



# **FY 2009**

# **Budget Work Session**

## **Employee Compensation**

## **February 20, 2008**



# Highlights

- Compensation costs up \$9.7 million
- Net staffing down slightly (7.9 FTE's)
- No market rate adjustment (MRA) in Proposed Budget
  - 1.0% MRA in the Alternative Budget
- \$2.2 million budgeted to address unfunded retiree healthcare and life insurance liabilities

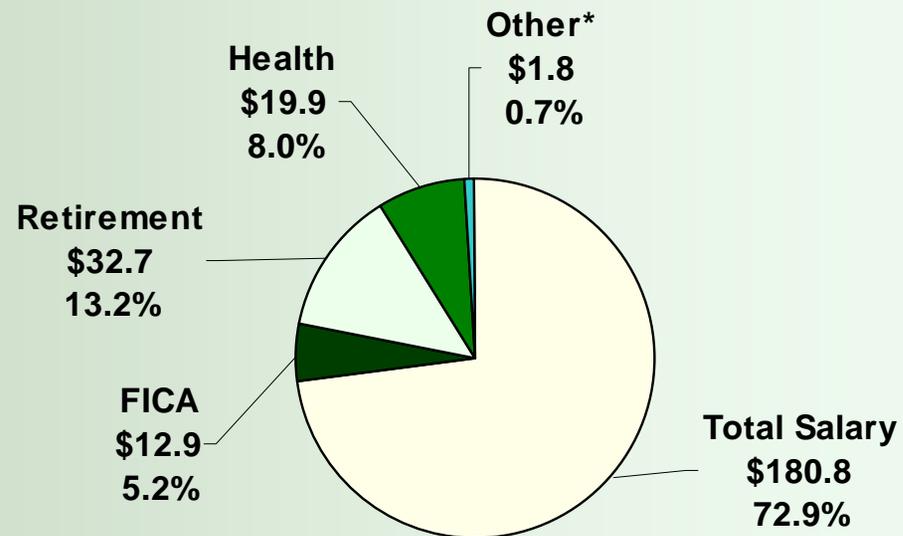


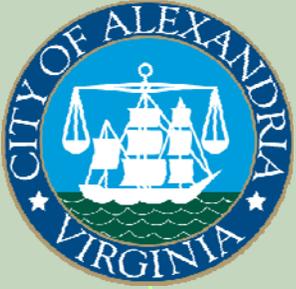
# Personnel Budget

Of the \$248.2M personnel budget, about 73% is for salaries. And about 27% is for benefits.

Retirement and Healthcare are the biggest drivers of the fringe benefit costs. Retirement accounts for almost half of the fringe benefit costs, and healthcare about 30%.

## FY 2009 All Funds City Personnel Budget \$248.2 million





# Personnel Budget

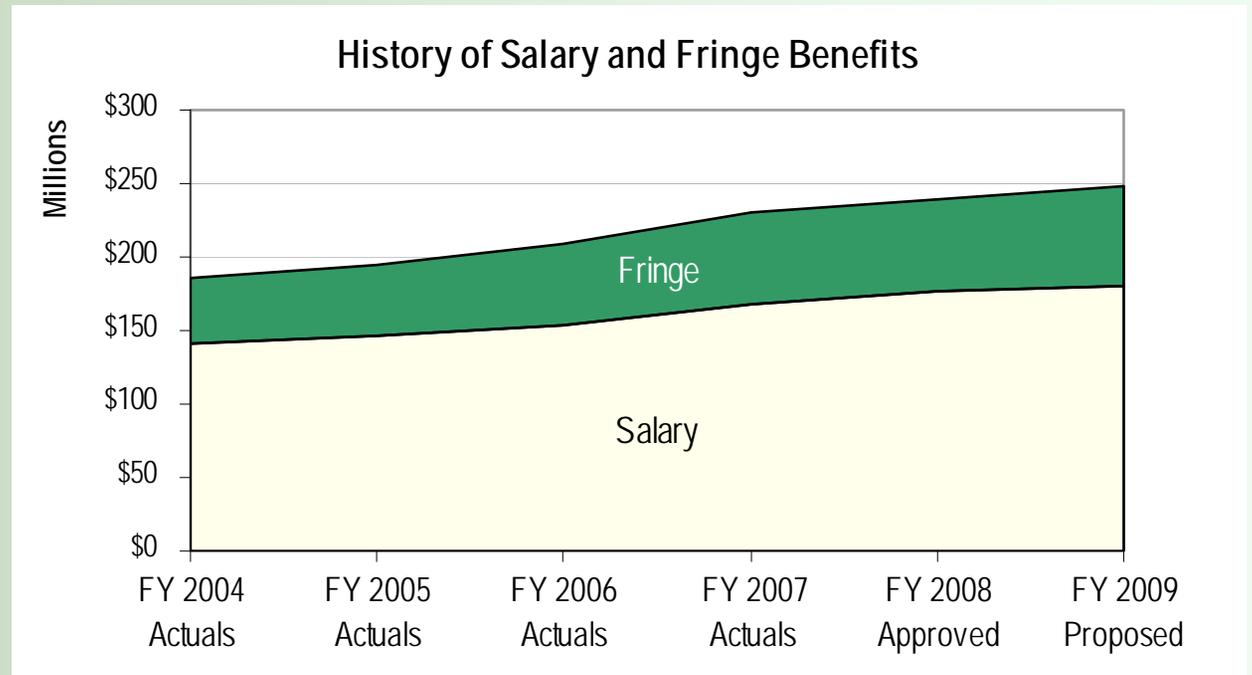
**Increases in the rates for the Fire & Police Pension Plan and VRS for General Schedule employees were a driving force in the fringe benefit increase. About a 9% increase in healthcare also affected fringe benefits.**

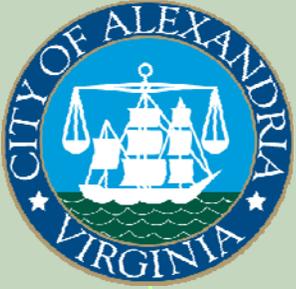
Title	FY 2008 Approved	FY 2009 Proposed	\$Change FY08/09	%Change FY08/09
Total Salary	\$176.9	\$180.8	\$4.0	2.2%
<u>Fringe</u>				
FICA	12.6	12.9	0.3	2.6%
Retirement	28.9	32.7	3.8	13.3%
Health	18.3	19.9	1.6	9.0%
Other*	1.9	1.8	(0.1)	(4.2%)
Total Fringe	61.7	67.4	5.7	9.3%
Total Personnel	\$238.6	\$248.2	\$9.7	4.1%



