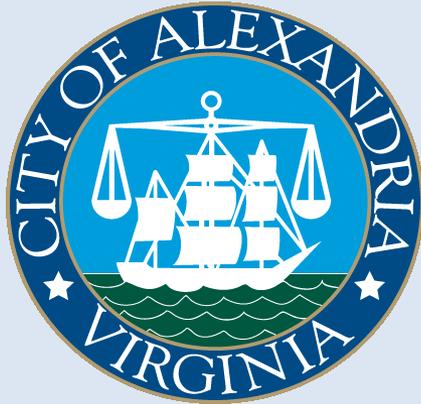


FY 2012 Budget Work Session

Human Resources & Compensation and Strategic Plan Goal #5

February 23, 2011



- **Introduction and Agenda**
 - **Goal #5 - Financial Sustainability**
- **Human Resources & Compensation Issues**
 - **Employee Compensation**
 - **Employee Benefit Cost Sharing**
 - **Other Compensation Issues**
 - **Total Compensation and Plans for the Future**
- **Miscellaneous Goal 5 Issues**
 - **Facilities**
 - **Information Technology**
 - **Other Recommendations & Reports**
 - **Voter System Replacement**

Introduction

- **Strategic Plan Goal # 5 – Financial Sustainability**

- *Alexandria is financially sustainable, efficient, community orientated and values its employees.*
- *Objective: Develop an Operating Budget and Capital Improvement Program strategy that is structurally balanced over the long term and continuously improve its ability to manage resources effectively and efficiently.*
- *Objective: Ensure the community is informed, satisfied and engaged with its City Government.*
- *Objective: Maintain a competitive compensation program that attracts, retains and motivates a workforce that can deliver quality services and programs to the community, reflects the diversity of that community, and provides for the fair and equitable treatment of all those employees.*

- **Strategic Plan Goal # 5 – Financial Sustainability**

- \$60.8 million in total FY 2012 expenditures (9.7% of whole)
 - \$55.1 million Operating
 - \$5.7 million CIP
- *See Attachment 1 for more detailed Goal 5 operating and CIP expenditure information.*



FY 2012 Proposed Personnel Expenditures

- All Funds personnel expenditures increasing by \$9.0 million, or 3.6% (*Proposed Budget page 8-4*)

All Funds Budget in millions (Excludes Schools)

Title	FY 2011 Approved	FY 2012 Proposed	\$Change FY11/12	%Change FY11/12
Total Salary	\$181.3	\$188.7	\$7.4	4.1%
<u>Fringe</u>				
FICA	12.9	13.3	\$0.4	2.9%
Retirement	32.9	33.8	\$1.0	3.0%
Health	19.3	19.5	\$0.2	0.9%
Other*	1.9	1.9	\$0.0	2.6%
Total Fringe	67.0	68.5	\$1.6	2.4%
Total Personnel	\$248.3	\$257.2	\$9.0	3.6%

*Includes Group Life; Workers Compensation; Clothing/Car Allowances; Unemployment; Recruitment; Long Term Disability

- General Fund personnel expenditures up \$7.0 million or 3.9%



Employee Compensation

- **FY 2012 Proposed Budget includes:**
 - \$3.3 million for a merit-based step increase for qualified employees
 - \$0.4 million for additional step (R Step)
- **Proposed Budget does not include:**
 - Across-the-board pay increase (aka market rate adjustment (MRA) or cost of living adjustment (COLA))
- *For additional information on employee compensation see pages 8-13 thru 8-15 of the Proposed Budget.*



Proposed Employee Cost Sharing Changes

- **Continues the previously announced policy of gradually increasing the minimum employee share of health insurance premiums**
- **Proposes a 1% minimum in the employee share of the cost of the City Supplemental Retirement Plan**
- **Proposes increasing sworn Police Officer and Firefighter pension employee contributions by 1%**

