

Personnel & Compensation Summary

Personnel & Compensation Highlights

Compensation up 3.6% overall

Funding provided for merit-based step increase

“R” Step added to the end of pay scale

No across-the-board pay increase provided

A net increase of 3.1 full-time equivalents (FTEs)

Health insurance premiums are expected to increase by 5.0% and 7.5% in FY 2012

Adjustments to premium costs sharing ratios continued in FY 2012 saving \$0.6 million

- All Funds total compensation for City staff increases by 3.6% (total compensation for the General Fund increases by \$7.0 million or 3.9%). The main driver of this is the \$3.3 million budgeted for the merit-based step provided to employees in FY 2012 and the continued cost of the merit-based step approved in the FY 2011 budget. The budgets for retirement and healthcare also increase on a net basis.
- Employees eligible on a merit basis for a step increase will receive salary increases ranging from 2.3% – 5.0 % of salary.
- The budget also provides funding to add a step (R Step) to the pay scale to enable employees at the end of the scale to receive a pay increase if warranted by performance.
- There will be no across-the-board pay increase for City employees for the fourth straight year.
- The City workforce increases by 3.1 full-time equivalents (FTEs) on a net basis, but the approved budget includes 2.5 new special revenue funded positions so the net General Fund impact to the City’s FTE count is 0.6.
- The total number of FTEs in FY 2011 remains well below (-4.7%) peak FY 2009 levels.
- Healthcare insurance premiums are expected to increase by 5.0% for plans under United Healthcare and 7.5% for Kaiser Permanente.
- The budget continues the previously announced policy of gradually increasing the minimum employee share of health insurance premiums. Adjustments to premium cost sharing ratios will save the City \$0.6 million in FY 2012.
- For employees hired before July 1, 2010 the employee share of health insurance premium costs will increase by 3% to a minimum of 16%. New employees and those hired after July 1, 2010 will continue to pay a minimum 20% share.
- No changes to healthcare plan design changes are included in the approved budget.
- The retiree health insurance subsidy annual maximum of \$3,120 will remained unchanged in FY 2012.

Personnel & Compensation Highlights

No changes to employee retirement contribution rates

City Council has established an Ad Hoc Retirement Benefits Advisory Group

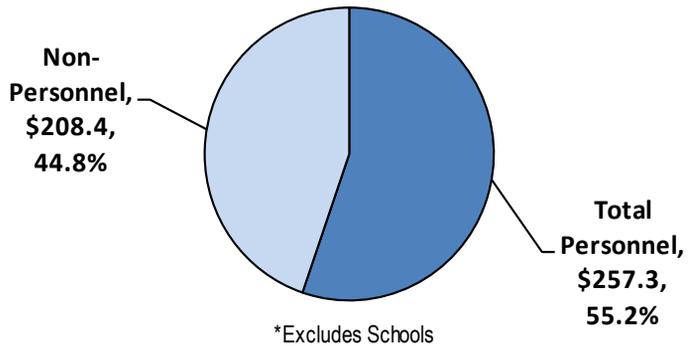
\$1.8 million budgeted for unfunded retiree healthcare and life insurance liabilities (OPEB)

- 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 already contributing 2-6% of salary towards retirement will continue to do so in FY 2012.
- Public Safety employees (sworn Fire & Police) will continue to contribute 8% of salary towards their pensions.
- In January 2011, City Council established an Ad Hoc Retirement Benefit Advisory Group comprised of employees and members of the public. This group is working to determine if there is a need for any future changes to the City's defined benefit plans. The group will also examine the current financial status of the City's pension funds, and will advise City Council of how to create a more fiscally sustainable plan for funding future benefits.
- The living wage will continue to be frozen at the FY 2009 level of \$13.13/hour.
- The budget continues to fund the multi-year plan to address unfunded liabilities for future benefits to City employees after retirement. The budget provides \$1.8 million in new funding in FY 2012 to the Other Post Employment Benefit Trust Fund (OPEB) towards the City's future OPEB obligations.

Personnel Budget

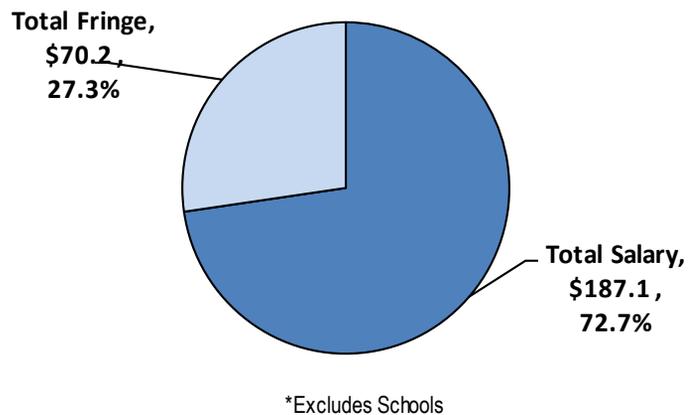
Personnel expenditures account for about 55% of the All Funds budget

FY 2012 Approved All Funds Budget*
\$465.7M



Of the \$257.3 million personnel budget, \$187.1 million, or 73%, is for salaries. And about \$70.2 million, or 27%, is for fringe benefits.

FY 2012 Approved All Funds Personnel Budget*
\$257.3M



Retirement and Healthcare are the biggest drivers of the fringe benefit costs. Retirement accounts half of the fringe benefit costs, and healthcare almost 28%.

*Includes Life Insurance; Worker's Compensation; Clothing/Care Allowance; Unemployment; Recruitment; & Long Term (LT) Disability

Personnel & Compensation Summary

Personnel Budget

Total compensation increases by \$9.0 million, or 3.6%. The budget for salaries increases by \$5.7 million (3.2%) and total fringe benefits increases by \$3.3 million (4.9%).

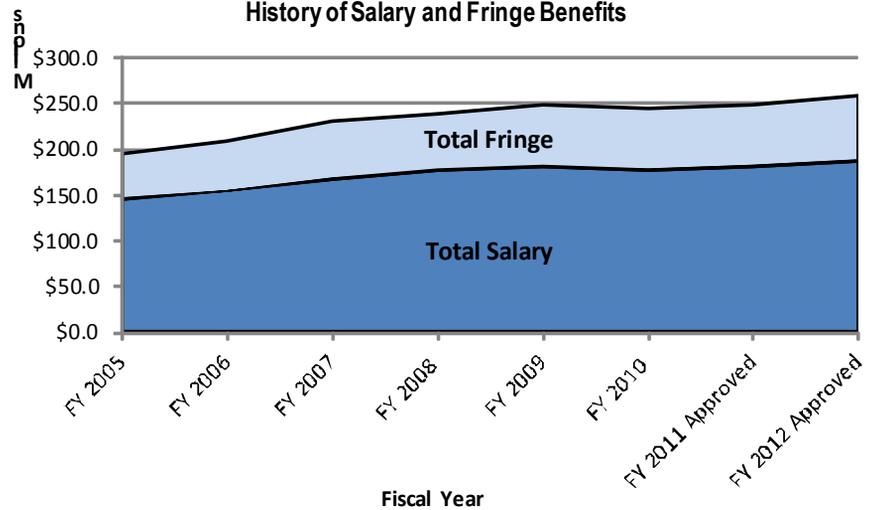
The cost for fringe benefits has been rising in conjunction with increases for salaries. Salaries rise in FY 2012 due to the cost of the merit-based step provided to employees.