# Personnel Budget

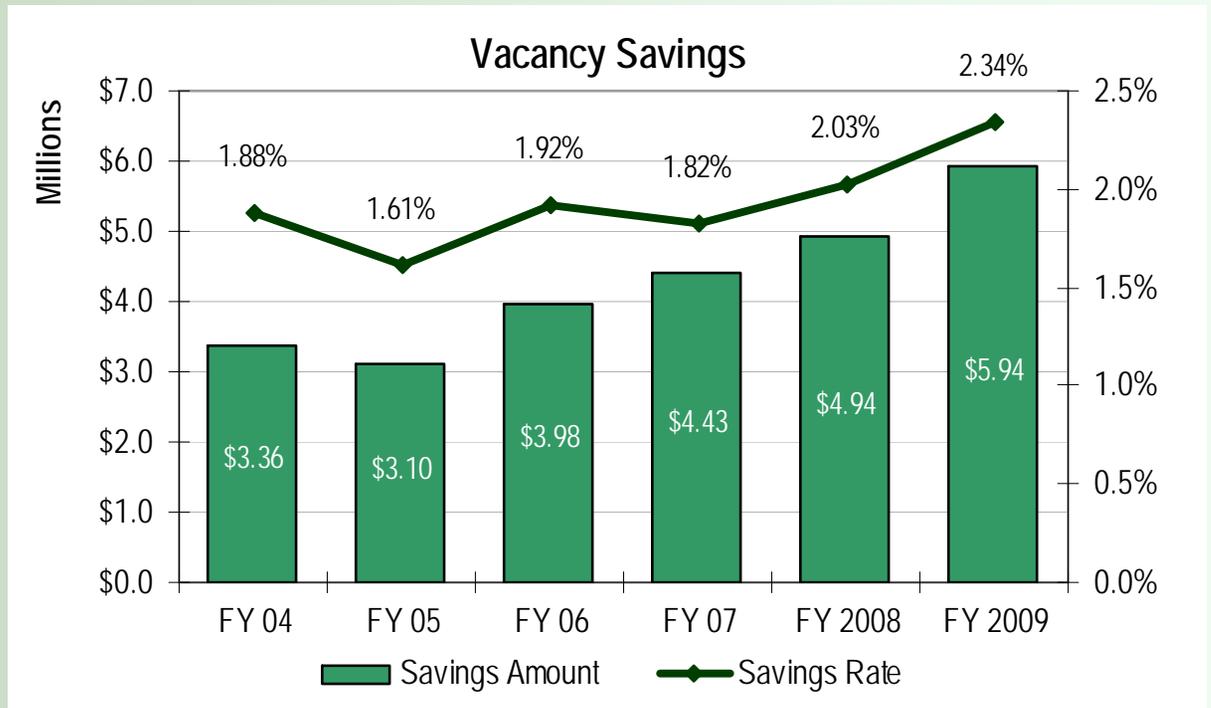
**Since a large portion of fringe benefits is proportional to salary, they have been increasing at a relatively similar rate.**





# Personnel Budget

**The City's total budget for personnel compensation includes a vacancy savings amount of \$5.94 million or 2.34%, \$1.0 million more than in FY 2008.**





# City FTE Position Count

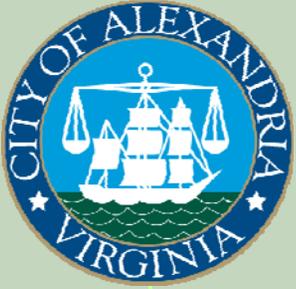
**FTE's decreased by 7.9 in the FY 2009 Proposed Budget when compared to the FY 2008 Amended position count.**

**Many departments lowered their total FTE count through efficiencies.**

## *FTE Summary*

	FY 2008			FY 2009		Change	
	Amended	New	Deleted	Proposed	#	%	
Full-time Permanent	2,384.0	7.0	(13.0)	2,378.0	(6.0)	(0.3%)	
Part-time (FTE)	204.3	0.8	(1.7)	203.4	(0.9)	(0.5%)	
Approved Overhire	68.0	0.0	(1.0)	67.0	(1.0)	(1.5%)	
<b>Total (FTE)</b>	<b>2,656.3</b>	<b>7.8</b>	<b>(15.7)</b>	<b>2,648.4</b>	<b>(7.9)</b>	<b>(0.3%)</b>	

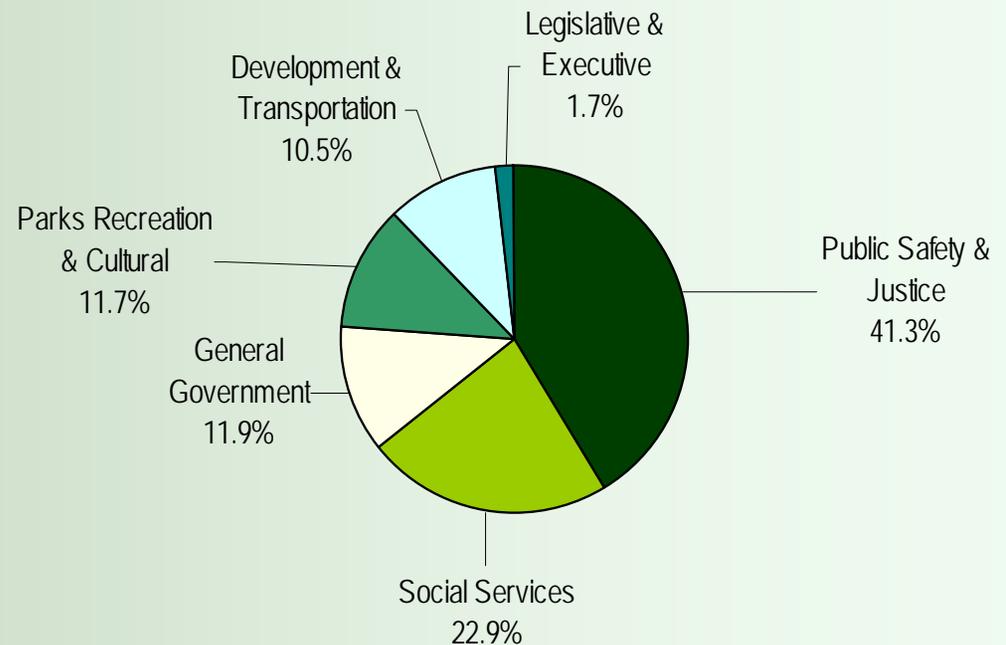
**These decreases were slightly offset by a 3.0 FTE increase for the new multi-department Permit Center (2 in T&ES and 1 in P&Z), as well as several grant or special revenue funded positions (1 FTE in Sheriff, and 2 FTE's in T&ES).**



