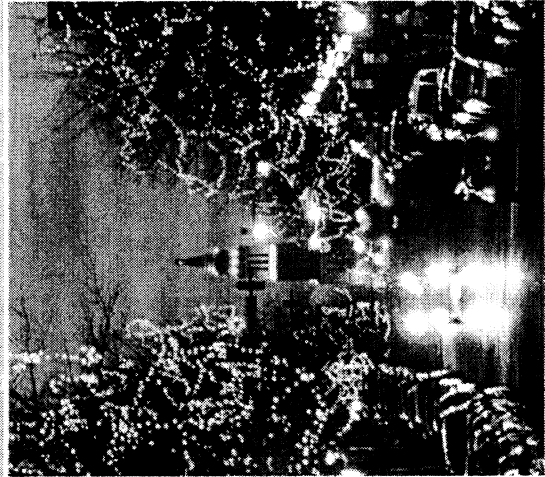
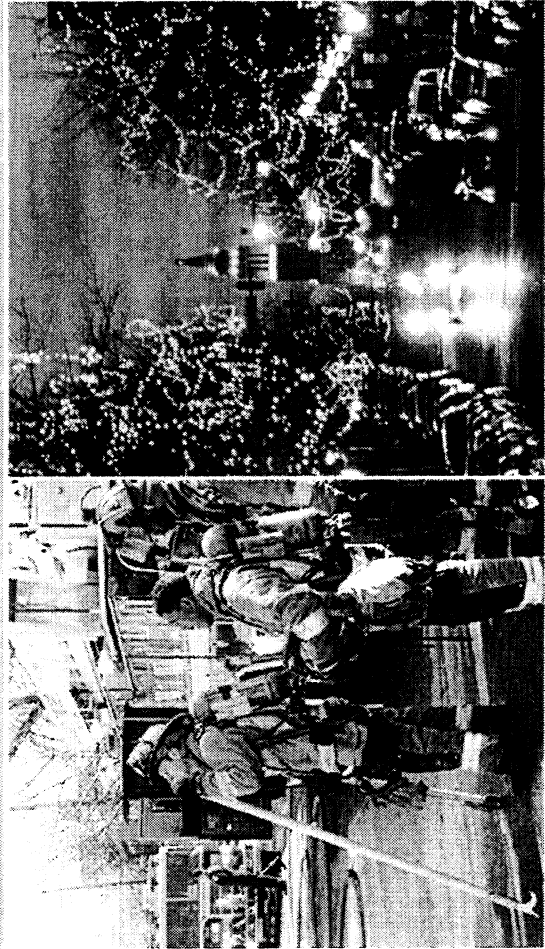


CITY OF

Alexandria

VIRGINIA

**Employee Compensation
March 6, 2006**



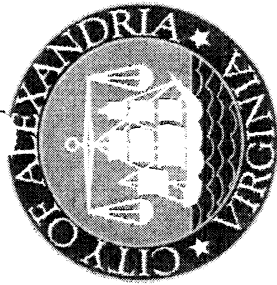
WS
3-6-06



FY 2007 Budget Work Session

Employee Compensation

Monday, March 6, 2006



Introduction

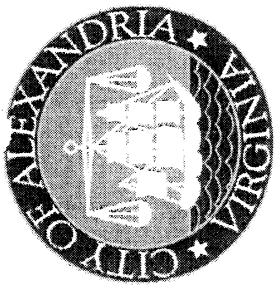
- Focus on City employee pay issues
- School compensation issues to be addressed at School Board work session



Employee Profiles

	FY 2006 (Amended) Positions	FY 2007 Proposed Positions	Change in Positions or FTE	% Change in Positions or FTE
Full-Time Permanent	2,354.00	2,363.00	9.00	0.4%
Part-Time (FTE)	210.43	209.18	(1.25)	-0.6%
Funded Overhires	79.00	78.00	(1.00)	-1.3%
Total (FTE)	2,643.43	2,650.18	6.75	0.3%

