general employee classifications.**



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# Pay Scales

## COMPENSATION PHILOSOPHY

- **For City employees, the annual increases in base salaries from year to year will be based on meeting established performance standards. In all cases, employees will know performance expectations in order to advance a step in-grade, if performance meets or exceeds expectations.**

*\*Source: Watson Wyatt World Wide Compensation Review Project for the City of Alexandria, Virginia, 2009.*



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# Pay Scales

## COMPENSATION PHILOSOPHY

- **The specific schedules will be competitive at 100% (*Approved by City Council – Item #12 dated 12/13/05*) of the average pay levels for the relevant labor market, and will be adjusted whenever necessary to maintain market competitiveness.**
- **Salary increases from the pay scale are a function of performance-merit. Such increases are a recognition of performance that meets and exceeds expectations. Merit increases are not automatic.**

\*Source: Watson Wyatt World Wide Compensation Review Project  
for the City of Alexandria, Virginia, 2009.



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# Survey of Comparator Jurisdictions

## COMPENSATION PHILOSOPHY



JURISDICTION	MARKET COMPETITIVENESS THRESHOLD ADJUSTMENTS
City of Alexandria	100%
Arlington County	95%
Fairfax County	90%
Montgomery County	Typically not done. Use labor negotiations to determine adjustments based upon pay surveys, etc
Prince George's County	Typically not done. Use labor negotiations to determine adjustments based upon pay surveys, etc
Prince William County	95% (Guideline only)



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# Comparator Jurisdictions



- **Arlington County**
- **Fairfax County**
- **Montgomery County**
- **Prince George's County**
- **Prince William County**
- **May recommend others as appropriate**  
(i.e. Nurses, Architects, Engineers)



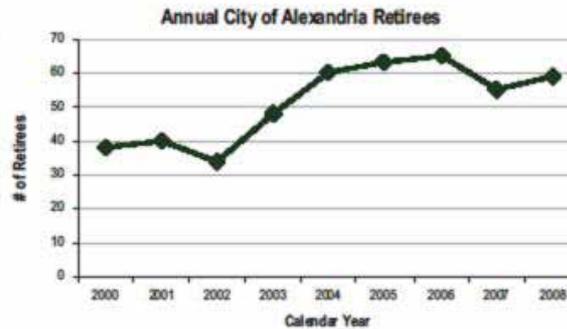
## Personnel & Compensation Summary

### Attracting and Keeping a Competent Workforce

Turnover among full-time employees is relatively stable from CY 2002 – 2008



Calendar Year 2008 realized a small increase in the number of retirees. The total number of retirees in coming years is expected to increase dramatically because of the number of employees who are retirement eligible.



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# Compensation Options

- **Adjusted Benchmark Rate (ABR):** An Adjusted Benchmark Rate is an action taken as a result of benchmark salary survey results which changes the assigned grade and salary range of a benchmark class(es) and related linked classes in order to meet the City's established 100% threshold of competitiveness with our comparator jurisdictions.
- **Competency Based Classification Implementation Cost:** The cost of implementing Watson Wyatt's modern Competency Based Classification System which is market sensitive, ensures alignment with organizational objectives, and is transparent to employees (one time cost).
- **Market Rate Adjustment (MRA):** A General Salary Adjustment implemented as an across-the-board wage and salary increase designed to bring pay in line with increases in the cost of living to maintain real purchasing power for all classes in the classification plan. It is based on changes in some index of prices, such as the Consumer Price Index (CPI).
- **Merit Step:** An advancement to the next step on a step pay scale based upon employees meeting or exceeding performance expectations.
- **Pay Supplemental/Bonus:** A City Council approved one-time pay supplement for employees.
- **Benefits Review:** Based on the Watson Wyatt Benefits Analysis and the survey of City Employees, review of benefits offered to City Employees.



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# Adjusted Benchmark Rate Benchmark Surveys

## General Scale & Public Safety Employees



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# FY 09 Benchmark Salary Comparisons



- **FY 09 – General Scale Benchmark Salary Survey of Comparator Jurisdictions**
- **FY 09 – Public Safety Benchmark Salary Survey of Comparator Jurisdictions**
- **Linkages – Non-benchmarked classes are “linked” to the most appropriate benchmark class. Any adjustments made to the benchmark class also applies to any class “linked” to that benchmark class.**
  - **Fiscal Officer III**
  - **Fiscal Officer II – Experienced Level**
  - **Fiscal Officer I**



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# FY 2009 - Public Safety Benchmark Salary Survey of Comparator Jurisdictions



## Alexandria

Job Title	Midpoint Salary
Deputy Chief/Police	90.6%
Police Officer III	91.8%
Police Lieutenant	92.1%
Asst Fire Chief	93.6%
Police Captain	94.5%
Police Officer II	95.0%
Police Sergeant	95.1%
Fire Captain	96.6%
Police Officer I	97.2%
Fire Lieutenant	98.4%
Deputy Sheriff Lieutenant	98.6%
Firefighter II	98.7%
Deputy Sheriff II	98.8%
Firefighter I	99.1%
Deputy Sheriff I	99.4%
Fire Battalion Chief	100.4%
Dep Sheriff/Chf	101.7%
Undersheriff	102.1%
Deputy Sheriff Captain	102.3%
Deputy Sheriff Sergeant	102.9%
<b>Total Classes: 20</b>	



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# FY 2009 - General Scale Benchmark Salary Survey of Comparator Jurisdictions



## Alexandria

Job Title	Midpoint Salary
Director of Finance	81.5%
Deputy City Manager	82.5%
Fire Chief	83.2%
Police Chief	83.2%
Human Resources Director	84.0%
Dir Trans Environmental Svcs	84.2%
Director ITS	84.2%
Deputy Registrar	86.4%
Administrative Officer I	86.8%
Real Estate Appraiser II	87.8%
Therapist II	87.9%
Computer Systems Analyst II	88.2%
Administrative Technician	88.3%
Library Director	88.5%
Engineering Aide	89.0%
Code Enforcement Inspector II	89.2%
Maintenance Worker	90.1%
Assistant City Attorney IV	90.5%
Equipment Operator I	90.6%
Building System Technician	90.7%
Dir Planning & Zoning	90.8%
Supervisor/Crime Scene Investigations Section	91.2%
Account Clerk II	91.3%
Computer Operator II	91.4%
Dir MH/MR/SA/Ex Dir/Com Svcs	92.1%
Asst City Attorney II	92.3%
Budget/Mgmt Analyst I	92.5%
Librarian III	92.7%
Human Resources Assistant	92.7%
Lab Aide	93.5%
Customer Support Engineer II	93.8%
Civil Engineer II	93.9%

Continued...



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# FY 2009 - General Scale Benchmark Salary Survey of Comparator Jurisdictions



## Alexandria

Job Title	Midpoint Salary
Emergency Comm Tech	94.3%
Human Resources Analyst II	95.0%
Communications Officer	95.7%
Recreation Leader II	95.8%
Caseworker	97.1%
Network Engineer III	97.9%
Secretary II	98.6%
Urban Planner II	98.6%
Horticultural Specialist I	98.6%
Accountant II	98.9%
Director of Communications	98.9%
Clerk Typist II	99.1%
Heavy Equipment Operator	99.4%
Library Assistant II	99.6%
Supt/Const & Maint	99.9%
TES Inspector II	100.1%
Custodian	101.0%
Cook	102.1%
Fleet Services Technician I	102.7%
Laborer II	103.2%
Buyer II	103.4%
Sanitarian II	104.2%
Clerk II	104.6%
Asst City Attorney I	104.8%
Computer Programmer/Analyst II	104.8%
Supvr/Recr III	107.4%
Construction Field Rep	107.6%
Social Worker II	108.0%
Public Health Nurse II	109.4%
Medical Lab Tech	116.4%
Dir/Office of Building & Fire Code	116.5%
<b>Total Classes: 63</b>	



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# Current Benchmark Pay Practice



- **Under the City's current benchmark pay policy:**
  - **When the mid-point salary of a City benchmark class falls below the City's 100% threshold, the class, plus any linked classes, will experience the following adjustment:**
    - 4% increase in base pay.
    - Grade adjustment based on percent below the threshold. Approximately one grade for every 5% below the threshold. (i.e. 95% to 99.9% receives 1 grade adjustment, 90% to 94.9% receives 2 grade adjustment...).
    - Placement on the next step of the new grade.
- **The current benchmark pay practice is very expensive and potentially cost prohibitive. Therefore we are presenting a variety of modifications to the pay practice which will begin to address the market salary deficiencies.**



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# Watson Wyatt Recommendations for Considering Future Benchmark Surveys

- **Delink Benchmark Classes**
- **Expand the number of Benchmark Classes**
- **Expand the Comparators Surveyed**
- **Expand the use of published surveys, for example: Watson Wyatt, Mercer, HRA-NCA, etc.**
- **Conduct Benchmark Survey when warranted**



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# Current Benchmark Pay Practice

## Example:

A Job Class mid-point salary is at 91.2%, which would require a 2 grade adjustment to reach 100%. The Employee's current salary is \$62,959.73 (GS-18-H). A 4% increase will put the salary at \$65,478.12 and the 2 grade adjustment to meet the threshold brings the job class to a GS-20. The new grade and salary combination places the employee between steps F and G, so final placement sets the employee at GS-20-G (\$67,056.11). With a total increase of \$4,097.04.

## GENERAL SALARY SCALE -- FY 2009

	4	5	6	7	8	9	10
		3.5%					2.3%
	E	F	G	H	I	J	K
17	54,077.81	55,970.53	57,929.50	59,957.03	62,055.53	64,227.47	65,704.70
18	56,786.07	58,773.58	60,830.66	62,959.73	65,163.32	67,444.04	68,995.25
19	59,619.98	61,706.68	63,866.41	66,101.73	68,415.29	70,809.83	72,438.46
20	62,597.59	64,788.51	67,056.11	69,403.07	71,832.18	74,346.31	76,056.28
21	65,728.11	68,028.59	70,409.59	72,873.93	75,424.52	78,064.38	79,859.86
22	69,009.47	71,424.80	73,924.67	76,512.03	79,189.95	81,961.60	83,846.72



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# Funding Chart for Benchmark Survey Results

## Benchmark & Linked Job Classes



### General Scale & Public Safety Employees

	High	Medium	Low
	100%, 4%, Grd & Plcmnt	95%, 4%, Grd & Plcmnt	85%, 4%, Grd & Plcmnt
GS - Benchmark & Linkages	\$5,950,313.46	\$3,765,051.07	\$377,618.34
PS - Benchmark & Linkages	\$3,130,081.71	\$943,819.93	\$0.00
Combined GS/PS - Benchmark Totals	\$9,080,395.17	\$4,708,871.00	\$377,618.34

	100%, 0%, Grd & Plcmnt	95%, 0%, Grd & Plcmnt	85%, 0%, Grd & Plcmnt
GS - Benchmark & Linkages	\$2,129,758.67	\$1,166,220.53	\$43,931.86
PS - Benchmark & Linkages	\$816,749.18	\$181,476.98	\$0.00
Combined GS/PS - Benchmark Totals	\$2,946,507.85	\$1,347,697.51	\$43,931.86

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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# Funding Chart for Benchmark Survey Results

## Benchmark Job Classes Only



### General Scale & Public Safety Employees

	High	Medium	Low
	100%, 4%, Grd & Plcmnt	95%, 2%, Grd & Plcmnt	95%, 0%, Grd & Plcmnt
GS - Benchmark	\$1,140,789.54	\$422,389.06	\$181,362.09
PS – Benchmark	\$1,815,698.29	\$227,837.19	\$79,432.98
Combined GS/PS - Benchmark Totals	\$2,956,487.83	\$650,226.25	\$260,795.07

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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# Benchmark & Linked Job Classes

## COSTING OPTIONS A-J



### Option A

100% Threshold, 4% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	1738	76.83%	\$6,156,198.47
PS	698	665	95.27%	\$3,169,461.69
<b>Total</b>	<b>2960</b>	<b>2403</b>	<b>81.18%</b>	<b>\$9,326,380.16</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option B

#### 100% Threshold, 2% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	1738	76.83%	\$4,303,347.58
PS	698	665	95.27%	\$2,283,460.21
<b>Total</b>	<b>2960</b>	<b>2403</b>	<b>81.18%</b>	<b>\$6,586,807.79</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option C

100% Threshold, 0% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	1738	76.83%	\$2,258,792.25
PS	698	665	95.27%	\$842,692.45
<b>Total</b>	<b>2960</b>	<b>2403</b>	<b>81.18%</b>	<b>\$3,101,484.70</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option D

#### 95% Threshold, 4% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	1103	44.34%	\$3,793,746.82
PS	698	176	25.21%	\$943,819.93
<b>Total</b>	<b>2960</b>	<b>1279</b>	<b>43.21%</b>	<b>\$4,737,566.75</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option E

#### 95% Threshold, 2% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	1103	44.34%	\$2,596,114.42
PS	698	176	25.21%	\$555,696.81
<b>Total</b>	<b>2960</b>	<b>1279</b>	<b>43.21%</b>	<b>\$3,151,811.23</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option F

#### 95% Threshold, 0% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	1103	44.34%	\$1,192,159.08
PS	698	176	25.21%	\$181,476.98
<b>Total</b>	<b>2960</b>	<b>1279</b>	<b>43.21%</b>	<b>\$1,373,636.06</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option H

#### 90% Threshold, 2% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	578	25.25%	\$1,420,107.64
PS	698	0	0.00%	\$0.00

**Total 2960 578 19.53% \$1,420,107.64**

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option I

#### 90% Threshold, 0% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	578	25.25%	\$522,194.81
PS	698	0	0.00%	\$0.00
<b>Total</b>	<b>2960</b>	<b>578</b>	<b>19.53%</b>	<b>\$522,194.81</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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### Option J

85% Threshold, 4% + Placement

Pay Scale	Total # FT & PT Employees	# of Employees Affected	% of Employees Affected	Cost
GS	2262	53	2.35%	\$377,618.34
PS	698	0	0.00%	\$0.00
<b>Total</b>	<b>2960</b>	<b>53</b>	<b>1.79%</b>	<b>\$377,618.34</b>

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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# Costing Comparison Charts

## Benchmark Job Classes Only



### General Scale Employees

	Total # FT & PT Emps.	# of Emps. Affected	% of Emps. Affected	Cost
100% Threshold, 4% + Placement	2262	366	16.18%	\$1,140,789.54
95% Threshold, 4% + Placement	2262	166	7.34%	\$601,493.26
95% Threshold, 2% + Placement	2262	166	7.34%	\$422,389.06
95% Threshold, 1% + Placement	2262	166	7.34%	\$314,410.18
95% Threshold, 0% + Placement	2262	166	7.34%	\$181,362.09

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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# Costing Comparison Charts

## Benchmark Job Classes Only



### Public Safety Employees

	Total # FT & PT Emps.	# of Emps. Affected	% of Emps. Affected	Cost
100% Threshold, 4% + Placement	698	432	61.89%	\$1,815,698.29
95% Threshold, 4% + Placement	698	63	9.03%	\$312,392.03
95% Threshold, 2% + Placement	698	63	9.03%	\$227,837.19
95% Threshold, 1% + Placement	698	63	9.03%	\$139,746.32
95% Threshold, 0% + Placement	698	63	9.03%	\$79,432.98