# City FTE Position Count

**Public Safety & Justice  
comprises 41%  
of the City's  
workforce.**

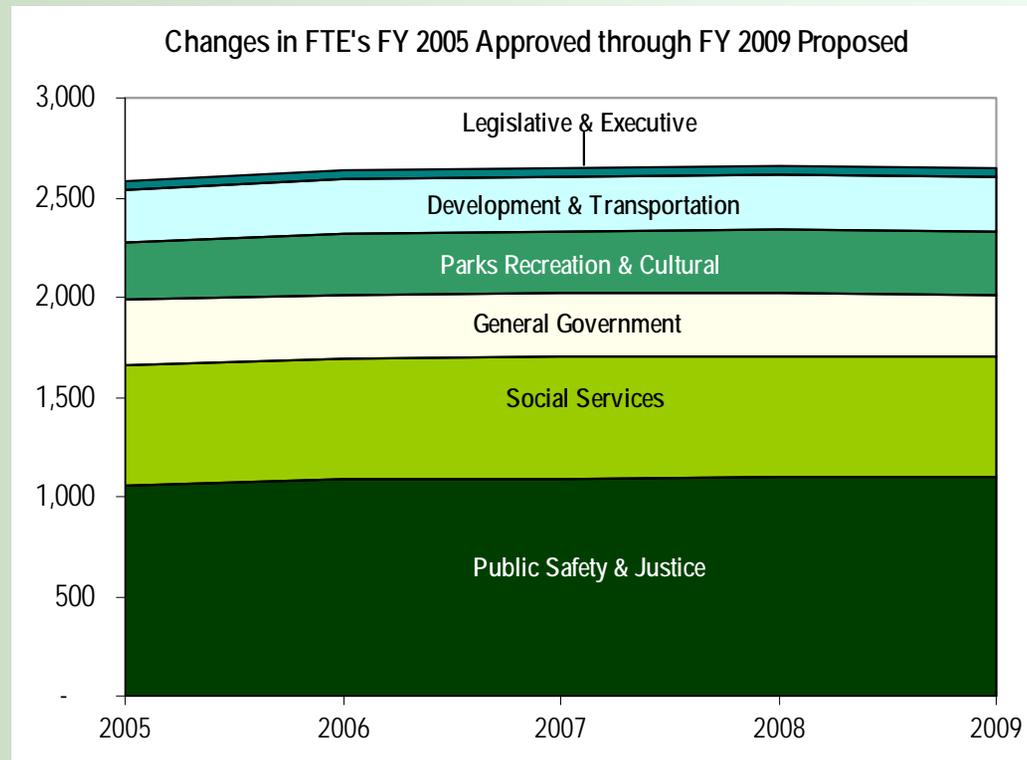
FY 2009 Employees by Line of Business





# City FTE Position Count

**The graph to the right further illustrates the relatively flat FTE levels from FY 2005 through the proposed FY 2009 budget, and the relatively stable share of the total for each line of business.**

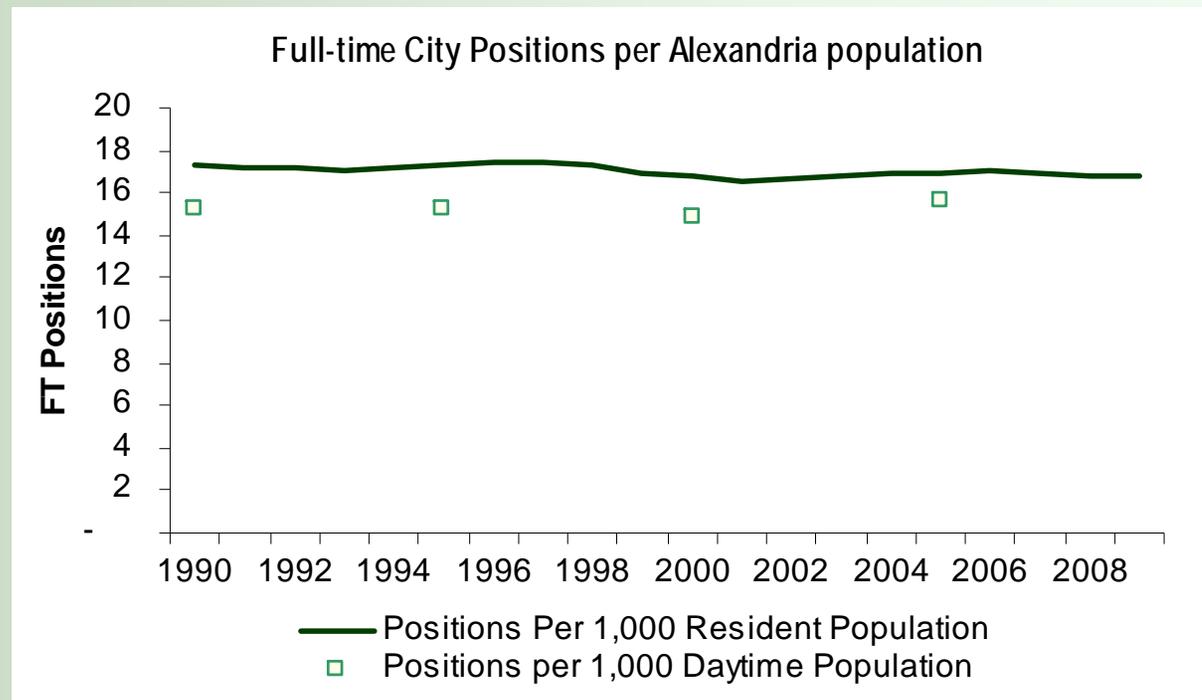


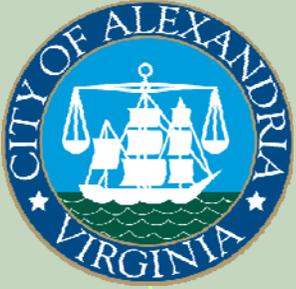


# City FTE Position Count

**The FY 2009 ratio of full-time positions to City population remains relatively flat at 16.8 positions for every 1,000 residents.**

\* Current City population is approximately 140,000.





