

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 22, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #98 : COST OF LIVING AND MERIT ADJUSTMENTS FOR GRANT FUNDED POSITIONS

This memorandum responds to the Mayor's request for information on cost of living adjustments (COLA) and merit increases for grant funded positions.

City Cost of Living Adjustments: Each year staff estimates the cost of a one percent COLA based on the overall salaries and benefits of all existing positions, whether City-funded or grant-funded. Once the budget is approved by City Council in May, the amount budgeted for the 2.0 percent COLA (\$3.6 million for City employees) will be distributed proportionately to all City Departments based on their share of the overall personnel budget. Grant funded positions or positions where State and federal funds are used to finance some of a position salary (such as the Commonwealth Attorney's Office) make up approximately 20 percent of the City's overall personnel budget and the 2 percent COLA therefore costs approximately \$0.72 million for those positions.

City Merit Increases: The budget process begins with the development of the Personnel Services Schedule (PSS). OMB staff works with each Department to identify all authorized positions and to ensure that they are budgeted at the appropriate grade and step and include all eligible benefits. This process is done for every position in the City, regardless of the funding source. If staff knows during this process (August - September) that grant funding is being reduced or eliminated, the position is deleted from the PSS. For all other positions, provided the incumbent is not at the top of the pay scale, staff assumes that the employee will advance to the next step on the scale during the fiscal year and budgets the salary accordingly. As a result of this process, the FY 2006 budget includes \$3.4 million to fund merit increases for all eligible employees (including grant funded positions). Of this amount, \$0.68 million is estimated to fund merit increases for grant-funded positions. If merits are not granted or an is employee at the upper end of the pay scale levels and is replaced by a lower paid employee, that potential salary (and benefit) savings are captured in the budgeting process through a negative line item called "vacancy savings" that includes this "salary lapse."

School COLA and Step Increases: The School system also treats grant funded positions in the same manner, funding the same cost of living and merit adjustments for all eligible employees, regardless of whether the position is paid out of the operating budget, the school lunch fund or from grants and special projects. Only 7 percent of school employees are funded outside of the operating

budget. The FY 2006 budget includes \$2.5 million to fund a 2.0 percent COLA for all ACPS employees and \$3.4 million to fund step increases for eligible employees. So, of the total \$5.9 million for COLA and step increases for ACPS employees, \$0.413 million would be for the employees funded by the School lunch fund, grants or special projects.