

# Personnel & Compensation Summary

## **Personnel & Compensation Highlights**

**Compensation up 5.6% overall**

**Funding provided for merit-based pay increase**

**\$0.3 million included to align General Schedule pay scales to the market**

**2.3% added to the top of the General Schedule pay scale**

**Sworn Public Safety employees at the top of their grade will be eligible for a one-time 2.3% pay supplement**

**27 positions proposed for elimination, offset by the addition of 29 new positions**

**A net increase of 6.8 full-time equivalents (FTEs)**

- All Funds total compensation for City staff increases by \$14.3 million or 5.6%. The two primary drivers of this are increased costs associated with employee compensation and retirement. The proposed budget includes \$3.3 million for the merit-based pay increases for eligible employees in FY 2013 and the continued cost of the salary increases approved in the FY 2012 budget. The City's cost for retirement is increasing by \$6.4 million (18.1%) as a result of increases to retirement rates, especially to the Virginia Retirement System.
- Employees eligible on a merit basis for a pay increase will receive salary increases ranging from 2.3% – 5.0% of salary. The City is in the process of implementing a revamped employee performance evaluation system in FY 2012 that is based on the system currently used to evaluate Senior Management Group employees which was implemented in FY 2011.
- There will be no across-the-board pay increase for City employees for the fifth straight year.
- The proposed budget includes \$376,000 to bring the General Schedule pay scale more in line with the market by eliminating the two lowest steps and adding 2.3% to the top of the scale. These changes, coupled with adding 2.3% to the scale in both FY 2011 and FY 2012, shift the midpoint of the pay scale approximately 7%.
- The proposed budget also funds a 2.3% one-time pay supplement (the equivalent of one step) for Sworn Public Safety employees at the top of their grade if warranted by performance.
- The proposed budget recommends the elimination of 27 funded full and part-time positions, of which 8 are currently filled. The remaining 19 positions are vacant. The reduction of 27 positions is offset by the addition of 29 new positions.
- On a net basis, the City workforce increases by 6.8 full-time equivalents (FTEs), or 0.3%. The proposed budget eliminates 20.8 FTEs but these reductions are offset by the addition of 27.5 FTEs, of which 20 FTEs are added to the Fire Department to staff the new Eisenhower Valley Fire Station (#210).
- The FY 2013 proposed budget also reflects the reallocation of 9.0 FTEs between several of City departments
- The total number of FTEs in FY 2013 remains well below (-4.2%) peak FY 2009 levels.

# Personnel & Compensation Summary

## **Personnel & Compensation Highlights**

**Increase to Virginia Retirement System rates has significant cost impact**

**No changes to employee retirement contribution rates**

**Health insurance premiums are expected to increase by 5.0% and 7.5% in FY 2013**

**Employee contributions to health care premium costs increase by 4%**

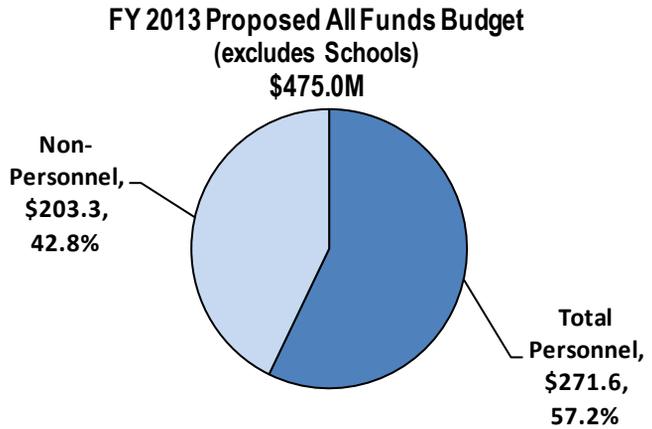
**Adjustments to premium costs sharing ratios continued in FY 2013 saving \$0.4 million**

**\$1.8 million budgeted for unfunded retiree healthcare and life insurance liabilities (OPEB)**

- The City's cost for retirement increases by \$6.4 million (18.1%) and is driven by increases to the rates for the Virginia Retirement System (VRS). VRS rates are increasing by 2.52 percentage points which is an increase of 19.7% over FY 2012 rates.
- The approved budget does not include any changes to employee retirement contribution rates.
- The City will continue to fund the full cost of retirement for non-Public Safety employees hired prior to FY 2010 (July 1, 2009). General Schedule employees and Sheriff Deputies/Fire Marshals/EMTs hired after July 1, 2009 already contributing 2-6% of salary towards retirement will continue to do so in FY 2013.
- Public Safety employees (sworn Fire & Police) will continue to contribute 8% of salary towards their pensions.
- Healthcare insurance premiums are expected to increase by 5.0% for plans under United Healthcare and 7.5% for Kaiser Permanente.
- The proposed budget continues the previously announced policy of gradually increasing the minimum employee share of health insurance premiums.
- For employees hired before July 1, 2010 the employee share of health insurance premium costs will increase by 4% to a minimum of 20%. New employees and those hired after July 1, 2010 will continue to pay a minimum 20% share.
- By shifting 4% of premium cost to employees in FY 2013 the City will save approximately \$0.4 million.
- The retiree health insurance subsidy annual maximum of \$3,120 will remained unchanged in FY 2013.
- The budget continues to fund the multi-year plan to address unfunded liabilities for future benefits to City employees after retirement. The proposed budget provides \$2.1 million in new funding in FY 2013 to the Other Post Employment Benefit Trust Fund (OPEB) towards the City's future OPEB obligations.
- The living wage will continue to be frozen at the FY 2009 level of \$13.13/hour.

## Personnel Budget

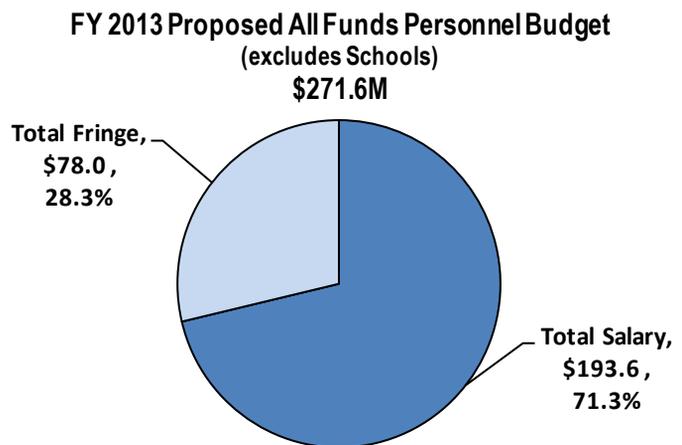
Personnel expenditures account for 57% of the All Funds budget



Of the \$271.6 million personnel budget, \$193.6 million, or 72%, is for salaries, and about \$78 million, or 28%, is for fringe benefits.

Retirement and Healthcare are the largest components of fringe benefit costs.

Retirement accounts for over half the fringe benefit costs, and healthcare 26%.



# Personnel & Compensation Summary

## Personnel Budget

**Total All Funds compensation increases by \$14.3 million, or 5.6%. The budget for salaries increases by \$6.6 million (3.5%) and total fringe benefits increases by \$7.8 million (11.1%).**

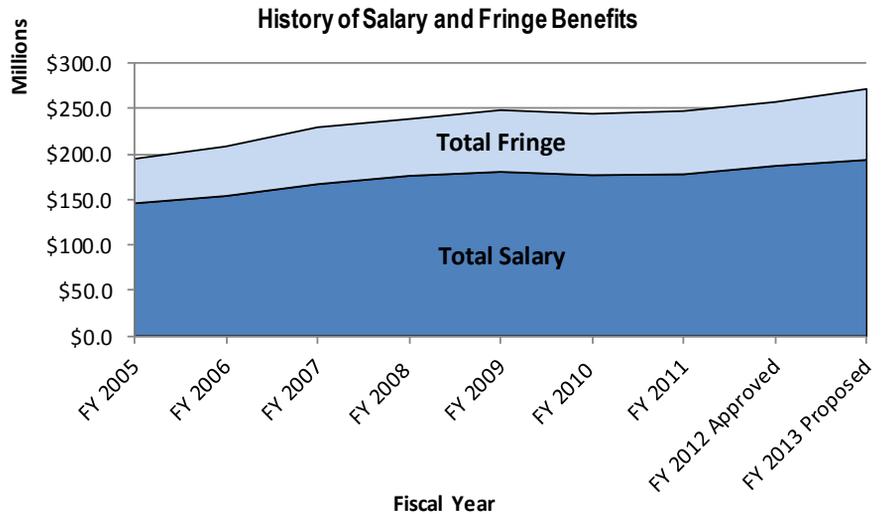
**Increases to the cost of fringe benefits are mainly driven by the rising cost of retirement, which has increased by over \$10 million since FY 2011.**