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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# Costing Comparison Charts

## Benchmark & Linked Job Classes



### Combined General Scale & Public Safety Employees

	Total # FT & PT Emps.	# of Emps. Affected	% of Emps. Affected	Cost
100% Threshold, 4%, Grd + Placement	2960	2403	81.18%	\$9,080,395.17
100% Threshold, 0%, Grd + Placement	2960	2403	81.18%	\$2,946,507.85
95% Threshold, 4%, Grd + Placement	2960	1279	43.21%	\$4,708,871.00
95% Threshold, 0%, Grd + Placement	2960	1279	43.21%	\$1,347,697.51
90% Threshold, 4%, Grd + Placement	2960	578	19.53%	\$1,942,849.05
90% Threshold, 2%, Grd + Placement	2960	578	19.53%	\$1,420,107.64
90% Threshold, 0%, Grd + Placement	2960	578	19.53%	\$522,194.81
85% Threshold, 4%, Grd + Placement	2960	53	1.79%	\$377,618.34
100% Threshold, 4%, 1Grd only + Placement	2960	2403	81.18%	\$8,408,500.94
100% Threshold, 2%, 1Grd only + Placement	2960	2403	81.18%	\$6,260,109.32

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%



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# Costing Comparison Charts

## Benchmark Job Classes Only



### Combined General Scale & Public Safety Employees

	Total # FT & PT Emps.	# of Emps. Affected	% of Emps. Affected	Cost
100% Threshold, 4%, Grd + Placement	2960	798	26.96%	\$2,956,487.83
95% Threshold, 4%, Grd + Placement	2960	229	7.74%	\$913,885.29
95% Threshold, 2%, Grd + Placement	2960	229	7.74%	\$650,226.25
95% Threshold, 1%, Grd + Placement	2960	229	7.74%	\$454,156.50
95% Threshold, 0%, Grd + Placement	2960	229	7.74%	\$260,795.07

Includes cost of benefits

- GS - 25.58%
- Fire/Police - 34.58%
- Sheriff - 30.74%





## New Compensation Based Classification System Implementation



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# Watson Wyatt Consultant's Study



## ■ Project Implementation Time Line Milestones

- Send out position questionnaires, **JAQ's** to all employees **June 29, 2009**, for return in **August 2009**.
- HR review and send position questionnaires to Watson Wyatt by **August 7, 2009**.
- Review Classification System with City Manager's Sr. Staff in **September 2009**.
- Discuss Watson Wyatt initial recommendations at Council Subcommittee on Pension and Compensation in **October 2009**.
- Provide initial Watson Wyatt information to Council at **November 7<sup>th</sup> Budget Retreat**.
- Watson Wyatt will provide project implementation cost estimates to OMB in **December 2009**.
- Decision on financing Watson Wyatt Competency Based Classification System.
- Next Steps:
  - Employees assigned new Job Classes
  - Rollout Citywide new classification system



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# Market Rate Adjustment

<b>1% MRA for City Employees</b>	<b>\$2.4M</b>
<b>1% MRA for School Employees</b>	<b><u>\$1.5M</u></b>
<b>Total 1% MRA City &amp; Schools</b>	<b>\$3.9M</b>



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# History of Market Rate Adjustments



During FY 2006, all sworn Public Safety employees received a 5.5% market rate adjustment based on the results of a consultant survey. These employees did not receive the 2% market rate adjustment given to General Schedules employees in FY 2007.

\*In FY 2009 a one-time \$500 pay supplement and one-time 2% longevity pay supplement for top-of-grade employees was given in lieu of an MRA.



# Comparator Jurisdictions'

## MARKET RATE ADJUSTMENTS



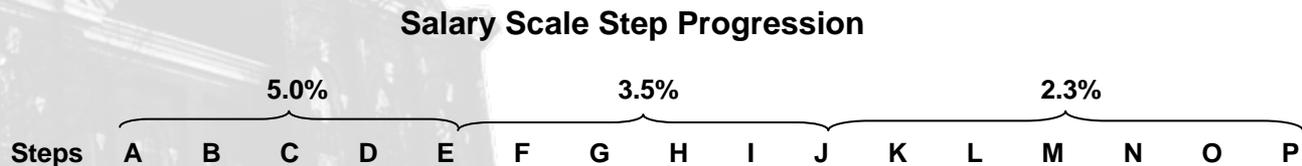
Jurisdictions	FY07	FY08	FY09	FY10	Total %
<b>City of Alexandria Public Safety</b>	3.0%	1.5%	\$500 + 2% for P Step	0.0%	4.5%
<b>General Scale</b>	2.0%	1.5%	\$500 + 2% for P Step	0.0%	3.5%
<b>Arlington County Public Safety</b>	2.0%	1.5%	0.0%	\$600 + 1% MPA effective 1/1/2010	3.5%
<b>General Scale</b>	2.0%	1.5%	0.0%	\$600 + 1% MPA effective 1/1/2010	3.5%
<b>Fairfax County Public Safety</b>	4.25% & a step	2.92% & a step	2.96% & a step	0.0%	10.13%
<b>General Scale</b>	4.25%	2.92%	2.96%	0.0%	10.13%
<b>Montgomery County Public Safety Unionized</b>	<b>Fire &amp; Rescue:</b> 4.0% in Jul 06 + 1.0% in Jan 07 <b>Police:</b> 3.0% in Jul 06 + 1.0% in Jan 07	<b>Fire &amp; Rescue:</b> 5% in Jul 07 <b>Police:</b> 7.5% in Jul 07	<b>Fire &amp; Rescue:</b> 2.0% eff 1 <sup>st</sup> pay period after Jul 1, 08; + 2.0% in Jan 09 <b>Police:</b> 4.0% in Jul 08	0.0%	<b>Fire &amp; Rescue:</b> 14% <b>Police:</b> 15.5%
<b>General Scale</b>	3.0% in Jul 06 + 1.0% in Jan 07	4.0% in Jul 07	4.5% in Jul 08	0.0%	12.5%
<b>Prince George's County Public Safety Unionized</b>	<b>Fire &amp; Rescue:</b> 3.0% <b>Police:</b> 3.0%	<b>Fire &amp; Rescue:</b> 2.5% <b>Police Officer – Lieutenant:</b> 2.5% <b>Police Captain – Colonel:</b> 3.0%	<b>Fire &amp; Rescue:</b> 2.5% <b>Police Officer – Lieutenant:</b> 3.3% <b>Police Captain – Colonel:</b> 3.0%	0.0%	<b>Fire &amp; Rescue:</b> 8.0% <b>Police Ofr – Lieutenant:</b> 8.5%
<b>General Scale</b>	2.5%	2.5%	2.5%	0.0%	7.5%
<b>Prince William County Public Safety</b>	3.0%	2.75%	0.0%	0.0%	5.75%
<b>General Scale</b>	3.0%	2.75%	0.0%	0.0%	5.75%



# Merit/Step

## Step/Merit for City Employees = \$2.8M

- Fully funded (\$2.8M) steps are for all City employees, however, not all employees may receive a step increase
  - All employees may not meet performance expectations
  - Over 450 employees are at the top of the pay scale
- GS & PS eligible employees will receive approved merit increases on their anniversary dates
- Senior Management Group eligible employees will receive approved merit increases in July



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# Pay Supplement/Bonus

- The FY 2009 budget provided a one-time \$500 pay supplement to all full-time employees (with part-time, and temporary full-time employees receiving a pro rated share). Employees at the top of their grade received a 2% longevity step.
  - One-time pay supplements do not increase employees' base pay
  - FY 2010 Cost Estimate:
    - \$500 One-time Pay Supplement \$1.5M
    - 2% Longevity Step \$0.4M
- Total** **\$1.9M**



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# Summary



- **Benchmark Studies: Adjusted Benchmark Rate (ABR)**
- **Competency Based Classification System Implementation Cost (One time cost)**
- **Market Rate Adjustment (MRA)**
- **Merit/Step**
- **Pay Supplemental/Bonus**



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# City Sponsored Benefits



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# Watson Wyatt Benefit Plan Rankings



This table summarizes the City of Alexandria's benefit plan ranking results from each of the five reports. The remainder of this executive summary will discuss each benefit group in more detail.

	General Employees	Sworn Sheriff	Sworn Police	Sworn ERT	Sworn Fire
<b>Retirement</b>	1st	X3rd	4th	4th	5th
Defined Benefit	1st	4th	4th	2nd	4th
Defined Contribution	X4th	X3rd	X3rd	X3rd	X3rd
Retiree Medical	4th	3rd	3rd	3rd	3rd
Retiree Life	1st	1st	1st	1st	1st
<b>Health</b>	X2nd	X2nd	3rd	3rd	x2nd
Medical	1st	1st	1st	x2nd	1st
Dental	X5th	5th	5th	5th	5th
<b>Paid Time Off</b>	6th	5th	5th	5th	5th
Vacation	6th	5th	5th	5th	5th
Holiday	6th	5th	5th	5th	5th
Sick	6th	5th	5th	5th	5th
<b>Security</b>	1st	1st	1st	1st	1st
Life Insurance	2nd	2nd	2nd	2nd	2nd
STD	6th	5th	5th	5th	5th
LTD	1st	1st	1st	1st	1st

**Comparators**

GS had 5  
PS had 4

X = tied

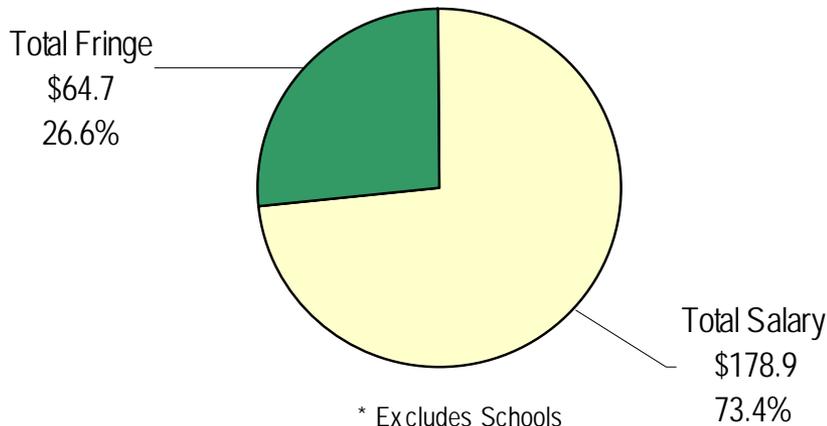
Information and methodology for comparisons came from:  
Watson Wyatt Benefits Study: Background and Overview (3/26/09)



# FY 2010 Personnel Budget

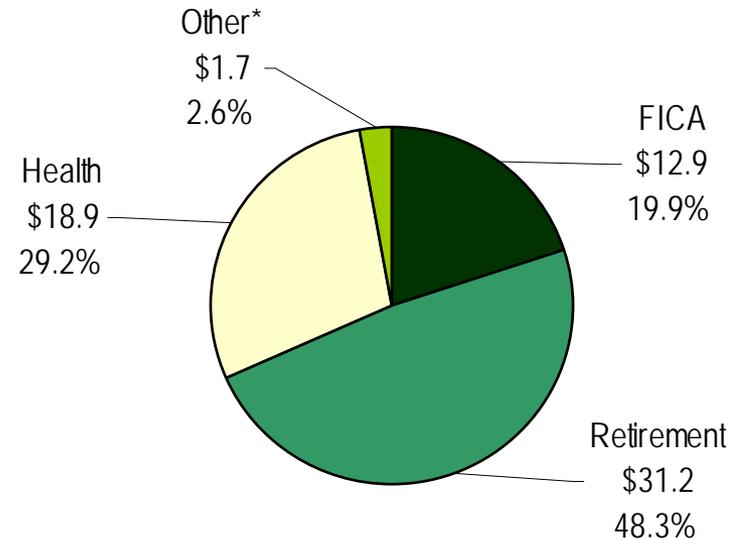
### FY 2010 All Funds Personnel Budget\*

\$243.6M



### Fringe Benefit Expenditures

\$64.7M



\*Includes Life Ins; Workers Comp; Clothing/Car Allowances; Unemployment; Recruitment; & LT Disability

For a preliminary list of FY 2011 HR/Compensation Issues and Options please see *Attachment III*



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# BENEFITS SUMMARY

## Retirement

### Pension Benefits

General Employees hired before July 1, 2009 participate in the:

- ♦ Virginia Retirement System - City pays 100%
- ♦ Supplemental (Prudential) - City pays 100%

Begin FY 2010 - GS employees pay 2% toward City's Supplemental Plan (Exceptions: Sheriff, EMT, Fire Marshall employees)

Public Safety Employees (Police and Fire) have a City sponsored Pension Plan, employees contribute 7.4% These employees pay an additional 0.6% for Disability Coverage

Deferred Compensation  
457 Plan-ICMA

100% employee funded

## Health

### Kaiser Permanente (Vision Included)

HMO  
PPO  
Prescription Cost

Employee Pays: 10% of Premium; Co pays: \$15 (PCP); \$25 (Specialist)  
Employee Pays 10% of Premium + difference  
\$10 Generic; \$20 Preferred Brand; \$35 Non Preferred Brand

### United Health Care (Limited vision included)

Choice (HMO)  
Choice Plus (PPO)  
Prescription Cost

Employee Pays: 10% of Premium; Co pays: \$15 (PCP); \$25 (Specialist)  
Employee Pays: 10% of Premium + remainder  
Tier 1 \$10; Tier 2 \$25; Tier 3 \$40

### Dominion Dental

DHMO  
PPO

Employee Pays: 100 % of Premium and \$10 co pay  
Employee Pays: 100 % of Premium & deductibles

### Ceridian

Flexible Spending  
Dependent Care

Benefit elections funded by employee  
City pays administrative fee = \$5.69/month per enrollee

## Paid Time Off

CILB-Catastrophic Illness Leave Bank

Employees request leave from bank based on program criteria  
New employee donates a full day equivalent of annual leave to CILB  
Eligible to enroll after 6 months of employment

Continued...





# BENEFITS SUMMARY

## Paid Time Off

Leave Donation Program

Request leave donations (hrs/days) from employees - generally in employee's department.

Holidays

11 holidays / year (11 - 12 comparable)

Annual Leave

Starts at 4.00 hours per pay period - Effective 7/1/2009, the City increased the number of Annual Leave days for full-time employees from 12 to 13 days per year.

