

City of Alexandria

MEMORANDUM

DATE: APRIL 9, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 83 : PAY INCREASE AND BONUS OPTIONS
FOR SCHOOL EMPLOYEES

Council members Krupicka and Wilson requested information on various pay increase and bonus options. The attached information was provided by Alexandria City Public Schools and pertains to School employees. Please note that Budget Memo #59 provides equivalent information for City employees.

Attachment

FY 2009 Budget Responses
April 4, 2008

CC-09-02

Received from: Justin Wilson and Rob Krupicka, 3/19/08

Response from: Margaret Byess, Acting Executive Director, Financial Services

Question: Please include the cost of providing the following to ACPS employees.

1) One-time bonuses

- a. 1% bonus paid on 7/1/2008
- b. 1% bonus paid on 7/1/2008 (to employees who have completed a full year of service by 7/1/2008)
- c. 1% bonus paid on 6/30/2009 (to employees who have completed a full year of service by 6/30/2009)
- d. 1% bonus paid on 7/1/2008 to the bottom 50% (by salary) of full-time salaried employees
- e. One -time bonus to employees at Step P (Based on potential increase to Step Q payable on 7/1/2008)
- f. One -time bonus to employees at Step P (Based on potential increase to Step Q payable on 6/30/2009)

2) Market-rate adjustments

- a. 1% MRA commencing 1/1/2009
- b. 0.5% MRA to employees making greater than \$50k, 1.0% MRA to those making less.

Answer: The following assumptions were made for these calculations:

- No MRA was included on the base salary figures for FY 2009 for the bonus calculations
- Incumbent employees were projected to remain in their current positions through June 30, 2009
- For the bonus computations, all vacant positions were removed and the same level of vacancies were assumed for FY 2009
- Social security, Medicaid, and ACPS supplementary retirement costs are included in all calculations.

ACPS has a complex salary structure, with employees working eight different contract lengths, from 183 to 260 days per year. There are 15 different contract start dates, ranging from July 1st to September 2nd, and five different contract end dates, from June 24 to June 30. As a result, there are different mid-points in the pay year for each group, so implementing a salary scale adjustment on any day other than the first day of the fiscal year has a differential impact on each group. To make the impact equivalent would require a great deal of manual work in the ACPS personnel system.

In addition, there are other technical implementation issues that would require labor-intensive solutions. For example, our largest employee group is teachers. Their pay schedule follows the school year rather than the fiscal year, as they receive their contract year pay for the fiscal year in 24 payments during the 12 months from September 1 through the following August 31. This means ten months of pay occurs in one fiscal year and two months of pay occurs in the following fiscal year. Adjusting salary scales with a market-rate adjustment at a mid-year point would require a manual review of the pay set up in our personnel system for almost every employee to ensure that each employee is paid correctly.

FY 2009 Budget Responses
April 4, 2008

One-time Bonuses

Question 1a: The total cost of adding a one-time 1% bonus to be paid on July 1, 2008 would be \$1.26 million.

Question 1b: The total cost for a 1% bonus paid on July 1, 2008 to employees who completed a year of service on July 1, 2008 would be \$1.24 million.

Question 1c: The projected total for the employees who have completed a full year of service on June 30, 2009 is also \$1.24 million. This projection is based on the assumption that the turnover rate will remain consistent in FY 2009. All eligible ACPS employees who have worked in their current position more than 90 days in the preceding year receive their step increase on July 1. Employees who are newly hired during the fiscal year must work at least half of their contract days to be eligible for a step increase on the following July 1. Because of this there is no difference in cost between options 1(b) and 1(c).

Question 1d: The total cost of a 1% bonus to the bottom 50% (by salary) of full-time salaried employees would cost \$0.39 million.

Question 1e: ACPS has several salary scales which have differing end steps. To project this amount, a 1% one-time bonus was added to the top step of each salary scale. The total cost is \$0.16 million if paid on July 1, 2008.

Question 1f: The projected amount for the 1% one-time bonus given to employees who are at the top of their salary scales would be the same whether it was given on July 1, 2008 or June 30, 2009. The cost for option 1(e) and 1(f) are the same for the same reasons cited in the response to question 1(c). In addition we have assumed that all current employees remain in their current positions through FY 2009.

Market Rate Adjustments

Question 2a: The projected cost for a 1.0% MRA commencing on January 1, 2009 would be \$0.65 million. Please see the comments at the beginning of this response for the technical issues this would raise for ACPS.

Granting a 0.5% MRA on July 1, 2008 would have the same projected cost as giving a 0.5% for half of the contract year and be technically preferable. However, it would require a 0.5% adjustment to the salary scales at the beginning of FY 2010 to make them comparable to the 1% mid-year increase.

Question 2b: The projected total for a 0.5% MRA to employees making greater than \$50K and a 1.0% MRA to those making less than \$50K is \$0.84 million.

As discussed in City budget memo #59, one difficulty with this method is the effect it would have on the ACPS pay scales. Pay scales are designed to have specific relationships from step to step at the same grade, and from grade to grade. Adjusting one portion of the scale without adjusting the whole scale potentially creates inequities between supervisors and their employees, between senior and junior employees, and for employees who were promoted on the old scale compared to those promoted on the partially adjusted scale.