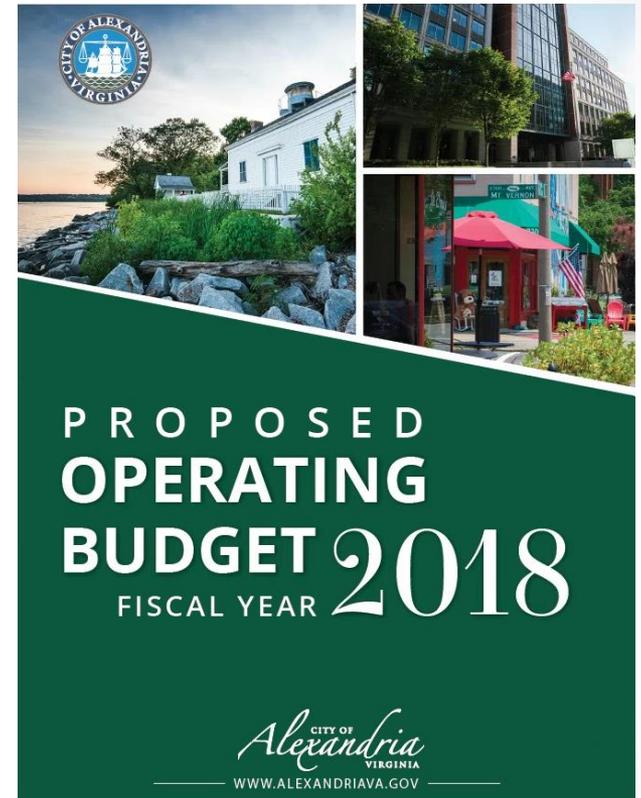


# FY 2018 CITY MANAGER'S PROPOSED BUDGET

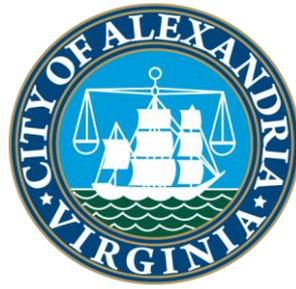
Revenues, Five Year Financial  
Planning Model, & Compensation

February 21, 2017



# AGENDA

- Compensation
- Revenues
- Five Year Financial Planning Model
- Budget Process (Budget Memo #1)



# COMPENSATION



# Compensation Overview

- Merit Pay
- Healthcare
- Group Life Insurance
- Retirement
- Added Step to Pay Scales
- Salary Benchmarking
- Fire Dual-role Incentive

# Merit Pay Increases

- Most employees are eligible for a merit-based pay increase of 2.3%-5% of salary grade and step
- The average increase is 3%
- Total of \$5.0 million budgeted for merit-based pay increases in FY 2018



# Healthcare

- The FY 2018 Budget assumed a 8.1% increase in employee benefits for Kaiser and United Healthcare.
- No change to 80/20 premium cost sharing.

# Group Life Insurance

- The City's portion of life insurance is increasing by 14.8% in premiums (\$0.1 million)
- Planned restructuring of employee paid optional supplemental insurance to reflect actuarial experience



# Retirement

- The City's VRS contribution has been reduced from 9.81% in FY 2017 to 7.97% in FY 2018.
- \$2.1 million used to increase OPEB contribution by \$2.6 million.
- Changes to Supplemental Retirement lump sum payment option proposed



# Supplemental Retirement

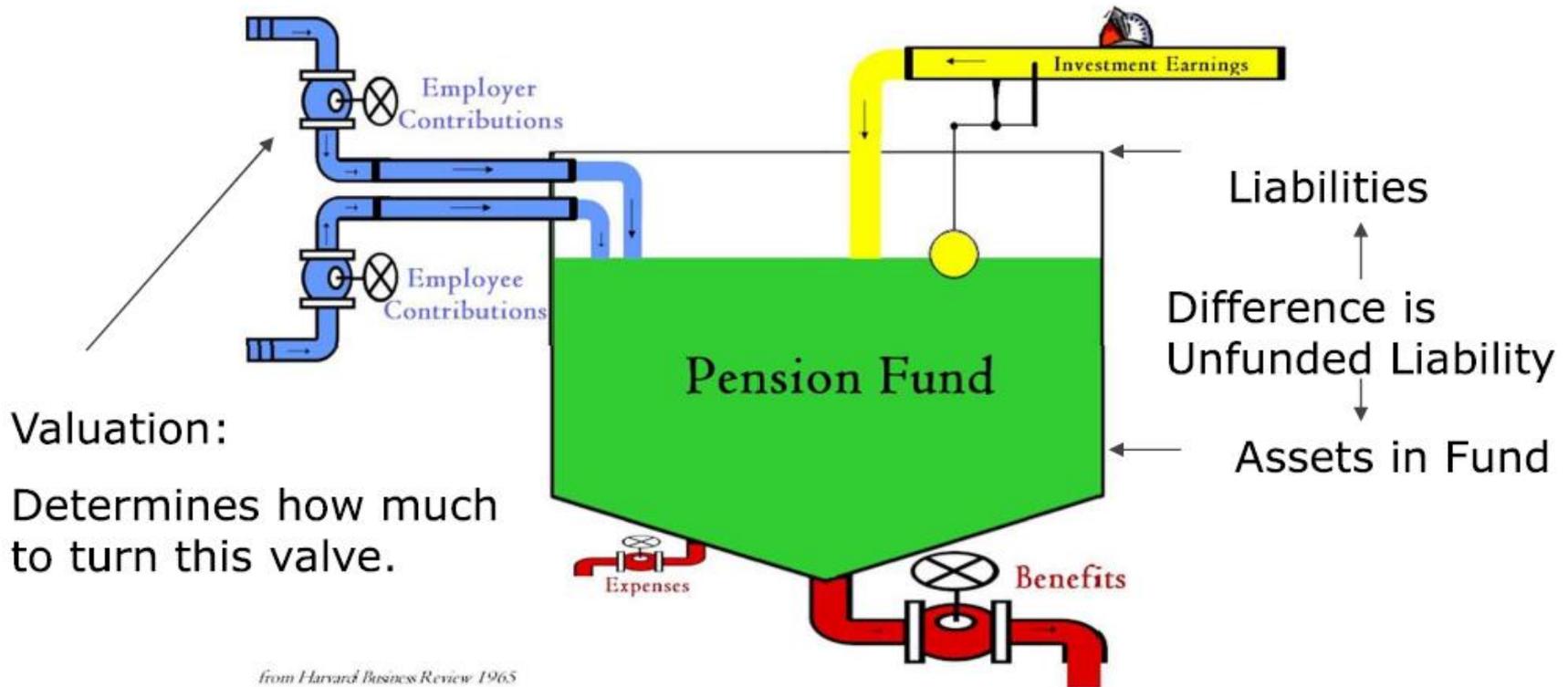
- Supplemental Retirement Plan is a defined benefit plan established in 1970.
- Intended to supplement the income from the Virginia Retirement System (VRS)
- Defined benefit plan is designed to provide a monthly income for post-retirement life.