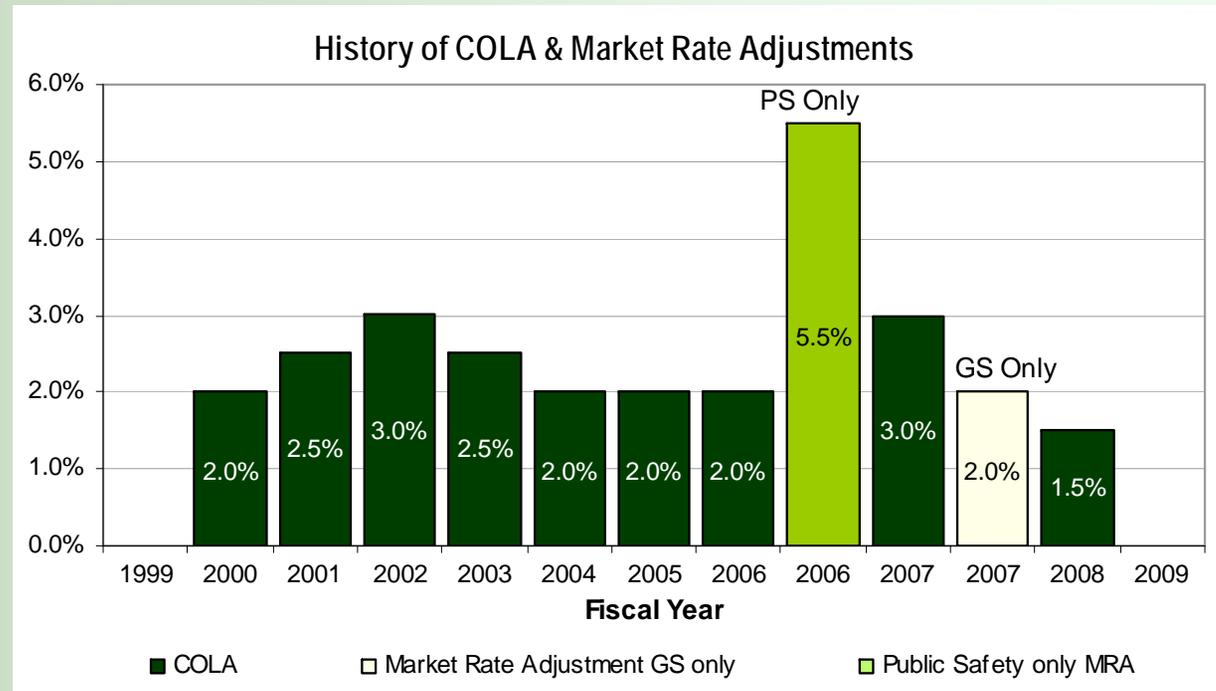
# City FTE Position Count

- **From the FY04 Approved to the FY08 Amended Budget, 102.7 (4.0%) net FTE's have been added to the City.**
  - Most were added during FY05 & FY06.
  - Since then, the City has had relatively flat growth in FTE's.
- **Over 50% of the FTE increases since FY 2004 were for Public Safety departments. The Recreation Department and MH/MR/SA also had significant increases during this time period.**



# Employee Compensation- Salary Adjustments

The chart to the right shows the recent history of cost of living adjustments (COLA) and market rate adjustments (MRA) given to City employees since 1999.