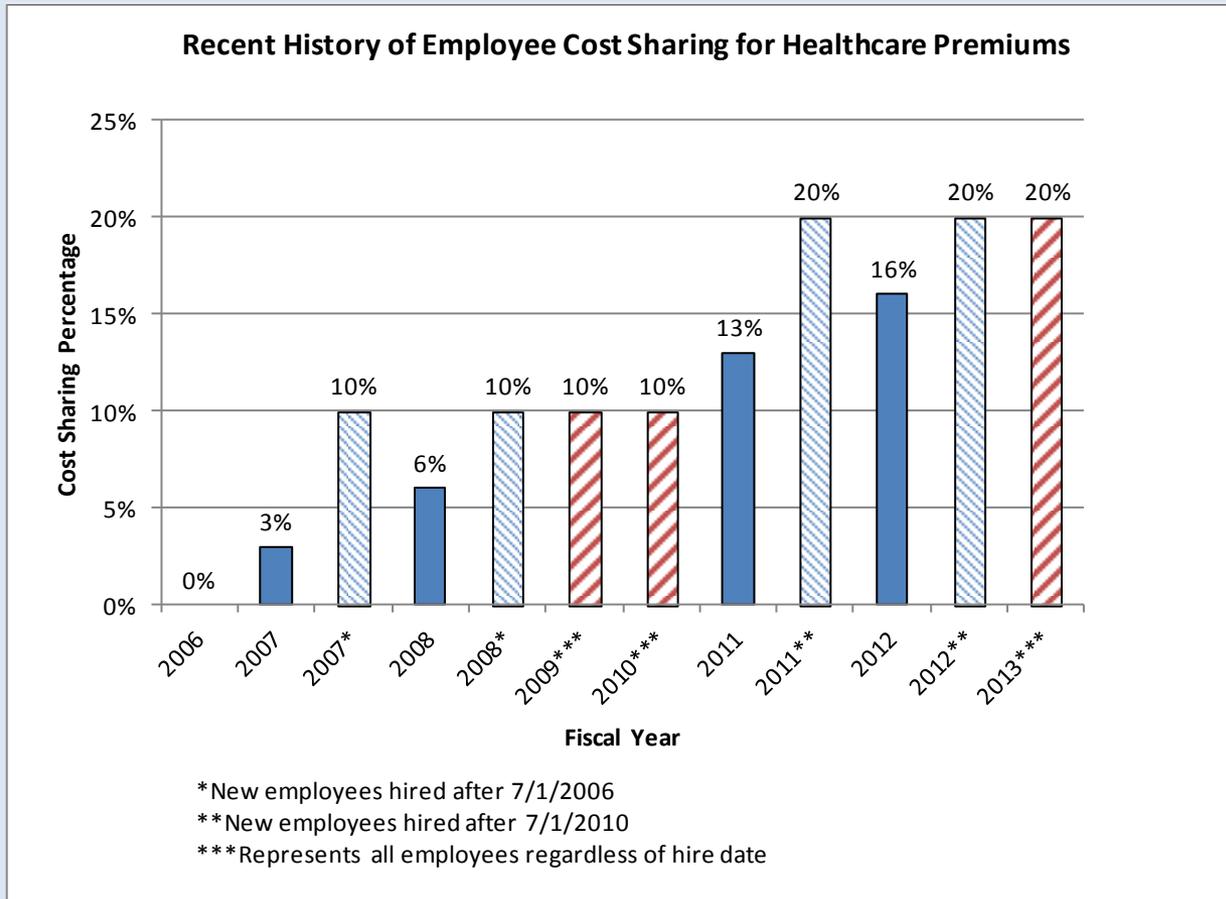


Employee Cost Sharing: Healthcare

- **FY 2012 healthcare premium costs estimated to increase by 5% overall for both United and Kaiser**
- **Proposed budget continues policy to gradually increase the minimum employee share of premium costs**
 - **Employees hired before July 1, 2010 to pay a minimum 16%, up from 13%**
 - **Employees hired on or after July 1, 2010 continue to pay a minimum of 20%**
- **Adjustments to premium cost sharing ratios offset all but \$0.2 million of healthcare premium cost increases in FY 2012**
- *See Attachment 2 for FY 2012 healthcare premium rates or page 8-18 thru 8-20 of the Proposed Budget*



Employee Cost Sharing: Healthcare



Employee Cost Sharing: Healthcare

Recent History of Employee Cost Sharing for Healthcare Premiums

	Pre FY 2007	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
City Contribution	100%	96.7/90%	93.4/90%	90%	90%	87/90%	84/80%	80%
Pre July 1, 2007 Employee	0%	3.3%	6.6%	10%	10%	13%	16%	20%
Post July 1, 2007 Employee		10%	10%	10%	10%	13%	16%	20%
Post July 1, 2010						20%	20%	20%



Employee Cost Sharing: Retirement

- **Proposes a 1% minimum in the employee share of the cost of the City Supplemental Retirement Plan**
 - Proposal impacts employees currently contributing 0% of salary towards retirement
 - General Schedule employees hired before July 1, 2009 (FY 2010)
 - Deputy Sheriff/EMT/Fire Marshall employees hired before July 1, 2010 (FY 2011)
- **Sworn Police Officers and Firefighters would contribute an additional 1 percentage point towards pension plan**
 - Proposal impacts all Sworn Police Officers and Firefighters regardless of hire date
- **Increase in employee retirement contributions saves \$1.6 million in FY 2012**
- *See Attachment 2 for FY 2012 retirement contributions or page 8-17 of the Proposed Budget*



Employee Cost Sharing: Retirement

Full-Time General Schedule Employees FY 2012 Proposed Budget			
	Employee Hired Before FY 2009	Employee Hired FY 2010	Employee Hired FY 2011
Before	<u>FY 2011 Contribution:</u> 0%	<u>FY 2011 Contribution:</u> 2% to City Supplemental Plan	<u>FY 2011 Contribution:</u> 6 % Total: 4% VRS and 2% City Supplemental Plan
After	<u>FY 2012 Contribution:</u> 1% to City Supplemental Plan	<u>FY 2012 Contribution:</u> 2% to City Supplemental Plan (No Change)	<u>FY 2012 Contribution:</u> 6 % Total: 4% VRS and 2% City Supplemental Plan (No Change)