# Why the proposed change?

- Plan calculates lump sum based on present value needed to invest to yield full benefit value
- Plan assumes 30-year US Treasury rate (currently 2.86%)
- Actual private investments often yield much higher returns
- By assuming artificially low rate, the Plan overpays lump sums compared to monthly payments
- Plan funds are invested at actual market rates but lump sums are paid based on abstract rates
- A change is needed to keep the Plan sustainable



# Pension Fund Dynamics

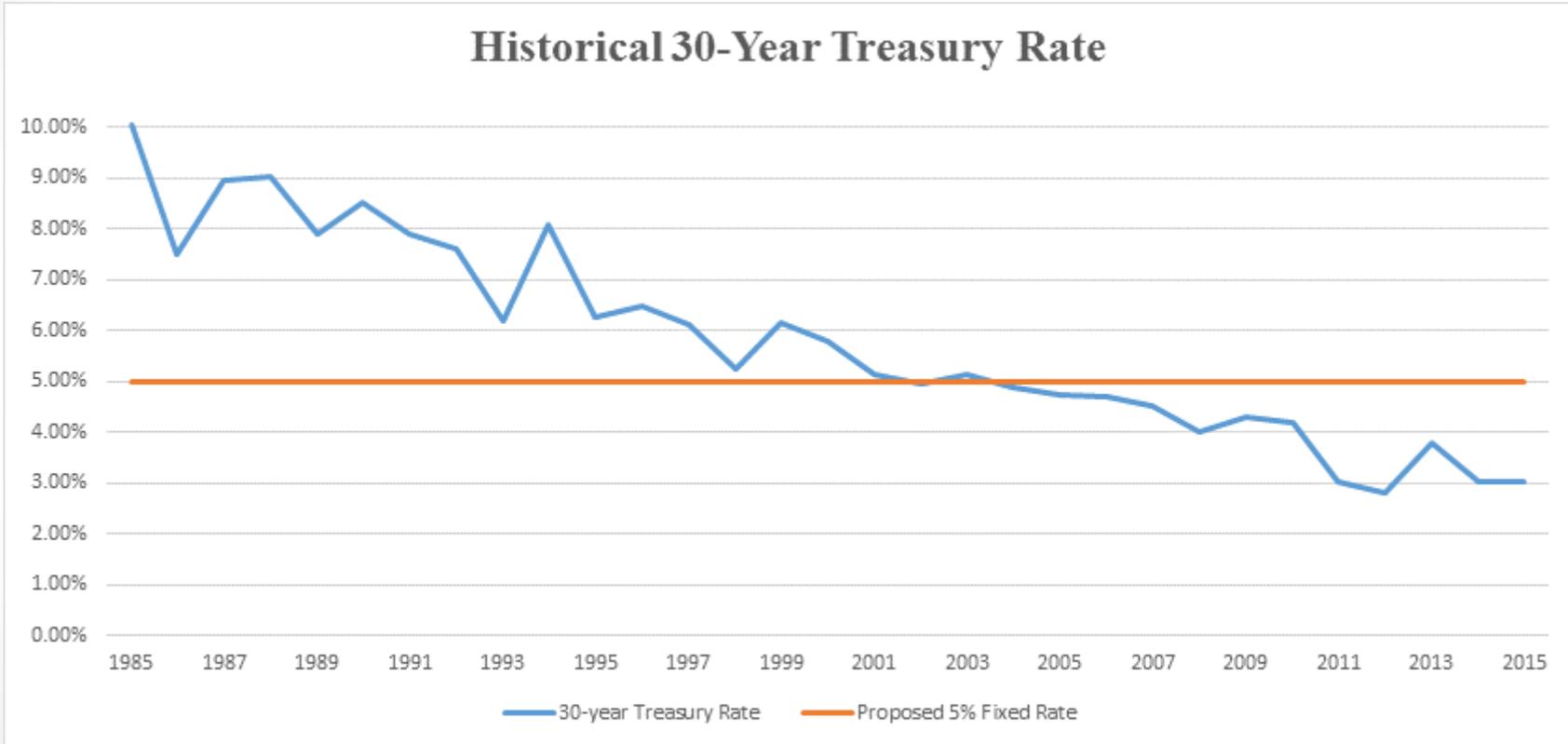


# Background - Payment Forms

- Plan offers a number of forms of benefits
- Form is elected at retirement
- Lump Sum payment is not a typical option

<b>Form of Benefit</b>	<b>Effect of Proposed Change</b>
Life Annuity	Not Changing!
Joint & Survivor Annuity	Not Changing!
Certain and Life Annuity	Not Changing!
Lump Sum Payment	Affected by the proposed change

# Background Historical 30-year Treasury Rate



Lump sums are currently calculated using the 30-year Treasury Rate

# Phase in of New Rate

Lump Sum transition to be completed by 1/1/2020

- Three step incremental increase to provide equal treatment of all employees
- New employees rate at 7.25% as of ordinance adoption
- Savings of \$0.8 million in FY 2018 and \$1.5 million in FY 2019 and beyond