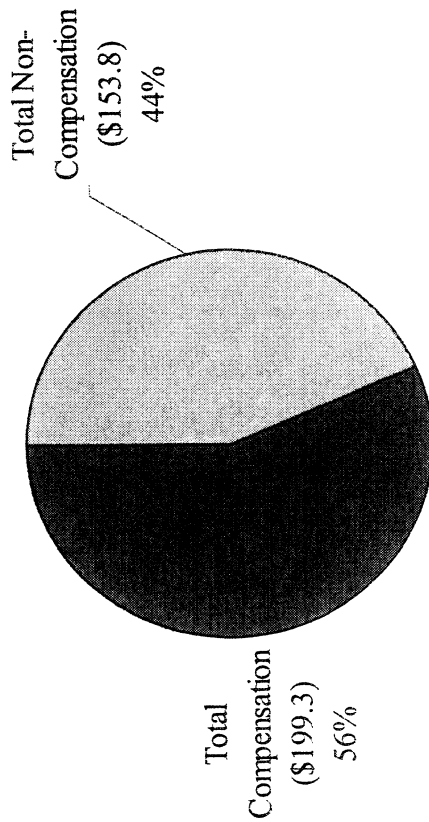
*See pages 5-62 and 5-63 of the FY 2007 Proposed Operating Budget for detail by department.



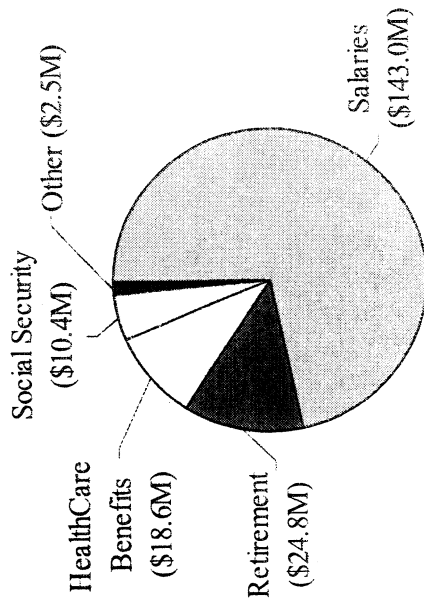
Employee Profiles

- Compensation is 56% of City share budget
- Salaries are 72% of total compensation

City Share of FY 2007 General Fund Budget (\$353.1M)



FY 2007 Proposed Personnel Expenses (\$199.3M)