Employee Cost Sharing: Retirement

Part-Time General Schedule Employees FY 2012 Proposed Budget

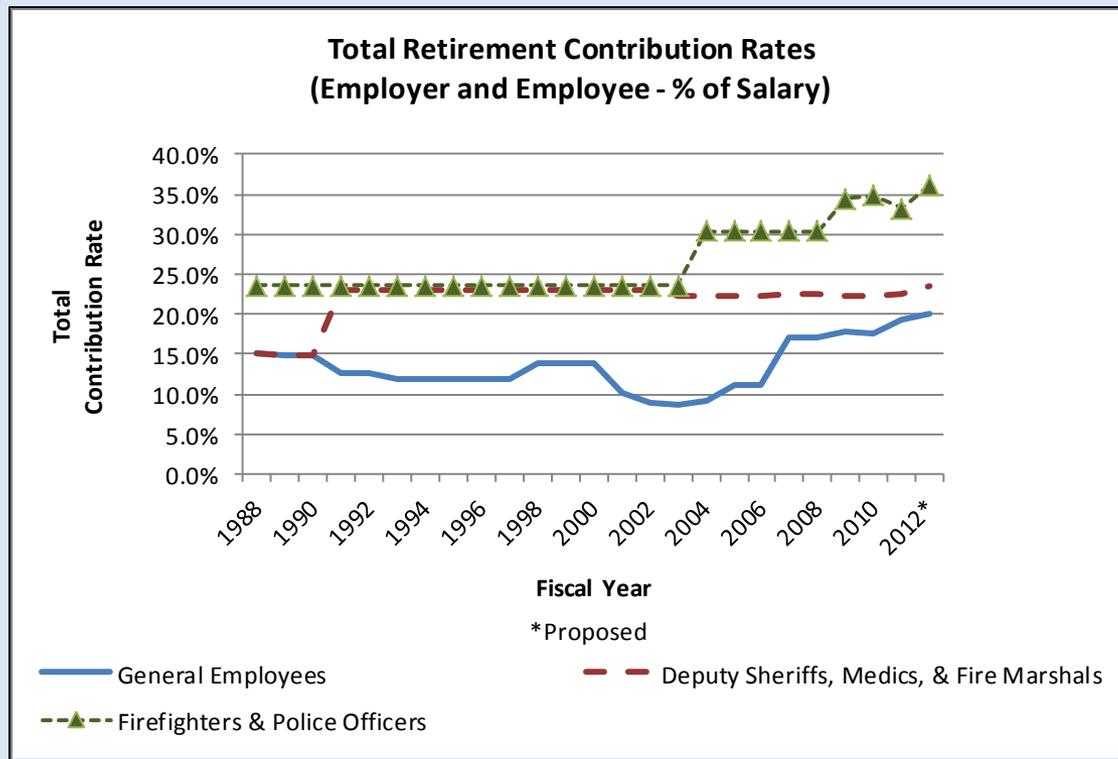
	Employee Hired Before FY 2010	Employee Hired FY 2011
Before	<u>FY 2011 Contribution:</u> 0%	<u>FY 2011 Contribution:</u> 2% to City Supplemental Plan
After	<u>FY 2012 Contribution:</u> 1% to City Supplemental Plan	<u>FY 2012 Contribution:</u> 2% to City Supplemental Plan (No Change)