Year	Existing Employee	New Employee
1/1/2018	5	7.25
1/1/2019	6	7.25
1/1/2020	7.25	7.25



# Proposed Implementation

	<b>Timeline</b>
<b>Initial Notification</b>	February 2017
<b>Participant Outreach</b>	February- April 2017
<b>City Council Approves Proposed Change</b>	May 2017
<b>Recommended Date to Return Retirement Application</b>	July 15, 2017
<b>Retirement Application Deadline</b>	August 15, 2017
<b>Last Retirement Date under existing Plan rules</b>	December 1, 2017
<b>Effective date of Proposed Plan change</b>	January 1, 2018



# How are we educating the workforce?

- Website
- Mailing
- In-person meetings
- Video – Explainer of proposed changes
- Estimator on website-allow Participant to estimate their personal change



# Added Step to Pay Scales

- Lump Sum Retirement reduction of \$0.8 million will be used to fund an additional step to all existing pay scales in FY 2018.
- The additional 2.3% step will cost approximately \$800,000 bringing total merit increase expenditures in FY 2018 to \$5.8 million.
- Annualized cost is \$1.8 million.



# Pay Scale Adjustment

## Employees at the End of the Pay Scale

- 478 employees will be eligible for this new step in FY 2018.

Employee Group	FY 2018 Projected Top of Scale
General Schedule	324
Public Safety	154
<b>Total</b>	<b>478</b>



# FY 2017 BENCHMARK SURVEY

## General Schedule and Public Safety employees

- 185 job classes matched (29% of active job classes)
- 1,397 employees in surveyed classes (56% of employee population)
- Surveyed Jurisdictions
  - Fairfax County
  - Arlington County
  - Prince William County
  - Montgomery County
  - Prince George's County
  - Loudoun County (not official comparator)
  - Detailed budget memo and work session discussion within Council planned



# FIRE DEPARTMENT

## Attainment of Dual-Role Provider Service

- **Goals of Incentive Pay**

- Improve City's ability to compete for dual role providers in the National Capital Region
- Increase number of existing employees who become dual role providers



# FIRE DEPARTMENT

## Update on Progress since Fall 2014

- AFD consisted of 65 single role Medics in October of 2014, 32% of whom have since transitioned into dual-role status.
- When this effort is complete, AFD would need a minimum of 60 to 80 dual-role providers to achieve service goals (72 ALS single role provider positions previously).

Dual Role Provider Source	Number Pursued Dual-Role Status*
New Hires	15
Single Role Medics Converted	14
Single Role Firefighters Converted	8
Total	37

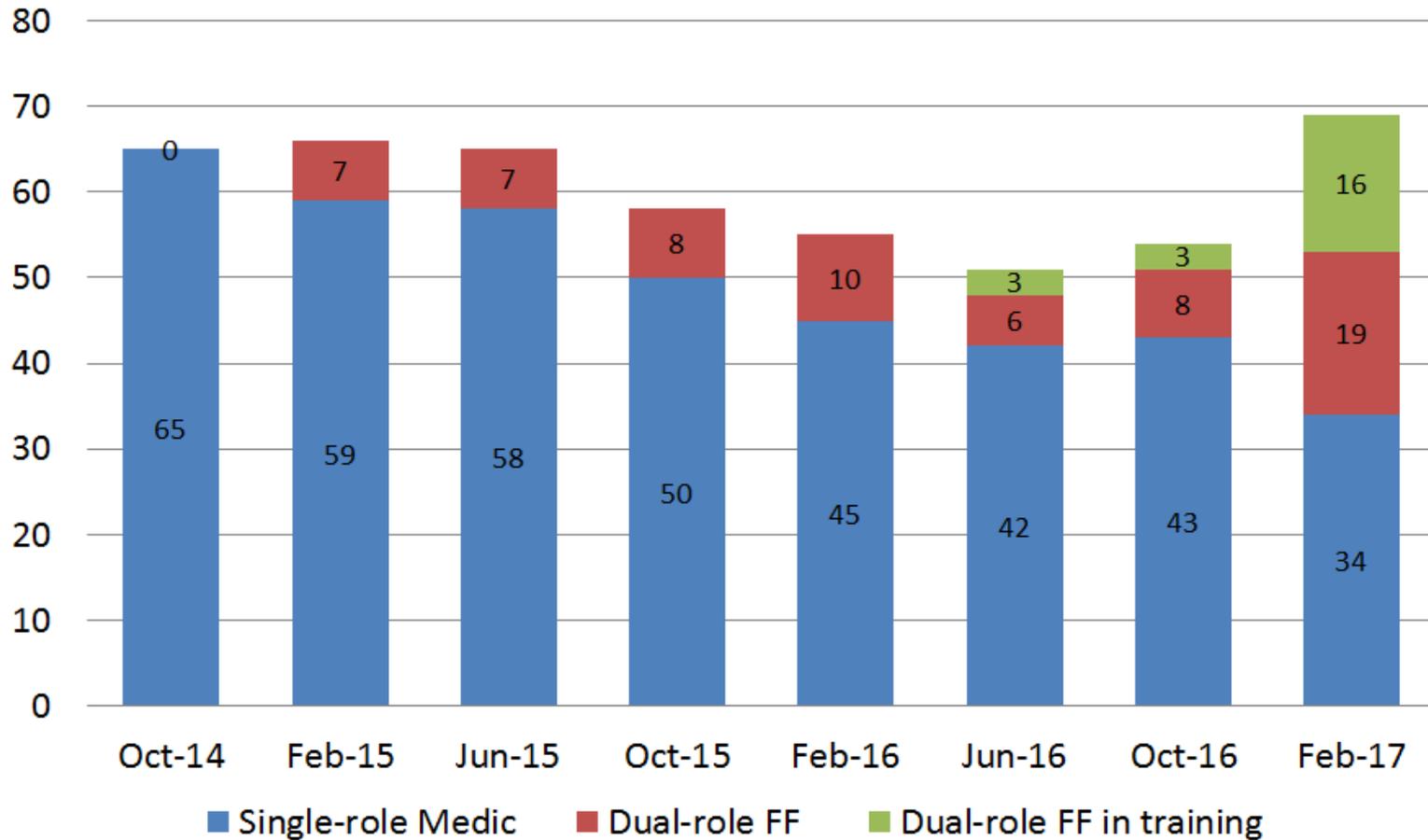
*\*19 providers are still in training to attain dual-role status and do not contribute to effective staffing*