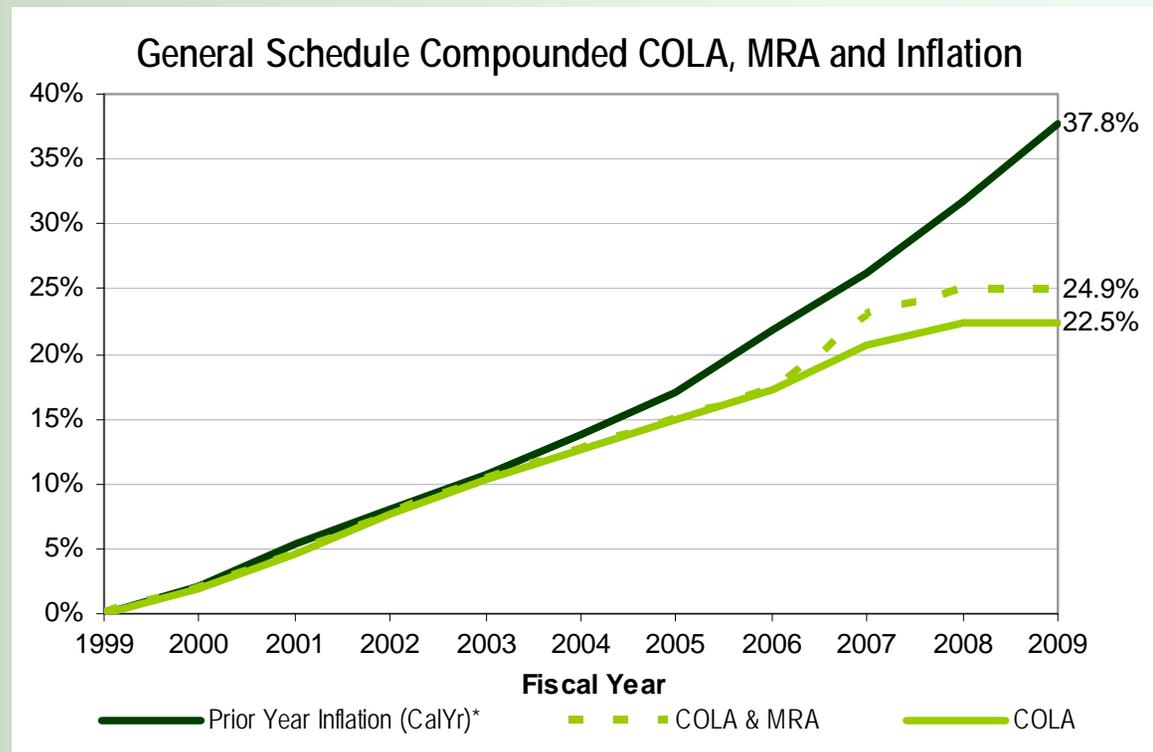


# Employee Compensation-Salary Adjustments

**The inflation rate for the DC metro area compounded over the past 10 years is 37.8%.**

**This cost of living increase surpasses the compounded COLA and MRA given to GS City employees during the same time period (24.9%).**

\* CY 2007 and CY 2008 CPI is estimated to be 4.5%.





# Employee Compensation- Salary Adjustments

**Fringe benefits add on about 37% additional cost for the average full-time GS employee, and about 45% for the average full-time Sworn Public Safety (Fire or Police) employee.**

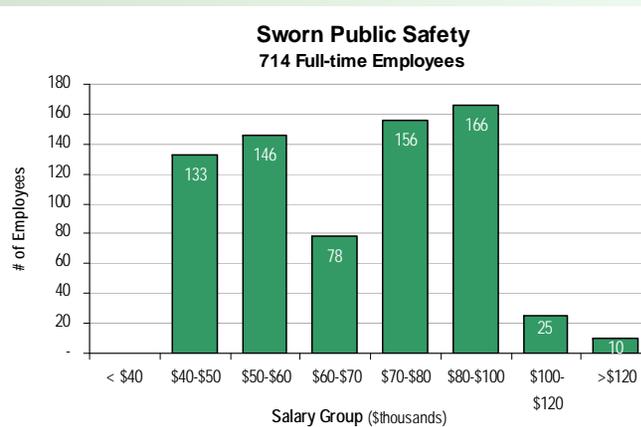
	<b>Total Current Employees</b>	<b>Average Salary as of 1/1/2008</b>
General Schedule (FT)	1,606	\$ 60,838
Public Safety (FT)	714	\$ 68,930
General Schedule (PT)	286	\$ 27,826



# Employee Compensation- Salary Adjustments

**About 57% of GS employees earn less than the average salary of all GS employees.**

**About half of all sworn Public Safety employees earn less than the average salary of that group.**





# Employee Compensation- Benefits

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

**Retirees are living longer causing costs to rise**

## *Contribution Rates*

Plan	FY 2008		FY 2009	
	City	Emp'e	City	Emp'e
VRS	11.66%	-	12.06%	-
City Supplemental Plan	5.32%	-	5.64%	-
<i>VRS &amp; City Supplement Total<sup>1</sup></i>	<i>16.98%</i>	<i>-</i>	<i>17.70%</i>	<i>-</i>
Sworn Fire & Police <sup>2</sup>	22.35%	8.0%	26.41%	8.0%
Deputy Sheriffs, Fire Marshals & ERT <sup>3</sup>	22.41%	-	22.35%	-

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

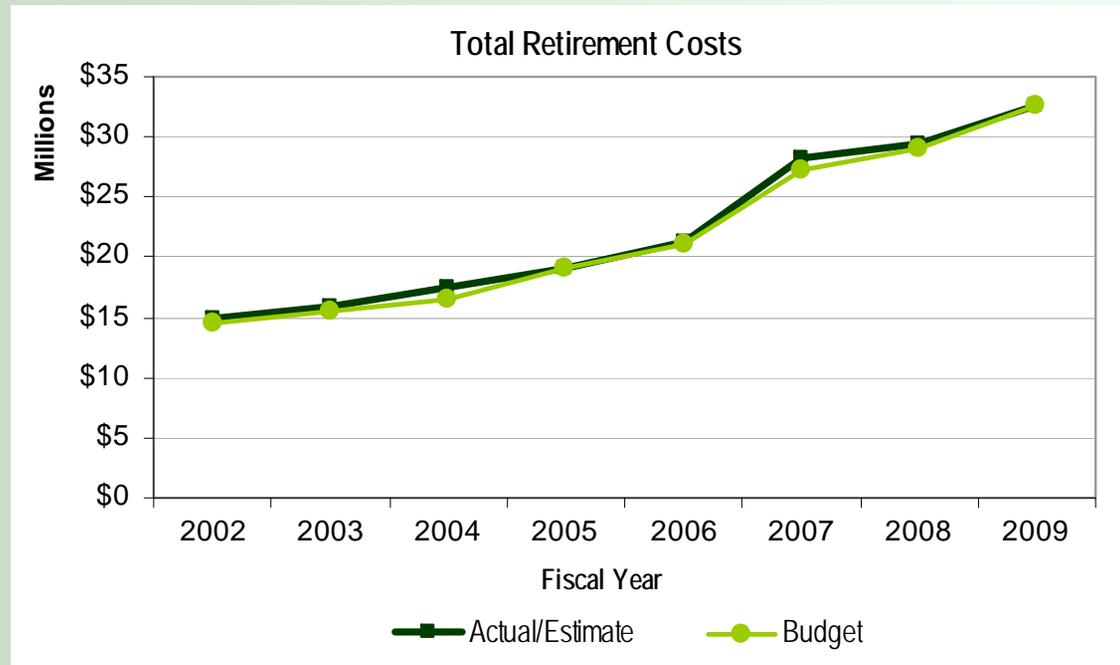
<sup>2</sup> Employer contribution includes 2.35% for Disability Income Plan. Of the 8.0% employee contribution, 7.5% is for the Defined Benefit plan and 0.5% is for the Disability component.

<sup>3</sup> This contribution includes VRS and the City Supplemental Plan plus a defined contribution amount of 1.79% to equal the Sworn Fire & Police FY 2008 contribution rate of 22.35%.