Deputy Sheriff, Medics, Fire Marshalls FY 2012 Proposed Budget

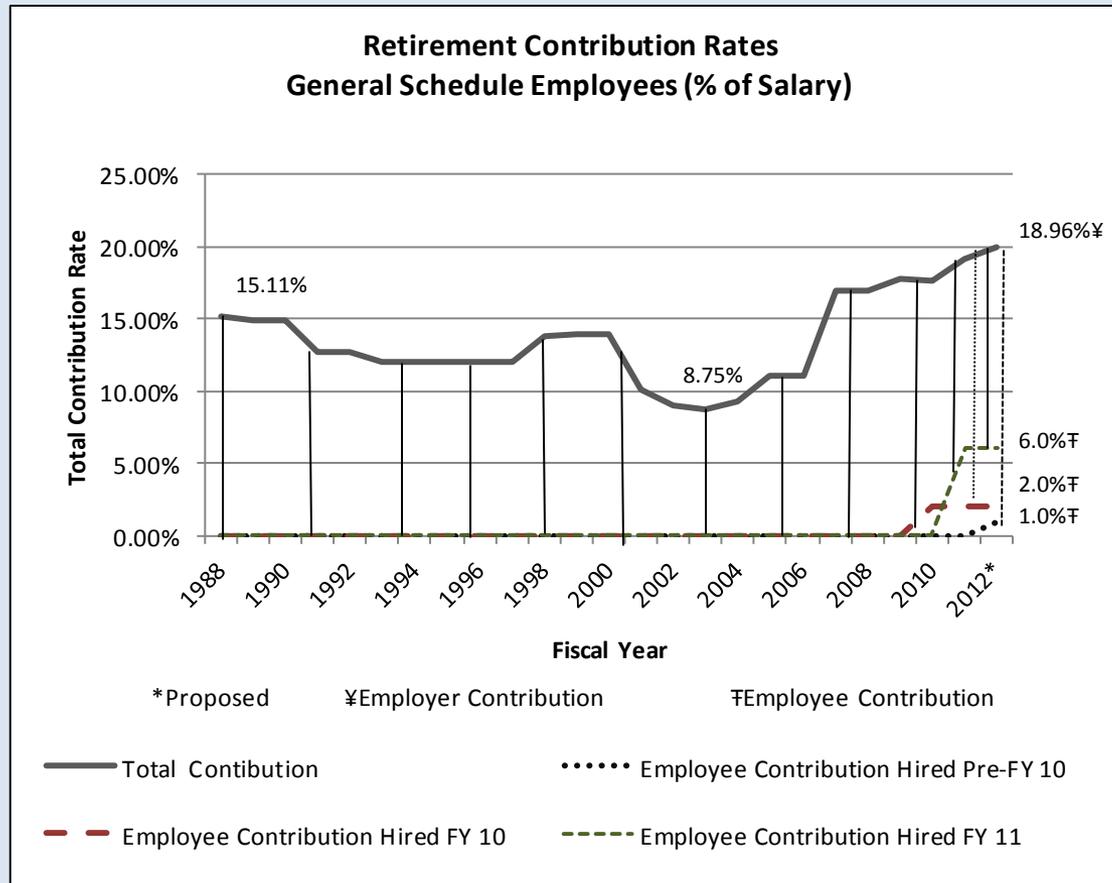
	Employee Hired Before FY 2011	Employee Hired FY 2011
Before	<u>FY 2011 Contribution:</u> 0%	<u>FY 2011 Contribution:</u> 4% to Virginia Retirement System
After	<u>FY 2012 Contribution:</u> 1% to City Supplemental Plan	<u>FY 2012 Contribution:</u> 4% to Virginia Retirement (No Change)