All Funds Budget in millions (Excludes Schools)

Title	FY 2011 Approved	FY 2012 Approved	\$Change FY11/12	%Change FY11/12
Total Salary	\$181.3	\$187.1	\$5.7	3.2%
<u>Fringe</u>				
FICA	12.9	13.2	\$0.3	2.5%
Retirement	32.9	35.5	\$2.6	7.9%
Health	19.3	19.6	\$0.3	1.5%
Other*	1.9	1.9	\$0.1	3.3%
Total Fringe	67.0	70.2	\$3.3	4.9%
Total Personnel	\$248.3	\$257.3	\$9.0	3.6%

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

History of Salary and Fringe Benefits



Personnel Budget

\$3.3 million is budgeted for turnover savings, a decrease of \$0.7 million from the FY 2011 turnover savings amount

Turnover Savings

In FY 2010, the City budgeted \$5.9 million for vacancy factor savings and saved an additional \$1.4 million by unfunding positions. The FY 2010 Approved Budget eliminated 119 funded positions though, many of which were vacant. By eliminating funded vacant positions, City departments found it difficult in FY 2010 to meet their vacancy savings target.

In FY 2011, the City revamped the way it factored for vacancy savings. An overall turnover rate of approximately 2% was applied city-wide. A turnover rate was not applied to departments with less than 4 employees. Medium size departments, those with 4 – 180 employees, experienced a turnover rate of 2.0%. A rate of 1.2% was applied to all public safety departments because they historically experience less turnover. Finally, large departments were given a rate of 2.5%.

The FY 2012 Approved budget modifies slightly how turnover rates are applied to departments. The overall turnover rate being applied to departments is 1.8%, which is a slight decrease from the prior year. The rates being applied to departments are based less on the size of a department and more on turnover experience in FY 2010 and FY 2011

By further refining the turnover savings methodology, the City will accrue savings in a way that more accurately reflects the true savings the City experiences from vacancies. The result of this process is a calculation of turnover savings that is more strategic and fair to departments.

Personnel & Compensation Summary

City Workforce by Full-time Equivalent (FTE)

In FY 2011 the City added a net of 14.4 FTEs over the amount approved in the FY 2011 Budget. Of these mid-year additions, 14.0 FTEs are funded with Special Revenues resulting in a net General Fund impact of 0.4 FTEs.

The 12.0 new FTEs for the Fire Department represent positions funded through the federal SAFER grant. The additional FTEs will assist the Department achieve 4-person minimum staffing on engines at four fire stations.

(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.)

FTE Summary	FY 2011 Mid-Year FTE Changes					
	FY 2011 Approved	Positions Adeded	Positions Deleted	FY 2011 Amended	Change # %	
Full-time	2,324.0	15.0	0.0	2,339.0	15.0	0.6%
Part-time	166.6	0.0	(0.6)	166.0	(0.6)	-0.4%
Approved Overhire	35.0	0.0	0.0	35.0	0.0	0.0%
Total FTE	2,525.6	15.0	(0.6)	2,540.0	14.4	0.6%

FY 2011 Mid-Year FTE Changes

Additions

Fire Department	
Fire Fighter I*	12.0
Department of Community & Human Services	
Residential Counselor*	1.0
T&ES	
Potomac Yard Project Manager*	1.0
BRAC Coordinator	1.0
Total Additions	15.0

Reductions

Department of Community & Human Services	
Outreach Prevention Specialist	(0.6)
Total Reductions	(0.6)

Total FY 2011 Mid-Year FTE Changes

Net Additions/(Reductions)	14.4
Special Revenue Funded Positions	14.0
Net General Fund Impact	0.4

*Position is funded with Special Revenues

Personnel & Compensation Summary

City Workforce by Full-time Equivalent (FTE)

In the FY 2012 Approved Budget FTEs increase by 3.1, or 0.1%. Of this increase, 2.5 FTEs are funded with special revenues resulting in a net FTE impact of 0.6 in FY 2012.

Positions added to the budget include:

- 4.0 positions in the Police Department and General Services related to the new Police Facility;
- 1.0 position is added to General Services to work on fleet services activities
- 2.0 FTEs in T&ES are special revenue funded and will assist with stormwater and sanitary sewer projects;
- 1.0 General Fund FTE in T&ES to oversee high capacity transit corridor projects;
- 0.5 in Code Enforcement to restore a Records Clerk position which is also Special Revenue funded;
- 0.8 to restore various positions in Recreation that were previously unfunded

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

FTE Summary	FTE Changes from FY 2011 - FY 2012 Approved					
	FY 2011 Amended	Positions Adeded	Positions Deleted	FY 2012 Approved	Change #	Change %
Full-time	2,339.0	8.0	(5.0)	2,342.0	3.0	0.1%
Part-time	166.0	1.3	(1.2)	166.2	0.1	0.1%
Approved Overhire	35.0	0.0	0.0	35.0	0.0	0.0%
Total FTE	2,540.0	9.3	(6.2)	2,543.2	3.1	0.1%

FTE Changes FY 2011 - FY 2012 Approved

Additions

General Services

APD Facility Property Manager	1.0
APD Facility Systems Technician	1.0
Fleet Services Management Analyst	1.0

Police Department

Special Police Officer (for APD Facility security)	2.0
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T&ES

Inspector I*	1.0
Civil Engineer I*	1.0
Principal Planner	1.0

Code

Records Clerk*	0.5
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RPCA

Recreation Leaders	0.8
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Total Additions **9.3**

Reductions

Sheriff (ASAP Program)

Director	(1.0)
Caseworker	(1.0)
Caseworker	(1.0)
Secretary	(1.0)

Library

Library Associate I	(1.0)
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Department of Community & Human Services

Therapist	(0.50)
Therapist	(0.25)
Residential Counselor	(0.1)

RPCA

Equipment Maintenance Specialist	(0.3)
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Total Reductions **(6.2)**