# FIRE DEPARTMENT

## Update on Progress since Fall 2014

### ALS Providers in the Fire Department





# FIRE DEPARTMENT

## Change in the Market & Competition

- **City of Alexandria Status-Quo**
  - Within the past 1.5 years, 11 Firefighters and Medics with less than 2 years on the job have voluntarily left for other Fire Departments.
- **Market Changes**
  - All National Capital Region jurisdictions are seeking additional dual-role providers and have increased their incentives.
  - Recent significant increases in hiring in Loudoun and Prince William Counties in particular



# FIRE DEPARTMENT

## DUAL ROLE PROVIDERS

### Current Market Comparison

Jurisdiction	Minimum	Midpoint	Maximum
Fairfax	\$72,754	\$82,214	\$101,417
Arlington	\$64,937	\$76,325	\$93,849
Prince William	\$57,559	\$73,170	\$91,370
Montgomery	\$59,039	\$77,787	\$93,928
Prince George's	\$54,568	\$77,078	\$101,852
Loudoun	\$62,850	\$78,630	\$96,736
<b>Market Average</b>	<b>\$61,951</b>	<b>\$77,534</b>	<b>\$97,548</b>
<b>Alexandria Current (Rank among comparators)</b>	<b>\$57,057 (6<sup>th</sup>)</b>	<b>\$75,795 (6<sup>th</sup>)</b>	<b>\$96,262 (4<sup>th</sup>)</b>
<b>Alexandria Proposed (Rank among comparators)</b>	<b>\$62,057 (4<sup>th</sup>)</b>	<b>\$80,795 (2<sup>nd</sup>)</b>	<b>\$101,262 (3<sup>rd</sup>)</b>

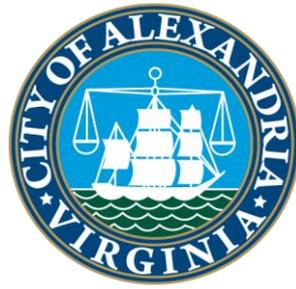


# FIRE DEPARTMENT

## DUAL ROLE PROVIDERS

### Proposed Incentive Plan for AFD

- Annualized incentive pay broken out by pay period over the course of a year
  - \$5,000 for frontline dual-role providers
  - \$3,500 for supervisory dual-role providers
- One-time lump sum bonus received upon attainment of dual-role certification
  - \$5,000 for frontline dual-role providers
  - \$3,500 for supervisory dual-role providers
- Estimated cost first full year cost = \$0.4 M