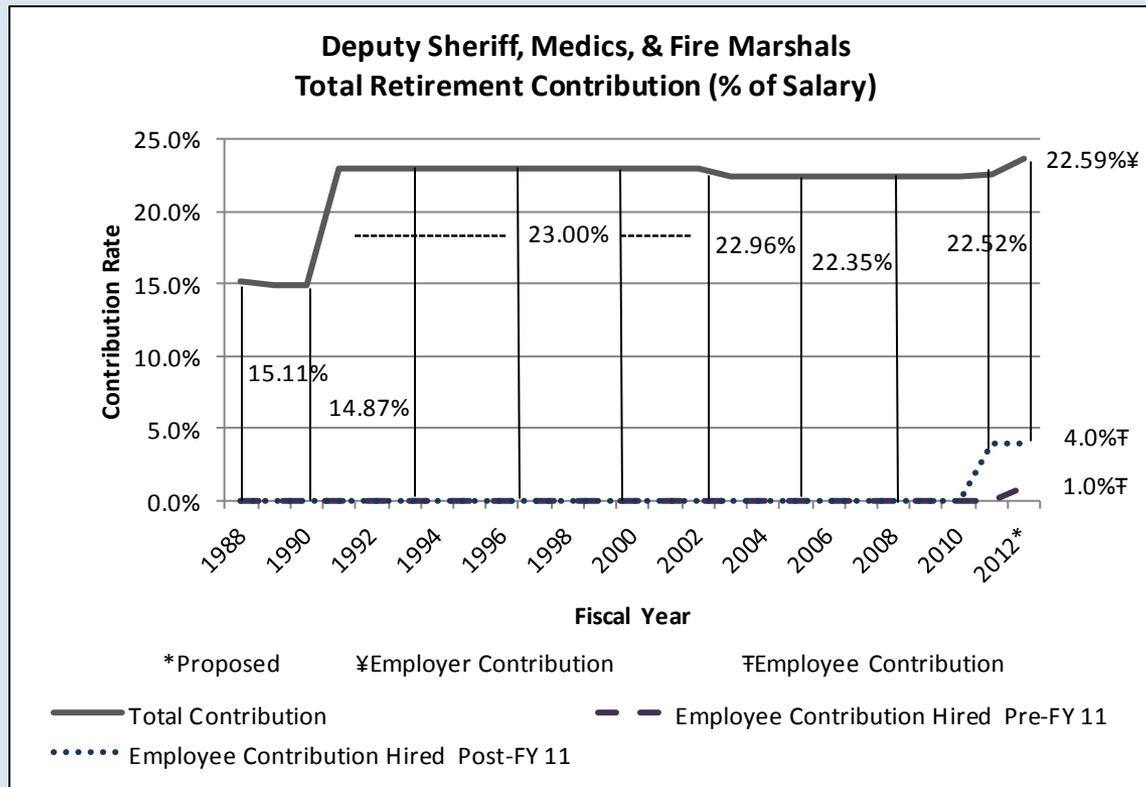
Employee Cost Sharing: Retirement



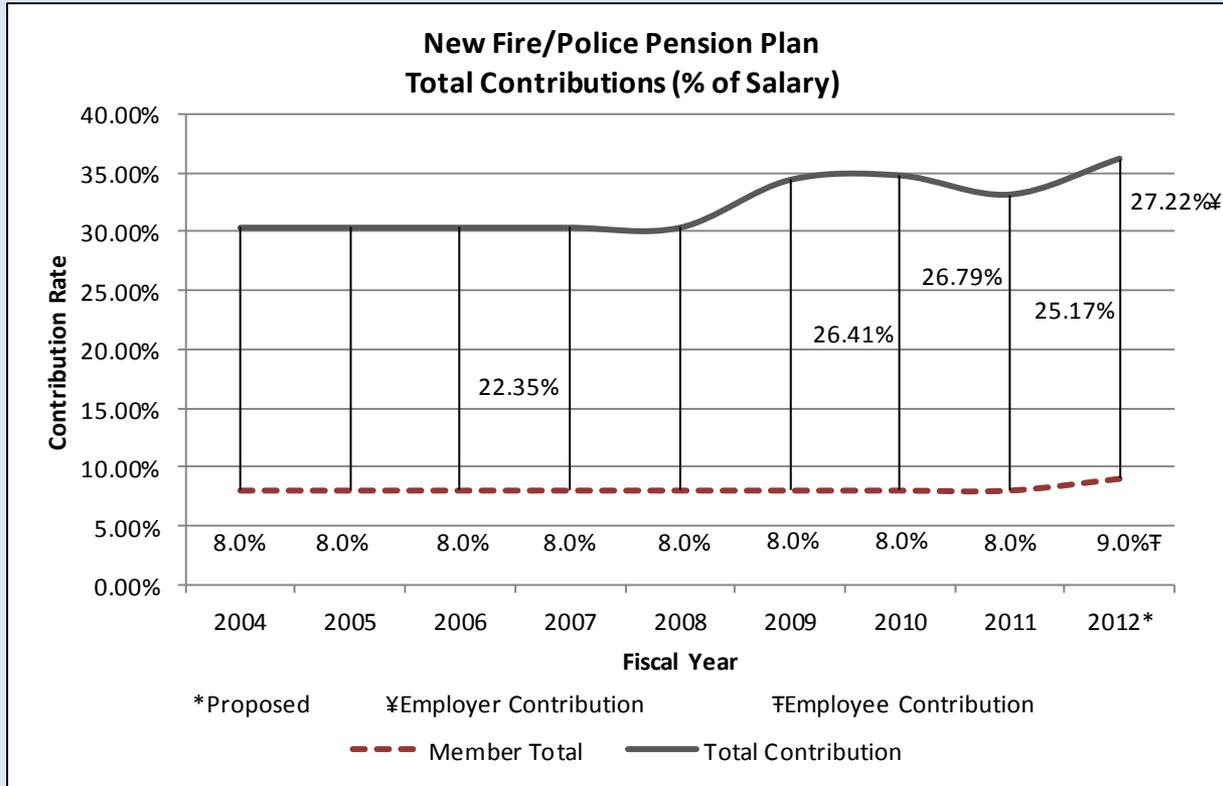
Employee Cost Sharing: Retirement



Employee Cost Sharing: Retirement



Employee Cost Sharing: Net Impact



Net Impact of Merit/Step, Increased Employee Share of Health Insurance, & 1% Retirement Contribution for Full-time Employees

- Numbers & percentages represent FY 2012 F/T employees and the gross impact on compensation during FY 2012 based on the three proposed compensation and benefits adjustments.
- Assumes the health insurance and 1% retirement contributions begin July 1, 2011; merit increase on employee anniversary date.
- F/T employees hired before FY 2010 with anniversary dates later in the fiscal year will experience the greatest negative impact, from (\$1.37) to (\$1,862.18).
- Negative Impact - 983/49%
- Non-Negative Impact - 1038/51%

FY Hired / Gross Impact	Merit Between 7-1 & 1-31	Merit Between 2-1 & 6-30	Total
<u>Before FY 2010</u>			
Negative	231/11%	738/37%	969/48%
Positive	854/42%	14/1%	868/43%
<u>FY 2010</u>			
Negative	0/0%	14/1%	14/1%
Positive	60/3%	24/1%	84/4%
<u>After FY 2010</u>			
Negative	0/0%	N/A	0/0%
Positive	86/4%	N/A	86/4%

Data based on 2,021 F/T Employees, or 90% of F/T City workforce



Other Post Employment Benefits (OPEB)

- As part of a multi-year plan, the proposed budget provides \$1.6 million of General Fund revenue in FY 2012 for the City's obligations for retiree health care and life insurance benefits and draws down \$1.2 million of General Fund balance for this purpose.