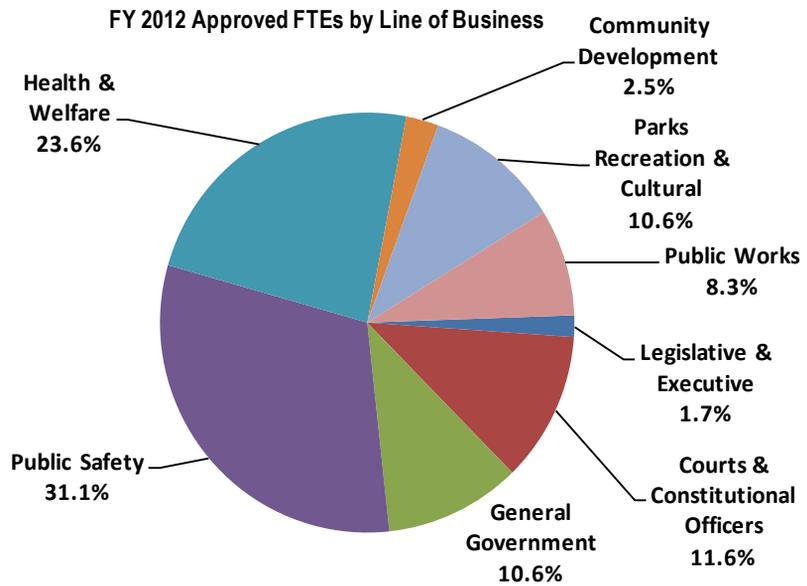
Total FTE Change FY 2011 - FY 2012

Net Additions/(Reductions)	3.1
Special Revenue Funded Postions	2.5
Net General Fund Impact	0.6

*Position is funded with Special Revenues

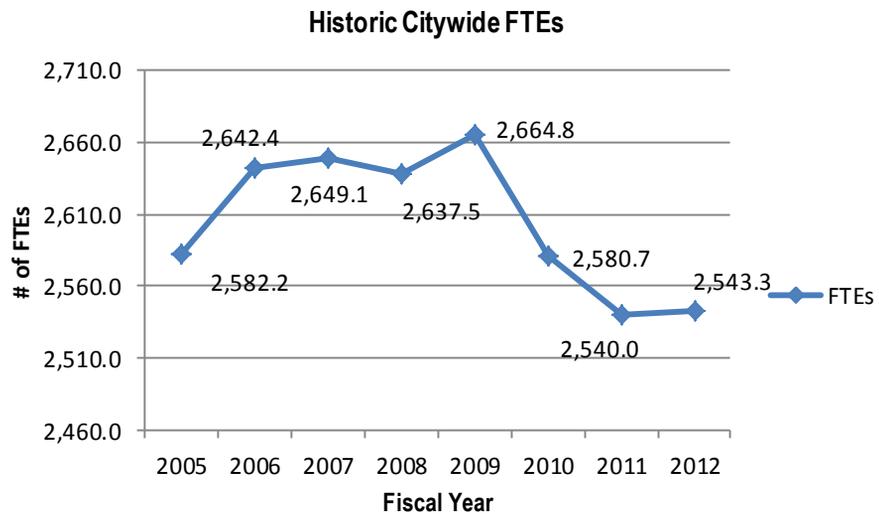
City Workforce by Line of Business

In the FY 2012 Approved Budget about 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 4.7% decrease in FTEs over the next two years (FY 2010 and FY 2011) as a result of the economic downturn.

In FY 2012 total FTEs increase by 0.1% but remain below levels experienced in prior years.



Personnel & Compensation Summary

City Workforce Totals from FY 2010 – FY 2012 Approved

In the FY 2012 Approved budget total FTEs remain below FY 2010 levels by 37.4 FTEs.

	Total FTEs		
	Amended FY 2010	Amended FY 2011	Approved FY 2012
<u>Legislative & Executive</u>			
City Council	14.0	14.0	14.0
City Manager	10.0	10.0	10.0
City Attorney	14.0	14.0	14.0
City Clk & Clk of Council	4.0	4.0	4.0
Subtotal	42.0	42.0	42.0
<u>Courts & Constitutional Officers</u>			
18th Circuit Court	13.0	13.0	13.0
Clerk of Court	23.0	22.0	22.0
Commonwealth's Attorney	29.0	27.0	27.0
Court Services Unit	10.2	9.5	9.5
Law Library	1.0	1.0	1.0
Registrar of Voters	6.6	6.6	6.6
Sheriff	218.0	219.0	215.0
Subtotal	300.8	298.1	294.1
<u>General Government</u>			
Office of Communications	14.8	13.5	13.5
Finance	91.5	90.5	90.5
General Services	66.0	67.0	70.0
Human Rights	5.5	5.5	5.5
Human Resources	22.6	21.0	21.0
ITS	43.0	42.0	42.0
Internal Audit	2.0	2.0	2.0
OMB	11.0	11.0	11.0
Real Estate	14.0	15.0	15.0
Subtotal	270.4	267.5	270.5
<u>Public Safety</u>			
Police	462.0	413.0	415.0
Fire	252.0	272.0	272.0
Code	72.6	49.0	49.5
Emergency Communications	1.0	55.0	55.0
Subtotal	787.6	789.0	791.5
<u>Health & Welfare</u>			
DCHS	593.6	582.9	582.1
Health	17.6	18.3	18.3
Subtotal	611.2	601.3	600.4
<u>Community Development</u>			
Housing	17.0	17.0	17.0
Planning & Zoning	49.5	47.5	47.5
Subtotal	66.5	64.5	64.5
<u>Parks, Recreation & Cultural</u>			
Historic Alexandria	26.8	26.0	26.0
Library	80.4	76.4	75.4
Rec Parks & Ctr'l Actv'ts	189.2	168.3	168.8
Subtotal	296.3	270.7	270.2
<u>Public Works</u>			
Transp & Envir Svc's	206.0	207.0	210.0
Subtotal	206.0	207.0	210.0
Grand Total	2,580.7	2,540.0	2,543.2

Personnel & Compensation Summary

City Workforce Changes for FY 2012 Approved

The FY 2012 Approved Budget includes an increase of 3.1 FTEs, offset by 2.5 FTEs funded with special revenues for a net General Fund impact of 0.6 FTE.