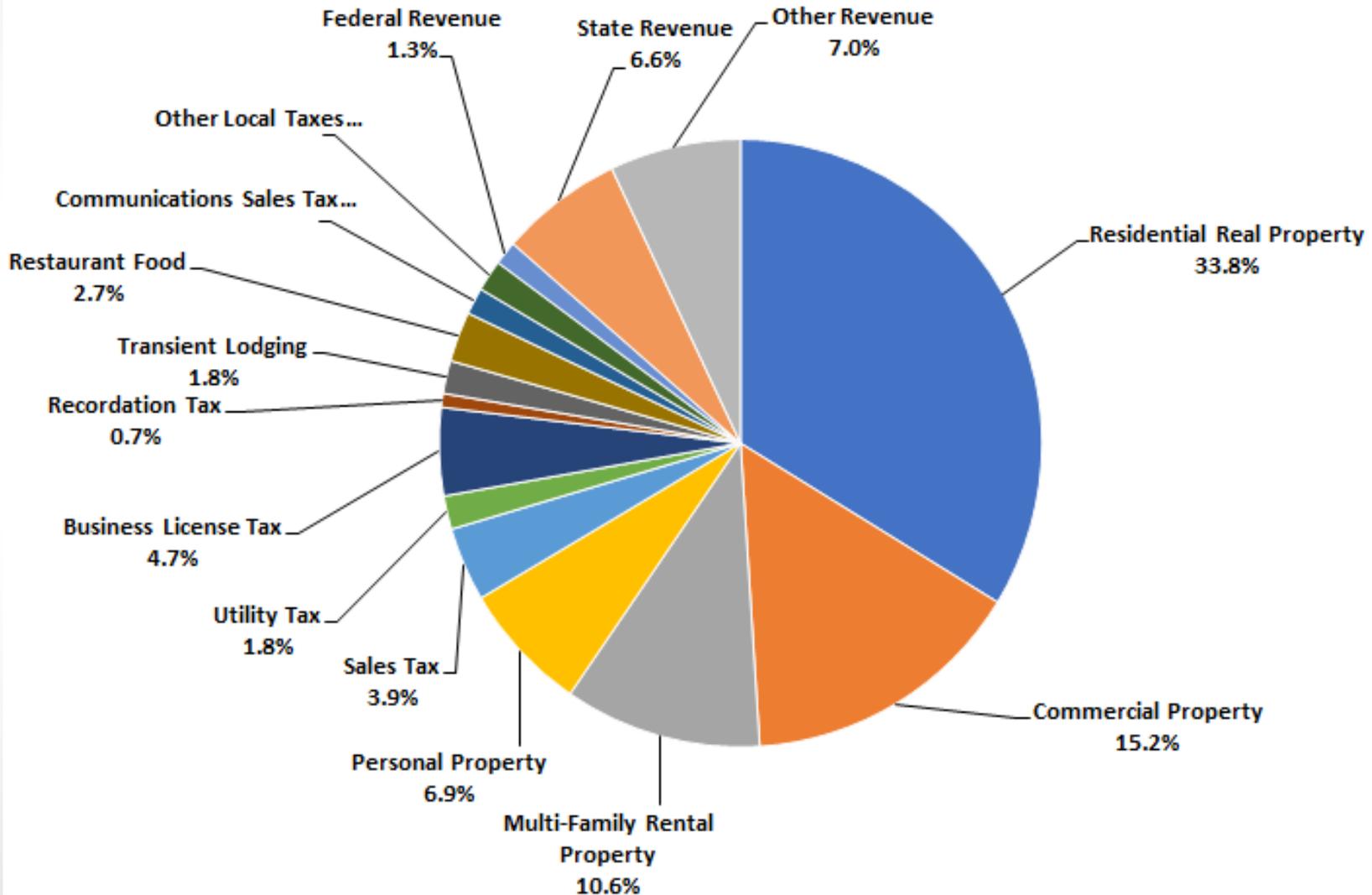


# REVENUES



# FY 2018 GENERAL FUND REVENUE

\$712.5 M





# REAL ESTATE PROPERTY TAX RATE

## Comparison to Other Jurisdictions

### FY 2018 Proposed Tax Rates

	Alexandria	Arlington*	Fairfax County	Loudoun County	Prince William County
Real Property (base rate)	1.095	0.978	1.130	1.135	1.125
Storm water management initiatives**	0.005	0.013	0.030	0.000	0.000
Pest infestation/management	-	0.000	0.001	0.000	0.0025
Fire & Rescue	0.000	0.000	0.000	0.000	0.0792
<b>Total Residential Tax Rate</b>	<b>1.100</b>	<b>0.991</b>	<b>1.161</b>	<b>1.135</b>	<b>1.2067</b>
Commercial Add-on	0.000	0.125	0.125	0.000	0.000
<b>Total Commercial Tax Rate</b>	<b>1.100</b>	<b>1.116</b>	<b>1.286</b>	<b>1.135</b>	<b>1.2067</b>

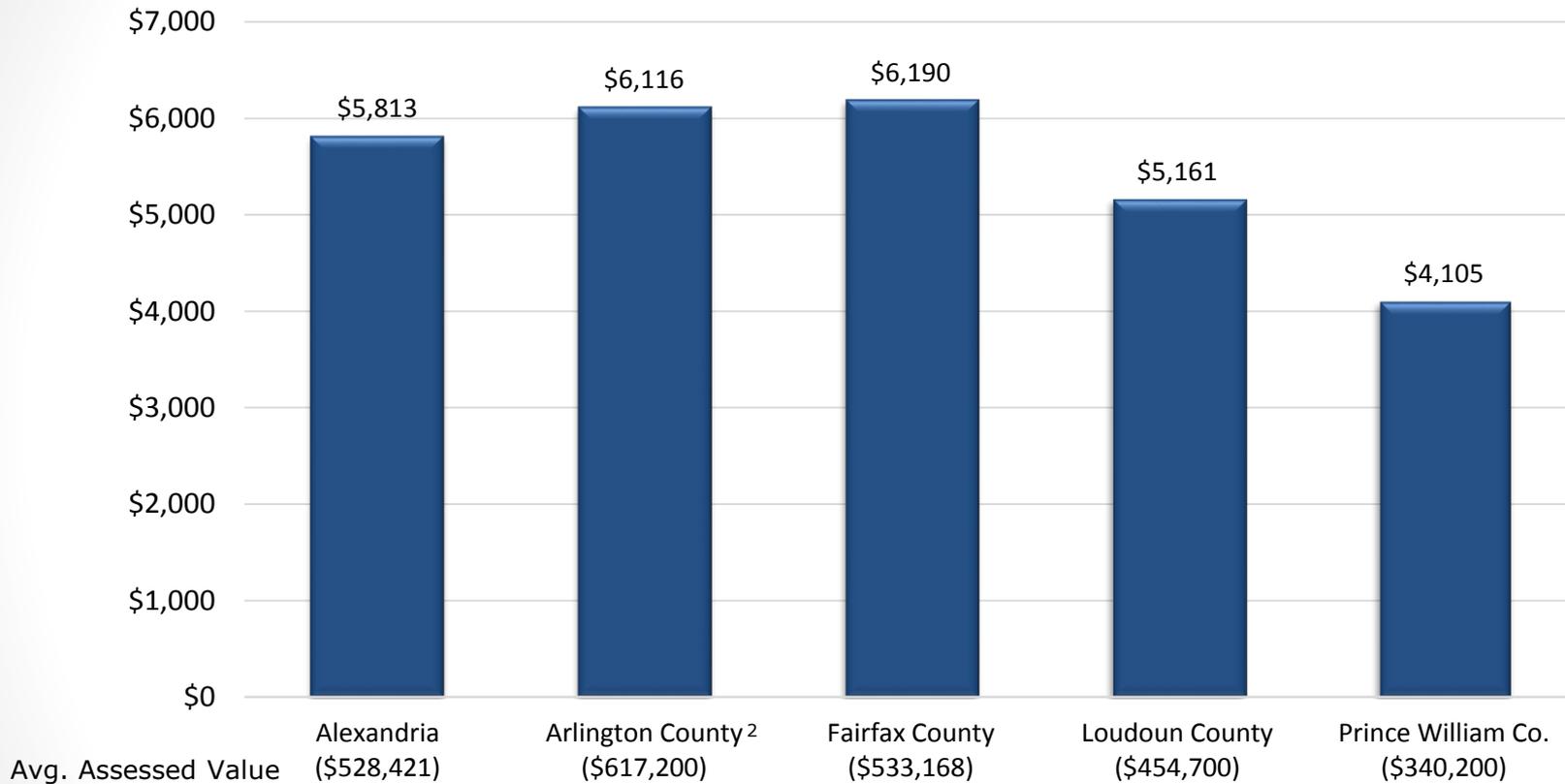
\* Reflects FY 2017 rate; FY 2018 rate have not been proposed

\*\* Storm water dedication of 0.5 cents on the tax rate is for half of the year due to the storm water utility fee

- Residential real estate tax rate is the second lowest in Northern Virginia
- Commercial real estate tax rate is the lowest in Northern Virginia



# 2017 REAL ESTATE TAXES ASSESSED<sup>1</sup> ON A TYPICAL HOME



<sup>1</sup>Reflects calendar year 2017 assessments and FY 2018 proposed real estate tax rates for all jurisdictions except Arlington.