Sick Leave

Starts at 3.69 hours per pay period - 12 days per year

## Security

Standard Insurance Company

Group Life & AD&D Coverage:

Basic (City funded) before 7/1/2009 2 x annual salary

Supplemental (employee paid) 2 x annual salary

New Hires as of 7/1/2009

1 x annual salary

(Employee paid)

All benefited employees may purchase up to 2 X additional coverage

Line of Duty:

Police Officers and Firefighters only

\$200,000, 100% funded by City

(This benefit is in addition to Accidental Death and Dismemberment)

Long Term Disability

120 day Plan

No cost to employee; City pays \$0.242 percent of Insured Earnings

90 day Plan

Employee pays \$0.066 percent of Insured Earnings/City pays remainder

Note: These rates are effective 12/1/2009

"ING" Life Insurance

100% of premium paid by employee, payroll deduction only

Aetna

100% premium paid by employee

Long Term Care

New hires are provided toll free number at orientation

No open enrollment and no payroll deduction



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# BENEFITS SUMMARY

## Creative Forms of Compensation

Tuition Assistance

\$1,500 per employee FY 2010, up to funded amount  
\$750 per 20 hour+ part-time employee FY 2010, up to funded amount

Pretax Commuter Benefits

City pays up to \$75; Employee pays remainder on pretax basis

Metro/Dash Bus Pass

\$30 per employee per month - Free (if no Pretax Commuter Benefits)  
Parking not included

Telecommuting / Telework

Available / Citywide Policy

Flexible Schedules

Available



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# City Sponsored Benefits Survey

Employee Satisfaction and Incentives Survey results will be available in a  
November 2009



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## **PART C: CITY OF ALEXANDRIA COMPENSATION PHILOSOPHY**

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### **Overview**

The statement of compensation philosophy is intended to provide a broad framework for the City Council, management, employees and the citizens in order to understand and guide decisions that affect pay. It is designed to reflect the importance public employees play in the delivery of services and programs to the community; that compensation is a clear measure of that importance; and that there is fair and equitable treatment of all employees, regardless of race, gender, or disability, and in accordance with EEO/AA goals. In addition, the statement establishes the commitment and necessity to maintain comparability with jurisdictions who are most likely to affect recruitment and retention of employees.

### **Competitiveness and Comparability**

The intent of the compensation philosophy is to maintain a competitive compensation program in order to attract, retain, and motivate qualified employees. To that end, the following principles govern compensation programs:

- ◆ Pay programs are intended to be competitive at a minimum with the average pay of comparator organizations in the primary labor market. The primary labor market is currently defined as the Counties of Arlington, Fairfax, Prince William, Montgomery and Prince George's.
- ◆ From time-to-time, the City may recommend that other comparators should be used (e.g., Commonwealth of Virginia, agencies of the Federal government, or private sector employers or industry groups) where information from the primary labor market is considered insufficient to attract/retain specific positions or classification groups.
- ◆ In all instances, for benchmark jobs, information for an assessment of pay competitiveness will be ascertained through reliably published compensation survey data.

### **Ppt Presentation & WWW slide #5:**

**Every two years, the City will conduct a market study of benchmark positions to determine the competitive posture of the organization, and propose a plan of action. The City may determine if a classification needs review in the interim.**

- ◆ Every ~~five-~~ two years, the City will conduct a market study of benchmark positions to determine competitive posture of the organization, and propose a plan of action, ~~if needed, to bring any positions or classification groups into competitive alignment. At any time~~ the City ~~may determines that~~ if a job classification needs to be reviewed ~~more frequently than once every five years, necessary action may be taken to address the market position of such job~~ in the interim.

## **PART C: CITY OF ALEXANDRIA COMPENSATION PHILOSOPHY**

### **Ppt Presentation & WWW Slide #6:**

**If an average salary falls below market averages to the extent that attracting and retaining qualified employees may be jeopardized, the City will propose action necessary to align the position or classification with the competitive marketplace for implantation at the next fiscal year or sooner, if financially feasible.**

If an average salary falls below ~~or exceeds~~ market averages to the extent that attracting and retaining qualified employees may be jeopardized, the City will propose action necessary to align the position or classification with the competitive market place for implementation at the next fiscal year or sooner, if financially feasibly.

### **General Salary Adjustments**

Annually, the City Manager will recommend a budget for general salary adjustments that is based upon:

### **Ppt Presentation & WWW: Slide #7**

- Overall competitive posture of the organization
- Market rate adjustments
- Comparator organizations in the primary labor market
- Financial affordability

~~Overall competitive posture of the organizations.~~

~~Cost-of-living changes, as determined by the CPI-U-DC (Consumer Price Index-Urban for the Washington Metropolitan Area, published monthly by the U.S. Department of Labor, Bureau of Labor Statistics).~~

~~Market rate adjustments~~

~~Comparator organizations in the primary labor market.~~

~~Financial affordability.~~

### **Pay Scales**

### **Ppt Presentation & WWW: Slide #8**

**The City will promulgate pay scales for all employees that will provide information on salary increases that an employee may expect from year-to-year if performing satisfactorily. In the public safety classifications, the pay scale schedules will differ from the general employee classifications.**

## PART C: CITY OF ALEXANDRIA COMPENSATION PHILOSOPHY

The City will promulgate pay scales for all employees that will provide information on salary increases ~~within a particular grade~~ that an employee may expect from year-to-year if performing satisfactorily.

In the public safety classifications, ~~because of the unique nature of a command-base hierarchy with structured ranking of employees and a career expectation upon initial hiring~~, the pay scale schedules will differ from the general employee classifications.

### Ppt Presentation & WWW: Slide #9

For City employees, the annual increases in base salaries from year to year will be based on meeting established performance standards. In all cases, employees will know performance expectations to advance in-grade, ~~and~~ career development opportunities ~~and~~ to advance to another grade.

For all employees, the ~~annual increases in base salaries~~ ~~percentage increases in the salary schedule~~ from year-to-year will be based on meeting established performance standards. ~~not be the same amount every year in a particular grade, but will have some variability to reflect length of service and base salaries, To attract and retain employees in the early years of service, while base salaries are still relatively low, the percentage increase may be higher than for more senior employees, who are performing satisfactorily, and gaining more experience and providing even greater value to the City, but have a higher base salary. However,~~ In all cases, the employees will know ~~the number of years necessary to reach maximum pay in a particular grade, performance expectations to advance in-grade, and career development opportunities to advance to another grade.~~ performance expectations to advance in-grade, ~~and~~ career development opportunities ~~and~~ to advance to another grade.

### Ppt Presentation & WWW: Slide #10

The specific schedules will be competitive at 100% of the average pay levels for the relevant labor market, and will be adjusted whenever necessary to maintain market competitiveness.

The specific schedules will be competitive at 100% (*Approved by City Council – Item #12 dated 12-13-05*) of ~~with~~ the averages pay levels for the relevant labor market, ~~for the primary labor market~~, and will be adjusted whenever necessary to maintain market competitiveness.

Salary increases from the pay scale are a function of ~~satisfactory~~ performance-merit. Such increases are a recognition of performance that meets and exceeds expectations. Merit increases are not automatic.

Salary increases from the pay scale are a function of ~~satisfactory~~ performance - merit. ~~Such~~ increases are a recognition of performance that meets and exceeds expectations. Merit increases are not automatic.

**PART C: CITY OF ALEXANDRIA COMPENSATION PHILOSOPHY**

All employees should be made aware that such increases are a recognition of performance that meets and exceeds expectations. Performance standards and supervisory evaluations should stress that merit increases are not automatic.

**Career Development Increases**

The City will develop a structure to provide salary increases to recognize the attainment of career levels and developmental milestones that assure that the City's career positions are paid comparable with those in the primary labor market. Such a structure enables existing employees in career jobs within the City to receive pay increases in addition to merit, and enables the City to target its pay to those employees who do grow in skill and capability.

**Education and Tuition Assistance**

An objective in the compensation is to encourage and support advanced study, education and degree attainment for job-related courses and programs. The City will prepare and disseminate procedures for applying for and receiving education and tuition assistance, including the academic grades or measures necessary for an employee to be reimbursed and the type of course work that is authorized. The amount to be budgeted for this program will be the average of the budgets for the primary comparator jurisdictions. (*A.R. 6-16, EMPLOYEE EDUCATIONAL TUITION ASSISTANCE PROGRAM, was recently updated.*)

**Incentives**

It is also the intent of the compensation philosophy to provide significant financial incentives for extraordinary and exemplary performance in two categories. First, with the recommendation of the City Manager and the approval of the City Council, an employee may be given a taxable cash award ranging from \$1000 to \$10,000. Such awards are to be given only in those instances where performance or contributions are deemed unique, truly extraordinary, and significantly beneficial to the City.

Second, there should be a program for rewarding employees at any time who demonstrate exemplary performance significantly beyond job expectations. Taxable cash awards in this category may be given to a maximum of \$500, with typical awards being between \$100 and \$250. The City Manager should recommend a specific budget allocation to be made available for awards in this category, with procedures for determining selection of incentive awards.

In either category, these awards are one-time cash awards and should not be considered increases in base salary or benefits.

**Exceptions**

Nothing in this compensation philosophy statement should be construed as a required benefit in the event that the City experiences a decline in revenue or revenue growth lower than the projected increase in expenses. "Revenue" is currently defined as the two largest components of operating revenue: the real property tax base and the projected total personal property tax base.

HUMAN RESOURCES & COMPENSATION ISSUES CURRENTLY UNDER CONSIDERATION FOR FY 2011  
 NOTE: THESE OPTIONS MAY NOT BE PROPOSED BY THE CITY MANAGER AND ADDITIONAL OPTIONS  
 MAY ALSO BE PROPOSED THAT ARE NOT ON THE FOLLOWING LIST

	<b>Human Resource/Compensation Option</b>	<b>FY 2010 Budget Memo</b>	<b>Comments</b>	<b>FY 2011 Estimated Budget Impact (All Estimates Are City Only Unless Noted)</b>
1	<b>Watson Wyatt Implementation</b>	4	Action Postponed Until Study Completion	Estimates Not Available At This Time
1a	Salary Benchmark Implementation	-	Benchmark Calculations Completed in FY 2009	Cost May Vary Depending On Option
1b	Watson Wyatt Competency Based Performance Management System Implementation	-	System to be implemented in CY 2010.	Estimate Not Available At This Time
2	<b>Salary and Benefits</b>			
2a	Provide Employees with a Market Rate Adjustment (MRA)	-	No MRA Provided in FY 2010	\$2.1 M City / \$1.5 M Schools
2b	\$500 One-time Bonus for Employees	57	No Bonus Provided	\$1.5 M City / \$1.5 M Schools
2c	Step/Merit Increase for Employees	-	No Step/Merit Given	\$2.8 M City / \$4.0 M Schools
2d	Changes to the Living Wage	-	Living Wage Frozen at FY 2009 Levels in FY 2010	\$100,000 (Annually)
3	<b>Furloughs/Alternative Work Schedules/Holidays</b>			
3a	Implement Mandatory City-wide Furlough	43	Not Proposed	\$565,058 (FY 2010 Estimate for 1 Day)
3b	Allow Voluntary Furloughs	86	Not Proposed	No Estimate Developed
3c	Swap Holiday for Annual Leave	86	Not Proposed	No Estimate Developed
3d	Reduce Work Week	86	Not Proposed	No Estimate Developed
3e	Alternative Work Schedules for Employees	86	Continue Current Policy	No Estimate Developed

HUMAN RESOURCES & COMPENSATION ISSUES CURRENTLY UNDER CONSIDERATION FOR FY 2011  
 NOTE: THESE OPTIONS MAY NOT BE PROPOSED BY THE CITY MANAGER AND ADDITIONAL OPTIONS  
 MAY ALSO BE PROPOSED THAT ARE NOT ON THE FOLLOWING LIST

	<b>Human Resource/Compensation Option</b>	<b>FY 2010 Budget Memo</b>	<b>Comments</b>	<b>FY 2011 Estimated Budget Impact (All Estimates Are City Only Unless Noted)</b>
<b>4</b>	<b>Annual Leave/Sick Leave/Compensatory Time</b>			
4a	Change Leave Accrual Rates (provide 1 additional day of annual leave)	86	Approved in FY 2010	Cost Neutral
4b	Change Leave Accrual Caps	86	Continue Current Policy	No Estimate Developed
4c	Change Leave Conversion Rate	86	Continue Current Policy	No Estimate Developed
4d	Change Eligibility for Compensatory Time	86	Continue Current Policy	No Estimate Developed
<b>5</b>	<b>Retirement</b>			
5a	Changes to City's OPEB Contribution	82	Not Proposed in FY 2010. Option in FY 2011 is to reduce current services amount by \$1 M.	\$2.7 M (Current Services Estimate)
	<i>VRS</i>			
5b	Incentive Options for Retirement Eligible Employees	83	Not Proposed	No Estimate Developed
	<i>Supplemental Retirement Plan</i>			
5c	All City Employees Pay 2% Employee Share of Supplemental Retirement Contribution	106	Not Considered. (City Council Inquiry)	\$2.38 M (FY 2010 Estimate)
5d	Future General Scale Employees Only Pay 2% Share of Supplemental Retirement Contribution	-	City Council Recommended and Approved.	\$180,100 (FY 2010 Adopted)
5e	Eliminating Supplemental Pension Altogether for Future Employees	106	Not Considered. (City Council Inquiry)	\$237,400 (FY 2010 Estimate)
	<i>457 Retirement Plan</i>			
5f	City providing 1% match or flat rate of a defined 457 retirement plan for current 457 enrollees	106	Not Considered. (City Council Inquiry)	\$780,000 (FY 2010 Estimate for 1% match)
5g	City providing 1% match or flat rate of a defined 457 retirement plan for all employees	106	Not Considered. (City Council Inquiry)	\$1.6 M (FY 2010 Estimate for 1% match)
	<i>Life Insurance</i>			
5h	Further Reduction of the City's Life Insurance Contribution for Future Employees	-	Benefit Reduced from 2x Final Pay to 1x in FY 2010	\$25,000 (FY 2010)

HUMAN RESOURCES & COMPENSATION ISSUES CURRENTLY UNDER CONSIDERATION FOR FY 2011  
 NOTE: THESE OPTIONS MAY NOT BE PROPOSED BY THE CITY MANAGER AND ADDITIONAL OPTIONS  
 MAY ALSO BE PROPOSED THAT ARE NOT ON THE FOLLOWING LIST

	<b>Human Resource/Compensation Option</b>	<b>FY 2010 Budget Memo</b>	<b>Comments</b>	<b>FY 2011 Estimated Budget Impact (All Estimates Are City Only Unless Noted)</b>
5i	Eliminating Life Insurance Benefit for Existing Employees Upon Retirement	106	Not Considered. (City Council Inquiry)	\$500-900K (Annually)
<b>6</b>	<b>Health Benefits</b>			
6a	Increase Employee Share for Health Insurance Premiums	86	Not Proposed.	\$205,000 (Based on each 1% increase to employees' minimum premiums)
6b	Changes to Health Care Plan Designs (co-pays to \$20)	86	Not Proposed.	Estimate Not Available At This Time
6c	Implement an Incentive-based Spousal Plan	86	Not Proposed.	Estimate Not Available At This Time
6d	Offer an Employee +1 Healthcare Option	86	Not Proposed.	Cost Neutral
6e	Conduct Health Care Dependent Claim Audits	86	Not Proposed.	Estimate Not Available At This Time
6f	Explore changes to City sponsored dental plan	-	To Be Considered in FY 2011	Estimate Not Available At This Time
6g	Eligibility for Regular Part-Time Employees Benefits Coverage (Health, Dental, Life) at 20 hours/week (up from 10 hours/week)	-	To Be Considered in FY 2011	Estimate Not Available At This Time
<b>7</b>	<b>Other Considerations/Benefits</b>			
7a	Buy Outs for Non Retirement Eligible Employees	86	Not Proposed.	-
7b	Telecommuting Policy	86	Continue Current Policy.	N/A
7c	Wellness Program Participation and Impact on Health Insurance Claims	49	City Council Inquiry. BM #49 states that HRD will reevaluate the Wellness Program in FY 2010.	Estimate Not Available At This Time
7d	Transit Benefit	-	Continue Current Policy.	Estimate Not Available At This Time
7e	Tuition Assistance	-	Continue Current Policy.	Estimate Not Available At This Time

DATE: FEBRUARY 13, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #4: UPDATE ON THE PRELIMINARY WATSON WYATT STUDY OPTIONS FOR CITY EMPLOYEE CLASSIFICATION AND COMPENSATION AND PERFORMANCE MANAGEMENT

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Attached is the preliminary report from the consultant Watson Wyatt, representing work done with the City Employee Project Advisory Team. The City Employee Project Advisory Team included employees representing Departments from across the City. The Team has explored an array of classification, compensation and pay for performance issues while making recommendations as to what should be addressed in order to restore confidence in the City's classification compensation and employee evaluation systems. The report includes a proposed revised Compensation Philosophy, a more detailed example of a competency based classification system and a summary of other recommendations.