	FY 2011	FY 2012 Approved Positions				Change in FTE's	
	Amended FTE's	Full- Time	Part- Time	Over- Hire	Total (FTE)	FY 11 to FY 12 #	%
<u>Legislative & Executive</u>							
City Council	14.0	1.0	13.0	-	14.0	-	-
City Manager	10.0	10.0	-	-	10.0	-	-
City Attorney	14.0	14.0	-	-	14.0	-	-
City Clk & Clk of Council	4.0	4.0	-	-	4.0	-	-
Subtotal	42.0	29	13.0	-	42.0	-	-
<u>Courts & Constitutional Officers</u>							
18th Circuit Court	13.0	13	-	-	13.0	-	-
Clerk of Court	22.0	22	-	-	22.0	-	-
Commonwealth's Attorney	27.0	26	1	-	27.0	-	-
Court Services Unit	9.5	9	1	-	9.5	-	-
Law Library	1.0	1	-	-	1.0	-	-
Registrar of Voters	6.6	6	1	-	6.6	-	-
Sheriff	219.0	215	-	-	215.0	(4.0)	(1.8%)
Subtotal	298.1	292	2.1	-	294.1	(4.0)	(1.3%)
<u>General Government</u>							
Office of Communications	13.5	13	1	-	13.5	-	-
Finance	90.5	86	5	-	90.5	-	0.0%
General Services	67.0	70	-	-	70.0	3.0	4.5%
Human Rights	5.5	5	1	-	5.5	-	-
Human Resources	21.0	21	-	-	21.0	-	-
ITS	42.0	42	-	-	42.0	-	-
Internal Audit	2.0	2	-	-	2.0	-	-
OMB	11.0	11	-	-	11.0	-	-
Real Estate	15.0	15	-	-	15.0	-	-
Subtotal	267.5	265.0	5.5	-	270.5	3.0	1.1%
<u>Public Safety</u>							
Police	413.0	407	2	6	415.0	2.0	0.5%
Fire	272.0	272	-	-	272.0	-	-
Code	49.0	31	1	18	49.5	0.5	1.0%
Emergency Communications	55.0	55	-	-	55.0	-	100.0%
Subtotal	789.0	765.0	2.5	24.0	791.5	2.5	0.3%
<u>Health & Welfare</u>							
DCHS	582.9	519	63	-	582.1	(0.9)	(0.1%)
Health	18.3	11	7	-	18.3	-	-
Subtotal	601.3	530.0	70.4	-	600.4	(0.9)	(0.1%)
<u>Community Development</u>							
Housing	17.0	17	-	-	17.0	-	-
Planning & Zoning	47.5	40	1	7	47.5	-	-
Subtotal	64.5	57.0	0.5	7.0	64.5	-	-
<u>Parks, Recreation & Cultural</u>							
Historic Alexandria	26.0	16	10	-	26.0	-	0.0%
Library	76.4	54	21	-	75.4	(1.0)	(1.3%)
Rec Parks & Ctr'l Actv'ts	168.3	128	41	-	168.8	0.5	0.3%
Subtotal	270.7	198.0	72.2	-	270.2	(0.5)	(0.2%)
<u>Public Works</u>							
Transp & Envir Svc's	207.0	206	-	4	210.0	3.0	1.4%
Subtotal	207.0	206.0	-	4.0	210.0	3.0	1.5%
Grand Total	2,540.0	2,342	161	35	2,543.2	3.1	0.1%

Personnel & Compensation Summary

City Workforce Vacancies

As of May 2011 there are 180 funded full and part-time positions vacant city-wide

180 vacancies equates to a city-wide vacancy rate of approximately 7.1%

Of the 180 vacant positions, 127 have been approved for hiring by the City Manager and are in the process of being filled. Departments have not requested to fill the remaining 53 vacant positions at this time.

FY 2011 City-wide Vacant Positions (as of May 2011)

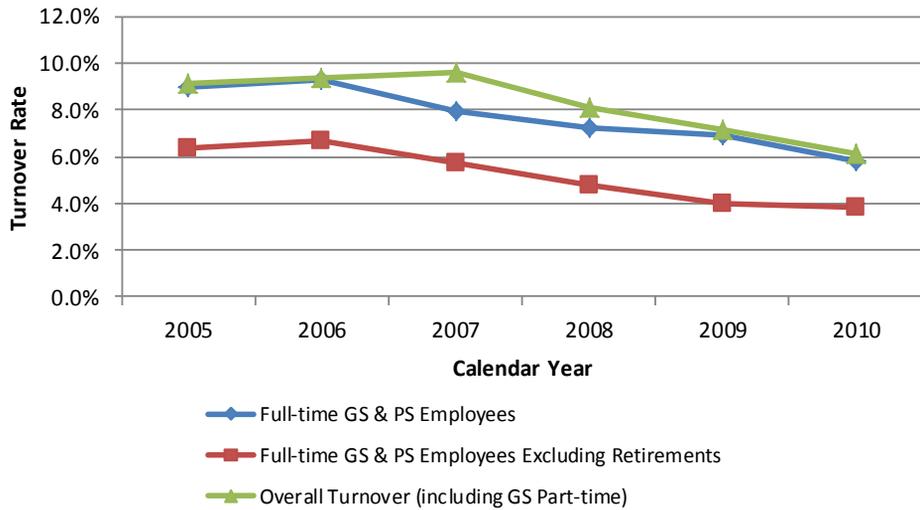
	Approved FTEs	Total Vacancies	% of Approved FTEs Vacant
<u>Legislative & Executive</u>			
City Council	14.0	0	-
City Manager	10.0	1	10.0%
City Attorney	14.0	0	-
City Clerk & Clerk of Council	4.0	0	-
Total Legislative & Executive	42.0	1	2.4%
<u>Courts & Constitutional Officers</u>			
18th Circuit Court	13.0	0	-
Clerk of Court	22.0	0	-
Commonwealth Attorney	27.0	3	11.1%
Court Services Unit	9.5	0	-
Law Library	1.0	0	-
Registrar of Voters	6.6	0	-
Sheriff	219.0	4	1.8%
Total Courts & Const. Ofcrs.	298.1	7	2.3%
<u>General Government</u>			
Communications & Public Information	13.5	0	-
Finance	90.5	10	11.0%
General Services	67.0	7	10.4%
Human Resources	21.0	0	-
Human Rights	5.5	0	-
Information Technology Services	42.0	2	4.8%
Internal Audit	2.0	0	-
Office of Management & Budget	11.0	2	18.2%
Real Estate	15.0	1	6.7%
Total General Government	267.5	22	8.2%
<u>Public Safety</u>			
Fire	272.0	15	5.5%
Office of Building & Fire Code Admin.	49.0	1	2.0%
Emergency Communications	55.0	14	25.5%
Police	413.0	8	1.9%
Total Public Safety	789.0	38	4.8%
<u>Health & Welfare</u>			
Community & Human Services	582.9	57	9.8%
Health Department	18.3	0	-
Total Health & Welfare	601.3	57	9.5%
<u>Community Development</u>			
Housing	17.0	2	11.8%
Planning & Zoning	47.5	0	-
Total Community Development	64.5	2	3.1%
<u>Parks, Recreation & Culture</u>			
Historic Alexandria	26.0	2	7.7%
Library	76.4	19	24.9%
Recreation, Parks & Cultural Activities	168.3	18	10.7%
Total Recreation & Culture	270.7	39	14.4%
<u>Public Works</u>			
Transportation & Environ Svc's	207.0	14	6.8%
Total Public Works	207.0	14	6.8%
Grand Total	2,540.0	180	7.1%