<sup>2</sup>Arlington reflects 2017 assessments and FY 2017 real estate tax rate because the FY 2018 rate have not been proposed.



# AVERAGE RESIDENTIAL REAL ESTATE TAX BILL IMPACT

## FY 2018 Proposed Tax Rate \$1.100

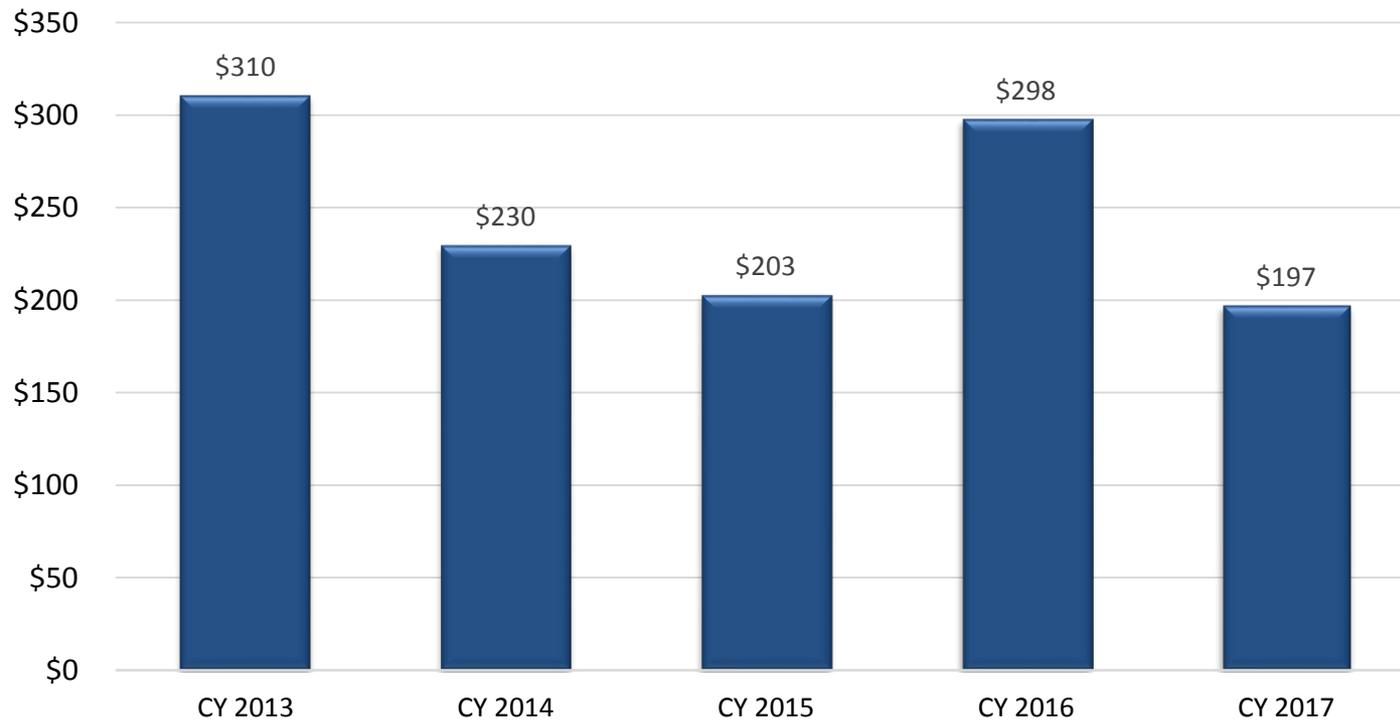
	CY2016 Avg. Tax Bill \$1.073 (A)	Assessment Increase % (B)	Tax Bill Impact w/ Assessment Increase <sup>1</sup> (C)	2.7 cent Increase (D)	CY2017 Avg. Tax Bill \$1.100 (A+C+D)	Annual Impact	Monthly Impact
<b>Real Property</b>							
<b>Average SF &amp; Condo (CY17 Avg. Value = \$528,421)</b>	\$5,615	0.97%	\$54	\$143	\$5,813	\$197	\$16
Single Family (SF) (CY17 Avg. Value = \$730,449)	\$7,740	1.26%	\$97	\$197	\$8,035	\$295	\$25
Condo (CY17 Avg. Value = \$310,990)	\$3,332	0.16%	\$5	\$84	\$3,421	\$89	\$7

<sup>1</sup>Two-thirds of residential property values were unchanged or declined for calendar year 2017.