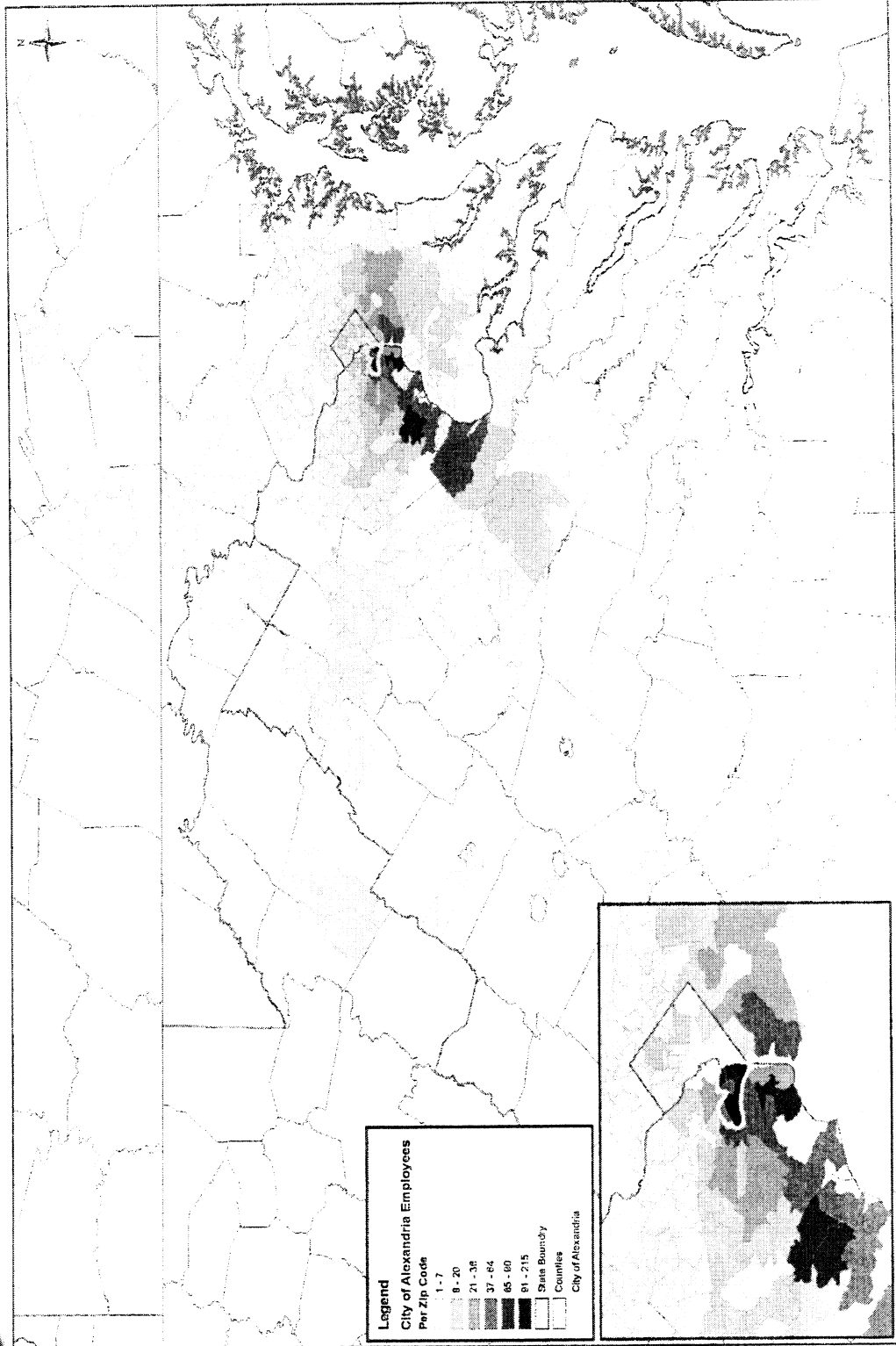


Employee Profiles

- 89% of Employees don't live in Alexandria
- The following map shows wide geographical distribution of where City employees live by zip code.



Where Alexandria City Employees Live by Zip Code





Employee Profiles

● Regular Full-time & Part-time Employees

Average Salaries

(as of February 2006)