City Workforce Turnover and Retirements

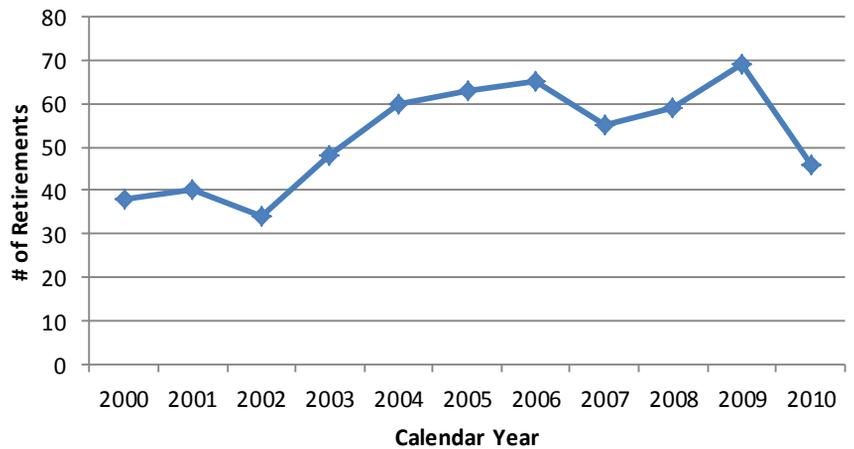
Overall turnover rates have declined since CY 2007. In CY 2010 overall turnover was 6.2%, a decline of 1.0% from CY 2009.

A total of 46 employees retired from city service in CY 2010, a decline of 33% from the prior year. The decrease in retirements reverse the prior two-year trend of increases.

Historic Citywide Full-Time Employee Turnover



Employee Retirements CY 2000 - 2010



Compensation & Classification Study: Overview

The City's objective of the Classification & Compensation Study was to "create systems that are aligned with the market, allow flexibility for job leveling and meet workforce needs, and are transparent to employees."

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. Watson Wyatt focused on the following areas:

- Position Classification and Compensation Review
- Compensation Philosophy Review
- Benchmarking City Benefits
- Pay for Performance
- Benchmarking City salaries for General Salary and Public Safety positions

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

Actions carried out to date include:

- The City's compensation philosophy has been updated
- A new competency based "whole job" classification system has been implemented.
- A new performance management system is being utilized for certain employee groups
- At the City's request Towers Watson evaluated the City's pay scales to determine market comparability and has recommended options for the City to align its pay scales with market data in order to provide employees with a fair, regionally competitive salaries.

Implementation of the Competency Based Classification System

Towers Watson found that the City's classification system was outdated and beyond its useful life. The study recommended the implementation of a Competency Based Classification System which is based on a model, focused on identifying all of the elements of a job. This is called a "whole job" classification system. They system slots all City jobs into seven Job Families and six levels. Every job has six core competencies which are measurable patterns of behaviors, knowledge and skills which contribute to the City's organizational performance. The City implemented the new classification system in FY 2011 at an annual cost of \$400,000.

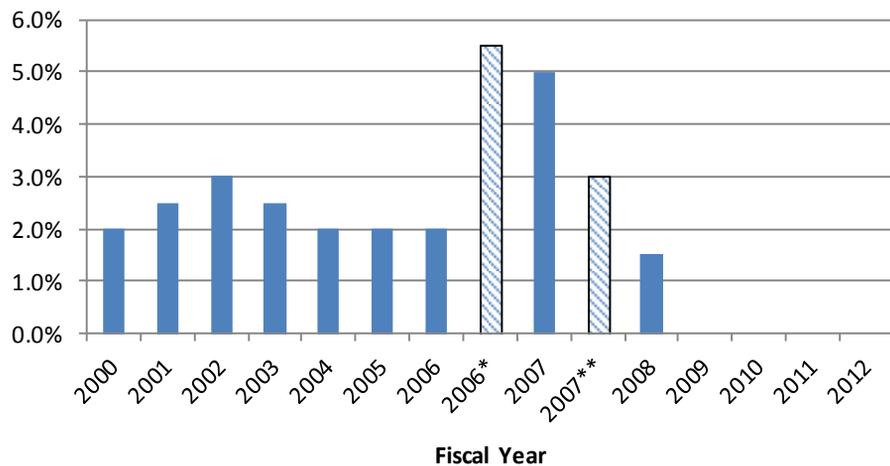
The chart to the right shows the recent history of across-the-board salary adjustments given to City employees since 2000.

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

The FY 2012 Approved budget does include funding for a merit-based step increase for qualified employees.

Employees eligible on a merit basis will receive salary increases ranging from 2.3% - 5.0%.

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% (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

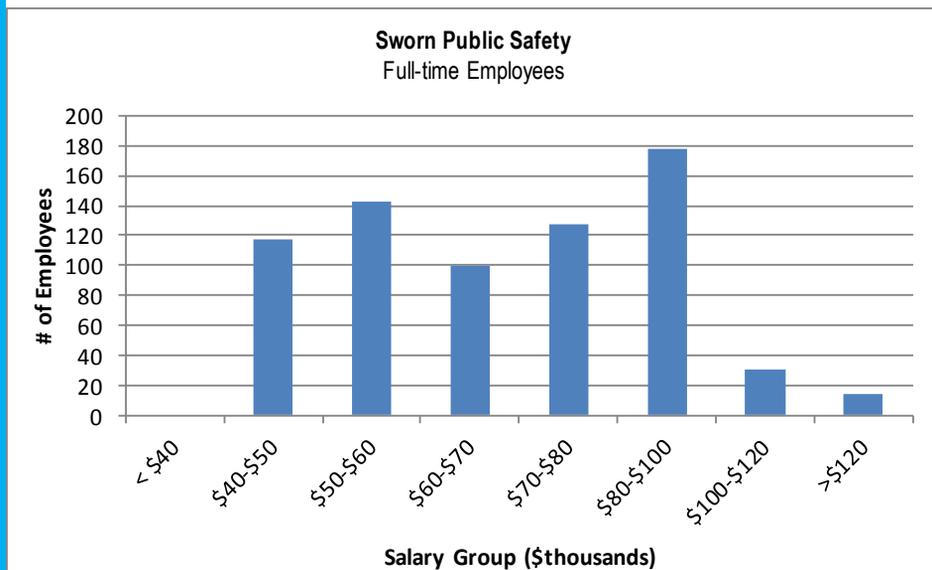
The table to the right shows the average salary (as of January 1, 2011) of City employees.