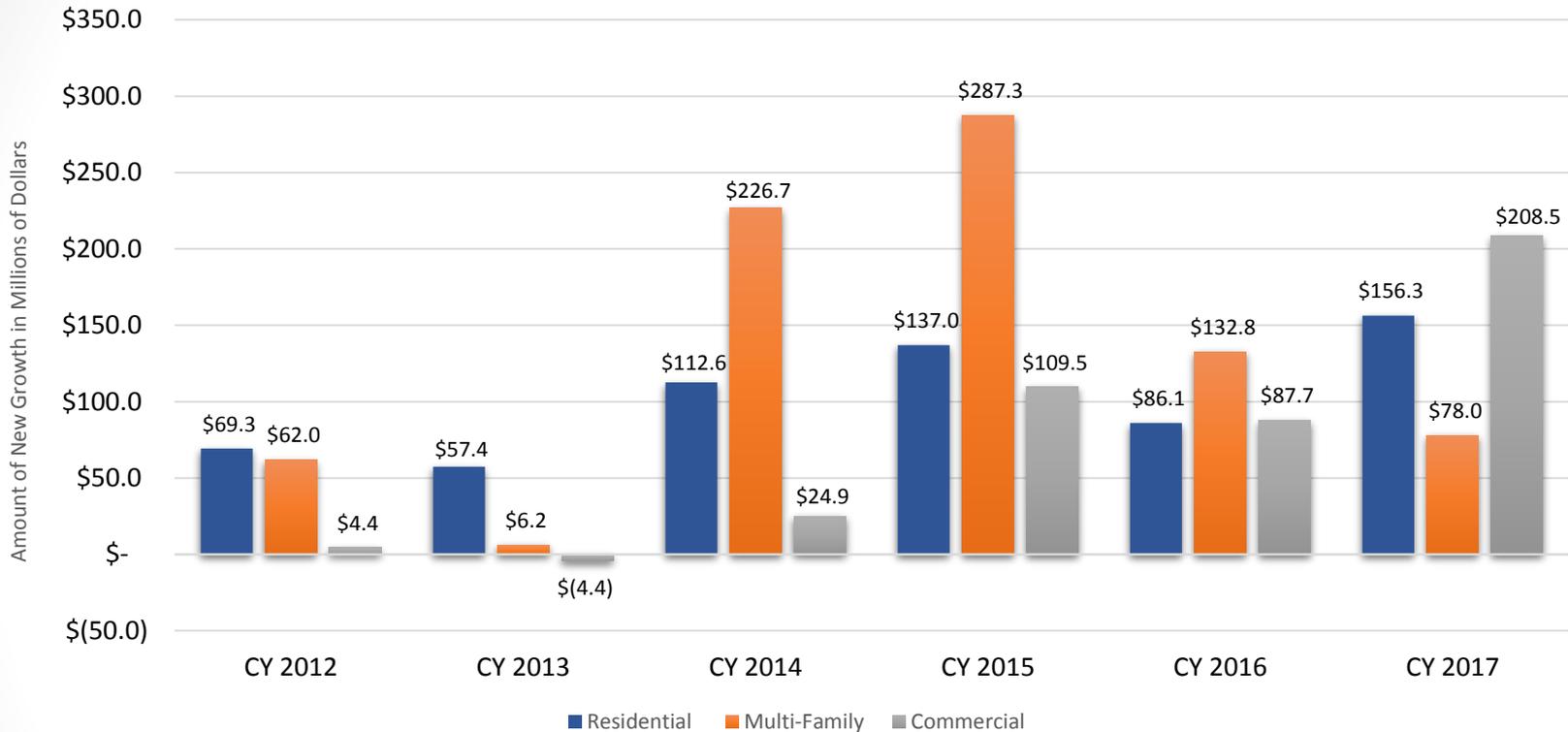


# IMPACT ON THE AVERAGE RESIDENTIAL TAX BILL

## FY 2014 – FY 2018



# VALUE ADDED BY NEW CONSTRUCTION



Overall, \$1.84 billion in new growth has been added to the tax base over the last 6 years. In tax dollars this equates to \$20.3 million annually in tax revenues or about 5.3 cents on the real estate tax rate.

# RATE CHANGES

## Refuse Fee Collection

- Residential refuse fee increased from \$363 to \$373 to achieve full cost recovery
  - Monthly Impact \$0.83
  - Annual Impact \$10.00

## Sanitary Sewer Maintenance Fee\*

- Increase from \$1.40 to \$1.82 per 1,000 gallons of water due to the acceleration of CSO improvements being considered by the General Assembly
- Rate is expected to increase by double digits annually over the next decade
  - Monthly Impact \$1.89
  - Annual Impact \$22.68 (from \$76 to \$98)

\*The City's Sanitary Sewer Maintenance fee is included on monthly sewer bills, which come from AlexRenew.



# STORM WATER UTILITY FEE

- Residential properties – fee based on type of property
- Non-Residential properties – fee based on square footage of impervious surface
- Billed with real estate tax bill, in FY 2018 the fee will be billed in May 2018 and due in June 2018

## Proposed Rates effective January 2018 (rates are rounded)

Property Type	Annual Fee	Bi-Annual Fee	Monthly Rate
Condominiums	\$39	\$20	\$3
Townhomes	\$59	\$29	\$5
Detached Homes	\$140	\$70	\$12
Large Detached Homes*	\$234	\$117	\$19
Non-Residential Properties **	\$140	\$70	\$12

\* Greater than 2,800 SF of exterior impervious footprint

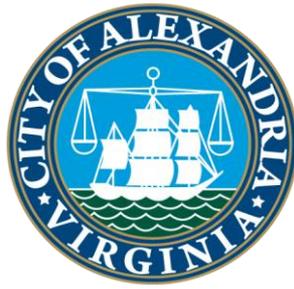
\*\* Fee per 2,062 sq. ft. of impervious surface



# IMPACT OF TAX RATES AND FEE CHANGES

	<b>Monthly Impact</b>	<b>FY 2018 Impact</b> <small>(\$54 assessment growth \$143 rate increase)</small>
Real Property Tax (avg. tax bill)	\$16	\$197
Refuse Fee	\$1	\$10
Sanitary Sewer Maintenance Fee	\$2	\$23
Storm water Utility Fee*	\$6	\$70
<b>Total Impact</b>	<b>\$25</b>	<b>\$300</b>

\*Stormwater Utility implementation scheduled for January 1, 2018. FY 2018 impact is for six months only.