CASH FLOW PROJECTIONS

Other Post Employment Benefits Plan for Funding										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Medical Subsidy	\$ 1.9	\$ 2.4	\$ 2.5	\$ 2.6	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.8	2.9
Reimbursement	\$ 2.8	\$ 2.9	\$ 3.1	\$ 3.2	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3	3.4
Life Insurance	\$ 0.6	\$ 0.8	\$ 1.0	\$ 1.4	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	1.5
Total Cash Flow	\$ 5.3	\$ 6.1	\$ 6.6	\$ 7.2	\$ 7.6	7.8				
Current General Fund	\$ 2.5	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.4	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.7	2.5
Fund Balance Draw Down	\$ 2.8	\$ 1.6	\$ 1.2	\$ 0.7	\$ 0.2	\$ -	\$ -	\$ -	\$ -	-
Total Annual Contributions										
(All Sources)	\$ 10.6	\$ 9.4	\$ 9.6	\$ 9.9	\$ 10.2	\$ 10.3	\$ 10.3	\$ 10.3	\$ 10.3	10.3
Required Contributions	\$ 10.3	10.3								
Investible Funds	\$ 5.3	\$ 3.3	\$ 3.0	\$ 2.7	\$ 2.6	\$ 2.7	\$ 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	
% of Annual Required Contribution Funded	103%	91%	93%	96%	99%	100%	100%	100%	100%	100%
% of Annual Required Contribution Funded by Current General Fund Sources	76%	76%	82%	89%	97%	100%	100%	100%	100%	100%



Line of Duty Benefits

- Provides health insurance and death benefit to “first responders” who die or become disabled in the line of duty (Fire, Police and Sheriff)
- Death benefits and premiums previously paid by the State on pay-as-you-go basis
- City must now fund costs based on actuarial costs – like pensions or OPEB
- Option to manage funds locally or send to the Virginia Retirement System (VRS) to manage



City Staffing Levels

- The proposed budget holds level overall staffing levels funded by the General Fund, as required by City Council guidance
 - City workforce increases by 2.1 FTEs on a net basis
 - Proposed budget includes 2.5 new special revenue funded positions
 - Net decrease in staff funded by General Fund of 0.4 FTEs

<i>FTE Summary</i>	<i>FTE Changes from FY 2011 - FY 2012 Proposed</i>					
	FY 2011 Amended	Positions Adeded	Positions Deleted	FY 2012 Proposed	Change #	Change %
Full-time	2,339.0	7.0	(5.0)	2,341.0	2.0	0.1%
Part-time	166.2	1.3	(1.2)	166.3	0.1	0.1%
Approved Overhire	35.0	0.0	0.0	35.0	0.0	0.0%
Total FTE	2,540.2	8.3	(6.2)	2,542.3	2.1	0.2%

- *For additional information on City staffing levels see pages 8-6 thru 8-11 of the Proposed Budget*