	Average Salary as of 1/1/2010
General Schedule (FT)	\$63,633
Public Safety (FT)	\$70,219
General Schedule (PT)	\$21,723

About 52% of full-time General Schedule employees earn less than the average salary of all General Schedule employees (\$63,633). About 7.7% 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 (\$70,219). About 6.3% earn more than \$100,000.



Employee Compensation – Retirement

FICA payments by the City increase by \$0.3 million (2.5%) in FY 2012 due to funding for the merit-based step.

Retirement costs for the City are budgeted at \$35.5 million in the FY 2012 Approved Budget, a \$2.6 million (7.9%) increase from the prior year.

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

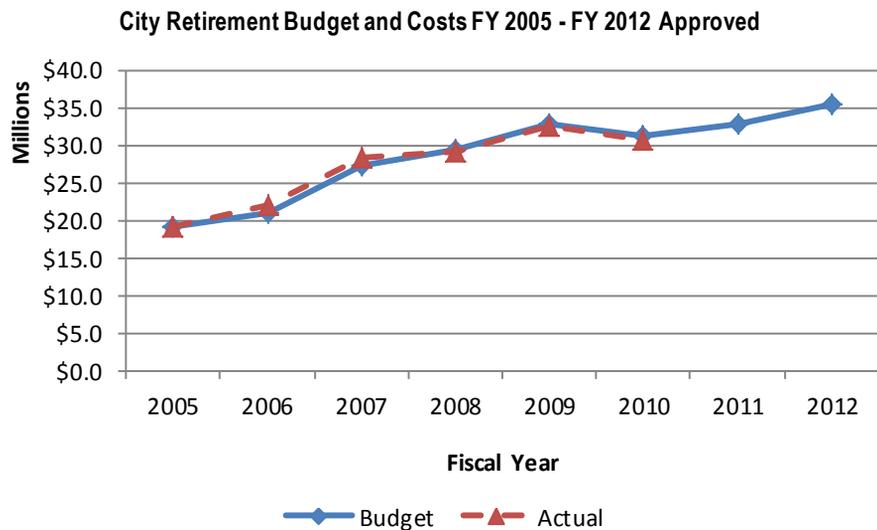
Ad Hoc Retirement Benefit Advisory Group formed to study the City's retirement benefits

Federal Insurance Contributions Act (FICA)

This represents the City share of Social Security and Medicare tax. The \$13.2 million budgeted in FY 2012 is equivalent to the share that employees also pay. The CY 2011 maximum earnings cap remains at the CY 2010 level of \$106,800, so earnings above this amount will not be taxed for Social Security, but are still subject to Medicare.

Retirement

The FY 2012 retirement budget represents the contribution that the City pays towards employee retirement plans. The chart below shows actual retirement costs from FY 2005 – 2010 and the budgeted costs for retirement from FY 2005 – 2012 Approved. The chart on the following page details the planned contribution rates the City and employees pay.



Ad Hoc Retirement Benefits Advisory Group:

In January 2011, City Council created an Ad Retirement Benefit Advisory Group comprised of City staff and members of the public to study the need for any future changes to the current defined benefit pension plans and to examine the current financial status of the City's pension funds. The Group will also advise the City Manager and City Council on any options that should be considered to: protect benefits already accrued by retirees and employees, ensure the City's benefits remain competitive in the regional labor market, provide employees with the opportunity to have a secure retirement, study the advantages/disadvantages of defined benefit v. defined contribution plans, and create a fiscally sustainable plan for future benefits. The group is to provide a final report to the City Manager and City Council in November 2011.

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 2011 and FY 2012 Approved retirement contribution rates.

The FY 2012 Approved 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 2011			FY 2012 Approved		
	City Share	Employee Share	Total Retirement Contributions	City Share	Employee Share	Total Retirement Contributions
Full-Time General Government Hired Pre-FY 2010						
VRS	12.78%	0.00%	12.78%	12.78%	0.00%	12.78%
<u>City Supplemental¹</u>	<u>6.47%</u>	<u>0.00%</u>	<u>6.47%</u>	<u>7.26%</u>	<u>0.00%</u>	<u>7.26%</u>
Total	19.25%	0.00%	19.25%	20.04%	0.00%	20.04%
Full-Time General Government Hired FY 2010						
VRS	12.78%	0.00%	12.78%	12.78%	0.00%	12.78%
<u>City Supplemental²</u>	<u>4.47%</u>	<u>2.00%</u>	<u>6.47%</u>	<u>5.26%</u>	<u>2.00%</u>	<u>7.26%</u>
Total	17.25%	2.00%	19.25%	18.04%	2.00%	20.04%
Full-Time General Government Hired FY 2011						
VRS ³	8.78%	4.00%	12.78%	8.78%	4.00%	12.78%
<u>City Supplemental</u>	<u>4.47%</u>	<u>2.00%</u>	<u>6.47%</u>	<u>5.26%</u>	<u>2.00%</u>	<u>7.26%</u>
Total	13.25%	6.00%	19.25%	14.04%	6.00%	20.04%
Part-Time General Government Hired Pre FY 2010						
VRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>City Supplemental</u>	<u>6.47%</u>	<u>0.00%</u>	<u>6.47%</u>	<u>7.26%</u>	<u>0.00%</u>	<u>7.26%</u>
Total	6.47%	0.00%	6.47%	7.26%	0.00%	7.26%
Part-Time General Government Hired Post FY 2010						
VRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>City Supplemental</u>	<u>4.47%</u>	<u>2.00%</u>	<u>6.47%</u>	<u>5.26%</u>	<u>2.00%</u>	<u>7.26%</u>
Total	4.47%	2.00%	6.47%	5.26%	2.00%	7.26%
Deputy Sheriff's/ERTs/Fire Marshals Hired Pre FY 2011						
VRS	12.78%	0.00%	12.78%	12.78%	0.00%	12.78%
<u>Supplemental</u>	<u>9.82%</u>	<u>0.00%</u>	<u>9.82%</u>	<u>10.89%</u>	<u>0.00%</u>	<u>10.89%</u>
Total	22.60%	0.00%	22.60%	23.67%	0.00%	23.67%
Deputy Sheriff's/ERTs/Fire Marshals Hired FY 2011						
VRS	8.78%	4.00%	12.78%	8.78%	4.00%	12.78%
<u>Supplemental</u>	<u>9.82%</u>	<u>0.00%</u>	<u>9.82%</u>	<u>10.89%</u>	<u>0.00%</u>	<u>10.89%</u>
Total	18.60%	4.00%	22.60%	19.67%	4.00%	23.67%
Public Safety (Fire/Police)						
Pension ⁴	21.93%	7.20%	29.13%	24.28%	7.20%	31.48%
<u>Disability</u>	<u>3.65%</u>	<u>0.80%</u>	<u>4.45%</u>	<u>4.35%</u>	<u>0.80%</u>	<u>5.15%</u>
Total	25.58%	8.00%	33.58%	28.63%	8.00%	36.63%

¹In 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.