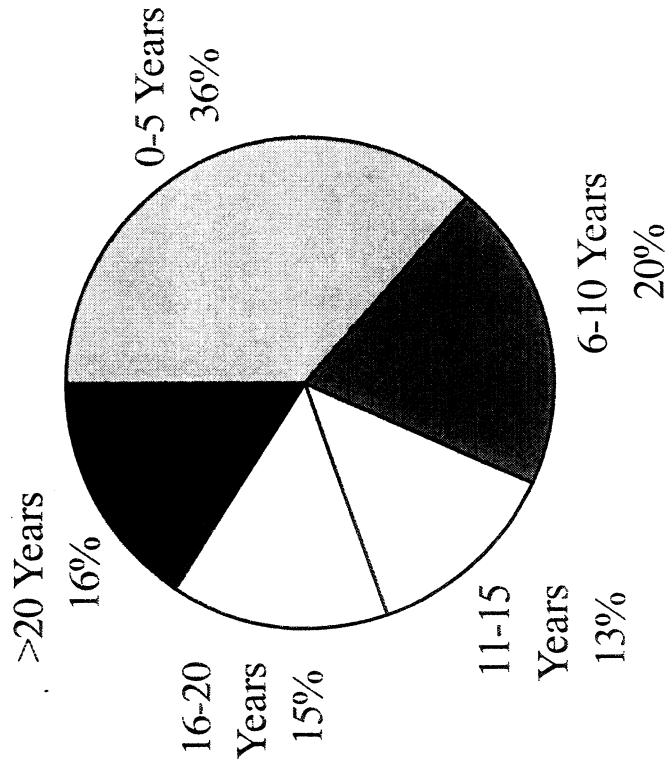
General Schedule: \$ 50,834

Public Safety: \$ 62,976

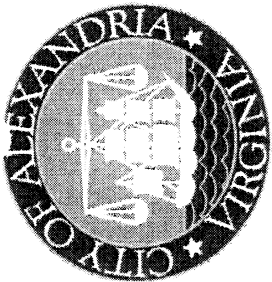


Employee Profiles

Length of Employment with the City



* Includes Full-time and Part-time employees



Vacancy Savings

Vacancy Savings as a % of Personnel Compensation Budget^{/1}

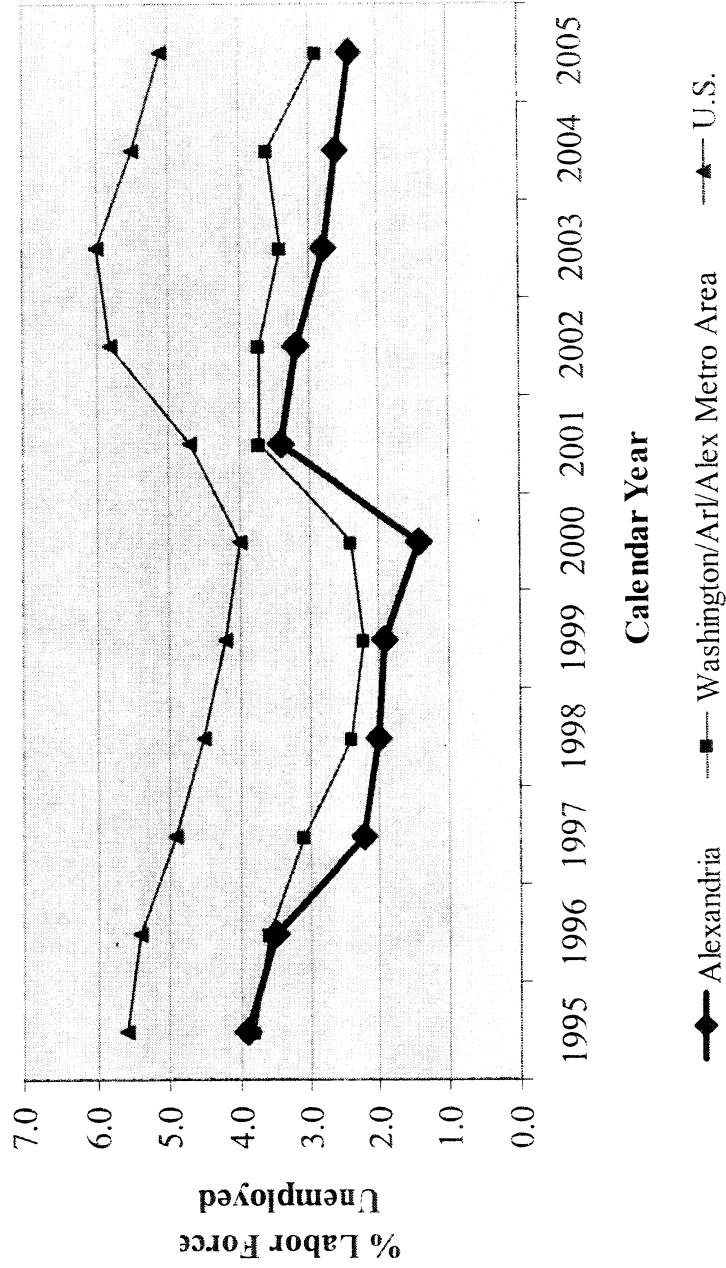
	Actual FY 2003	Actual FY 2004	Actual FY 2005	3-Yr Combined FY 03-FY 05	Budgeted FY 2006	Budgeted FY 2007
% of Comp. ^{/1}	2.90%	1.83%	3.14%	2.63%	2.10%	2.24%
\$ Savings	\$4,531,444	\$3,008,269	\$5,518,111	\$4,352,608	\$3,980,968	\$4,270,872