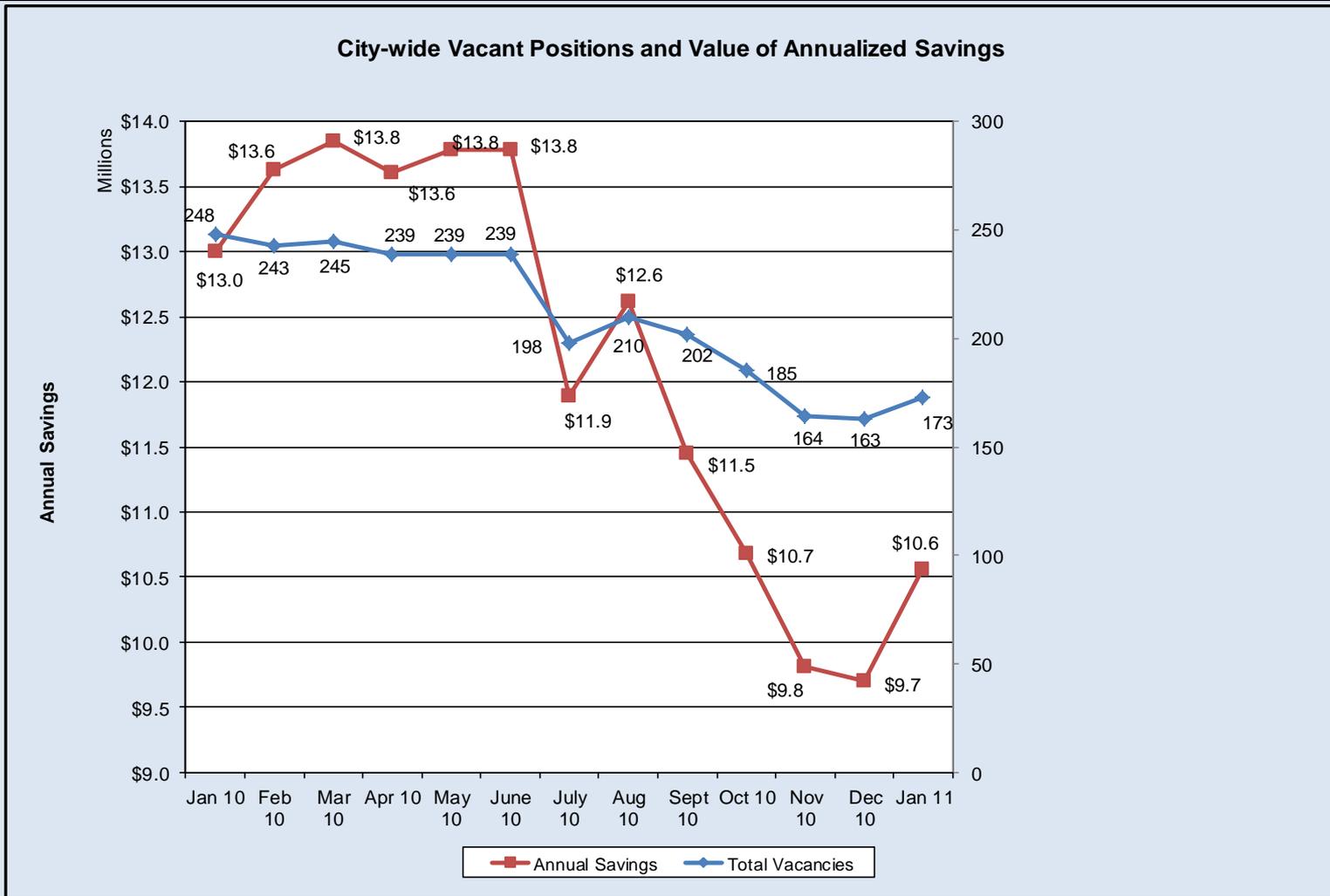


Citywide Vacant Positions

- **As of January 2011 there are 173 vacant positions citywide.**
 - **107 positions have been approved for hiring**
 - **66 positions have not to date been requested to be filled**
- **Annualized cost of 173 vacancies is about \$10.6 million**
- **The City Manager continues to review each request to recruit/hire for vacant or new positions. This policy assists with position and budget control throughout the fiscal year.**



Citywide Vacant Positions: Jan. 2010 – Jan. 2011



Total Compensation Plan for Future

- **Attract & Retain a Talented and Engaged Workforce through:**
- **Competitive Total Compensation**
 - **Salary and Other Pay**
 - **Benefits**
 - **Pension**



Compensation Philosophy: Salary Scales

- Pay Schedules will be competitive at 100% of the average pay levels for the relevant labor market
- Pay Schedules will be adjusted whenever necessary to maintain market competitiveness



Staying Competitive

Benchmark Surveys/Analysis of Labor Market/Pay Scales

- Salary
- Benefits
- Pay Practices

Labor Market

- 5 Comparators (Arlington, Fairfax, Montgomery, Prince George's and Prince William Counties)
- DC Metro and Regional Employers

Surveys

- Local Government Personnel Association (LGPA)
- Human Resource Association – National Capitol Area (HRA-NCA)
- Special Published Surveys (e.g., Information Technology)
- Tailored Surveys



Current Pay Scales

- GS and PS Scales

GS Schedule

Steps

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	
Grades		5%					3.5					2.3						
1																		
2																		
3																		
4																		
5																		
6																		
7																		
35																		

PS Schedule

Steps

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	
Grades		5%					3.5					2.3						
1																		
2																		
3																		
4																		
5																		
6																		
7																		
22																		



Towers Watson Findings

- **Open (no step) ranges prevail in the market**
- **The General Salary Scale (GS) is 7% behind the Market**
- **The Public Safety Salary Scale is 1% behind the Market**



Towers Watson Recommendations: Pay Scale Adjustments – First Year (FY 2012)

- **Maintain the Current number of Grades**
 - **35 General Salary Scale**
 - **22 Public Safety Salary Scale**
- **Keep Grade Differences 5%**
- **Align Scales with Market (7% GS and 1% PS)**
- **Maintain the Merit Pay spread of 5%, 3.5%, 2.3%**



Implementation of Pay Scales Adjustment – First Year (FY 2012)

Implementation of New Pay Scales involves:

- Employees maintain current Grades
- Increase Current Midpoints (7% GS and 1% PS)
- Reset the Midpoint
- Maintain the Current 69% Range Width
- In order to achieve the proper midpoints for the
 - GS Scale:
 - Eliminate current Steps A and B for all grades (and Steps D and C for Grades 4 and 5, respectively)
 - Add Steps R, S, and T – Creating more pay opportunity for employees
 - Re-designate Steps so they become A thru R
 - PS Scale
 - Add Step R



Implementation of Pay Scales Adjustment – First Year (FY 2012)

- Those in Eliminated Steps move to New Minimums
- Employees who fall between steps in the adjusted pay scales will be adjusted based on where their salaries land on the pay scale.
- Approximately 40% of employees will receive modest and variable pay increases over three fiscal years.