**With the exception of FY 2010, the cost of salary increases is the result of funding for merit-based pay increases for employees. In FY 2010, the City froze employee salaries at FY 2009 levels due to fiscal pressures resulting from the recent economic crisis**

### All Funds Budget in millions (Excludes Schools)

Title	FY 2012 Approved	FY 2013 Proposed	\$Change FY12/13	%Change FY12/13
Total Salary	\$187.1	\$193.6	\$6.6	3.5%
<u>Fringe</u>				
FICA	13.2	13.6	\$0.4	2.9%
Retirement	35.5	41.9	\$6.4	18.1%
Health	19.6	20.5	\$0.9	4.6%
Other*	1.9	2.0	\$0.1	3.4%
Total Fringe	70.2	78.0	\$7.8	11.1%
<b>Total Personnel</b>	<b>\$257.3</b>	<b>\$271.6</b>	<b>\$14.3</b>	<b>5.6%</b>

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



## Personnel Budget

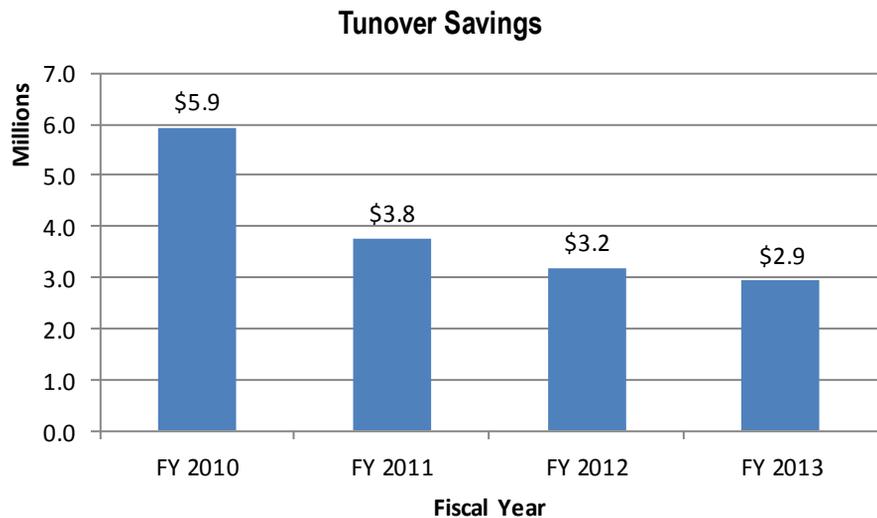
**\$2.9 million is budgeted for turnover savings, a decrease of \$0.3 million from the FY 2012 turnover savings amount**

### Turnover Savings

Turnover savings is the result of a position becoming vacant during the course of the fiscal year and remaining unfilled for a certain period of time. Because approximately 6-9% of the City's workforce "turns over" during the fiscal year departments do not expend all of the money that has been budgeted for positions. This lapse in spending is accounted for by applying a turnover savings amount to departmental budgets, effectively reducing the amount a department can spend.

Since FY 2010 the City has been reducing the amount budgeted for turnover savings in order to better align the budget with the turnover being experienced within departments. In FY 2011 the overall turnover rate city-wide was 2%, however exact rates applied to departments varied on a department's size. In FY 2012 and again in FY 2013 turnover savings is being applied to departments based on turnover experience.

The table below shows the budget for turnover savings from FY 2010 – FY 2013 proposed.



# Personnel & Compensation Summary

## City Workforce by Full-time Equivalent (FTE)

During FY 2012 the City has added 3.8 full-time equivalents (FTEs). Of these additions, 1.0 FTE was added to Human Resources (funded within the existing budget) and 2.8 FTEs were added to the Department of Community & Human Services.

FTE Summary	FY 2012 Mid-Year FTE Changes					
	FY 2012 Approved	Positions Adeded	Positions Deleted	FY 2012 Amended	Change	
					#	%
Full-time	2,378.0	3.0	-	2,381.0	3.0	0.1%
Part-time	164.0	0.8	-	164.7	0.8	0.5%
<b>Total FTE</b>	<b>2,542.0</b>	<b>3.8</b>	<b>0.0</b>	<b>2,545.7</b>	<b>3.8</b>	<b>0.1%</b>

The FY 2013 Proposed budget eliminates 20.8 FTEs and adds 27.5 FTEs for a net change of 6.8 FTEs (0.3%).

FTE Summary	FTE Changes from FY 2012 - FY 2013 Proposed					
	FY 2012 Amended	Positions Adeded	Positions Deleted	FY 2013 Proposed	Change	
					#	%
Full-time	2,381.0	35.0	(22.0)	2,394.0	13.0	0.5%
Part-time	164.7	1.5	(7.8)	158.5	(6.3)	-3.8%
<b>Total FTE</b>	<b>2,545.7</b>	<b>36.5</b>	<b>(29.8)</b>	<b>2,552.5</b>	<b>6.8</b>	<b>0.3%</b>

As shown in the table to the right, a total of 9.0 FTEs were reallocated between departments which are shown as both additions and deletions but have no net impact on the total FTE count.

### FY 2013 Proposed Position Reallocations (No net impact to the City FTE count)

Current Department (Transfer Out)	FTE	New Department (Transfer In)	FTE	Net Change
DCHS	(2.00)	CMO	2.0	0.00
OMB	(1.00)	CMO	1.0	0.00
DCHS	(1.00)	Finance	1.0	0.00
T&ES	(1.00)	Internal Audit	1.0	0.00
Real Estate	(1.00)	Internal Audit	1.0	0.00
Finance	(1.00)	Internal Audit	1.0	0.00
T&ES	(1.00)	Office of Project Implementation	1.0	0.00
CMO	(1.00)	Office of Project Implementation	1.0	0.00
<b>Total Reallocations</b>	<b>(9.00)</b>		<b>9.0</b>	<b>0.00</b>

(1.00 FTE represents a position working full-time at 80 hours per pay period. FTE's that are less than 1.00 represent a position that works less than full-time hours.)

# Personnel & Compensation Summary

## City Workforce by Full-time Equivalent (FTE)

The table to the right shows the positions that are proposed for reduction and addition in the FY 2013 Proposed budget

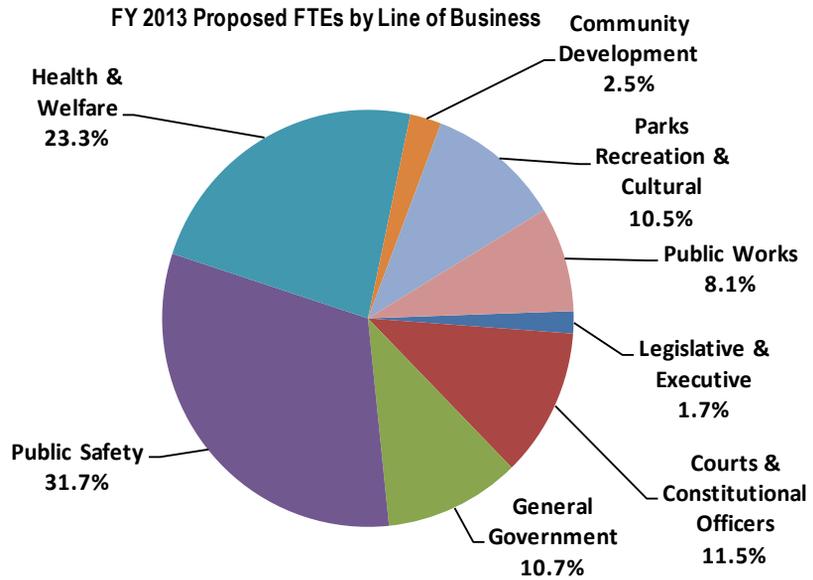
The FY 2013 Proposed Budget eliminates 20.8 FTEs and adds 27.5 FTEs for a net increase of 6.8 FTEs

Additional details on each position can be found in individual department's budget text.