# Employee Compensation-Benefits

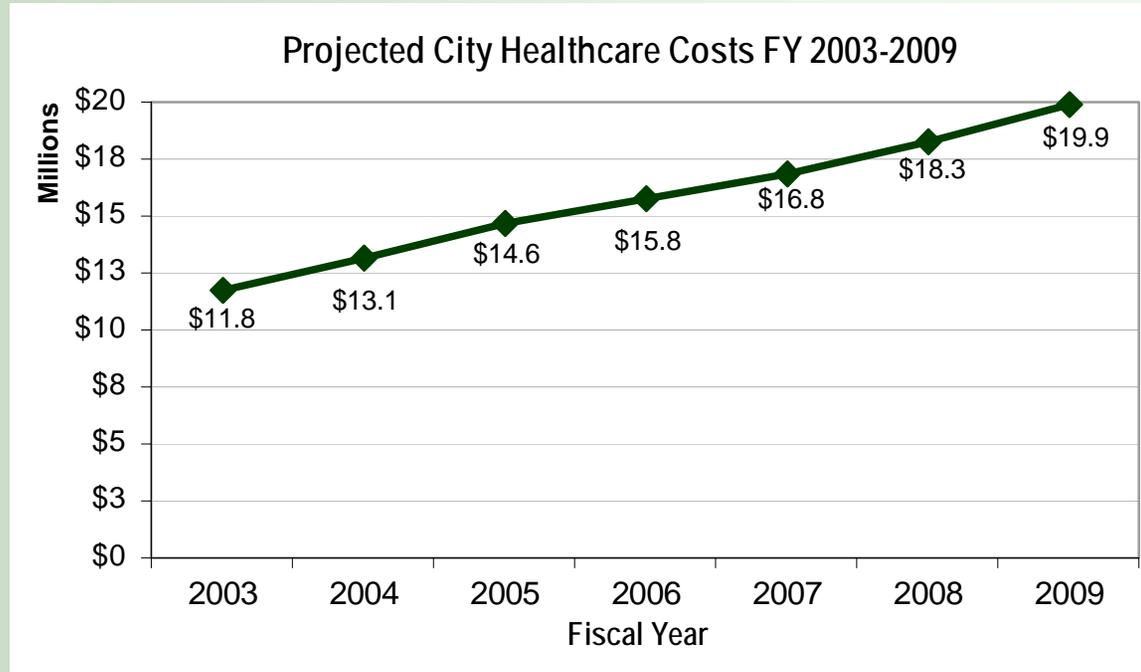
**Retirement costs for the City are now at \$32.7 million or 18.1% of salary in the FY09 Proposed Budget. A large VRS rate increase in FY07 added dramatically to the City's cost for retirement in that year.**





# Employee Compensation- Benefits

**Increased employee cost sharing has slightly offset a budgeted 10% increase in healthcare premiums, so the overall increase in healthcare cost was reduced by \$0.6 million.**





# Employee Compensation- Benefits

**City employees will pay at least 10% of healthcare premium costs, and some pay as much as 27%. City employees also have additional co-pays that vary by plan.**

**(enrollment as of 1/1/2008)**

Expected FY 2009 Plan Costs

		Full-time Enrollment	Monthly Employee Share		Monthly City Share		Total Monthly Premium
Kaiser							
HMO	Single	384	\$41	10%	\$365	90%	\$405
	Family	618	\$96	10%	\$860	90%	\$956
POS	Single	8	\$104	22%	\$365	78%	\$469
	Family	3	\$236	22%	\$860	78%	\$1,096
Optimum Choice (United Healthcare)							
HMO	Single	294	\$44	10%	\$400	90%	\$444
	Family	486	\$105	10%	\$943	90%	\$1,048
POS	Single	91	\$114	22%	\$400	78%	\$514
	Family	146	\$259	22%	\$943	78%	\$1,202
PPO	Single	19	\$146	27%	\$400	73%	\$546
	Family	9	\$333	26%	\$943	74%	\$1,276



# Employee Compensation- Benefits

- Self-fund for MAMSI under study
- Shifting of cost risks would result in savings
- City and Schools would act jointly
- Issue of change in PPO to POS (MAMSI only)
- Manage risks and downside experience
- Updated MAMSI rates provided on 2/18



# Employee Compensation- Benefits

- FY 2009 Wellness budget of \$100,000 includes:
  - Annual health fair;
  - Free use of City recreational facilities by City & School employees;
  - Health Screenings;
  - Discount memberships at the Alexandria YMCA;
  - Kaiser Permanente lunch lectures on nutrition & healthy living;
  - Weight Watchers At-Work (75% subsidy); and
  - Lunch time yoga classes at Gadsby's Tavern Museum.
- Efficiency and benchmark audit of the Personnel Services Department to look for program improvements based on best practices.



# 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



# Post Employment Benefits for Retirees

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

*millions*

	Estimated Unfunded Liability	Annual Required Contribution (ARC)
City <sup>1,2,3</sup>	\$88.8	\$12.3
Schools <sup>4</sup>	\$39.0	\$4.9
	\$127.8	\$17.2

<sup>1</sup> 2007 draft study

<sup>2</sup> assumes no change in \$260 monthly healthcare rate

<sup>3</sup> City's liability calculated by actuaries using the trust fund model with a 7.5% annual return assumption.

<sup>4</sup> 2006 study



# Post Employment Benefits for Retirees

	Post Retirement Benefits Interjurisdictional Comparison (excludes schools, \$ in millions) <sup>1</sup>	
	(AAL) Liability	(ARC) Annual Contribution
<b>Alexandria</b>	\$88.8	\$12.3
<b>Arlington</b>	\$516.0	\$50.0
<b>Fairfax County</b>	\$191.0	\$16.0
<b>Loudoun</b>	\$234.0	\$31.0
<b>Prince William<sup>2</sup></b>	\$67.4	\$7.4
<b>Montgomery (MD)</b>	\$2,600.0	\$240.0