The City Employee Project Advisory Team has worked collaboratively with Watson Wyatt to review the City's Compensation and Classification and pay system processes. Since January 2008, the Project Team has met with Watson Wyatt 10 times. In October 2008, an update report was submitted to members of City Council on the results of the City employee interviews and focus groups conducted by Watson Wyatt. These meetings have been used to explore an array of classification, compensation and pay for performance options as presented by the consultant. The classification system recommended by Watson Wyatt is based on job families, roles and levels. This combination of factors is the basis for a modern job classification system. Once a classification system is in place, the next step is to determine market pricing for the jobs identified in the City, and ultimately develop a compensation structure (which includes salary ranges).

The report identifies in detail areas of opportunity for the City to address in four areas: benchmarking jobs against the market (which includes identifying comparator jurisdictions), pay scales as they relate to the regional competitive market, an updated classification system and promotional pay. The report further identifies areas of opportunity for an enhanced performance management system, which includes exploration of a pay for performance system, and a

recommendation to explore ways in which the City can reward high performers. Throughout our discussion we have assumed that public safety employees would continue to be on a step pay scale. Currently, we are also looking at an array of different pay scale options for general employees. The report recommends that the City explore pay compression issues in public safety. Due to a hierarchal structure in public safety, often promotions of employees cause pay compression situations when newly promoted public safety employees' salaries are as much or more than employees who have been in that rank for several years.

Finally, the report presents a priority list of activities and a timeline for completion. Completion of these activities would result in updated City compensation, classification systems. Implementation of recommendations will entail a carefully planned, phased in approach over several years.

The next steps in this process will be to meet with the Employee Project Advisory Team for final review and comment on the Preliminary report. This will be followed by submission to the senior management team and the City Council's Compensation and Pension Subcommittee so that the report can be commented on, finalized and submitted to Council. We expect to schedule another work session with the City Council in late spring to review the final recommendations.

*City of Alexandria, Virginia*

MEMORANDUM

DATE: MARCH 26, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 43: THE IMPACT OF FURLOUGHING EMPLOYEES

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This memo is in response to a request from Councilman Gaines that the City Council be provided additional details on the financial, workload and administrative impacts furloughing employees would have on the City.

A furlough is generally defined as the temporary placement of an employee on non-duty, non-pay status. Employees under this status do not report for work and their pay is reduced for the amount of time they are furloughed. If a furlough was implemented in the City of Alexandria, we would recommend exempting uniformed public safety employees and those employees required to work because their department must maintain minimal staffing levels. Based on these criteria, we estimate that the budget savings from a one-day furlough would be \$565,058.

The impact to employees' workloads would vary depending on the length of the furlough and the time of the year the furlough is implemented. For example, if only one furlough day was taken, the impact on workloads would likely be minimal. In contrast though, multiple furlough days would likely create strains on employees' ability to conduct their work in the time remaining.

The time of year a furlough is instituted can also impact workloads differently. If a furlough was implemented around a major holiday or during a holiday season, when many employees are likely to already schedule leave, then the impact on workloads could be reduced. An example of this is Fairfax County's decision to furlough January 2, a date which fell on a Friday, directly after New Years Day. Such a schedule also minimizes the disruption of services to the public if the expectation that and need for City offices to be open is low.

Finally, the impact on workload may be felt differently depending on the department. For example, implementing a furlough day(s) in January would certainly affect the Office of Management and Budget's ability to produce the budget document. Conversely, a furlough day(s) in August-September would impact the Finance Department's ability to complete the Comprehensive Annual Financial Report (CAFR). The scenarios noted above also show that the magnitude of a furlough will be the main driver for how greatly the decreased days of work impact employees' workloads.

Currently the City does not have any Administrative Regulations on furloughs. Implementing a

furlough would require the City to develop new regulations and policies. If this process was initiated it may be useful to review policies our counterparts throughout the region have developed for administering furloughs. Three examples<sup>1</sup> of how a furlough could be administered include, but are not limited to:

- Furlough employees for a select number of hours or days.
- Furlough employees through a percent reduction of their scheduled weekly hours. Under this option, the number of hours individual employees would be furloughed would differ depending on their scheduled weekly hours. For example, if scheduled weekly hours were reduced by 20% then a full-time employee working 40 hours per week would be furloughed for 8 hours. A part-time employee working 20 hours per week would be furloughed for 4 hours.
- Furlough employees during the period where employees receive three pay checks, which occur two times per year, to minimize the impact on pay in any single month.

When Fairfax County implemented their furloughs the temporary reduction in work hours did not impact the following:

- Leave accrual rates or holiday pay
- Health insurance eligibility (the County continued to pay employees' premium contributions)
- Length of service (there was no break in employees' service or impact to anniversary dates)
- Pay period schedule

It should be noted that Fairfax County employees' retirement earnings and service credit were reduced due to the furlough but the County believes the actual impact to employees will be negligible.

Budget savings from furloughs were not built into the FY 2010 Proposed Operating Budget because we believe that furloughs should not be relied on to balance the City's budget in a prospective fashion. We recommend that furloughs only be considered for emergency budget situations that arise unexpectedly during the current fiscal year. For example, if toward the end of a fiscal year, the City is projecting a funding shortfall that could be addressed through a one-time savings, then a furlough could be considered as a reasonable option to use. If the City was to implement a furlough, we would need to further consider and plan for the impacts to ensure that the utilization of this tool does not create any administrative complications.

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<sup>1</sup> All three examples would exempt public safety employees and other employees deemed essential due to their department's requirement to maintain minimal staffing levels.

# *City of Alexandria, Virginia*

## MEMORANDUM

DATE: MARCH 26, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 49: PERCENTAGE OF THE WORKFORCE PARTICIPATING IN THE WELLNESS PROGRAM AND THE PROGRAM'S IMPACT ON HEALTH INSURANCE CLAIMS

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This memo is in response to a request from Mayor Euille that the City Council be provided information on the percentage of the workforce participating in the Wellness Program and the program's impact on health insurance claims. In FY 2002, staff from the Personnel Services Department (now Human Resources) conducted research into medical claims from the City's two health care providers and found that some of the medical conditions listed in the claims are amenable to wellness and prevention efforts. Based on this initial research a Wellness survey of employees was conducted in FY 2004 under the direction of the City's Wellness Committee. In response to survey data that indicated employees had an interest in participating in health and exercise programs, the Wellness Committee developed a wellness initiative that comprised several components. Below is a list of Wellness programs and activities offered to employees since FY 2008:

- Weight-Watchers At-Work
- "Working Well" – monthly lunchtime seminars through Kaiser Permanente
- Free Use of City Recreation Facilities by City Employees
- Annual Health Fair
- Corporate Membership Discount Program at the Alexandria YMCA
- Yoga-at-Lunch

In FY 2008, 1,077 employees participated in some fashion in the Wellness Program (some employees may be doubled counted.) The table below provides a listing of each component of the Wellness Program and total number of employees who utilized each program or activity. The percent of employees participating in the Wellness Program compared to the total number of City employees is also provided. Participation data for FY 2009 is not currently available, but it is being tracked by Human Resources.

<b>Wellness Program Component</b>	<b>Employee Utilization in FY 2008</b>	<b>% of Employees Participating to Total Workforce*</b>
Weight Watchers At Work	196	7.5%
"Working Well" Lecture Program	100	3.8%
Free Use of City Recreation Centers	64	2.5%
Annual Health Fair	600	23.0%
YMCA Discount Program	10	0.4%
Yoga-at-lunch	107	4.1%
<b>Total</b>	<b>1077</b>	

Total City workforce in FY 2008 was 2,606. This includes FT and PT General Salary employees and FT public safety employees. Source: FY 2009 Approved Budget.

Research conducted in FY 2002 by staff did identify health conditions within employee health insurance claims that could respond positively to Wellness and prevention efforts either before or after diagnosis. However, the extent to which the Wellness Program impacts the City's health insurance claims is not available. In order to be able to quantify the City's return on its Wellness investment, the Wellness Program would need to be further evaluated and redesigned. One additional issue to consider is how health care claims for employees' dependents impact the City's health care costs. The City Wellness programs are not geared directly for employees' dependents, so this becomes an issue when trying to determine the impact of the wellness program on overall health care costs.

In FY 2010, the Human Resources Department will reevaluate the City's Wellness Program in order to create a closer bond between the need for improving employees' health and wellness and decreasing the City's overall healthcare expenses. This effort will require Human Resources to dedicate staff and resources towards analyzing health care claims and working with the City's healthcare providers to ensure that the City wellness program remains current with prevailing wellness practices.

*City of Alexandria, Virginia*

MEMORANDUM

DATE: MARCH 31, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 57: COST OF VARIOUS ONE-TIME BONUS OPTIONS FOR CITY EMPLOYEES

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This memo is in response to a request from Councilman Wilson that the City Council be provided cost estimates on possible one-time bonus options for City and School employees. Mayor Euille also asked about the cost of repeating the \$500 per employee one-time bonus in FY 2010. Please note that this memo only includes cost estimates for City employees. The cost for School employees will be provided in a separate memo.

**Cost of One-Time Bonus Options for City Employees**

- a) A one-time 1% bonus paid to regular full-time and part-time employees on 7/1/2009 would cost approximately \$1.80 million, which includes the cost of Social Security.
- b) A one-time 1% bonus paid to regular full-time and part-time employees on 7/1/2009 (but only to employees who have completed a full year of service by 7/1/2009) would cost approximately \$1.66 million, which includes the cost of Social Security.
- c) A one-time 1% bonus paid to regular full-time and part-time employees on 6/30/2010 (but only to employees who have completed one year of service by 6/30/2010) would cost approximately \$1.80 million (same as option A above) although there would likely be a slight savings from typical turnover during the fiscal year.
- d) The FY 2009 budget provided a one-time \$500 pay supplement to all full-time employees (with part-time, and temporary full-time employees receiving a pro rate share). If a one-time \$500 bonus was provided in FY 2010 it would cost \$1.5 million. This does not include the cost of the 2% longevity pay supplement that was provided in FY 2009.

*City of Alexandria, Virginia*

MEMORANDUM

DATE: APRIL 10, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 82 : OTHER POST-EMPLOYMENT RETIREMENT  
BENEFITS

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This is in response to a request from Councilman Krupicka regarding what other jurisdictions are doing about OPEB.

The Finance Department contacted local jurisdictions regarding their funding plans for OPEB in FY 2010. According to the survey, all jurisdictions have plans to fully fund either in 2010 or have a plan to fully fund over a period of several years. Going forward, all the jurisdictions said every option remains on the table. Arlington, for example, is able to fully fund because they reduced their OPEB obligation.

# *City of Alexandria, Virginia*

## MEMORANDUM

DATE: APRIL 8, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 83 : INCENTIVE OPTIONS FOR RETIREMENT ELIGIBLE EMPLOYEES

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This memo is in response to a request from Councilman Wilson that City Council be provided information on the possible incentive options that could be provided to retirement eligible employees. Incentive options for this category of employee were discussed by staff leading up to the budget proposal, but no options were included in the FY 2010 proposed budget.

We gave serious consideration to incentives to retire during the budget deliberation process, but did not propose any options in the FY 2010 budget. The City of Roanoke recently offered a retirement incentive worth the value of one year's health care payments, estimated to average \$5,500 (paid in cash) or \$200 per year of service up to 30 years (\$6,000). The program opened in January 2009 and closed March 16, 2009. The Roanoke City Retirement Administration staff indicated that the employees had to be eligible to retire and designate a retirement date between July 1, 2009 and December 2009. The Department Head could modify the date if there was a business reason, such as too many other employees going out the same day.<sup>1</sup> The goal of the Roanoke program was to identify positions that might be left vacant for many months for salary savings or possibly be eliminated. There were 240 employees who were eligible to retire and 46 signed up, which is about 19%. This is only slightly above the number of employees who normally would have retired in this given period. Thus the pay out will be between \$220,000 - \$240,000 in incentives and it appears that the City did not realize a significant number of additional new retirees or savings above those to be expected without the program.

There are other potential hurdles in attempting to coordinate the City of Alexandria Supplemental Retirement Plan with the more rigid Virginia Retirement System (VRS) for City employees who are not included in the Police and Fire pension plan. One example is that an employee's work history may result in them having a greater number of years of service in VRS than in the City Supplemental Plan. Many City employees have purchased prior eligible service through VRS thus increasing their total years of service. There is no provision for purchasing

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<sup>1</sup> Staggering retirement dates becomes critical particularly for public safety departments or other departments with minimal staffing requirements. If employees within these departments choose to retire the City would pay out incentives to retire, and then possibly have to incur overtime costs because of a lack of available staff while new employees are being recruited and trained. The overtime cost becomes an issue if retirements occurred all at once or within close succession of each other. Under this scenario, the City may actually pay more for the program than it would realize in savings.

prior service in the City's Supplemental Retirement Plan. Thus, while an employee may have a sufficient number of years of service for full VRS retirement, they may not have enough years of service for full retirement under the City's Supplemental Retirement Plan. These differences, and others, would make offering retirement incentives more complex, than if the City administered its own Retirement system (as does the City of Roanoke). Roanoke general employees, fire and police are in a City of Roanoke plan but not in the VRS plan.

After researching offering incentives for employees to retire, we believe that given the current economic environment a monetary incentive to retirement eligible employees would have to exceed \$15,000 per employee to be effective in incentivizing such employees to retire. Also, we felt that the relatively low volume of employees who would be affected by the current Reduction in Force process did not warrant the need for such a retirement incentive option. While detailed discussions regarding the merits of offering this type of option took place, we did not develop a detailed budget cost or savings calculation on this option because the net savings, if any, would be de minimus. However, if indeed the City's fiscal condition continues to worsen in future years and we would have to consider significantly more layoffs, offering incentives to those eligible to retire could possibly realize savings.