		FY 2013 Proposed Position Reductions and Additions	FTE
Department	Position		(Increase/Decrease)
DCHS	Direct Support Technician		(0.5)
DCHS	Social Worker I		(0.5)
DCHS	Supervisory Administrative Analyst		(1.0)
DCHS	Assistant Director		(1.0)
DCHS	IT Technology Support Position		(1.0)
Finance	Risk Manager		(1.0)
Finance	Safety Officer		(1.0)
Fire	Non-Fire Suppression Position		(1.0)
Fire	Non-Fire Suppression Position		(1.0)
General Services	Fleet Services Specialist		(1.0)
General Services	Capital Projects Manager		(1.0)
General Services	Parts Driver		(1.0)
Health	Administrative Support II		(0.8)
Health	Administrative Support II		(0.5)
Health	Public Health Nurse II		(0.8)
Health	Environmental Health Supervisor		(1.0)
Health	Public Health Nurse-Aide II		(0.8)
Housing	Housing Program Specialist		(1.0)
Housing	Landlord/Tenant Investigator		(1.0)
Library	Librarian I		(0.3)
Library	Librarian I		(0.3)
Library	Librarian I		(0.3)
Library	Librarian I		(0.5)
Library	Library Assistant I		(0.5)
Library	Library Assistant II		(0.5)
Library	Library Assistant II		(0.8)
T&ES	Equipment Operator I		(1.0)
<b>Total Reductions</b>			<b>(20.8)</b>
Fire	Fire Fighters & Medics (New Eisenhower Valley #210)		20.0
Finance	Accountant II		3.0
DCHS	Senior Therapist		1.0
Health	Emergency Planner		1.0
RPCA	Equipment Operator I		1.0
Code	Permit Technician		0.5
Planning & Zoning	Urban Planner III		0.5
T&ES	Account Clerk III		0.5
<b>Total Additions</b>			<b>27.5</b>
<b>Net Change</b>			<b>6.8</b>

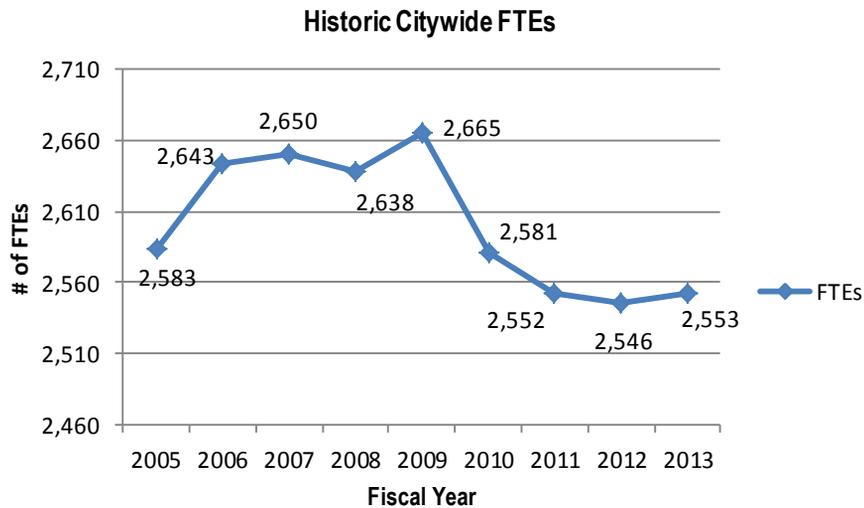
## City Workforce by Line of Business

In the FY 2013 Proposed Budget 55% of total FTEs work in the Public Safety and Health & Welfare lines of business.



The City's total number of FTEs increased by 3.2% from FY 2005 – FY 2009. This increase was followed by a 4.2% decrease in FTEs over the next two years (FY 2010 and FY 2011) as a result of the economic downturn.

In FY 2013 total FTEs increase by 0.3% but remain below levels experienced in prior years.



# Personnel & Compensation Summary

## City Workforce Totals from FY 2011 – FY 2013 Proposed

In the FY 2013 Proposed  
budget total FTEs increase by  
6.8 (0.3%) over FY 2012.

	Total FTEs		
	Amended FY 2011	Amended FY 2012	Proposed FY 2013
<b><u>Legislative &amp; Executive</u></b>			
City Council	14.0	14.0	14.0
City Manager	10.0	10.0	12.0
City Attorney	14.0	14.0	14.0
City Clk & Clk of Council	4.0	4.0	4.0
Subtotal	42.0	42.0	44.0
<b><u>Courts &amp; Constitutional Officers</u></b>			
18th Circuit Court	13.0	13.0	13.0
Clerk of Court	22.0	22.0	22.0
Commonwealth's Attorney	27.0	27.0	27.0
Court Services Unit	9.5	9.5	9.5
Law Library	1.0	1.0	1.0
Registrar of Voters	6.6	6.6	6.6
Sheriff	219.0	215.0	215.0
Subtotal	298.1	294.1	294.1
<b><u>General Government</u></b>			
Office of Communications	13.5	13.5	13.5
Finance	90.5	90.5	91.5
General Services	67.0	70.0	67.0
Human Rights	5.5	5.5	5.5
Human Resources	21.0	22.0	22.0
ITS	42.0	42.0	42.0
Internal Audit	2.0	2.0	5.0
OMB	11.0	11.0	10.0
Non-Departmental	12.0	-	2.0
Real Estate	15.0	15.0	14.0
Subtotal	279.5	271.5	272.5
<b><u>Public Safety</u></b>			
Police	413.0	415.0	415.0
Fire	272.0	272.0	290.0
Code	49.0	47.5	48.0
Emergency Communications	55.0	55.0	55.0
Subtotal	789.0	789.5	808.0
<b><u>Health &amp; Welfare</u></b>			
DCHS	582.9	584.8	578.8
Health	18.3	18.3	15.6
Subtotal	601.2	603.1	594.4
<b><u>Community Development</u></b>			
Housing	17.0	17.0	15.0
Planning & Zoning	47.5	47.5	48.0
Subtotal	64.5	64.5	63.0
<b><u>Parks, Recreation &amp; Cultural</u></b>			
Historic Alexandria	26.0	26.0	26.0
Library	76.4	75.4	72.4
Rec Parks & Ctr'l Actv'fs	168.3	169.6	170.6
Subtotal	270.7	271.0	269.0
<b><u>Public Works</u></b>			
Transp & Envir Svc's	207.0	210.0	207.5
Subtotal	207.0	210.0	207.5
<b>Grand Total</b>	<b>2,552.0</b>	<b>2,545.7</b>	<b>2,552.5</b>

# Personnel & Compensation Summary

## City Workforce Changes for FY 2013 Proposed

The FY 2013 Proposed Budget includes an increase of 6.8 FTEs (0.3%)