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

<sup>2</sup> Includes schools



# Post Employment Benefits for Retirees

## Possible Funding Plan for \$12.3 million ARC\*

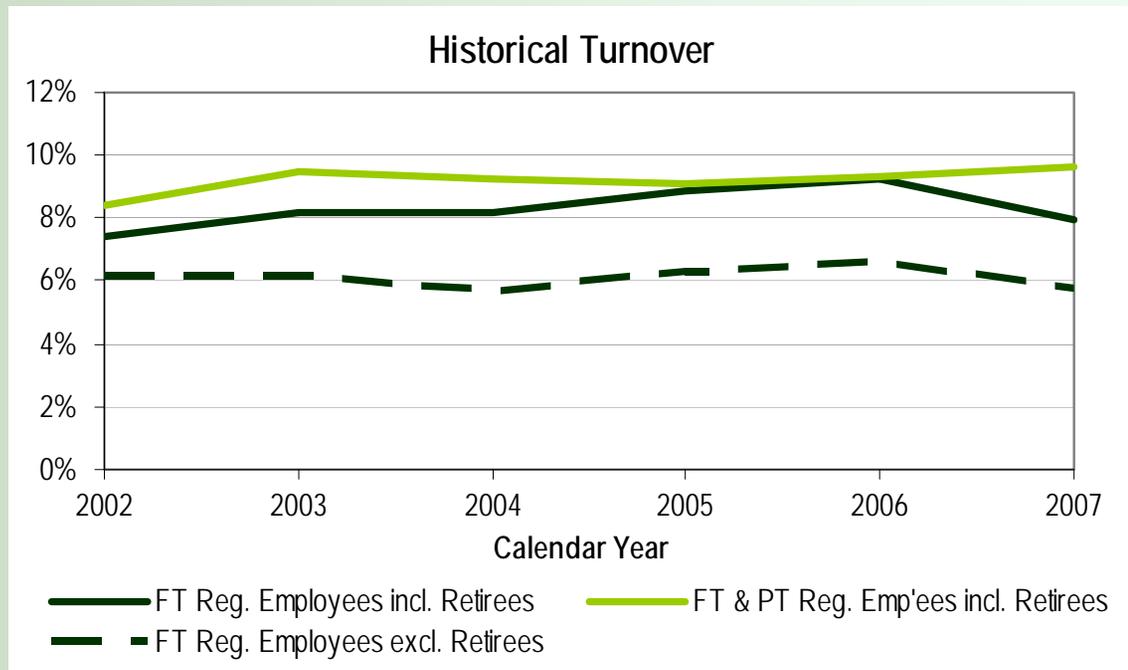
<i>Fiscal year</i>	2009	2010	2011	2012	2013
Current "pay-go"	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
Costpool subsidy	3.0	3.0	3.0	3.0	3.0
F.B. designation draw down	4.2	3.1	2.0	1.4	0.0
New funding	1.4	2.8	4.2	5.6	7.3
<b>Total</b>	<b>\$10.6</b>	<b>\$10.9</b>	<b>\$11.2</b>	<b>\$12.0</b>	<b>\$12.3</b>
<b>% ARC Funded</b>	<b>86%</b>	<b>89%</b>	<b>91%</b>	<b>98%</b>	<b>100%</b>

\* Figures subject to periodic actuarial analysis, trust fund earnings, health insurance costs, and assumed no change in the \$260 monthly reimbursement rate. Fund balance drawdown timing TBD.



# Attracting & Keeping a Competent Workforce

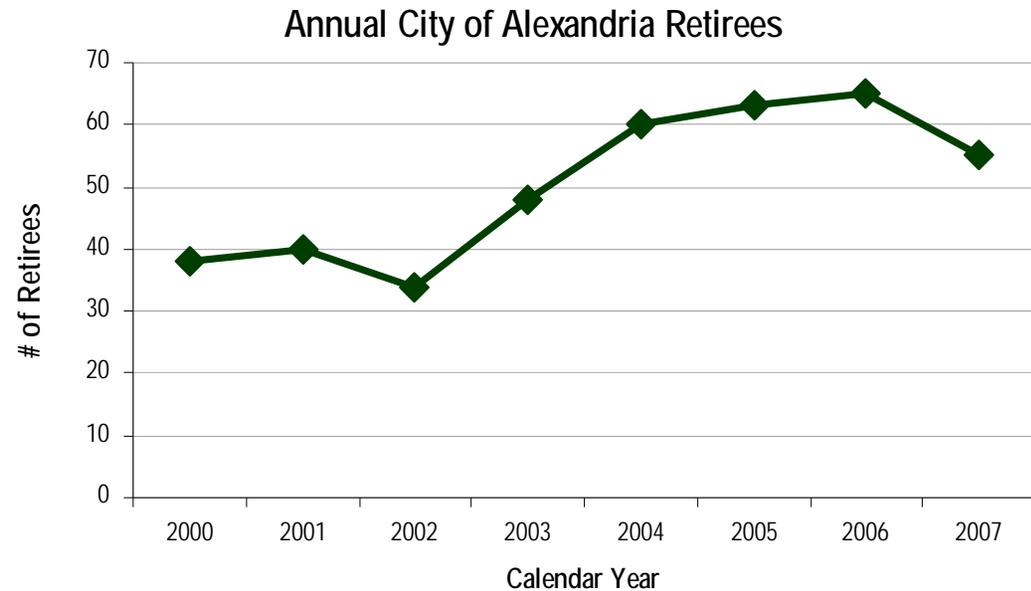
**Turnover among full-time employees is relatively stable over this time period. However, part-time employee turnover increased in CY 2007, and retirements decreased.**