# City of Alexandria, Virginia

## MEMORANDUM

DATE: APRIL 9, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # : OTHER SAVINGS OPTIONS CONSIDERED WITH REGARDS TO PERSONNEL AND COMPENSATION ISSUES

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This memo is in response to a request from Mayor Euille that the City Council be provided information on the other savings options that were considered with regard to personnel and compensation issues. Starting in November 2008 we began reviewing a wide range of personnel and compensation issues with options that could potentially yield budget savings in FY 2010. The list of options that were discussed during the months leading up to the FY 2010 Proposed Budget did include suggestions from City employees. After our initial review, we found that some options did not yield budget savings and did not warrant further discussion. Those options that did have the potential to generate savings were researched by staff and considered for inclusion in the FY 2010 proposed budget.

A summary table listing each option that was discussed is included below. More detailed write ups follow the table. The summary table indicates if the option we considered was proposed or not proposed in FY 2010. A column with the level of savings for each option if estimated, is also included. Budget savings are identified for some but not all options. For certain options staff did not calculate the potential budget savings because we realized early on that savings would not be generated or that the option would actually result in a cost increase. In addition, savings were not calculated for options that were ruled out for reasons beyond those that were budgetary in nature. The summary table identifies the options where budget savings were not calculated with *Not Estimated* listed in the Savings in FY 2010 column.

Personnel/Compensation Option	Proposed in FY 2010	Savings in FY 2010	Potential Cost Increase
<b>Salary and Benefits</b>			
Provide Employees with a Market Rate Adjustment (MRA)	No		\$3.8 million
\$500 One-time bonus for employees	No		\$645,000
Step/Merit Increase for Employees	No		\$2.6 million
Negative Market Rate Adjustment	No	Not Estimated	

Personnel/Compensation Option	Proposed in FY 2010	Savings in FY 2010	Potential Cost Increase
<b>Furloughs/Alternative Work Schedules/Holidays</b>			
Implement Mandatory City-wide Furlough (estimated savings from one day furlough)	No	\$565,058	
Allow Employees to take Voluntary Furloughs	No	Not Estimated	
Swap Holiday for Annual Leave	No	None	
Reduced Work Week	No	Not Estimated	
Alternative Work Schedules for Employees (Current City policy will continue in FY 2010)	Yes	None	
<b>Annual Leave/Sick Leave/Compensatory Time</b>			
Change Leave Accrual Rates (to provide employees with 1 additional day of annual leave)	Yes	Cost Neutral	
Change Leave Accrual Caps	No	Not Estimated	
Change Leave Conversion Rate	No		Not Estimated
Change Eligibility for Compensatory Time	No		Not Estimated
Change Leave Pay Out Policy	No		Not Estimated
<b>Retirement</b>			
Employees Pay 2% Employee Share of Supplemental Retirement Contribution (for future employees only)	Yes	\$185,000	
Change to Retirement Health Benefits	No	Not Estimated	
Change City's Life Insurance Contribution (for future employees only)	Yes	\$25,000	
Changes to City's OPEB Contribution	No	\$2,500,000	
<b>Health Benefits</b>			
Increase Employee Share for Health Insurance Premiums (estimated savings from every 1% increase to employees' share of premium costs)	No	\$212,000	
Changes to Healthcare Plan Designs	No	Not Estimated	
Implement a Self-funded Healthcare Model with Kaiser	No	Not Estimated	
Implement an Incentive-based Spousal Plan	No	Not Estimated	
Conduct Health Care Audits	No	Not Estimated	
Offer an Employee + 1 Healthcare Option	No	Not Estimated	
<b>Additional Savings Considered</b>			
Hiring Freeze	No	See Budget Memo #25	
Telecommuting (Current City policy will continue in FY 2010)	Yes	None	
Buy Outs for Non Retirement Eligible Employees	No	Not Estimated	

**Salary and Benefits:**

*Market Rate Adjustment (MRA)* – A 1% increase in salaries to offset inflation for City, ACPS and Transit employees would cost \$3.8 million.

*One-Time Bonus* – The cost of repeating the FY 2009 \$500 one-time pay supplement is \$645,000. For additional information please see Budget Memo #57. Equivalent information for

Schools employees is provided in BM #74.

*Step/Merit Increase* – If City employees were provided a step increase in FY 2010 the cost would be \$2.6 million.

*Negative Market Rate Adjustment* – A negative MRA is a percent reduction across all pay scales resulting in a pay reduction for City employees. This option was ruled out early in our discussions because it was not necessary to meet our budget target for FY 2010.

**Furloughs/Alternative Work Schedules/Holidays:**

*City-wide Mandatory Furlough* – The estimated savings from a one-day furlough would be approximately \$565,058. For additional information on furloughs please see Budget Memo #43.

*Voluntary Furlough* – A voluntary furlough would provide City employees the option to take a day off without pay. This policy was not pursued as a viable cost savings option in FY 2010.

*Holiday for Leave Swap* – Under this option City employees would be permitted to exchange one authorized City holiday for a day of annual leave. The final outcome of our discussion was to propose that City employees be provided an additional day of annual leave by increasing the leave accrual rates. Further details on this option are outlined below.

*Reduced Work Week* – We reviewed two options for a reduced work week. The first was to reduce the work week by a certain number of hours, and the second was to have staff work four ten hour days per week in order to have one day off each pay period. We believe no significant cost savings from reduced personnel costs and/or facilities use would result from either of these options.

*Alternative Work Schedules* – Under current City policy, department heads are given the responsibility to set the work schedules of staff within their department, and the authority to allow employees to establish alternative work schedules to meet service needs, if desired. This policy will be continued in FY 2010.

**Annual Leave/Sick Leave/Compensatory Time:**

*Change Leave Accrual Rate* – Leave accrual rates would need to be adjusted in FY 2010 to provide the proposed additional day of annual leave. The proposed budget increases leave accrual rates by .308 hours per pay period in order to provide an additional 8.008 hours (1 work day) of annual leave. This change is expected to be cost neutral because the cap for annual leave is not being adjusted so there is no significant increase in future leave pay outs (assuming the extra day of leave will generally be taken each year). The additional time off is minimal, therefore it is expected that existing City staff will absorb any extra workload.

*Change Leave Accrual Caps* – Changing leave accrual caps so employees accrued less leave and the City paid out less for unused annual leave at separation was not considered a viable cost savings option.

*Change Leave Conversion Rate* – Changing the leave conversion rate to increase the caps for annual leave payouts was not proposed because it would result in cost increases. Decreasing the conversion rate was not seen as a viable cost savings option either.

*Change Eligibility for Compensatory Time* – No changes to current compensatory leave eligibility or the compensatory leave pay out policy were proposed. Changing the leave pay out policy would result in a cost increase.

*Change Leave Pay Out Policies* – Adjustments to leave pay out policies were not proposed because increases in leave accrual caps or increases to the percentage of sick leave paid out at separation would result in a cost increase.

### **Retirement:**

*Employees to Pay 2% of Supplemental Retirement* – Currently the City pays the 2% employee share of the contribution to fund the City's supplemental retirement plan. We have proposed two cost saving options to the supplemental retirement plan. First, future employees who are enrolled in the supplemental plan and begin City service on or after July 1, 2009 will pay the 2% employee share into the supplemental plan. We estimate that this change will result in \$185,000 in future savings. This change will affect General Salary employees as well as new Sheriff, Fire Marshal and EMT employees because they are beneficiaries of the supplemental retirement plan. The second change we proposed is to characterize the 2% employee share paid by the City as a City contribution to the supplemental plan. Under this proposal, the City will continue to pay the 2% share for current employees, however, if an employee leaves before vesting (which occurs after five years of service) they will not be entitled to a refund of this contribution.

*Changes to Retirement Health Benefits* – The retirement health subsidies annual maximum of \$3,120 (\$260 per month) will remain unchanged in FY 2010.

*Change City's Life Insurance Contribution* – We considered whether or not to decrease the City's contribution to life insurance for current employees. After receiving input from our actuary, we decided not to propose a reduction of the City's contribution to life insurance coverage for current employees or current retirees. However, we did propose that the City contribution for life insurance be reduced from two times final pay to one time for future employees (those hired on or after July 1, 2009). We estimate that the savings from this proposal will be \$25,000.

*Changes to Other Post Employment Benefits (OPEB) Contributions* – The proposed level of new funding for OPEB is \$2.5 million for FY 2010. We do not recommend decreasing the level of new contributions. A budget memo on OPEB will be forthcoming.

### **Health Benefits:**

*Increase Employee Share for Health Insurance Premiums* – We estimate that for every 1% increase to the employees' share for health insurance premiums, a savings of approximately \$212,000 would be realized. We did not recommend changes to employees' cost sharing percentages.

*Changes to Healthcare Plan Designs* – We did not propose changes to the current co-pay structures or prescription co-payments. We believe incrementally modest modifications to the current co-pay structure would have limited, if any effect on premium rates for FY 2010.

*Implementing a Self-funding Healthcare Model with Kaiser Permanente* – We discussed implementing a self-funding model with Kaiser Permanente, but upon meeting with representatives from Kaiser Permanente we learned that no significant budget savings would be realized at this time.

*Implement an Incentive-based Spousal Plan* – One way to decrease the number of employees enrolled in one of the City's healthcare plans would be to provide an incentive to those employees who elected to enroll in their spouse's health care plan. This concept, referred to as a spousal plan, was considered but not included in the FY 2010 proposed budget.

*Health Care Audits* – Health care audits can provide savings to employers when unauthorized dependents are identified and dropped from the health care rolls. Some employers use a third party to conduct the audits, meaning some costs may be incurred upfront to implement this option.

*Implement an Employee + 1 Healthcare Option* – An Employee +1 health care option provides healthcare coverage to a City employee and one additional dependent. No significant savings to the City would be realized if such an option was implemented, however having three health care plan tiers is an accepted industry standard. City staff will be examining whether a third tier option within our current budgeted cost for healthcare will spread employees' share of healthcare costs more equitably across the three tiers (Individual, Employee + 1, and Family).

### **Additional Savings Considered:**

*Hiring Freeze* – We propose the continuation of the current soft hiring freeze in FY 2010. Additional details on the current hiring policy are discussed in Budget Memo #25.

*Telecommuting* – The City already has a Telecommuting Policy in place that permits interested employees to establish a telecommuting agreement with their supervisor and department head. No changes to the program are proposed for FY 2010.

*Buy Outs for Non Retirement Eligible Employees* – Under this option, the City would provide an incentive to employees who voluntarily choose to terminate their City service. The main reason we did not propose this idea was due to the cost of the incentive, which we believe would have to be in the range of \$15,000 plus any potential leave pay out. Additionally, we were uncertain of the savings this option would actually generate.

*City of Alexandria, Virginia*

MEMORANDUM

DATE: APRIL 14, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 106 : ADDRESSING RETIREMENT ISSUES TO INCLUDE: SUPPLEMENTAL RETIREMENT PLAN, VOLUNTARY 457 PENSION PLAN, AND LIFE INSURANCE BENEFIT

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This memo is in response to a request from Councilman Wilson that the City Council be provided information on possible savings options related to the City's Supplemental Retirement Plan, Voluntary 457 Pension Plan, and Life Insurance Benefit. Specific questions that were asked are addressed below.

**Question 1: Cost savings of all City employees sharing the 2% employee portion (currently funded by the City) of the supplemental retirement plan premiums.**

If all City employees currently included in the City's Supplemental Retirement Plan were required to share the 2% employee portion of the contribution, which is currently funded by the City, the City would save about \$2.38 million in FY 2010. (The proposed budget already includes a proposal for new employees hired on or after July 1, 2009 to pay the 2% employee share, which results in a savings of \$185,000).

**Question 2: Cost savings from eliminating the supplemental pension altogether for new employees in FY 2010, 2011 and 2012.**

We estimate that the annual savings from eliminating the full supplemental pension for new employees would be about \$237,400. However, because hiring takes place throughout the year and not just at the start of the fiscal year, it is estimated that the City will only realize half the annual savings (\$118,700) in FY 2010 if the benefit is eliminated for new employees. The table below provides approximate cost savings for FY 2010, 2011 and 2012.

To exclude new employees from the Supplemental Plan would mean that no new entries into the Plan would be permitted starting in FY 2010. The Supplemental Plan would still be active however because the City would continue to pay the 5.60% contribution on behalf of current eligible employees. In addition, the City would remain obligated to pay the Supplemental Plan's current unfunded liability which as of the City's most recent evaluation to those employed prior to June 20, 2009 is \$41.7 million. The unfunded liability is scheduled to be paid off in 2026 in payments as a level percentage of all salaries. We would not save 5.60% as the costs are spread

over all salaries, including new hires.

**Estimated Savings if the City Supplemental is Eliminated for New Employees**

	FY 2010	FY 2011	FY 2012
FY 2010 New Hires	\$118,700	\$237,400	\$237,400
FY 2011 New Hires	-	\$118,700	\$237,400
FY 2012 New Hires	-	-	\$118,700
<b>Total</b>	<b>\$118,700</b>	<b>\$356,100</b>	<b>\$593,500</b>

In addition, eliminating the supplemental retirement program would place the City below most of our comparator jurisdictions, and would widen the gap between the retirement plan provided to police and fire employees and general employees, deputy sheriffs, and paramedics.

**Question 3 & 4: Cost of the City providing a 1% match of a defined 457 retirement savings plan for current enrollees and all employees. Cost of the City providing a 1% match of a defined 457 benefit regardless of whether the employee is currently contributing or not.**

Currently a total of 1,231 employees, or 47.24% of the City workforce, voluntarily participate in the 457 plan. The City does not currently provide a match to employee contributions. Below are cost estimates for two scenarios if the City decided to make a 1% match to employee contributions.

- Under the current payroll and if the current employee participation rate remained the same, a 1% match of the current level of employee contributions on the existing voluntary 457 pension plan would cost about \$0.78 million.
- It is likely that the participation rate would increase in response to a 1% match offer. If participation rates increased to 100% of employees contributing at least 1%, then a 1% City match would cost up to \$1.66 million per year.

It should be highlighted that these estimates are based on current payroll, and are not broken down by full-time or part-time status, or General Salary or Public Safety employees. The exact cost of any match will depend on the exact salary and participation levels of individual employees.

**Question 5: Cost savings of eliminating the life insurance benefit for existing employees upon retirement.**

Included in the FY 2010 proposed budget, as part of the City's Other Post Employment Benefits (OPEB) contributions, is \$900,000 for future life insurance benefit payments. This funding is designated for future life insurance benefit payments for future retirees. Last year the City eliminated retiree life insurance as a paid City benefit for employees hired after July 1, 2008. If current employees hired before July 1, 2008 were no longer provided life insurance upon retirement the level of funding necessary for the life insurance portion of the City's OPEB contributions could be decreased by \$900,000. The level of savings would be adjusted

downward if life insurance were still provided to certain employees upon retirement, such as those who are eligible to retire within a certain number of years. Decreasing the budget for OPEB contribution for future life insurance payments would not impact funding for the life insurance benefit provided to those already retired from the City.