	FY 2012	FY 2013 Proposed			Change in FTE's	
	Amended FTE's	Full- Time	Part- Time	Total (FTE)	FY 12 to FY 13 #	%
<b><u>Legislative &amp; Executive</u></b>						
City Council	14.0	1.0	13.0	14.0	-	-
City Manager	10.0	12.0	-	12.0	2.0	20.0%
City Attorney	14.0	14.0	-	14.0	-	-
City Clk & Clk of Council	4.0	4.0	-	4.0	-	-
Subtotal	42.0	31	13.0	44.0	2.0	4.8%
<b><u>Courts &amp; Constitutional Officers</u></b>						
18th Circuit Court	13.0	13.0	-	13.0	-	-
Clerk of Court	22.0	22.0	-	22.0	-	-
Commonwealth's Attorney	27.0	26.0	1.0	27.0	-	-
Court Services Unit	9.5	9.0	0.5	9.5	-	-
Law Library	1.0	1.0	-	1.0	-	-
Registrar of Voters	6.6	6.0	0.6	6.6	-	-
Sheriff	215.0	215.0	-	215.0	-	-
Subtotal	294.1	292	2.1	294.1	-	-
<b><u>General Government</u></b>						
Office of Communications	13.5	13.0	0.5	13.5	-	-
Finance	90.5	88.0	3.5	91.5	1.0	1.1%
General Services	70.0	67.0	-	67.0	(3.0)	(4.3%)
Human Rights	5.5	5.0	0.5	5.5	-	-
Human Resources	22.0	22.0	-	22.0	-	-
ITS	42.0	42.0	-	42.0	-	-
Internal Audit	2.0	5.0	-	5.0	3.0	150.0%
OMB	11.0	10.0	-	10.0	(1.0)	(9.1%)
Non-Departmental	-	2.0	-	2.0	2.0	-
Real Estate	15.0	14.0	-	14.0	(1.0)	(6.7%)
Subtotal	271.5	268.0	4.5	272.5	1.0	0.4%
<b><u>Public Safety</u></b>						
Police	415.0	412.0	3.0	415.0	-	-
Fire	272.0	290.0	-	290.0	18.0	6.6%
Code	47.5	47.0	1.0	48.0	0.5	1.1%
Emergency Communications	55.0	55.0	-	55.0	-	100.0%
Subtotal	789.5	804.0	4.0	808.0	18.5	2.3%
<b><u>Health &amp; Welfare</u></b>						
DCHS	584.8	518.0	60.8	578.8	(6.0)	(1.0%)
Health	18.3	12.0	3.6	15.6	(2.8)	(15.0%)
Subtotal	603.1	530.0	64.4	594.4	(8.8)	(1.5%)
<b><u>Community Development</u></b>						
Housing	17.0	15.0	-	15.0	(2.0)	(11.8%)
Planning & Zoning	47.5	47.0	1.0	48.0	0.5	1.1%
Subtotal	64.5	62.0	1.0	63.0	(1.5)	(2.3%)
<b><u>Parks, Recreation &amp; Cultural</u></b>						
Historic Alexandria	26.0	16.0	10.0	26.0	-	0.0%
Library	75.4	55.0	17.4	72.4	(3.0)	(4.0%)
Rec Parks & Ctr'l Actv'ts	169.6	129.0	41.6	170.6	1.0	0.6%
Subtotal	271.0	200.0	69.0	269.0	(2.0)	(0.7%)
<b><u>Public Works</u></b>						
Transp & Envir Svc's	210.0	207.0	0.5	207.5	(2.5)	(1.2%)
Subtotal	210.0	207.0	0.5	207.5	(2.5)	(1.2%)
<b>Grand Total</b>	<b>2,545.7</b>	<b>2,394</b>	<b>154</b>	<b>2,552.5</b>	<b>6.8</b>	<b>0.3%</b>

# Personnel & Compensation Summary

## City-wide Vacant Positions (as of January 2012)

	Approved FTEs	Total Vacancies	% of Approved FTEs Vacant
<b><u>Legislative &amp; Executive</u></b>			
City Council	14.0	0	-
City Manager	10.0	1	10.0%
City Attorney	14.0	0	-
City Clerk & Clerk of Council	4.0	1	25.0%
<b>Total Legislative &amp; Executive</b>	<b>42.0</b>	<b>2</b>	<b>4.8%</b>
<b><u>Courts &amp; Constitutional Officers</u></b>			
18th Circuit Court	13.0	0	-
Clerk of Court	22.0	0	-
Commonwealth Attorney	27.0	3	11.1%
Court Services Unit	9.5	2	21.1%
Law Library	1.0	0	-
Registrar of Voters	6.6	0	-
Sheriff	215.0	3	1.4%
<b>Total Courts &amp; Const. Ofcrs.</b>	<b>294.1</b>	<b>8</b>	<b>2.7%</b>
<b><u>General Government</u></b>			
Communications & Public Information	13.5	0	-
Finance	90.5	10	11.0%
General Services	70.0	11	15.7%
Human Rights	5.5	0	-
Human Resources	22.0	3	13.6%
Information Technology Services	42.0	3	7.1%
Internal Audit	2.0	0	-
Office of Management & Budget	11.0	1	9.1%
Non-Departmental	0.0	0	-
Real Estate	15.0	1	6.7%
<b>Total General Government</b>	<b>271.5</b>	<b>29</b>	<b>10.7%</b>
<b><u>Public Safety</u></b>			
Police	415.0	8	1.9%
Fire	272.0	13	4.8%
Code Administration	47.5	0	-
Emergency Communications	55.0	1	1.8%
<b>Total Public Safety</b>	<b>789.5</b>	<b>22</b>	<b>2.8%</b>
<b><u>Health &amp; Welfare</u></b>			
Community & Human Services	584.8	54	9.2%
Health Department	18.3	2	10.9%
<b>Total Health &amp; Welfare</b>	<b>603.1</b>	<b>56</b>	<b>9.3%</b>
<b><u>Community Development</u></b>			
Housing	17.0	3	17.6%
Planning & Zoning	47.5	0	-
<b>Total Community Development</b>	<b>64.5</b>	<b>3</b>	<b>4.7%</b>
<b><u>Parks, Recreation &amp; Culture</u></b>			
Historic Alexandria	26.0	3	11.5%
Library	75.4	18	23.9%
Recreation, Parks & Cultural Activities	169.6	15	8.8%
<b>Total Recreation &amp; Culture</b>	<b>271.0</b>	<b>36</b>	<b>13.3%</b>
<b><u>Public Works</u></b>			
Transportation & Environ Svc's	210.0	16	7.6%
<b>Total Public Works</b>	<b>210.0</b>	<b>16</b>	<b>7.6%</b>
<b>Grand Total</b>	<b>2,545.7</b>	<b>172</b>	<b>6.8%</b>

## City Workforce Vacancies

As of January 2012 there are 172 funded full and part-time positions vacant city-wide

172 vacancies equates to a city-wide vacancy rate of approximately 6.8%

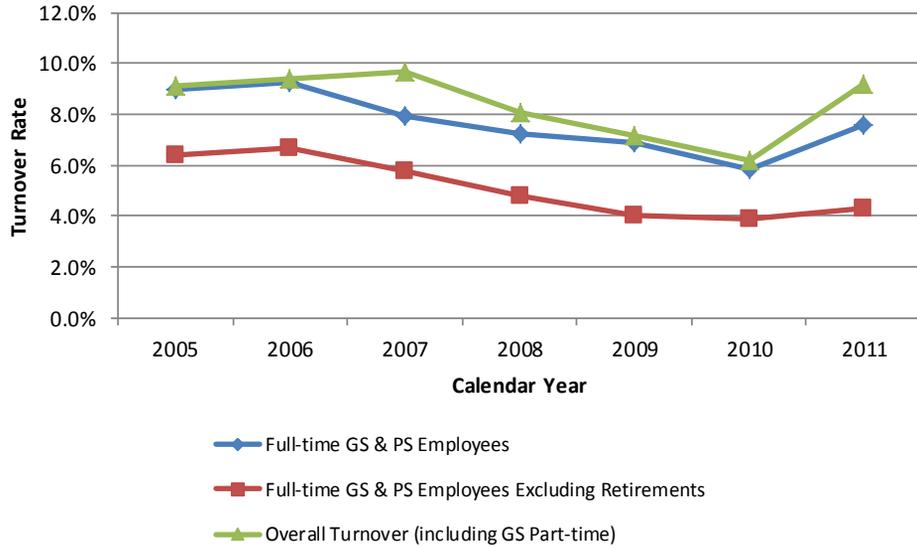
Of the 172 vacant positions, 105 have been approved for hiring and are in the process of being filled. Departments have not requested to fill the remaining 67 vacant positions at this time.

## City Workforce Turnover and Retirements

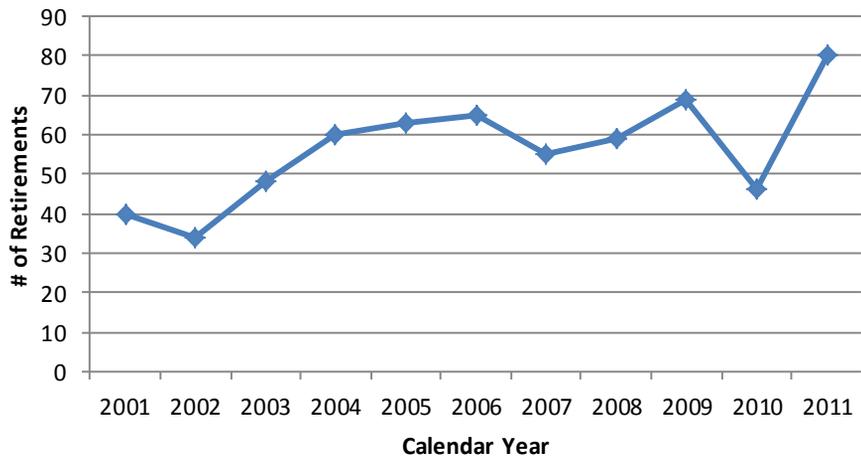
Employee turnover increased by 3.0% from Calendar Year 2010 to 2011. Contributing to this was a large increase in employee retirements.