# FIVE YEAR FINANCIAL PLANNING MODEL



# Five Year Financial Planning Model Changes

## Revenues

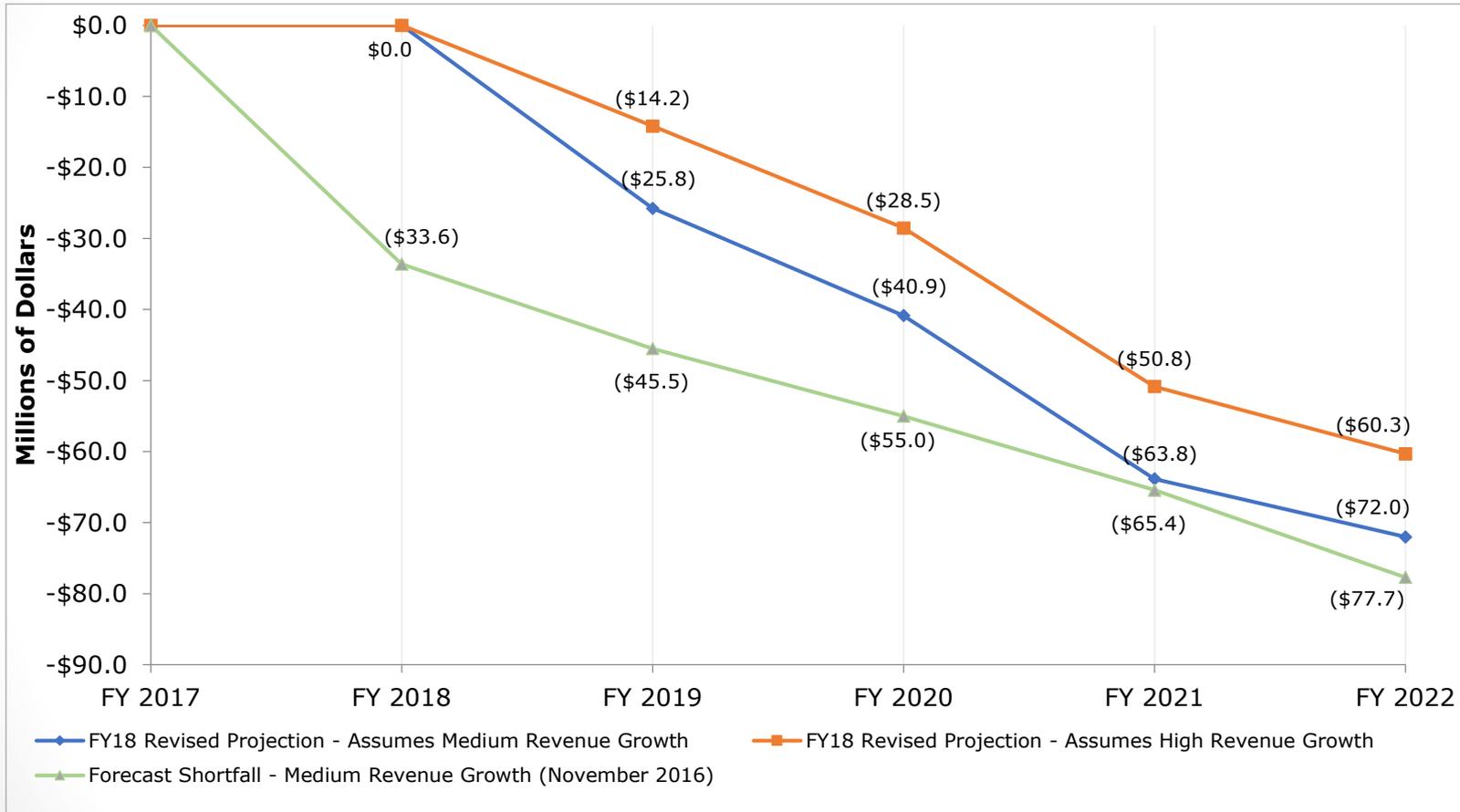
- Revised revenue assumptions based on FY 2018 proposed revenue and ongoing monitoring of the economic climate

## Expenditures

- Capital Improvement Program (CIP) cash capital and debt service funding in the operating budget have been updated to reflect the amounts included in the out-years of the FY 2017-2028 approved ten-year CIP based on the Manager's proposed FY 2017 budget.
- Departmental operating budgets have been reduced through the combination of efficiency reductions and service reductions outlined in the Manager's proposed FY 2018 proposed budget.



# Five Year Financial Planning Model Updated





# BUDGET PROCESS (BUDGET MEMO #1)

# Add/Delete & Adoption

- Fri 4/14: Suggested Deadline for Budget Questions
- Thurs 4/20: Add/Delete Items Due from Council Members
  - Items Must Have Been Subject of Work Session Discussion, Public Hearing, or Budget Question/Memo
  - Require 2 Co-sponsors
  - Must Be Balanced (Or Have Surplus)



# Add/Delete & Adoption

- Tues 4/25: Preliminary Add/Delete
- Fri 4/28: Publish Add/Delete Items for Council & Public
- Mon 5/1: Add/Delete Final Decisions
- Tues 5/2: Publish Final Decisions for Council & Public
- Thurs 5/4: Budget Adoption



# BUDGET DEVELOPMENT DATES

<b>Tuesday, February 21</b>	<b>7:00pm</b>	<b>FY 2018 Proposed Budget Presentation &amp; Budget Work Session: Revenues/Five Year Financial Planning Model/Compensation</b>
<b>Tuesday, February 28</b>	7:00pm	City Debt Policy Update (during Legislative meeting)
<b>Wednesday, March 1</b>	7:00pm	Budget Work Session: Capital Improvement Program
<b>Wednesday, March 8</b>	7:00pm	Budget Work Session: Alexandria City Public Schools
<b>Monday, March 13</b>	4:00pm	Public Hearing: FY 2018 Budget
<b>Tuesday, March 14</b>	7:00pm	Introduce the Maximum Property Tax Rates
<b>Wednesday, March 15</b>	7:00pm	Budget Work Session: Healthy & Thriving Residents
<b>Tuesday, March 21</b>	7:00pm	Budget Work Session: Livable, Green & Prospering City
<b>Wednesday, March 29</b>	7:00pm	Budget Work Session: Safe, Secure & Just Community
<b>Wednesday, April 5</b>	7:00pm	Budget Work Session: Accountable, Effective & Well-Managed Government
<b>Wednesday, April 19</b>	7:00pm	Budget Work Session: Topic TBD
<b>Saturday, April 22</b>	9:30am	Public Hearing: FY 2018 Tax Rate
<b>Tuesday, April 25</b>	6:00pm	Budget Work Session: Preliminary Add/Delete Discussion
<b>Monday, May 1</b>	7:00pm	Budget Work Session: Final Add/Delete Discussion
<b>Thursday, May 4</b>	7:00pm	Special Meeting: Budget Adoption