# Attracting & Keeping a Competent Workforce

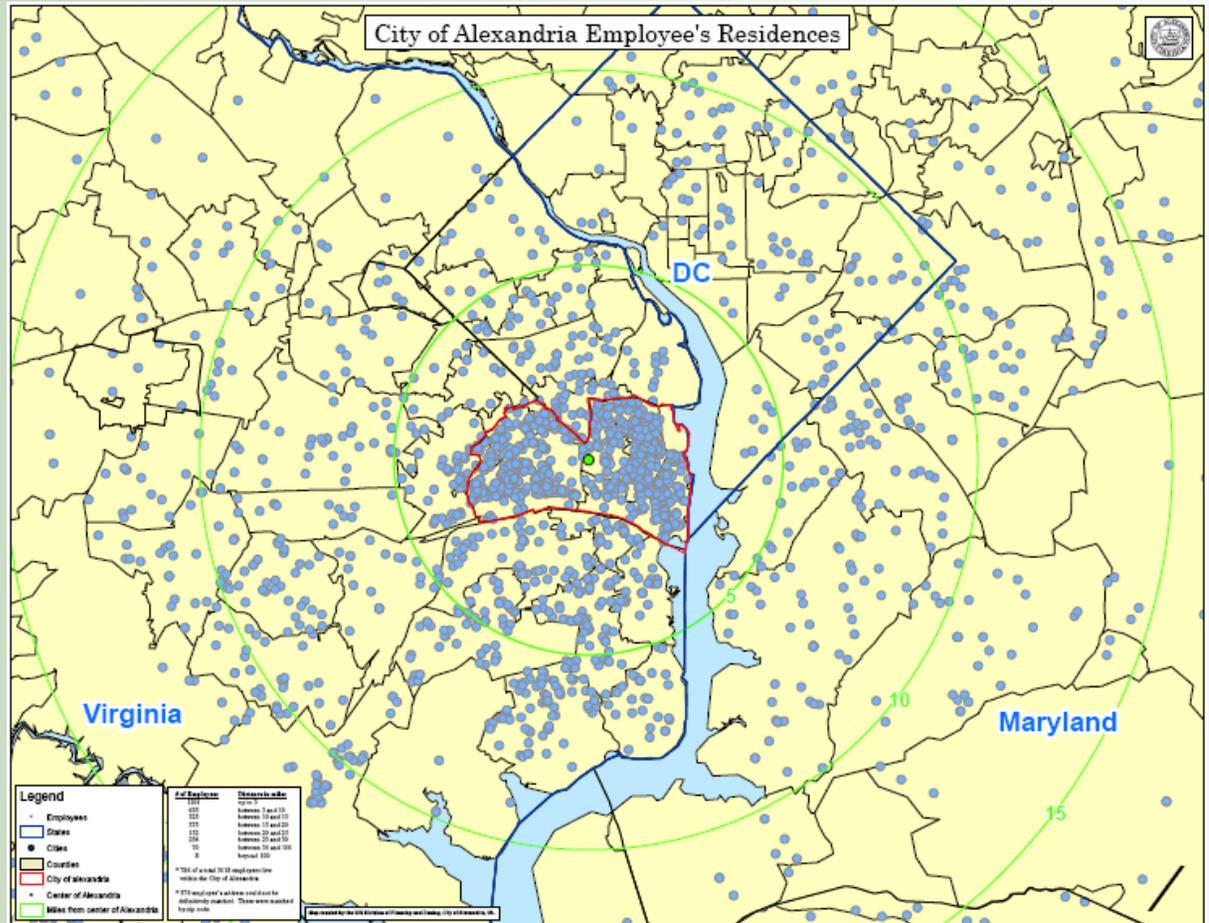
**Although Calendar Year 2007 realized a decrease in retirees, the total number of retirees in coming years is expected to increase dramatically because of the number of employees who are retirement eligible.**





# Attracting & Keeping a Competent Workforce

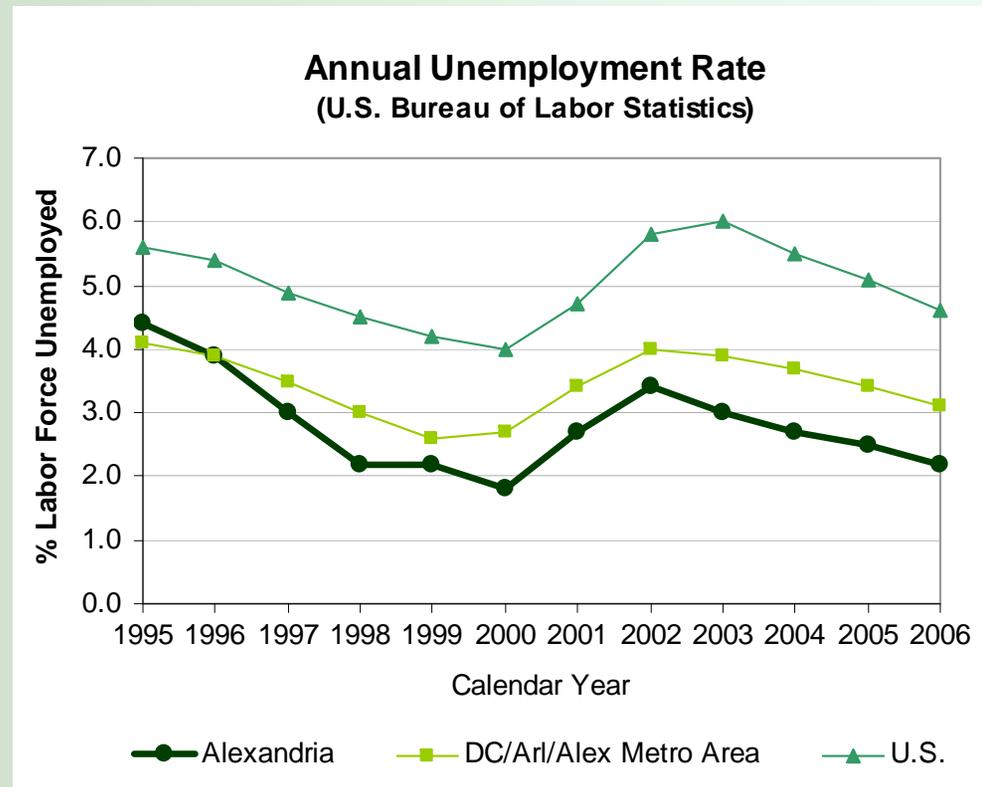
The vast majority of Alexandria City employees live outside the City. Consequently, Alexandria competes in the regional labor market for workers.





# Attracting & Keeping a Competent Workforce

The unemployment rates in the United States, D.C. metro area and Alexandria have been declining since about 2002. This signifies an increase in jobs as compared to job seekers. The job seekers have more choice in which jobs they accept. This makes it more difficult to attract quality candidates.





# Attracting & Keeping a Competent Workforce

**Prince William, Fairfax and Loudoun Counties continue to expand their workforces, which adds competitive pressure for the City's workforce.**

\* FTE counting definitions vary, as do the services each locality provides. Use of outside contractors and non-profit service providers also varies by jurisdiction.