A total of 80 employees retired from city service in CY 2011, an increase of almost 74% from the prior year.

### Historic Citywide Full-Time Employee Turnover



### Employee Retirements CY 2001 - 2011



## ***Attracting and Retaining a Quality Workforce***

**Implementation of Towers Watson classification and compensation recommendations are ongoing**

### **Notable accomplishments:**

- **Compensation Philosophy updated**
- **New classification system implemented**
- **Revised performance management system implemented by FY 2012**

**Proposed budget includes \$376,000 to align the General Schedule pay scales with the market**

In FY 2009, the City retained the services of Towers Watson (formerly Watson Wyatt Worldwide) to conduct several audits, studies and reviews of the City's classification, compensation and performance management systems. Major findings included:

- City's compensation philosophy needed updating
- Benchmarking process need major revisions
- Replace the current Classification System with a new competency based "whole job" system
- Realign the City's pay scales as well as review and address a variety of pay issues (i.e., promotional policy and pay compression in the Public Safety ranks).
- Consider revamping the City's Performance Management System

In response to Towers Watson's findings the City's compensation philosophy has been updated and a new competency based "whole job" classification system has been implemented. A new performance management system has also been implemented for Senior Management Group (SMG) employees and a similar system will be adopted for non-SMG employees starting in FY 2012.

At the City's request Towers Watson also evaluated the City's pay scales to determine market comparability and found that the midpoints of the City's General Schedule and Sworn Public safety pay scales were 7% and 1% below the market, respectively. In order to attract and retain quality employees Towers Watson, working with the Human Resources Department, developed recommendations to adjust the City's pay scales to better align them with the market.

Adjusting the Sworn Public Safety pay scales was accomplished in FY 2012 by adding one additional step (the 'R' step) to the end of the pay scale. By adding a new step, the Public Safety scales were adjusted 2.3% and were moved in line with the current market.

Recommendations to adjust the midpoint of the General Schedule scale were presented to City Council in the fall 2011. The recommendation included eliminating the lowest two steps of the scale (A and B) and adding 2.3% to the end of the scale. This change moves the midpoint of the pay scale by approximately 7%, and brings the General Schedule scale almost in alignment with the market.

Also in FY 2013 the General Schedule pay scale will transition from steps to open ranges. This is part of a multi-year transition to create a pay scale that provides flexibility as the City works towards updating its pay practices. The implementation of open ranges will not impact the current level of pay increases provided to employees in FY 2013. Those increases will remain at the variable rates of 5%, 3.5% and 2.3%.

The proposed budget includes \$376,000 to fund the changes to the General Schedule pay scale described above. Additional details about this proposal and its costs are described on the following page.

## Aligning Pay Scales to the Market

The proposed budget recommends and funds adjustments to the General Schedule pay scale

For the fifth year in a row the operating budget does not include an across-the-board pay increase.

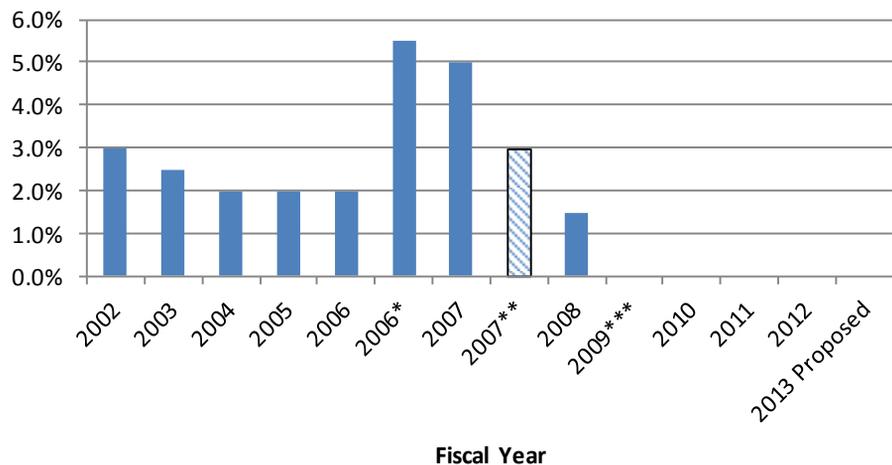
The FY 2013 Proposed budget does include funding for a merit-based step increase for qualified employees.

Sworn Public Safety employees at the top of their grade will be eligible for a one-time 2.3% pay supplement

The table below outlines the three changes that are included in the proposed budget to adjust the General Schedule pay scale. The proposed budget includes \$376,000 to fund these changes in FY 2013. By eliminating steps at the bottom of the scale and adding one step at the end, the midpoint of the scale is moved forward by approximately 7%.

If approved, employees who are currently on steps A and B will move to step C on July 1, 2012 – the first day of FY 2013. The annual review date for these employees will also be reset to July 1. Employees currently on step C will receive a 2.5% pay increase on July 1 and then an additional 3% on their current annual review date. This change is designed to avoid issues with pay compression among employees on the A, B and C steps. Finally, a new step ('S' step) will be added to the pay scale. This adjusts the scale by 2.3% and provides employees at the top of the scale an opportunity to receive a pay increase if warranted by performance.

Across-the-Board Salary Adjustments



\*During FY 2006, all sworn Public Safety employees received a 5.5% salary adjustment based on the results of a consultant survey. General Schedule employees received a 2.5% adjustment during this year.

\*\*In FY 2007, City Council approved a total salary adjustment of 5% (comprised of a 3% COLA and 2% MRA). Public Safety employees were only given a 3.0% adjustment.

\*\*\*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 across-the-board salary adjustment.

# Personnel & Compensation Summary

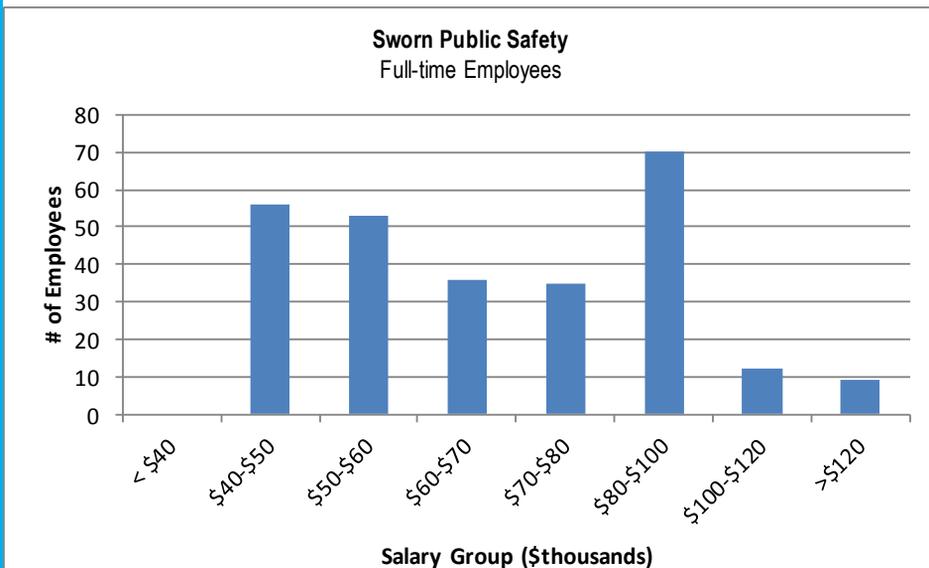
The table to the right shows the average salary (as of January 1, 2012) of City employees.

	Average Salary as of 1/1/2012
General Schedule (FT)	\$66,303
Public Safety (FT)	\$71,285
General Schedule (PT)	\$29,828

The majority of current General Schedule full-time employees earn between \$40,000 to \$100,000 annually. About half earn less than the average salary for GS full-time employees (\$66,303). About 8.2% earn more than \$100,000.



A little more than half of all sworn Public Safety employees earn less than the average salary of that group (\$71,285). About 7.7% earn more than \$100,000.