It should be noted that for current retirees the life insurance benefit declines as follows upon retirement: The life insurance amounts available to a retiree will be reduced by 10% each year, beginning with the first January 1 after the retiree turns 65. This difference is subtracted each year until the January 1 after the retiree turns 70 years of age. After age 70, the retiree will have no further reductions in the life insurance payable. The remaining amount is approximately 25% of the life insurance that was in place at the time the retiree separated from City service.

*City of Alexandria, Virginia*

MEMORANDUM

DATE: NOVEMBER 2, 2009  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: JAMES K. HARTMANN, CITY MANAGER   
SUBJECT: OPEB FUNDING OPTIONS

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One of the sizeable compensation expenses faced by the City in FY 2011 (and thereafter) is that required to fund the costs of “other” post employment benefits (OPEB) for health care and life insurance benefits for City retirees. In the past these benefits were paid on a “pay-as-you-go” basis. New accounting standards were set by the Governmental Accounting Standards Board (GASB) (issued in June of 2004 and effective with the FY 2008 Consolidated Annual Financial Report). When combined with bond rating agency expectations, these standards require state and local governments to develop a plan to fund those benefits when they are earned, instead of when they are paid. This puts the requirement of funding these benefits on similar ground as retirement benefits.

Previously, City Council has approved a plan to meet this new accounting standard. (See Attachment I.) That plan, as updated by a more recent actuarial study, is shown in Attachment II – Current Policy Estimate of OPEB Funding Needs. That plan would entail \$2.7 million to be appropriated in FY 2011 from the General Fund and \$2.1 million from General Fund balances to meet the total Annual Required Contribution (ARC as calculated in the most recent actuarial study) of \$10.9 million from all sources for OPEB benefits earned in FY 2011.<sup>1</sup>

An OPEB Funding Option (Attachment III) is under consideration by City staff that would reduce the funding required in FY 2011 to \$1.7 million in General Fund Appropriations and \$1.6 million in General Fund balances. This would mean that we would be funding only \$9.4 million from all sources of the \$10.9 million ARC. Gradually by FY 2018 we would work our way up to 100% funding of the ARC. City staff believes this slowdown should be acceptable to our auditors (who look for compliance with GASB standards) and the bond rating agencies who also have indicated that such compliance is a rating consideration for local governments. The fact that City Council also has taken actions to address liabilities in this area (such as eliminating retiree life insurance for new hires) also enables this funding slowdown to occur.

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<sup>1</sup> A previous actuarial study reflected and ARC of \$12.3 million. This estimate has declined to \$10.9 million in the most recent study.

**Attachments:**

- Attachment I:** Budget Memo #4, "Funding of Post-Employment Benefits Liabilities", February 15, 2008
- Attachment II:** Current Policy Estimate of OPEB Funding Needs
- Attachment III:** OPEB Funding Option

*City of Alexandria, Virginia*

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MEMORANDUM

DATE: FEBRUARY 15, 2008  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: JAMES K. HARTMANN, CITY MANAGER   
SUBJECT: FUNDING OF POST-RETIREMENT BENEFITS LIABILITIES (BUDGET MEMO #4)

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Attached you will find information from the October City Council Retreat on a proposed funding plan for post-retirement benefits (i.e., health and life insurance benefits for retirees). This issue will be discussed at the Council work session on employee compensation.

Attachment

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# **OPEB – Health and Life Insurance for Retirees**

- **Governmental Accounting Standards Board (GASB) and SEC disclosure and reporting mandates for post-retirement benefits**
- **Historically, near universal practice of pay-as-you-go cash accounting**
- **Mandate requires reporting, recording, and accounting for long-term**
- **FY 2008 GASB reporting requirement in CAFR**
- **SEC, bond rating agency expectations**



## Health Insurance for Retirees

- **Current Programs (City Government)**
  - Must be enrolled in City Health Plan at retirement
  - \$260 per month/\$3,120 per year maximum
  - 683 total participants
    - 446 in City health plans, currently 237 reimbursed
  - \$2.0 million estimated pay-as-you-go cash cost in FY 2008



## Life Insurance for Retirees

- City pays for Basic Life Insurance
- 2 x basic annual earnings
- Amount decreases after age 65 to 50% of basic annual earnings by age 70
- Example:  $2 \times \$75,000 = \$150,000$  value of life insurance which declines by age 70 to \$37,500 and remains at that level until death



# Post Retirement Benefits for Retirees

Liability calculated by actuaries using trust fund model with 7.5% annual return assumed

	Estimated Unfunded Liability	Annual Required Contribution (ARC)
City <sup>1,3</sup>	\$88.8 M	\$12.3 M
Schools <sup>2</sup>	\$39.0 M	\$4.9 M
	\$127.8 M	\$17.2 M

<sup>1</sup> 2007 draft study

<sup>2</sup> 2006 study

<sup>3</sup> assumes no change in \$260 monthly rate



# Post Retirement Benefits for Retirees

## Post Retirement Benefits Interjurisdictional Comparison (excludes schools, \$ in millions)<sup>1</sup> (ARC)

	(AAL) Liability	Annual Contribution
Alexandria	\$88.8	\$12.3
Arlington	\$516.0	\$50.0
Fairfax County	\$191.0	\$16.0
Loudoun	\$234.0	\$31.0
Prince William <sup>2</sup>	\$67.4	\$7.4
Montgomery (MD)	\$2,600.0	\$240.0

<sup>1</sup> Source: Fall 2007 survey

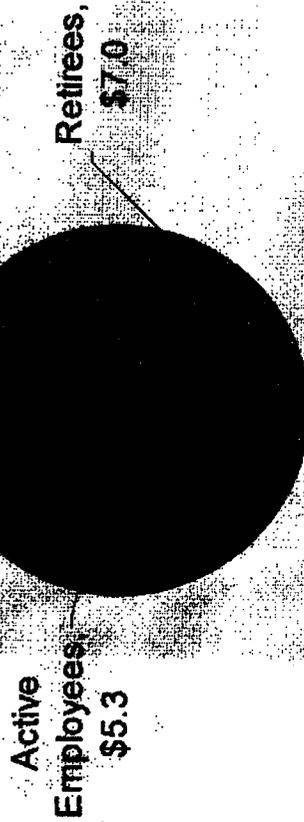
<sup>2</sup> Includes schools



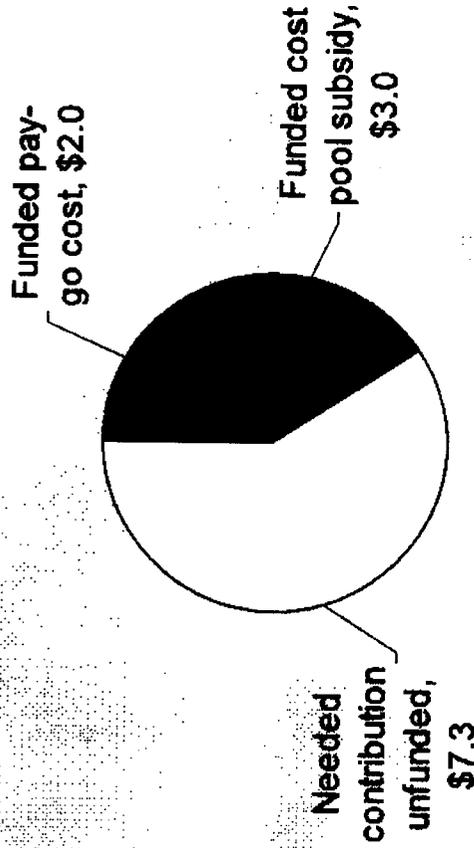
# Post Retirement Benefits for City Government Retirees

## Annual Required Contribution (ARC)

Uses



Sources



Funded cost pool subsidy, \$3.0

**\$12.3 million estimated ARC**



# Post Retirement Benefits for City Government Retirees

## Proposed Funding Plan for \$12.3 million ARC<sup>1</sup>

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Current "pay-go"	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
Costpool subsidy	3.0	3.0	3.0	3.0	3.0
F.B. designation draw down	4.2	3.1	2.0	1.4	-
New funding	1.4	2.8	4.2	5.6	7.3
<b>TOTAL</b>	<b>\$10.6</b>	<b>\$10.9</b>	<b>\$11.2</b>	<b>\$12.0</b>	<b>\$12.3</b>
<b>% ARC Funded</b>	<b>86%</b>	<b>89%</b>	<b>91%</b>	<b>98%</b>	<b>100%</b>

<sup>1</sup> Figures subject to periodic actuarial analysis, trust fund earnings, health insurance costs, and assumed no change in the \$260 monthly reimbursement rate.



# Post Retirement Benefits for Retirees

## Summary

- FY 2009 Budget Impact
  - \$1.4 City + \$0.8 Schools = +\$2.2 million
- FY 2013 Budget Impact
  - \$7.3 City + \$4.1 Schools = +\$11.4 million
- Proposed 5-year funding phase-in for City and Schools
- Establish trusts before end of FY 2008
- Creation of separate trusts by City and Schools

**Current Policy Estimate of OPEB Funding Needs  
(\$ in million)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Required Annual Contributions (ARC)</b>	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9
Medical Subsidy	\$ 1.9	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.3	\$ 3.3	\$ 3.5	\$ 3.7	\$ 3.9
Reimbursement	2.8	3.0	3.2	3.3	3.3	3.4	3.5	3.6	3.7
Life Insurance	0.6	0.6	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Total Cash Flow	\$ 5.3	\$ 6.1	\$ 6.6	\$ 7.1	\$ 7.4	\$ 7.5	\$ 7.8	\$ 8.1	\$ 8.4
<b>Current General Fund Appropriations</b>	<b>2.5</b>	<b>2.7</b>	<b>3.0</b>	<b>3.8</b>	<b>3.5</b>	<b>3.4</b>	<b>3.1</b>	<b>2.8</b>	<b>2.5</b>
<b>General Fund Balance Draw Down</b>	<b>3.1</b>	<b>2.1</b>	<b>1.3</b>	-	-	-	-	-	-
Total Annual Contributions From all Sources	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9
% of ARC Funded From All Sources	100%	100%	100%	100%	100%	100%	100%	100%	100%
General Fund Sources	\$ 7.8	\$ 8.8	\$ 9.6	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9
% of ARC Funded by Current General Fund Sources	72%	81%	88%	100%	100%	100%	100%	100%	100%
Investible Funds (OPEB Fund Balance plus General Fund)	\$ 5.6	\$ 4.8	\$ 4.3	\$ 3.8	\$ 3.5	\$ 3.4	\$ 3.1	\$ 2.8	\$ 2.5
Ending OPEB Fund Balance	\$ 11.6	\$ 17.3	\$ 22.9	\$ 28.4	\$ 34.0	\$ 40.0	\$ 46.1	\$ 52.3	\$ 58.8

OPEB Funding Option

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Required Contributions (ARC)	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9
Medical Subsidy	\$ 1.9	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.3	\$ 3.3	\$ 3.5	\$ 3.7	\$ 3.9
Reimbursement	2.8	3.0	3.2	3.3	3.3	3.4	3.5	3.6	3.7
Life Insurance	0.6	0.6	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Total Cash Flow	\$ 5.3	\$ 6.1	\$ 6.6	\$ 7.1	\$ 7.4	\$ 7.5	\$ 7.8	\$ 8.1	\$ 8.4
Current General Fund Appropriations	2.5	1.7	1.8	2.0	2.4	2.7	2.7	2.7	2.5
General Fund Balance Draw Down	2.8	1.6	1.2	0.7	0.2	-	-	-	-
Total Annual Contributions From all Sources	\$ 10.6	\$ 9.4	\$ 9.6	\$ 9.8	\$ 10.0	\$ 10.2	\$ 10.5	\$ 10.8	\$ 10.9
% of Annual Required Contribution Funded From All Sources	97%	86%	88%	90%	92%	94%	96%	99%	100%
General Fund Sources	\$ 7.8	\$ 7.8	\$ 8.4	\$ 9.1	\$ 9.8	\$ 10.2	\$ 10.5	\$ 10.8	\$ 10.9
% of ARC Funded by Current General Fund Sources	72%	72%	77%	83%	90%	94%	96%	99%	100%
Investible Funds (Fund Balance plus General Fund)	\$ 5.3	\$ 3.3	\$ 3.0	\$ 2.7	\$ 2.6	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.5
Ending Fund Balance	\$ 11.3	\$ 15.5	\$ 19.6	\$ 23.8	\$ 28.2	\$ 33.0	\$ 38.2	\$ 43.7	\$ 49.5

# *City of Alexandria, Virginia*

## MEMORANDUM

DATE: NOVEMBER 2, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: CITY-WIDE VACANT POSITION AND STAFFING REPORT FOR OCTOBER 2009

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This memorandum provides information on city-wide vacant positions as of October 2009 and staffing usage through pay period #8 of FY 2010.

### **City-wide Vacancy Report**

- As of October 2009 there were 222 vacant positions city-wide.
  - o Of these positions, 143 were vacant; 11 were vacant pending City Manager approval to advertise/recruit; and 68 had been approved to fill but were still vacant.
- The annual savings from the 222 vacancies would be approximately \$11.7 million.
  - o The annual savings for just the 143 vacant positions not seeking approval to advertise/recruit would be approximately \$7.5 million.
- The number of vacant positions city-wide increased steadily through the end of FY 2009, reaching a total of 267. As part of the FY 2010 budget, 74 vacant positions were reduced or eliminated. At the start of FY 2010 (July 2009), the total number of vacant positions city-wide decreased to approximately 197, and the annual level of vacancy savings for FY 2010 was reduced to \$10.2 million.
- Since July 2009, the number of vacant positions and annual vacancy savings has continued to once again increase.

Each month the Office of Management & Budget (OMB) collects a report on the number of vacant positions in each City department. These individual reports are compiled into a master list of vacancies known as the City-wide Vacancy Report. This reporting mechanism was first initiated in April 2008 with Budget Memo #99. The following month, the City Manager instituted a process wherein OMB reviews each request to advertise/recruit for vacant positions submitted by departments and then forwards a recommendation to the City Manager for his consideration. A review of vacant positions and requests to advertise/recruit normally takes place on a monthly basis.

The current city-wide vacancy report as of October 2009 includes three attachments (#1-3).

Attachment 1 is a graph showing the total vacancies city-wide and the estimated annual dollar savings from the months of November 2008 – October 2009. The graph shows that during FY

2009 the total number of vacancies grew by 50 positions from 217 (Nov. 2008) to 267 (June 2009). During this same period the annual savings as a result of vacancies increased from \$11.4 - \$13.7 million, a difference of \$2.3 million or 20%. At the start of FY 2010, the number of vacant positions and annual savings decreased as a result of the elimination of 74 vacant positions. In July 2009, the number of vacant positions city-wide was 195, with an annual savings of \$10.0 million. Since this time vacancies have increased by 27 positions for a city-wide total of 222, resulting in a corresponding rise in annual savings of \$1.7 million for a total of \$11.7 million.

