

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 20, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: BUDGET MEMO #50: EMPLOYEE COMPENSATION FOLLOW-UP INFORMATION

This memorandum is in response to Council's request for additional information and recommendations on compensation information presented at the March 28, 2012 budget work session. Information specifically requested by Council includes:

- Update on the Virginia Retirement System (VRS) employee cost sharing phase-in option;
- Cost of a Market Rate Adjustment (MRA) or Cost of Living Adjustment (COLA);
- Cost of positions reclassified over the past five years;
- Distribution of merit pay increases;
- More detailed employee pay comparisons to other jurisdictions; and
- The number of dental plan participants.

Virginia Retirement System (VRS) Update and Recommendation

Legislation amended this week mandates that localities implement a 5% employee VRS contribution and a 5% salary increase for VRS participants. Localities have the option of implementing the full 5% employee contribution and salary increase in FY 2013 or phasing it in at 1% per year over five years. Staff recommends implementing the 1% phase-in at a cost of \$579,400. The cost of the full 5% option would be \$2.8 million. The specifics of the legislation and its impact on the City are as follows:

- The salary adjustment increases social security and other benefits paid by the City. As a result, the City's cost to provide the salary and benefit increase exceeds the amount saved by the employee contribution. The City's cost to implement the State mandated salary and employee contribution is \$404,000.
- The employee contribution is calculated based on the employee's increased salary. As a result, each employee's contribution exceeds his or her 1% salary increase. For example, an employee earning \$50,000 would receive a \$500 salary increase but would be required to contribute \$505 to VRS (1% of \$50,500). Staff recommends increasing salaries by an additional \$87,000 to compensate for this net loss. This is not mandated by the State.

- As a result of the salary increase for City employees, the salary supplement for State employees of the Health Department, Court Service Unit, Adult Probation and Parole, and the Public Defender also should be adjusted at a cost of \$88,400. This is not mandated by the State but is consistent with the City's policy for compensating those agencies' State employees at a level equivalent with City employees.
- The legislation allows localities to count previously proposed salary increases toward the 1% requirement. Therefore, the merit pay increase included in the FY 2013 proposed budget could satisfy the City's 1% for all who receive it, and a 1% increase would be required only for employees who do not receive a merit increase. Staff does not recommend this option due to the impact of the employee contribution on employees' overall compensation.
- The State budget includes a provision that also allows localities to fund VRS at the full VRS Board-certified retirement rate or as little as 70% of the certified rate. Staff does not recommend funding at a rate lower than the rate recommended by VRS actuaries.
- Schools systems are included in the 5% employee contribution and salary increase requirement and also have the option to phase-in at 1% per year. The Alexandria City Public Schools (ACPS) cost for 1% is \$550,000 and 5% is \$2.5 million. In the FY 2011 budget, the ACPS established a VRS fund balance assignment for future VRS payments, the balance of which is \$3.9 million. City staff recommends funding the ACPS mandate from this fund balance reserve.
- The ACPS also has the option of funding VRS for non-professional staff at the full State certified retirement rate or as little as 70% of that rate. Funding at the full amount requires a resolution of concurrence by City Council. Funding at the 70% amount requires no Council action. This provides more fiscally stressed jurisdictions control over the amount of contribution to which their school systems commit. Staff recommends the ACPS contribute to VRS at the full amount and will present Council with a resolution to that effect at budget adoption.

Market Rate Adjustment (MRA) or Cost of Living Adjustment (COLA)

The cost to provide an MRA or COLA for City and DASH employees in FY 2013 would be \$2.5 million per 1% of increase (\$2.4 million for City employees and \$0.1 million for DASH). The City has not given an MRA or COLA since FY 2008. Staff recommends adjusting the payscale for general employees as proposed in the budget and moving the existing merit pay system toward a pay-for-performance for general employees and continuing to fund merit increases and the top of grade one-time bonus for public safety employees in lieu of an across-the-board MRA or COLA.

Without the proposed general employee payscale adjustment and top of grade bonus for public safety, 21% of employees would be eligible for a 5% merit pay increase in FY 2013, 29% would be eligible for a 3.5% increase, 41% would be eligible for a 2.3% merit increase, and 9% are topped out and would receive no salary increase. With the compensation adjustments included in the proposed budget, all topped out employees would receive either a 2.3% merit step increase

(General Schedule) or a 2.3% one-time top of grade bonus (Public Safety), resulting in 50% of the workforce receiving a 2.3% increase, and 24 general schedule employees at the A and B steps would be moved to the C step in lieu of a merit increase and 44 general schedule C step employees would be moved one half-step and receive a 2.5% salary adjustment and be eligible for a 3% merit increase as a result of the payscale adjustment. The cost of adding a 2.3% to the top of the General Schedule pay scale is \$352,000. The cost of the A, B, and C step adjustments is \$61,000. The cost of the public safety top of grade bonus is \$123,000.

For FY 2014, the 5%, 3.5% and 2.3% increases are planned to be replaced with variable increases based on performance for General Schedule employees.