## Employee Compensation – Retirement

**FICA payments by the City increase by \$0.4 million (2.9%) in FY 2013 due to funding for the merit-based step.**

**Retirement costs for the City are \$41.9 million in the FY 2013 Proposed Budget, a \$6.4 million (18.1%) increase from the prior year.**

**The large increase in retirement costs is attributable to a 2.52 percentage point increase in the rates for the Virginia Retirement System (VRS).**

**The table to the right shows City paid retirement rate increases from FY 2012 to FY 2013.**

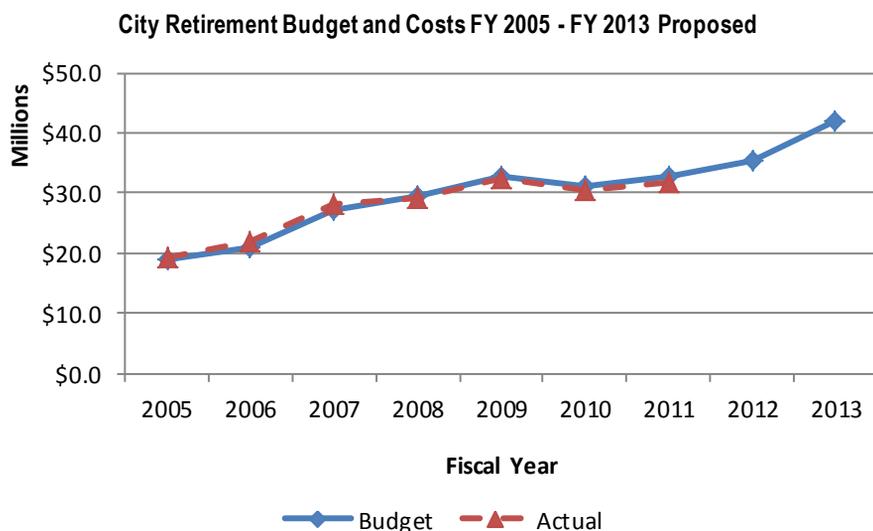
**Details on the City's and employees' retirement contribution rates can be found on the following page.**

### Federal Insurance Contributions Act (FICA)

This represents the City share of Social Security and Medicare tax which is budgeted at \$13.6 million budgeted in FY 2013. The CY 2012 maximum earnings cap increases by \$3,300 to \$110,100 from the CY 2011 level of \$106,800. Earnings above this amount will not be taxed for Social Security, but are still subject to Medicare.

### Retirement

The FY 2013 retirement budget represents the contribution that the City pays towards employee retirement plans. The chart below shows actual retirement costs from FY 2005 – 2011 and the budgeted costs for retirement from FY 2005 – 2013 Proposed. The chart on the following page details the planned contribution rates the City and employees pay.



### FY 2013 City Paid Retirement Rate Increases (employees hired before July 2009)

	Rate as % of Salary		Percentage	
	FY 2012	FY 2013	Point Change	% Change
Virginia Retirement System (VRS)	12.78	15.3	2.52	19.7%
City Supplemental Plan	7.26	6.94	-0.32	-4.4%
Deputy Sheriffs/EMTs (VRS and Supplemental)	23.67	26.14	2.47	10.4%
Police/Fire Pension Plan* (Pension and Disability)	28.63	30.41	1.78	6.2%

\*Rate includes 0.4% City contribution for allocated expenses for pension administration

# Personnel & Compensation Summary

## Employee Compensation – Retirement

Retirement contribution percentages paid by the City and employees vary based on the type of retirement plan and an employee's hire date.

The table to the right shows the FY 2012 and FY 2013 Proposed retirement contribution rates.

The FY 2013 Proposed budget does not include any changes to employee's contribution rates.

Depending on their date of hire, General Schedule employees' contribute 0% to 6% towards retirement.

Sheriff Deputies, Fire Marshals and EMTs contribute 0% to 4% towards retirement, depending on an employee's hiring date.

Sworn Public Safety Employees contribute 8% of salary towards their pensions.

Employee Type Based on Hire Date	FY 2012			FY 2013 Proposed		
	City Share	Employee Share	Total Retirement Contributions	City Share	Employee Share	Total Retirement Contributions
<b>Full-Time General Government Hired Pre-FY 2010</b>						
VRS	12.78%	0.00%	12.78%	15.30%	0.00%	15.30%
City Supplemental <sup>1</sup>	<u>7.26%</u>	<u>0.00%</u>	<u>7.26%</u>	<u>6.94%</u>	<u>0.00%</u>	<u>6.94%</u>
Total	20.04%	0.00%	20.04%	22.24%	0.00%	22.24%
<b>Full-Time General Government Hired FY 2010</b>						
VRS	12.78%	0.00%	12.78%	15.30%	0.00%	15.30%
City Supplemental <sup>2</sup>	<u>5.26%</u>	<u>2.00%</u>	<u>7.26%</u>	<u>4.94%</u>	<u>2.00%</u>	<u>6.94%</u>
Total	18.04%	2.00%	20.04%	20.24%	2.00%	22.24%
<b>Full-Time General Government Hired FY 2011</b>						
VRS <sup>3</sup>	8.78%	4.00%	12.78%	11.30%	4.00%	15.30%
City Supplemental	<u>5.26%</u>	<u>2.00%</u>	<u>7.26%</u>	<u>4.94%</u>	<u>2.00%</u>	<u>6.94%</u>
Total	14.04%	6.00%	20.04%	16.24%	6.00%	22.24%
<b>Part-Time General Government Hired Pre FY 2010</b>						
VRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
City Supplemental	<u>7.26%</u>	<u>0.00%</u>	<u>7.26%</u>	<u>6.94%</u>	<u>0.00%</u>	<u>6.94%</u>
Total	7.26%	0.00%	7.26%	6.94%	0.00%	6.94%
<b>Part-Time General Government Hired Post FY 2010</b>						
VRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
City Supplemental	<u>5.26%</u>	<u>2.00%</u>	<u>7.26%</u>	<u>4.94%</u>	<u>2.00%</u>	<u>6.94%</u>
Total	5.26%	2.00%	7.26%	4.94%	2.00%	6.94%
<b>Deputy Sheriff's/ERTs/Fire Marshals Hired Pre FY 2011</b>						
VRS	12.78%	0.00%	12.78%	15.30%	0.00%	15.30%
Supplemental	<u>10.89%</u>	<u>0.00%</u>	<u>10.89%</u>	<u>10.84%</u>	<u>0.00%</u>	<u>10.84%</u>
Total	23.67%	0.00%	23.67%	26.14%	0.00%	26.14%
<b>Deputy Sheriff's/ERTs/Fire Marshals Hired FY 2011</b>						
VRS	8.78%	4.00%	12.78%	11.30%	4.00%	15.30%
Supplemental	<u>10.89%</u>	<u>0.00%</u>	<u>10.89%</u>	<u>10.84%</u>	<u>0.00%</u>	<u>10.84%</u>
Total	19.67%	4.00%	23.67%	22.14%	4.00%	26.14%
<b>Public Safety (Fire/Police)</b>						
Pension <sup>4</sup>	24.28%	7.20%	31.48%	25.35%	7.20%	32.55%
Disability	<u>4.35%</u>	<u>0.80%</u>	<u>5.15%</u>	<u>5.06%</u>	<u>0.80%</u>	<u>5.86%</u>
Total	28.63%	8.00%	36.63%	30.41%	8.00%	38.41%

<sup>1</sup>In FY 2011, for employees hired before July 1, 2009 (FY 2010) the 2% employee share of the City supplemental retirement benefit is paid for by the City.

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

<sup>3</sup>In FY 2010 the Virginia General Assembly enacted changes to the VRS that allows localities to decide whether to have new employees pay part of the 5% employee share. Subsequent to adoption of the FY 2011 budget, City Council passed a resolution requiring all new employees establishing VRS membership after July 1, 2010 to pay 4% of the employee share. The City will continue to pay 1% for a total of 11.3% of salary.

<sup>4</sup>Beginning in FY 2010 the City allocated expenses for pension plan management through a pension administration recover fee. This fee results in a 0.4% increase to the City contribution for the Sworn Fire & Police pension plan.

## Employee Compensation – Health

Health care budgeted costs increase in by \$0.9 million, or 4.6% in FY 2013.

The FY 2013 Proposed Budget continues the previously announced policy of gradually increasing the minimum employee share of health insurance premiums to 20%.