²As 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.

³In 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 8.78% of salary. Contributions by new employees are expected to result in a savings to the City of approximately \$120,000-\$140,000 in FY 2011. Savings will increase in future years as additional new employees are hired.

⁴Beginning 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 \$0.3 million, or 1.5% in FY 2012.

The FY 2012 Approved Budget continues the previously announced policy of gradually increasing the minimum employee share of health insurance premiums to 20% by FY 2013.

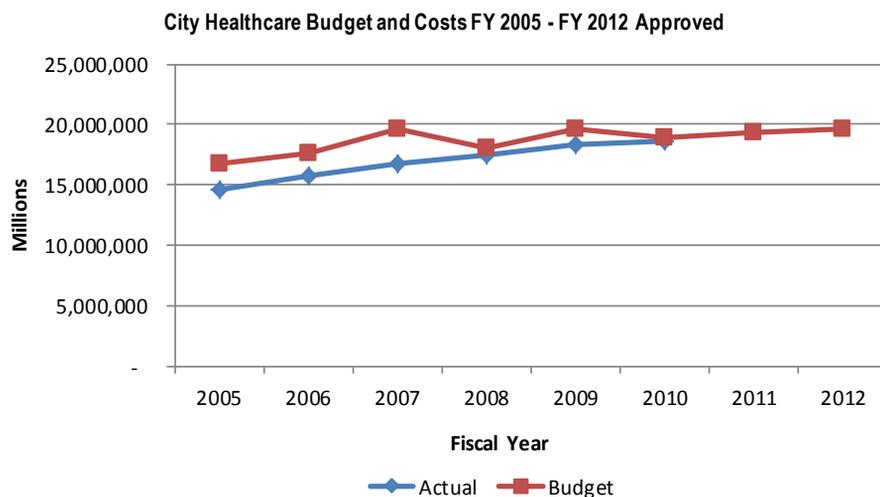
In FY 2012, City employees hired before July 1, 2010 will contribute a minimum of 16% of the cost of healthcare premiums, an increase of 3% from the prior year.

The 3% cost shift results in a savings of approximately \$0.6 million in FY 2012.

New employees and those hired after July 1, 2010 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 2010, and the budgeted amount for healthcare from FY 2005 – FY 2012 Approved.



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 recommends continuing the gradual increase in employees' share of premium costs for those not already paying 20%. This results in an increase of 3%, for a minimum employee share of 16%, for employees hired before July 1, 2010.

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 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 FY 2012 monthly healthcare premium rates paid by the City and full-time employees. The shaded areas represent monthly premium rates for employees hired after July 1, 2010 who already pay a minimum 20% share of premium costs.

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 16% + POS	EMPLOYEE SHARE
Kaiser Permanente Individual										
Employee Hired Pre-FY 2011										
Monthly	\$474	\$398	84.0%	\$76	16.0%	\$619	\$398	64.3%	\$221	35.7%
Bi-Weekly				\$38					\$110	
Employee Hired Post-FY 2011										
Monthly	\$474	\$379	80.0%	\$95	20.0%	\$619	\$379	61.3%	\$240	38.7%
Bi-Weekly				\$47					\$120	
Family										
Employee Hired Pre-FY 2011										
Monthly	\$1,119	\$940	84.0%	\$179	16.0%	\$1,448	\$940	64.9%	\$509	35.1%
Bi-Weekly				\$89					\$254	
Employee Hired Post-FY 2011										
Monthly	\$1,119	\$895	80.0%	\$224	20.0%	\$1,448	\$895	61.8%	\$553	38.2%
Bi-Weekly				\$112					\$277	
United Health Care Individual										
Employee Hired Pre-FY 2011										
Monthly	\$532	\$447	84.0%	\$85	16.0%	\$636	\$447	70.3%	\$189	29.7%
Bi-Weekly				\$43					\$94	
Employee Hired Post-FY 2011										
Monthly	\$532	\$426	80.0%	\$106	20.0%	\$636	\$426	67.0%	\$210	33.0%
Bi-Weekly				\$53					\$105	
Family										
Employee Hired Pre-FY 2011										
Monthly	\$1,256	\$1,055	84.0%	\$201	16.0%	\$1,487	\$1,055	70.9%	\$432	29.1%
Bi-Weekly				\$100					\$216	
Employee Hired Post-FY 2011										
Monthly	\$1,256	\$1,005	80.0%	\$251	20.0%	\$1,487	\$1,005	67.6%	\$482	32.4%
Bi-Weekly				\$126					\$241	

Personnel & Compensation Summary

Employee Compensation – Health

Part-time Employee Healthcare Costs

The chart below shows the FY 2012 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.

CITY PLANS	HMO (In Plan Coverage Only)					POS Coverage (In Plan or out of Plan Coverage)				
	TOTAL COST	CITY COST	CITY SHARE	EMPLOYEE COST 50%	EMPLOYEE SHARE	TOTAL COST	CITY COST	CITY SHARE	EMPLOYEE COST 50% + POS	EMPLOYEE SHARE
Kaiser Permanente										
Individual										
Monthly	\$474	\$237	50.0%	\$237	50.0%	\$619	\$237	38.3%	\$382	61.7%
Bi-Weekly				\$119					\$191	
Family										
Monthly	\$1,119	\$559	50.0%	\$559	50.0%	\$1,448	\$559	38.6%	\$889	61.4%
Bi-Weekly				\$280					\$444	
United Health Care										
	Choice (In Plan Coverage Only)					Choice Plus Coverage (In Plan or out of Plan Coverage)				
Individual										
Monthly	\$532	\$266	50.0%	\$266	50.0%	\$636	\$266	41.9%	\$370	58.1%
Bi-Weekly				\$133					\$185	
Family										
Monthly	\$1,256	\$628	50.0%	\$628	50.0%	\$1,487	\$628	42.2%	\$859	57.8%
Bi-Weekly				\$314					\$430	

Personnel & Compensation Summary

Employee Compensation – Security

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

The FY 2012 Approved Budget provides \$1.8 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

	Estimated Unfunded Liability	Annual Required Contribution (ARC)
City ^{1,2,3}	\$82.5	\$10.3
Schools ⁴	\$13.4	\$1.7

¹ As of December 31, 2009.

