

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 23, 2002
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGERS
SUBJECT: BUDGET MEMO # 40 : FOLLOW-UP TO CERTAIN COMPENSATION ISSUES RAISED DURING THE FY 2002 BUDGET PROCESS (MAYOR DONLEY'S REQUEST)

At the close of the FY 2002 budget process, a number of compensation issues were raised, and Mayor Donley asked for a report addressing them in the context of the FY 2003 budget. The following response addresses each of the issues as identified in the Action Docket text:

- (1) "A possible increase in the sick leave payout upon termination. We currently pay 25 percent, and he would like to get the Manager's thoughts about increasing that to 50 percent."

The City's policy is to pay 25 percent of the value of an employee's sick leave balance when an employee retires, if that employee has at least 20 years of City service. The request to increase the payout to 50 percent was reviewed last fall, and a determination was made not to alter the current policy. In part, this was because the City has other sick leave savings incentive programs that can benefit employees during the course of their career. These include:

- a) Regular full time employees who have been with the City from the first day to the last day of a fiscal year and have not used any sick leave are entitled to a cash payout of 24 hours of sick leave at their current hourly rate, or three days of annual leave.
b) Such employees who have used fewer than three days of sick leave can convert two days of sick leave to two days of annual leave.

In addition, in lieu of increasing the payout of sick leave to 50 percent, we instituted a number of leave-related enhancements earlier in FY 2002. One of these involves allowing excess annual leave hours to be converted to sick leave (which provides employees with a potentially larger sick leave payout at the end of their career, and also helps employees not use substantial amounts of annual leave near the year's end). In

effect, under this change, the loss of annual leave has gone from a “use-it-or-lose-it” to a “save-it” situation, as there is no cap on the amount of sick leave that can be carried over. A second enhancement initiated earlier in the fiscal year involves the maximum compensatory time that employees may carry over at the end of the calendar year. The maximum carryover amount has been increased from 80 to 120 hours for general employees and from 160 to 200 hours for sworn law enforcement and fire protection employees. Compensatory time is paid in full to employees at the time their City employment comes to an end.

- (2) **“The treatment of COMP hours under FLSA. Apparently, there is some discussion about whether we are actually in accord with the Fair Labor Standards Act requirement.”**

Clarifying regulations to address this situation, which occurred in the Police Department, were issued earlier in the fiscal year to better ensure that compensatory time was being provided and calculated consistent with the Federal Fair Labor Standards Act (FLSA). These new regulations appear to have addressed the concerns raised during the FY 2002 budget process about the treatment of compensatory hours under the FLSA.

- (3) **“An item that Council discussed during budget work sessions that he believes Council wanted to move forward on, and he believes the Manager is moving forward on, and that is spousal benefits for retiree health insurance.”**

In the FY 2002 Proposed Budget, it was recommended that the City’s subsidy of retiree health benefits be increased from \$106 per month to \$120 per month. Subsequently, City Council added funds to the budget to increase the rate, which enabled the monthly subsidy to increase to \$170 per month. As indicated in a recent budget memo, with City health insurance rate negotiations now complete, we plan to increase the monthly rate in FY 2003 to \$195, at a cost of \$150,000 for FY 2003. There were sufficient funds in the health insurance contingent contained in the FY 2003 Proposed Budget to fund this increase.

In regard to retiree spousal coverage, for the surviving spouses of retirees, the City extended coverage to surviving spouses at the start of FY 2002, and reported this action to City Council.

- (4) **“Some of our comparative jurisdictions that the City looks at in terms of its compensation philosophy have made some budget changes this year, particularly, in the area of longevity steps. Mayor Donley would like a report back from the Manager regarding what those impacts were for some of the other jurisdictions regarding longevity steps.”**

During FY 2002 budget processes, a number of area jurisdictions added one or more steps to their pay scales. In order to catch up in pay comparability, Arlington added three steps to their pay scale, Montgomery County added steps to their Police pay schedule, and Fairfax County added a step to its Police, Fire and Sheriff's salary scales, as well as made a structural salary adjustment to the min-max pay grades for non-public safety/general employees.

In order to remain competitive, and given these FY 2002 changes, a new step on all the City's pay scales has been included in the FY 2003 Proposed Budget. This not only creates an increased pay future for existing and potential City employees, but also enables 15 percent of the City's workforce, including 24 percent of the sworn Police/Fire/Sheriff employees, to receive a merit increase in FY 2003. These employees had reached the top of the pay scale, and would not otherwise be receiving a merit step in FY 2003.

cc: Mark Jinks, Assistant City Manager
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Henry Howard, Director, Personnel Services