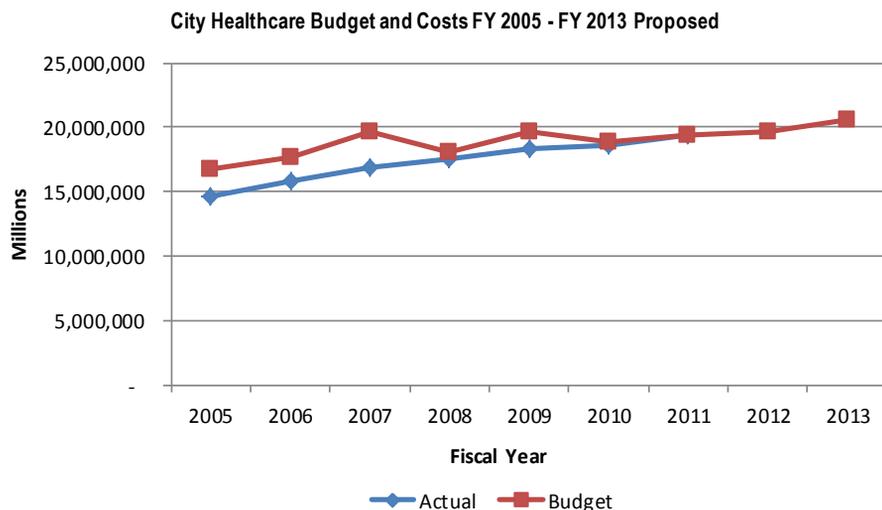
In FY 2013, City employees hired before July 1, 2010 will contribute a minimum of 20% of the cost of healthcare premiums, an increase of 4% from the prior year.

The 4% cost shift results in a savings of approximately \$0.4 million in FY 2013.

Continuing the cost shift in FY 2013 means all employees – regardless of their hire date – will pay a minimum 20% share.

## Healthcare

Healthcare represents the share that the City pays for employee healthcare benefits. The chart below shows actual healthcare costs from FY 2005 – FY 2011, and the budgeted amount for healthcare from FY 2005 – FY 2013 Proposed.



## Employee Cost Sharing

In prior years, the City paid 100% of the HMO premiums for employees. In FY 2007 it was decided that employees should share at least 10% of the premium costs, by phasing in increases over 3 years.

In FY 2011 the City commenced a plan to gradually increase employees' minimum share of premium costs to 20% by FY 2013. City Council approved a 3% cost shift as part of the FY 2011 Approved budget, resulting in an increase of current employees' share premium costs from 10% to 13%. New employees (those hired on or after July 1, 2010) began paying a minimum of 20% immediately. The FY 2012 Approved budget continued the gradual increase by shifting another 3% of premium costs to employees who were not already paying 20%. The FY 2013 Proposed budget recommends continuing the previously announced policy by increasing employees' share of health insurance premium costs by 4%. This will result in all employees – regardless of their date of hire – contributing a minimum of 20% towards their health care premium costs.

## Containing Healthcare Cost Growth

By adjusting the premium cost sharing rates the City is able to maintain a 5.1% overall growth rate in healthcare costs over the next three years. Furthermore, anticipated increases in future years would result in costs becoming unsustainable for the City if employee cost sharing ratios are not adjusted.

# Personnel & Compensation Summary

## Employee Compensation – Health

**Premiums are expected to rise 5.0% for plans under United Healthcare and 7.5% for Kaiser Permanente plans.**

### Full-time Employee Healthcare Costs

The chart below shows the proposed FY 2013 monthly healthcare premium rates paid by the City and full-time employees. The chart shows all employees contributing a minimum of 20% of health care premium costs as a result of the proposed budget recommending to shift 4% of premium costs to employees.

**FY 2013 Health Insurance Premiums  
Regular Full-Time Employees**

CITY PLANS	HMO (In Plan Coverage Only)					POS Coverage (In Plan or out of Plan Coverage)				
	TOTAL COST	CITY COST	CITY SHARE	EMPLOYEE COST	EMPLOYEE SHARE	TOTAL COST	CITY COST	CITY SHARE	EMPLOYEE COST	EMPLOYEE SHARE
<b><u>Kaiser Permanente Individual</u></b>										
Monthly	\$510	\$408	80.0%	\$102	20.0%	\$665	\$408	61.3%	\$257	38.7%
Bi-Weekly				\$51					\$129	
<b><u>Family</u></b>										
Monthly	\$1,203	\$962	80.0%	\$241	20.0%	\$1,555	\$962	61.9%	\$593	38.1%
Bi-Weekly				\$120					\$297	
<b><u>United Health Care Individual</u></b>										
Monthly	\$559	\$447	80.0%	\$112	20.0%	\$667	\$447	67.0%	\$220	33.0%
Bi-Weekly				\$56					\$110	
<b><u>Family</u></b>										
Monthly	\$1,319	\$1,055	80.0%	\$264	20.0%	\$1,487	\$1,055	70.9%	\$432	29.1%
Bi-Weekly				\$132					\$216	

# Personnel & Compensation Summary

## Employee Compensation – Health

### Part-time Employee Healthcare Costs

The chart below shows the FY 2013 monthly healthcare premium rates paid by the City and part-time employees. Part-time employees already paid a minimum 50% share of premium costs prior to the implementation of the plan to increase full-time employees' share of premium costs.

FY 2013 Health Insurance Premiums  
For Regular Part-Time Employees

CITY PLANS	HMO (In Plan Coverage Only)					POS Coverage (In Plan or out of Plan Coverage)				
	TOTAL COST	CITY COST	CITY SHARE	EMPLOYEE COST	EMPLOYEE 50% SHARE	TOTAL COST	CITY COST	CITY SHARE	EMPLOYEE COST 50% + POS	EMPLOYEE SHARE
<b>Kaiser Permanente</b>										
<b>Individual</b>										
Monthly	\$510	\$255	50.0%	\$255	50.0%	\$665	\$255	38.3%	\$410	61.7%
Bi-Weekly				\$127					\$205	
<b>Family</b>										
Monthly	\$1,203	\$601	50.0%	\$601	50.0%	\$1,448	\$601	41.5%	\$847	58.5%
Bi-Weekly				\$301					\$423	
<b>United Health Care</b>										
<b>Individual</b>										
Monthly	\$559	\$279	50.0%	\$279	50.0%	\$667	\$279	41.9%	\$388	58.1%
Bi-Weekly				\$140					\$194	
<b>Family</b>										
Monthly	\$1,319	\$659	50.0%	\$659	50.0%	\$1,561	\$659	42.2%	\$902	57.8%
Bi-Weekly				\$330					\$451	

# Personnel & Compensation Summary

## Employee Compensation – Security

**GASB accounting standards mandate accounting for long term unfunded obligations for other post employment benefits (OPEB).**

**The FY 2013 Proposed Budget provides \$2.1 million in new funding for the City's OPEB obligations.**

## Other Post-Employment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) has created rules for SEC disclosure and reporting mandates for post retirement benefits, which include retiree healthcare and retiree life insurance. Historically, the City like almost all states and localities, used the near universal practice of pay-as-you-go cash accounting. However, the GASB mandates require reporting, recording and accounting for the long-term unfunded obligations for health and life insurance benefits for retirees. These new requirements and the City's response will influence the bond rating agency ratings of City debt.

*Dollars in millions*

	<b>Estimated Unfunded Liability</b>	<b>Annual Required Contribution (ARC)</b>
City <sup>1,2,3</sup>	\$68.9	\$7.4
Schools <sup>4</sup>	\$11.3	\$1.4

1 As of December 31, 2010.

2 Assumes no change in \$260 monthly healthcare rate and does not reflect eliminating retiree life insurance for new hires.