If Council wishes to fund compensation increases beyond the merit pay increases, payscale adjustment, and public safety top of grade bonus included in the proposed budget, staff recommends funding to address the following specific compensation issues that have been raised by employees in lieu of an MRA or COLA. These options include:

- Enhanced Dental plan coverage (\$600,000) – The City currently offers no premium cost sharing towards employee dental plans. A 50/50 premium cost sharing plan would cost the City \$600,000 in FY 2013. The City is currently experiencing a 48.8% participation rate, with 1,311 participants out of 2,686 eligible to participate in one of the City's two dental plans. It is expected participation would improve with cost sharing.
- Employee Awards & Recognition (\$100,000) - During FY 2011-FY 2012 the Alexandria Employee Awards and Recognitions Committee undertook the task of reviewing the City's existing City-wide and departmental awards and recognitions programs. The Committee's report and analysis produced recommended programs that will be used as a foundation for revising the current system of awards and recognitions both City-wide and in individual departments. The allocation of \$100,000 would assist with the initial implementation of new awards and recognition programs based on the Committee's recommendations.
- Public Safety Pay Compression (\$400,000) - The Human Resource Department is currently working with each public safety department to determine the comparability of our pay practices and pay progressions to our comparator jurisdictions. The study group includes departmental managers, representatives of each employee organization and Human Resource employees. In addition to a thorough review of comparability, pay compression issues raised by employees in each of the public safety departments will be addressed. It is likely that those reviews will identify areas where the City of Alexandria must alter pay practices to remain competitive with our comparator jurisdictions or to otherwise assure pay equity.
- Career Ladders & Promotions (\$500,000) – Under current practice, if departments with career ladder programs wish to advance an employee that cost must be absorbed within the department's existing budget. This allocation of \$500,000 would fully fund existing career ladders, expand the number of career ladders available to employees, raise the amount of percent increase for a number of occupational series, and enhance promotional increases based on internal and external comparability.

At the March 28th work session, Council asked for a history of how much has been spent on reclassifications over the past five years. Staff was only able to produce data for the most recent year, FY 2011, in the time available. Assembling data for the prior four fiscal years will require continued research. In FY 2011, 188 employees were reclassified or reallocated at a total cost of \$722,604. Of that total, 41 employees were reclassified at a cost of \$237,825 and 147 employees were reallocated at a cost of \$484,779. Reclassifications are performed individually based on the work being performed by that position. Reallocations are performed for all positions within a job class based on the relative market comparability of that class.

Employee Pay Comparisons to Other Jurisdictions

At the March 28th work session, Council requested more detailed information on the comparability of employee salaries to other jurisdictions. Staff assembled the following comparison by job family based on data available from the annual Local Government Personnel Association (LGPA) benchmark survey. The City of Alexandria matched 72 of its jobs to the 106 benchmark jobs included in the survey. Comparisons were made to the City's five comparator jurisdictions -Montgomery County and Prince George's County in Maryland and Arlington County, Fairfax County, and Prince William County in Virginia. A description of each of the job families is attached.

Actual Salary by Job Family Alexandria/5 Comparators

Alexandria City Job Family	Count of Alexandria Classes in Survey	Average of ALEXANDRIA CITY Actual Salary	Average of Comparator Actual Salary	Deviation from Average
Business Operations	4	\$64,501	\$69,323	(\$4,822)
Medical Scientific Engineering Technology	11	\$75,103	\$72,751	\$2,353
Public Safety & Enforcement	17	\$73,454	\$75,475	(\$2,020)
Social Science Operations	5	\$58,883	\$61,243	(\$2,360)
Strategic Management Leadership	16	\$143,066	\$154,717	(\$11,652)
Technical & Administrative Support Operations	19	\$46,578	\$45,867	\$711
Total Matching Jobs	72			

Attachment: Job Family Descriptions

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Alexandria Job Family Definitions

•**Technical Operations and Administrative Support Professions:** Provide administrative medical or legal support to staff; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Typically gains skills through on-the-job experience, vocational training, and/or 2-year degree courses Provide technical or operational support to staff; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Technical operations includes positions in the arena of equipment, facilities, and operational support like skilled trades which require on-the-job-experience, vocational training, technical certifications, and, or 2-year degree. (Level 1-3)

•**Public Safety and Enforcement Professions:** Provide investigative, emergency response, inspection or enforcement work primarily concerned with alleged or suspected violations, emergency incidents, and/or ensuring compliance with the City Code or State Law. This would include sworn and non-sworn classes, e.g. fire marshals, emergency communications technicians, police, fire or sheriff and non-sworn positions, e.g. code and zoning enforcement, health inspectors services. Gains specialized skills through specialized, formal training and through on-the-job training and/or 2 year degree. (Level 1-5).

•**Medical/Scientific/Engineering/Technological Professions:** Provide individual expertise in a medical, scientific, engineering or information technology field; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Requires use and application of principles, theories, concepts; Knowledge gained through formal education (4-year degree or more) or extensive on-the-job experience. (Level 3-5)

•**Business Operations Professions:** Provide professional services through the application of individual expertise; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Requires use and application of principles, theories, concepts; Knowledge gained through formal education (4-year degree or more) or extensive on-the-job experience. Business Professions include human resources, budget, accountants, public relations, real estate appraisers, finance, OSHA and safety, auditors, forensic accounting, etc. (Level 3-5)

•**Social Science Operations Professions:** Provide professional services through the application of individual expertise; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Requires use and application of principles, theories, concepts; Knowledge gained through formal education (4-year degree or more) or extensive on-the-job experience. Social Science Operations Professions include social science, library and information science, recreation, and museum studies. (Level 3-5).

•**Legal Professions:** Provide professional services through the application of individual expertise in the legal field; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Requires a law degree, licensed in at least one jurisdiction and the use and application of legal principles, theories, concepts (Level 3-5)

•**Strategic Management Leadership Professions:** Provide leadership and professional expertise or services by leveraging the knowledge and skills of others; Requires formal supervision of others; May require the application of the highest levels of leadership and executive knowledge (Level 5-6)