^{/1} Excludes overtime and awards



The Highly Competitive Local Labor Market

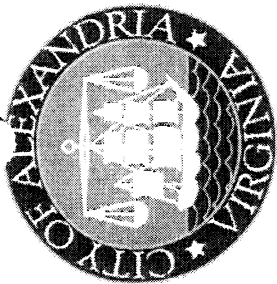
Annual Unemployment Rate
(U.S. Bureau of Labor Statistics)





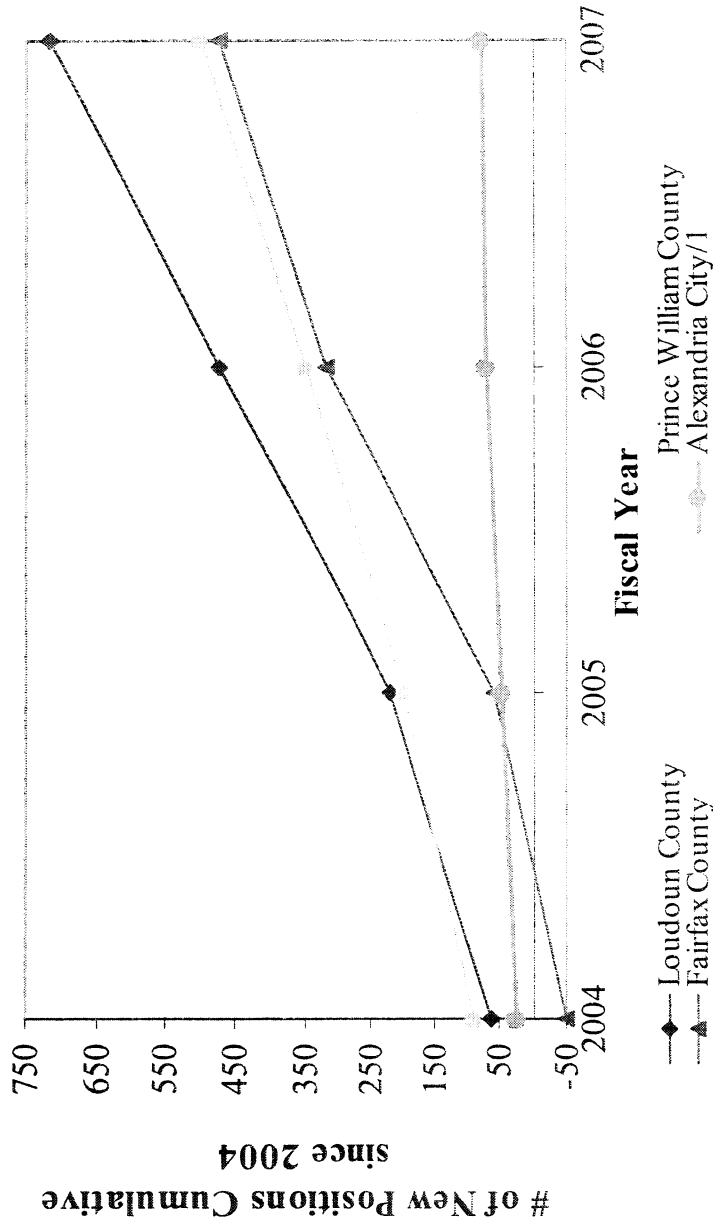
The Coming Brain Drain

- Labor shortages predicted
- In next five years, potential retirements:
 - 44% of all federal workers
 - 42% of federal senior executive
 - 40% of Homeland Security Managers
 - 19% of City General Schedule employees
 - 25% of City Public Safety employees
- Competitive compensation imperative to retain and attract employees



The Competitive Local Labor Market

Regional Cumulative Growth in Government Employment



¹ Alexandria position count includes only Full-time permanent positions.