Attachment 2 shows the number of vacant positions each month in categories that depict the status of a position as it stands in the City Manager review/approval process. There are three types of vacancies in this second category:

- No Action – a department has made no request to advertise/recruit for a vacant position.
- Pending Request to Advertise/Recruit – a department has requested to advertise/recruit for a vacant position and is awaiting approval from the City Manager.
- Positions/Requests Approved but Still Vacant – requests to advertise/recruit have been approved by the City Manager but the position is still technically vacant.

The vast majority of vacant positions in October (143 or 64%) are listed in the No Action category, meaning department's are not requesting to fill these positions. This category has grown by 26 positions since the start of the fiscal year. The number of positions which have been approved to be filled but remain vacant mostly continues to decline as new personnel are hired. It is likely that this trend will continue as those positions "in the cue" are filled and since the number of pending requests to advertise/recruit remains flat.

Attachment 3 shows that an increase in vacant positions results in increases to the level of estimated vacancy savings. As of October 2009 the total annual savings from having 222 positions vacant would be \$11.7 million. Attachment 3 also provides the annual savings for each type of vacant position. The largest amount of savings, \$7.5 million, is derived from the 143 positions that are listed in the No Action category.

It is important to note that savings for each individual position is calculated by using the position's grade and salary at the C step. Because the C step is used, the level of savings for each position might actually be higher or lower depending on the position's actual budgeted salary. In addition, to calculate benefits a percentage is applied to the position's salary depending on the full-time equivalent (FTE) level of the position.

Finally, Attachment 4 provides the total number of vacant positions per individual City department. The table organizes each department according to strategic plan initiative. The number of vacant positions per department is compared to the approved FTE count to give a percent of approved FTEs vacant. City-wide the number of approved FTEs vacant is 8.7%

## **Staffing Report**

- Full-time equivalent (FTE), Full-time and Part-time Position usage as of Pay Period #8 has been decreasing since the start of FY 2010.
- FTE and position usage has dropped below FY 2009 levels.

Attachments #5-7 contain information from the City's bi-weekly payroll reports. Payroll reports provide data on the number of FTEs and positions working each pay period. The attachments contain FTE and position usage data through pay period #8 of FY as compared to the total approved FTE and position counts for the current fiscal year. FY 2009 actual and approved amounts are included also for comparative purposes.

Attachment 5 shows that the number of FTEs worked since the beginning of FY 2010 has declined steadily. At the start of FY 2010 the number of FTEs worked mirrored closely the number worked at the end of FY 2009. However, since pay period #1 of FY 2010, FTE usage has continued to decline and remains below FY 2009 levels.

Contributing most to the decline in FTE usage is the decrease in full-time positions worked, as seen in Attachment 6. The level of part-time positions worked has remained more constant, but did decline slightly as seen in Attachment 7. Both FT and PT position utilization remains below the levels experienced during FY 2009.

### **Conclusion**

As I have indicated in a separate memorandum to City Council, I want to note that in my conversations and discussions with City employees they are concerned about further budget reductions and the impact on their ability to accommodate the workload placed on them without reducing both the quantity and quality of services they can provide. As you know, I too am concerned about not only the immediate effects on services to the public, but also the longer term effects on employee morale, productivity and retention.

Through the course of a fiscal year, the city-wide vacancy and staffing reports provide ongoing information with regard to the City's vacancy and employment levels. When historic data is reviewed though, the reports also provide insight on the effectiveness of the City's personnel management policies. Both reports suggest that the City Manager's soft hiring freeze, which began during FY 2009, did significantly impact city-wide employment levels.

As seen in Attachment 1, the total number of vacant positions city-wide increased throughout FY 2009. As vacancies increased, and because positions were not immediately filled, FTE and position usage levels began to decline, as seen in Attachments 5-7 of the staffing report. This is most apparent after the mid-point of FY 2009, with the declines starting in December which correspond with the City's decision to further restrict the hiring of vacant positions.

The city-wide vacancy report also shows the financial impact of the City Manager's hiring policy. As more positions were held open in FY 2009 the level of vacancy savings increased by several million dollars. From a macro perspective, this savings helps the City meet its overall vacancy factor.

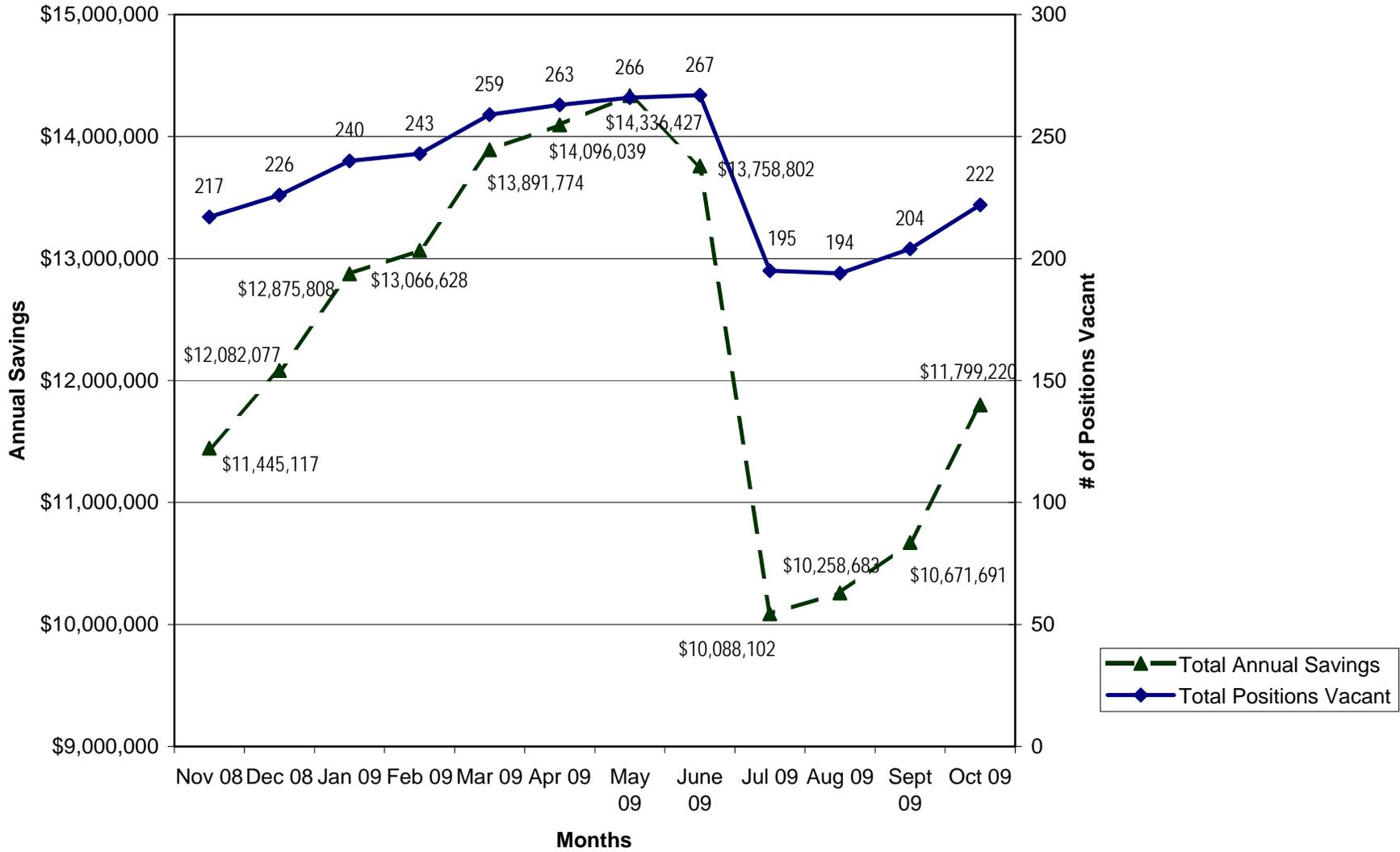
In FY 2010, a continuation of the trends experienced in FY 2009 is occurring. Following an

initial decline in the total number of vacant positions – which was the direct result of the elimination of 74 vacancies as part of the FY 2010 approved budget – the City is once again seeing a rise in the total number of vacant positions. Naturally, the rise in vacancies is resulting in an increase in the level of annual vacancy savings.

Throughout FY 2010, OMB will continue to monitor and report to the City Manager the number of vacant positions and staffing usage. In addition, OMB will continue the process of reviewing requests by departments to advertise/recruit for vacant positions and forward recommendations to the City Manager for his consideration.