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 2010 Comprehensive Annual Financial Report (CAFR)

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	\$ 2.9
Reimbursement	\$ 2.8	\$ 2.9	\$ 3.1	\$ 3.2	\$ 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
Total Cash Flow	\$ 5.3	\$ 6.1	\$ 6.6	\$ 7.2	\$ 7.6	\$ 7.6	\$ 7.6	\$ 7.6	\$ 7.8
Current General Fund	\$ 2.5	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.4	\$ 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
Required Contributions	\$ 10.3								
Investible Funds	\$ 5.3	\$ 3.3	\$ 3.0	\$ 2.7	\$ 2.6	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.5
Ending Fund Balance	\$ 11.3	\$ 15.5	\$ 19.6	\$ 23.8	\$ 28.2	\$ 33.0	\$ 38.2	\$ 43.7	\$ 49.5
% of Annual Required Contribution Funded	103%	91%	93%	96%	99%	100%	100%	100%	100%
% of Annual Required Contribution Funded by Current General Fund Sources	76%	76%	82%	89%	97%	100%	100%	100%	100%

Personnel & Compensation Summary

Employee Compensation – Security

Group Life Insurance Benefit & Long Term Disability Coverage

Regular full and part-time employees are provided basic group term life insurance at 1 to 2 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 \$0.073 percent of Insured Earnings. City Pays Remaining Cost

*Rates are effective as of 12/1/2010

Employee Compensation – Paid Time Off

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

Personnel & Compensation Summary

Creative Forms of Compensation

The City Manager continues to seek 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 2012.

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 2012. 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.

Telecommuting program to continue in FY 2012

The City's telecommuting policy will continue unchanged in FY 2012. The policy permits interested employees to establish a telecommuting agreement with their supervisor and department head.

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.

FY 2011 Tuition Assistance Program Enrollment
of Employees By Degree Type

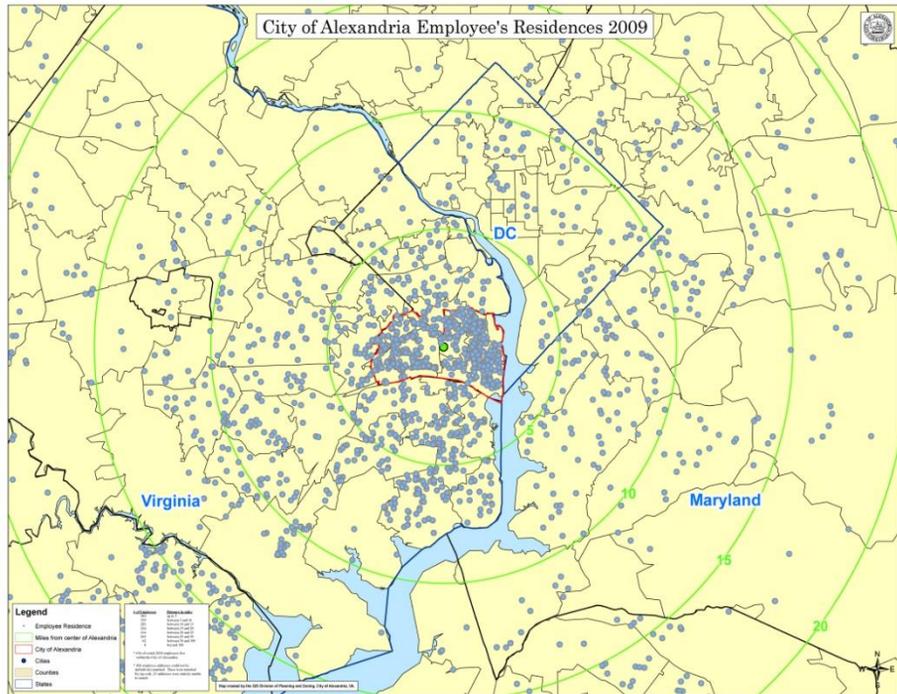
Degree Type	Fall	Spring	Total
Certificate	15	14	29
Associate	12	17	29
Bachelor	21	11	32
Masters	31	14	45
Doctorate	2	3	5
Total	81	59	140

Wellness Program

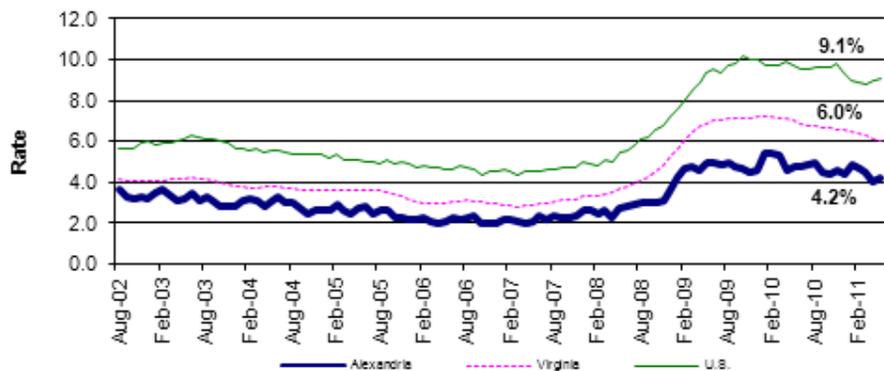
The goal of the City's Wellness Program is to provide wellness opportunities to employees in an effort to enhance their overall health and well being and to promote a long term health promotion strategy to reduce health care costs. The Wellness Program is administered by the Human Resources Department (HRD). Based upon the aggregate biometric scan results collected in FY 2011, HRD is partnering with INOVA Healthworks to customize FY 2012 activities specific to the City of Alexandria workforce.

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, Alexandria through May 2011

Personnel & Compensation Summary

Use of Volunteers

Volunteers provide vital programmatic and operational support to City departments

In FY 2010, 6,538 volunteers contributed 103,997 hours of service to the City

The value of volunteers' service to the City in FY 2010 is estimated at \$2.3 million

Department	Number of Volunteers	Number of Hours Donated	Hourly Rate	Value of Volunteer Time	Cost of Staff Supervision	Cost of Additional Supplies, Material & Other Expenses Related to Volunteer Assignments
Community & Human Services	510	20,426	\$20.93	\$427,516	\$725	\$2,547
Fire	14	3,889	\$22.67	\$88,164	\$0	\$104,730
Health	197	1,110	\$21.95	\$24,365	\$0	\$0
Historic Alexandria	316	20,326	\$21.45	\$435,993	\$0	\$0
Library ¹	NA	7,315	\$20.93	\$153,103	\$0	\$0
Police	35	6,437	\$20.93	\$134,726	\$0	\$1,000
Recreation, Parks & Cultural Activities	5,210	41,858	\$20.85	\$872,739	\$0	\$0
Sheriff ²	256	2,616	\$20.93	\$54,753	\$0	\$0
				\$70,994		
Total	6,538	103,977		\$2,262,353	\$725	\$108,277

¹Library staff only tracks the number of hours provided by volunteers and not the number of volunteers providing services

²This figure represents the value of services provided by the Modified Release Program participants detailed by the Sheriff Department to assist PRCA and T&ES with beautification projects and weather related emergency projects.

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