Implementation of Pay Scales Adjustment – Second Year (FY 2013)

- Move Merit pay to 3% across the GS Pay range
- Provide an additional Adjustment for employee's pay, whose salaries landed between steps
- Develop New Compensation Strategies
 - New Career Ladders
 - Awards and Recognition
 - Additional Merit for Superior Performance



Implementation of Pay Scales Adjustment – Third Year (FY 2014)

- **Move to Open Ranges**
 - **Align Job Families and Levels to Broad, Open Ranges**
- **Regularly Monitor City's Market Position and Pay Scales accordingly**
- **Conduct benchmark salary surveys as per compensation philosophy and compare align with Pay Scales.**
- **Implement new Compensation Strategies for employee pay adjustments**



Benefits Package

Current Package

Health Care
Dental
Ceridian (Flexible Spending)
Group Life Insurance
Long Term Disability
Pre-Tax Transit Subsidies
Sick Leave Bank
Leave
Telework
Tuition Assistance
Wellness Program
Pension Plans

Exploring Options

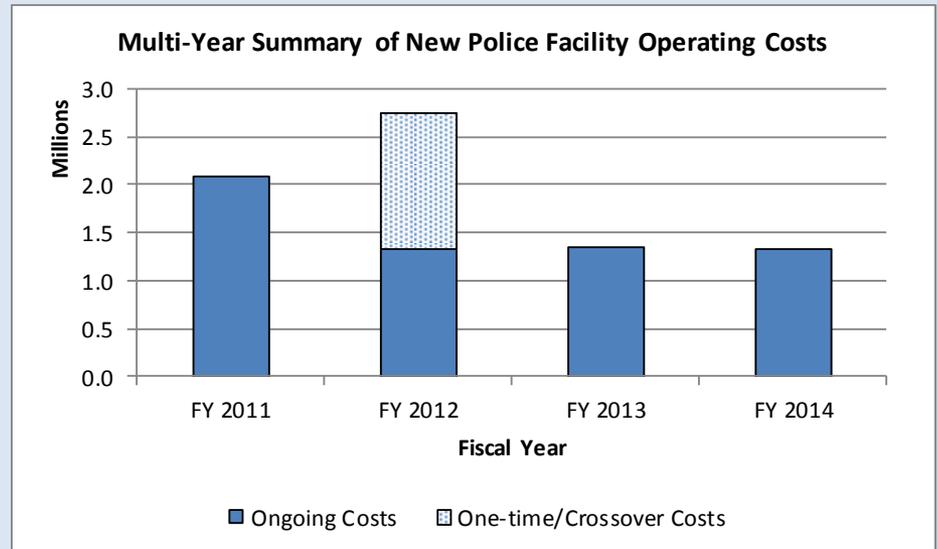
Prepaid Legal
Voluntary Insurance programs



New Police Facility

- Completion of the New Police Facility project is scheduled for Fall 2011 (see pages 6-85 & 6-86 of the Proposed CIP for additional information)
- Operating budget costs for the new facility are displayed below, broken out by ongoing and one-time/crossover expenditures
 - Note: expenditures for FY 2011 represent costs for current leased space and do not include leased space cost projections for the Vice/Narcotics unit, which will remain off-site after the move to the new facility.
- The City will spend about \$1.4 million in FY 2012 for one-time costs related to the lease and the move into the new facility. Operating costs should be lower in future years.

See [Attachment 3](#) For additional details on operating costs for the New Police Facility.



Information Technology Services

- **Investments in IT Systems to improve efficiency and customer service**
 - **Microsoft Migration (Proposed CIP 7-13)**
 - **Enterprise Resource Planning (Proposed CIP 7-14)**
 - **RPCA IT Consolidation (Proposed CIP 7-15)**



Other Recommendations & Reports

- **Report on BFAAC Recommendations**
- **Report on Consultant Studies**
- **Report on Continuation of Contract Services, Travel & Training Reductions from FY 2011 to FY 2012**



Alexandria's Voting System

- **The Commonwealth passed legislation barring the expansion of the current style of electronic voting system**
 - **Must be phased out as existing equipment as it ages**
- **Need to purchase a new, digital scan voting system for the 2012 General Election to minimize voter delays**
 - **Extra long ballot means individuals will take longer than normal to vote (and spend much more time waiting in line for an open booth)**
 - **New machines would allow for many more voting stations, and provide a voter-verifiable paper record**
- **Purchase equipment cost of \$270,000 planned in FY 2013 in the Proposed CIP**
 - **Purchase likely to be made in July 2012**
 - **Annual operating costs will increase by \$19,000**
- **Current absentee ballot system will remain in place**
- **Current electronic voting machine will remain available at polling sites for persons with disabilities**