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

4 Source: ACPS FY 2011 Comprehensive Annual Financial Report (CAFR)

## CASH FLOW PROJECTIONS

### Other Post Employment Benefits Plan for Funding

	2011	2012	2013	2014	2015	2016	2017	2018
Medical Subsidy	\$ 2.4	\$ 2.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursement	\$ 2.9	\$ 3.1	\$ 3.2	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3
Life Insurance	\$ 0.9	\$ 1.0	\$ 0.8	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9
Total Cash Flow	\$ 6.2	\$ 6.6	\$ 4.0	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2
<b>Current General Fund</b>	<b>\$ 1.7</b>	<b>\$ 1.8</b>	<b>\$ 2.1</b>	<b>\$ 2.4</b>	<b>\$ 2.7</b>	<b>\$ 2.7</b>	<b>\$ 2.7</b>	<b>\$ 2.7</b>
Fund Balance Draw Down	\$ 1.6	\$ 1.2	\$ 0.7	\$ 0.2	\$ -	\$ -	\$ -	\$ -
Total Annual Contributions (All Sources)	\$ 9.5	\$ 9.6	\$ 6.8	\$ 6.8	\$ 6.9	\$ 6.9	\$ 6.9	\$ 6.9
<b>Required Contributions</b>	<b>\$ 10.3</b>	<b>\$ 10.3</b>	<b>\$ 6.9</b>					
Investible Funds	\$ 3.3	\$ 3.0	\$ 2.8	\$ 2.6	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.7
<b>Ending Fund Balance</b>	<b>\$ 15.5</b>	<b>\$ 20.0</b>	<b>\$ 24.3</b>	<b>\$ 28.7</b>	<b>\$ 33.6</b>	<b>\$ 38.8</b>	<b>\$ 44.4</b>	<b>\$ 50.4</b>
% of Annual Required Contribution Funded	92%	93%	99%	99%	100%	100%	100%	100%
% of Annual Required Contribution Funded by Current General Fund Sources	77%	82%	88%	96%	100%	100%	100%	100%

\* The change for FY 2013 represents a change in actuarial methodology. The City's general fund contribution requirement does not change.

# Personnel & Compensation Summary

## Employee Compensation – Security

**Effective in March 2012 the employee rate for Long Term Disability insurance will increase slightly from .073 to .10 per thousand of coverage as a result of the City's new 3-year life insurance contract**

### Group Life Insurance Benefit & Long Term Disability Coverage

Regular full and part-time employees are provided basic group term life insurance at one to two times base salary depending on the employee's date of hire. Long term disability coverage is also provided to benefit eligible employees (excluding police officers and firefighters). Employees also have the option to purchase supplemental group term life insurance coverage and dependent life insurance coverage at their own expense. The table below provides information on the specific coverage available to employees.

### Standard Insurance Company

Group Life and Accidental Death & Dismemberment Coverage:

Basic - City Funded (hired before 7/1/2009)	2x Annual Salary
Basic - City Funded (hired after 7/1/2009)	1x Annual Salary
Supplemental - Employee Paid	2x Annual Salary

Line of Duty Coverage:

Police Officers and Firefighters Only - City Funded	\$200,000
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### Long Term Disability\*

120 Day Plan - City Funded	City Pays \$0.266 percent of Insured Earnings
90 Day Plan - City & Employee Funded	Employee Pays \$0.10 percent of Insured Earnings. City Pays Remaining Cost

\*Rates are effective as of 03/1/2012

City employees are eligible for 11 paid holidays per year in addition to their accrual of annual and sick leave. The table below outlines the rates at which new employees accrue annual and sick leave. The annual leave accrual rate was increased from 3.69 to 4.0 hours per pay period in FY 2010 in order to provide employees with 1 additional day of annual leave. This action was taken in response to a study which found that the City was ranked very low in the category of paid time off when compared to our comparator jurisdictions.

### Paid Time Off\*

Holidays	11 Holidays Annually
Annual Leave	New employees accrue 4.0 hours of leave per pay period
Sick Leave	All employees accrue 3.69 hours of leave per pay period

\*Prorated for part-time employees

## Employee Compensation – Paid Time Off

## ***Creative Forms of Compensation***

The City Manager continues to explore to identify creative forms of compensation to reward employees. The benefits below represent a portion of the forms of compensation that meet this criteria which will be available to staff in FY 2013.

### **Transit benefit to remain at \$75 per month**

To encourage transit use and vanpooling, and in order to meet the region's air quality standards, the City will continue to offer its transit incentive program to employees in FY 2013. Regular City employees are eligible to receive \$75 per month with an option to contribute \$155 of their own money on a pre-tax basis. Given the large number of City employees who commute to Alexandria from outside jurisdictions each day, this benefit helps to offset commuting costs.

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### **Telecommuting program to continue in FY 2013**

The City's telecommuting policy will continue unchanged in FY 2013. The policy permits interested employees to establish a telecommuting agreement with their supervisor and department head.

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### **Tuition assistance for education and training provided to employees**

To help further the professional development of City employees, tuition assistance is provided for education and training classes. Regular full-time employees can receive up to \$1,500 per fiscal year, with regular part-time employees receiving \$750 per fiscal year. Assistance is provided based on the availability of funding.

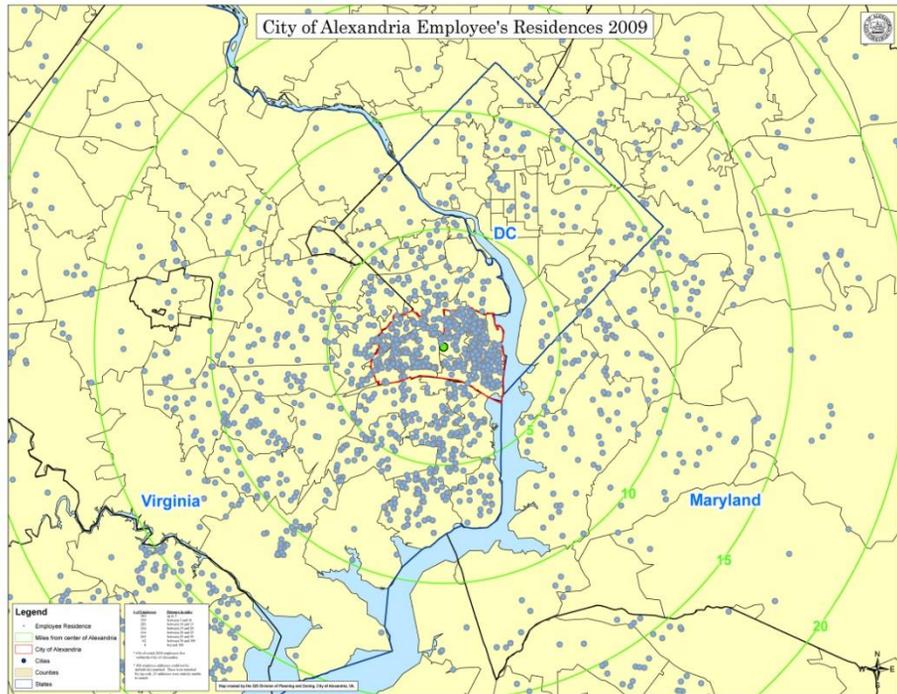
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### **Wellness Program**

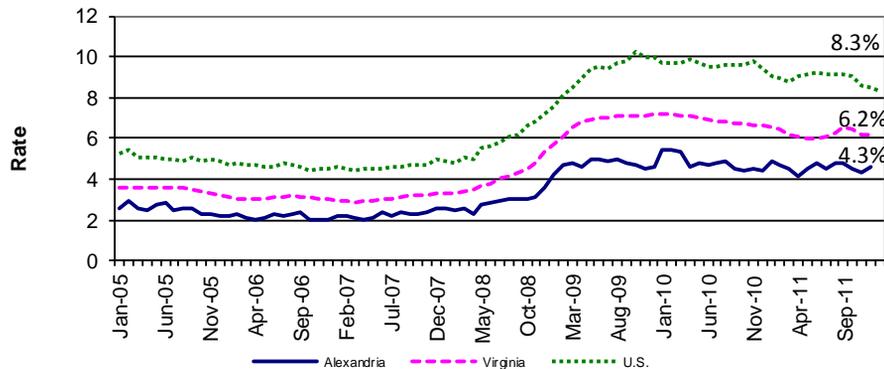
The goal of the City's Wellness Program is to provide wellness opportunities to employees in an effort to enhance their overall health and well being and to promote a long term health promotion strategy to reduce health care costs. The Wellness Program is administered by the Human Resources Department (HRD). Since FY 2011, the City has been partnering INOVA Healthworks to develop and implement wellness activities specific to the City of Alexandria workforce. The FY 2013 proposed budget continues funding for a contracted Wellness Coordinator position to assist with these efforts.

## Labor Market Data

The map to the right shows the dispersion of City employee residences. The vast majority of Alexandria City employees live outside the City. As a consequence, Alexandria competes in the regional labor market for workers.



### Unemployment Rate - U.S., Virginia, and Alexandria



Source: U.S. Department of Labor, Bureau of Labor Statistics

U.S., Virginia through December 2011; Alexandria through November 2011

\*Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-adjusted.