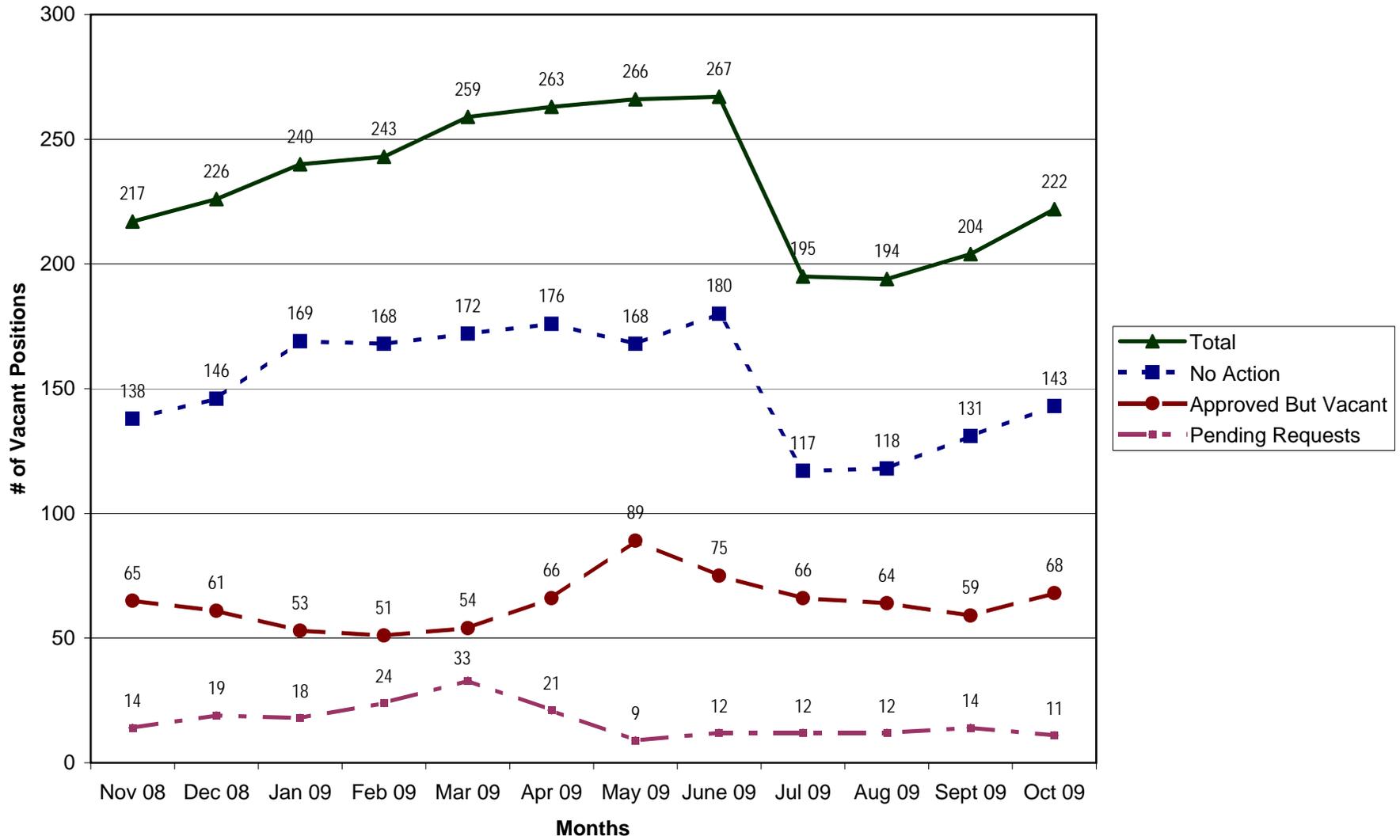
# ATTACHMENT 1

## City-wide Vacant Positions and Value of Annualized Savings



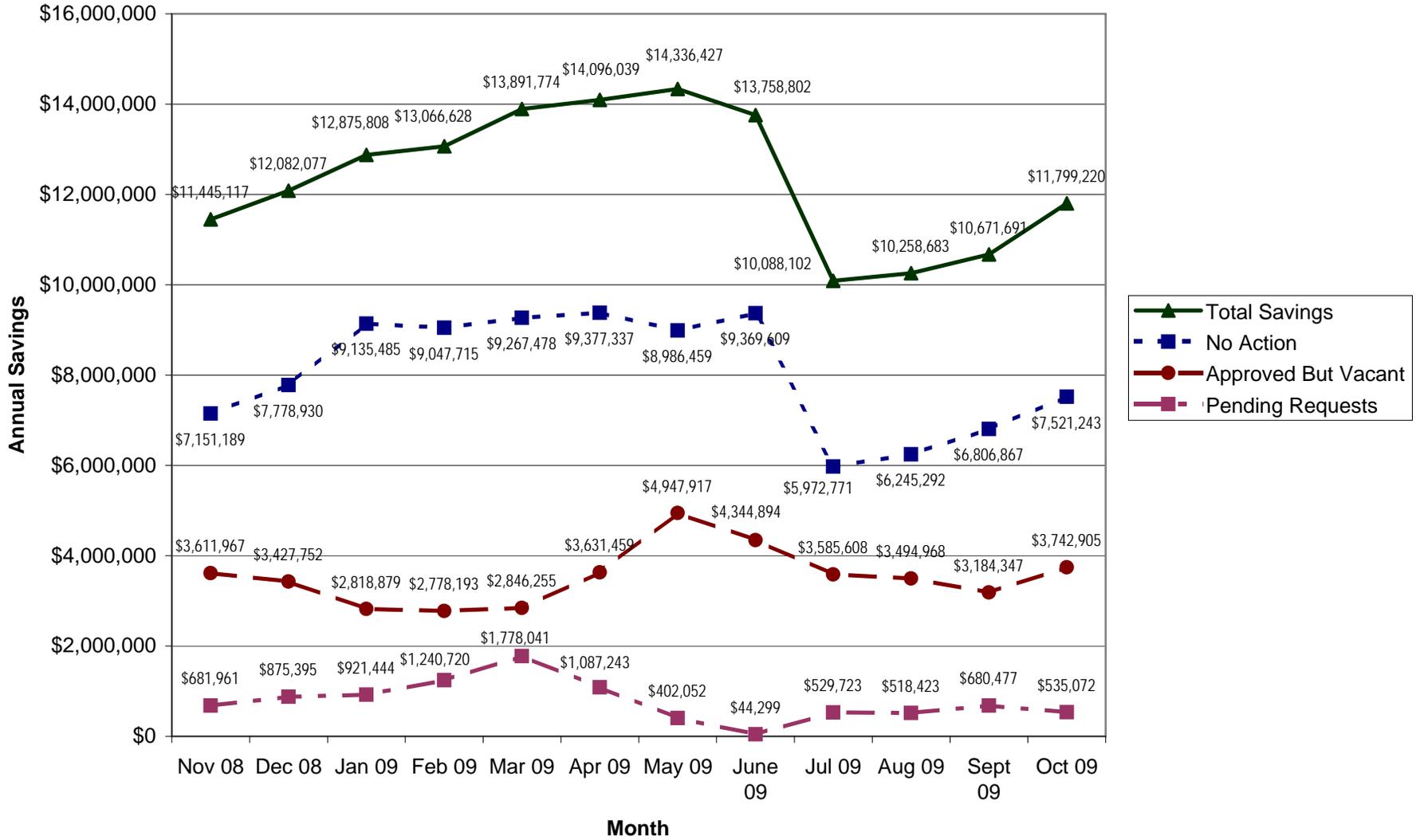
# ATTACHMENT 2

## City-wide Vacant Positions



# ATTACHMENT 3

## City-wide Value of Annualized Savings from Vacant Positions



## ATTACHMENT 4

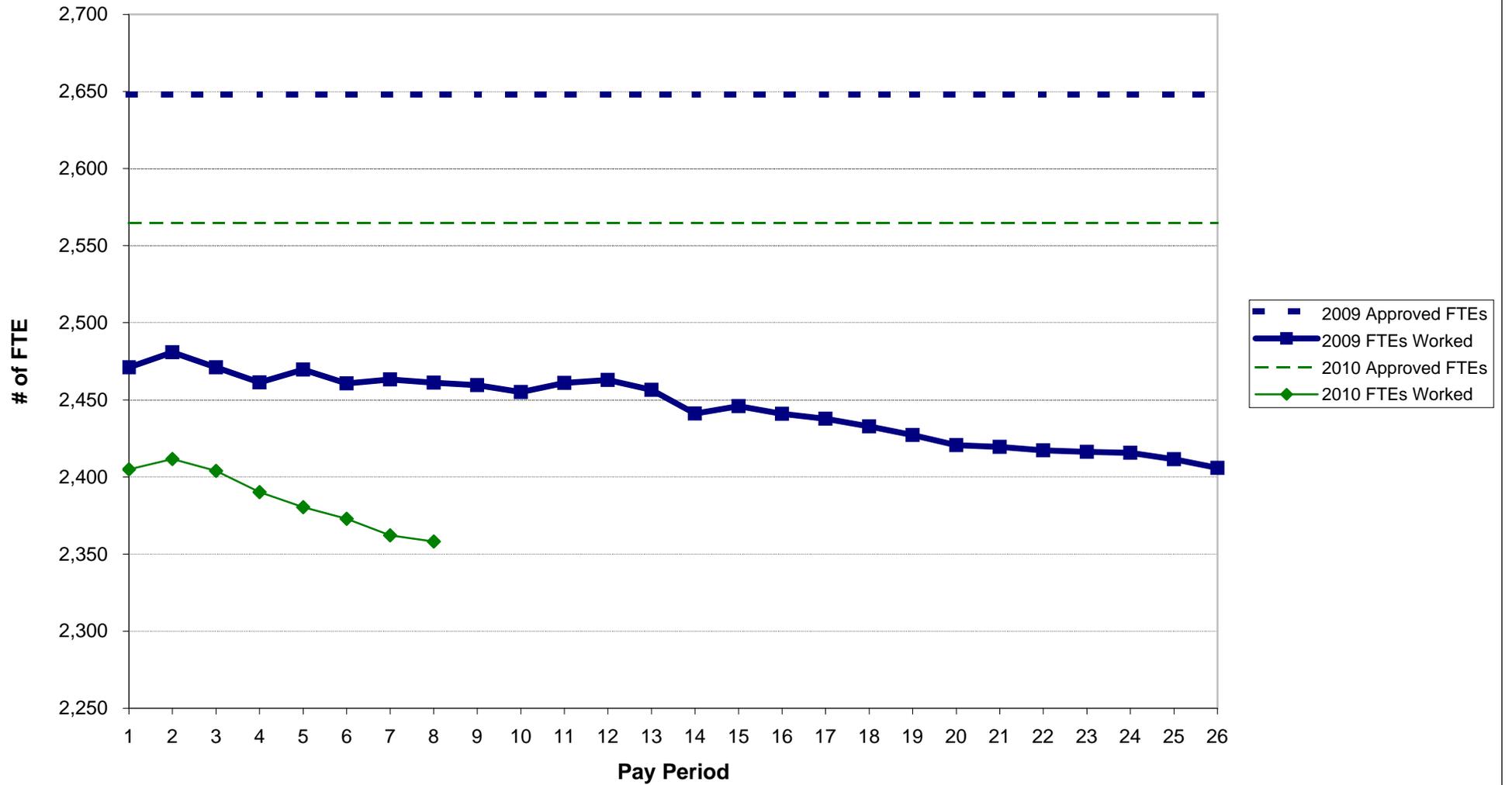
### Vacant Positions as of October 2009 by Strategic Plan Initiative\*

	Approved FTEs	Total Vacancies	% of Approved FTEs Vacant
<b><u>Finance &amp; Operations</u></b>			
City Manager	10	0	-
City Attorney	14	2	14.3%
City Clerk & Clerk of Council	4	1	25.0%
Office of Management & Budget	11	0	-
Citizens Assistance	5	0	-
Internal Audit	2	0	-
Office of Communications	10	1	10.0%
Human Resources	22	2	9.3%
Human Rights	6	0	-
General Services	67	1	1.5%
ITS	43	4	9.3%
Procurement	8	1	12.5%
Finance	83	7	8.5%
Real Estate	14	1	7.1%
Registrar of Voters	7	0	-
Total Finance & Operations	304	20	6.6%
<b><u>Public Safety &amp; Quality of Life</u></b>			
18th Circuit Court	13	0	-
Commonwealth Attorney	29	1	3.4%
Sheriff	219	6	2.7%
Clerk of Court	23	1	4.3%
Court Services Unit	10	3	29.4%
Fire	252	27	10.7%
Police	462	24	5.2%
Total Pub. Safety & Qty of Life	1,008	62	6.1%
<b><u>Education &amp; Youth / Community</u></b>			
Office on Women	19	1	5.2%
Housing	17	3	17.6%
MH / MR / SA	342	39	11.4%
Human Services	234	13	5.6%
Historic Alexandria	27	1	3.7%
RPCA	189	30	15.9%
Library	79	25	31.7%
Total Edu. & Youth / Comm.	906	112	12.4%
<b><u>Economic Development</u></b>			
Planning & Zoning	50	2	4.0%
Code	73	7	9.6%
Total Economic Development	122	9	7.4%
<b><u>Transportation</u></b>			
Transportation & Environ Svc's	206	16	7.8%
Total Transportation	206	16	7.8%
<b><u>Health &amp; Environment</u></b>			
Health	17	3	17.3%
Total Health & Environment	17	3	17.3%
<b>Grand Total</b>	<b>2,564</b>	<b>222</b>	<b>8.7%</b>

City staff are still fine tuning the distribution of departmental activities between the seven goals. This allocation is preliminary and subject to change.

# ATTACHMENT 5

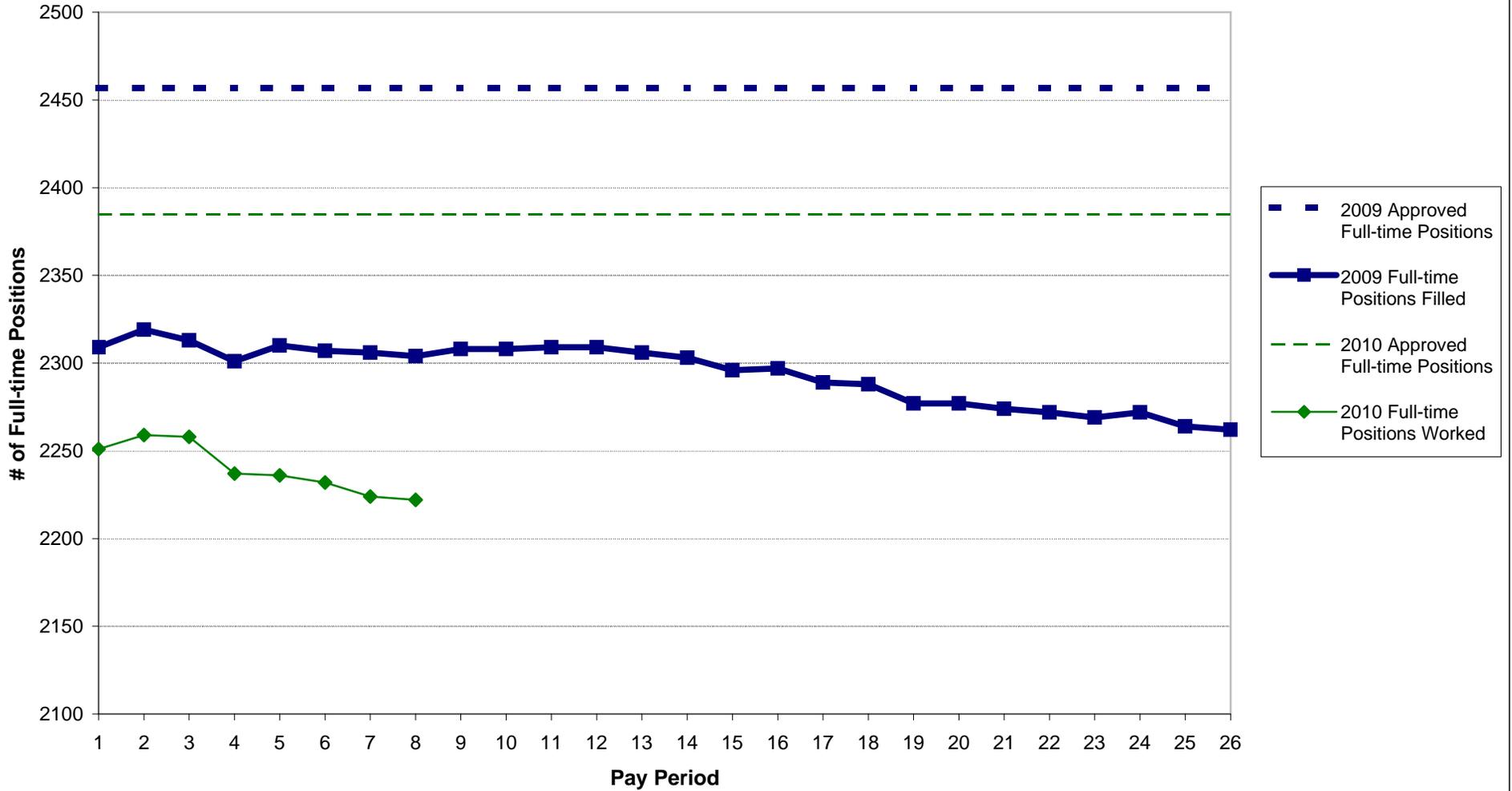
## FY 2010 FTE Usage by Pay Period



**ATTACHMENT 5**

# ATTACHMENT 6

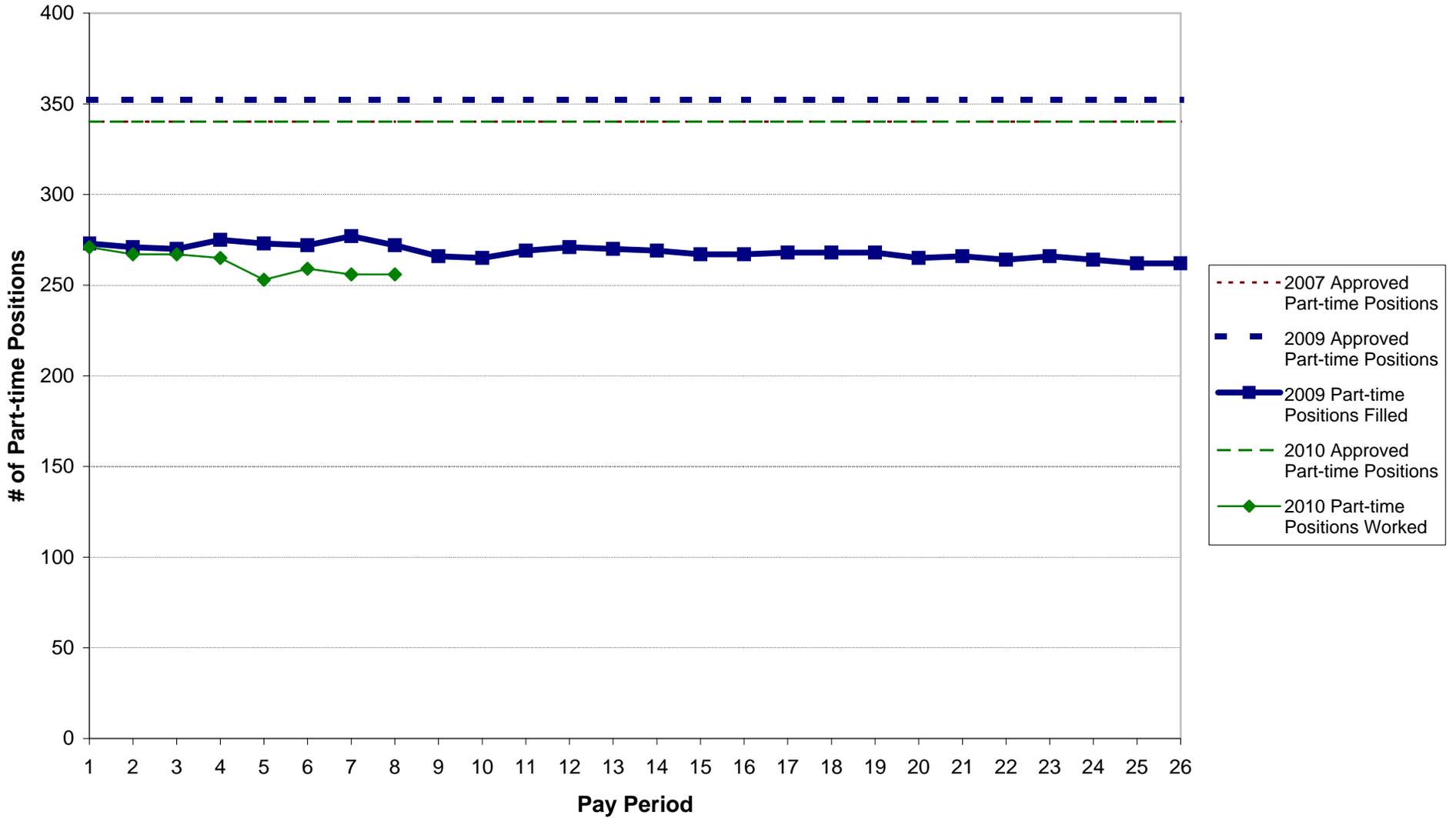
## FY 2010 Full-Time Permanent and Overhire Position Usage by Pay Period



**ATTACHMENT 6**

# ATTACHMENT 7

## FY 2010 Part-Time Position Usage by Pay Period



# ATTACHMENT 7