The Competitive Local Labor Market

Recent proposed market rate adjustment
pay increases in other N. Va. Jurisdictions

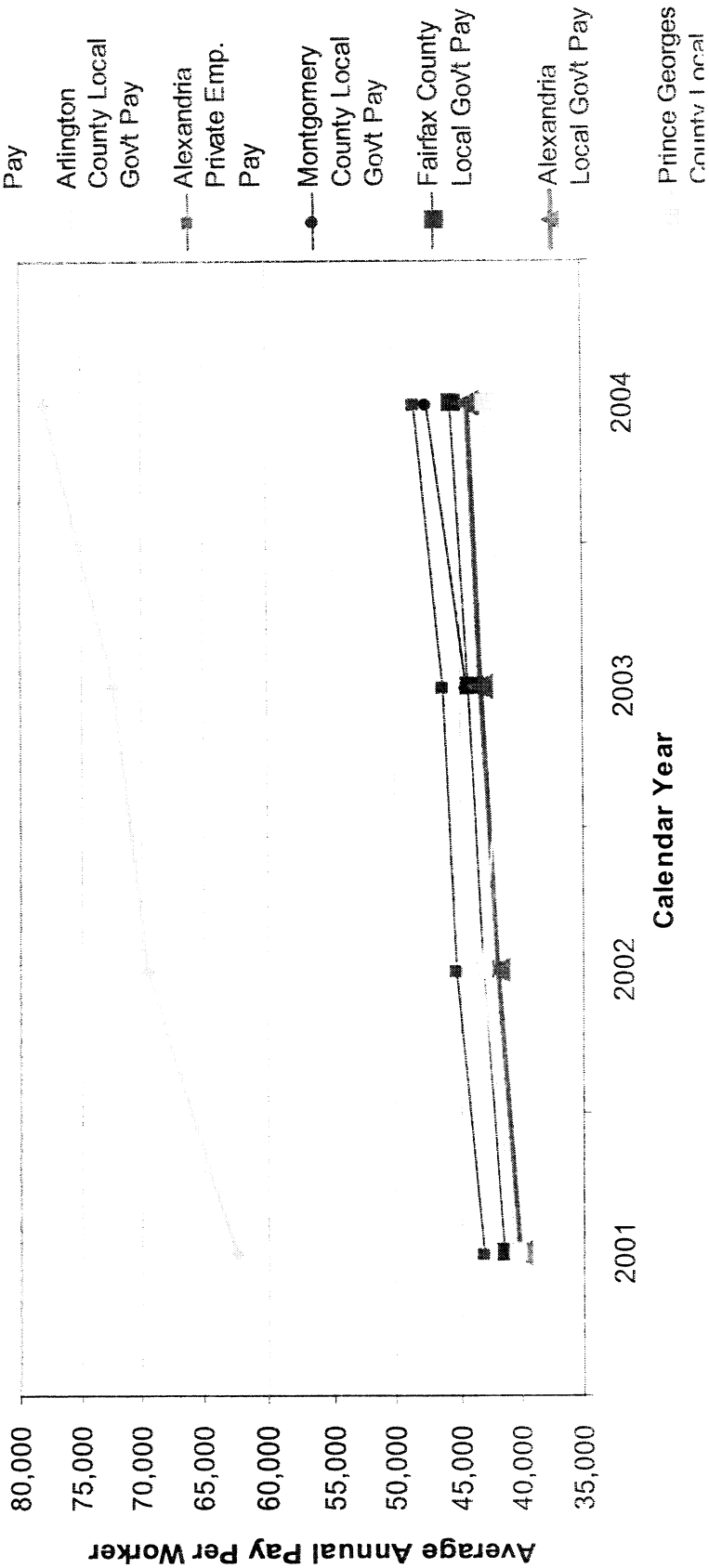
Arlington	2.00%
Fairfax ^{/1}	4.25%
Loudoun	3.00%
Prince William	3.00%

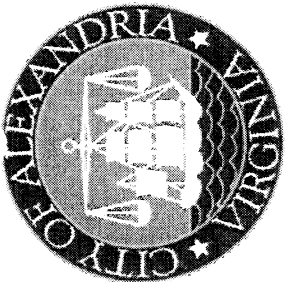
^{/1} Fairfax is on a pay-for-performance system and 4.25% was the average increase. A 4.25% increase was also given to Public Safety, who are not on the pay-for-performance system. An additional 2% across-the-board adjustment is proposed for certain fire and rescue personnel.



The Competitive Local Labor Market

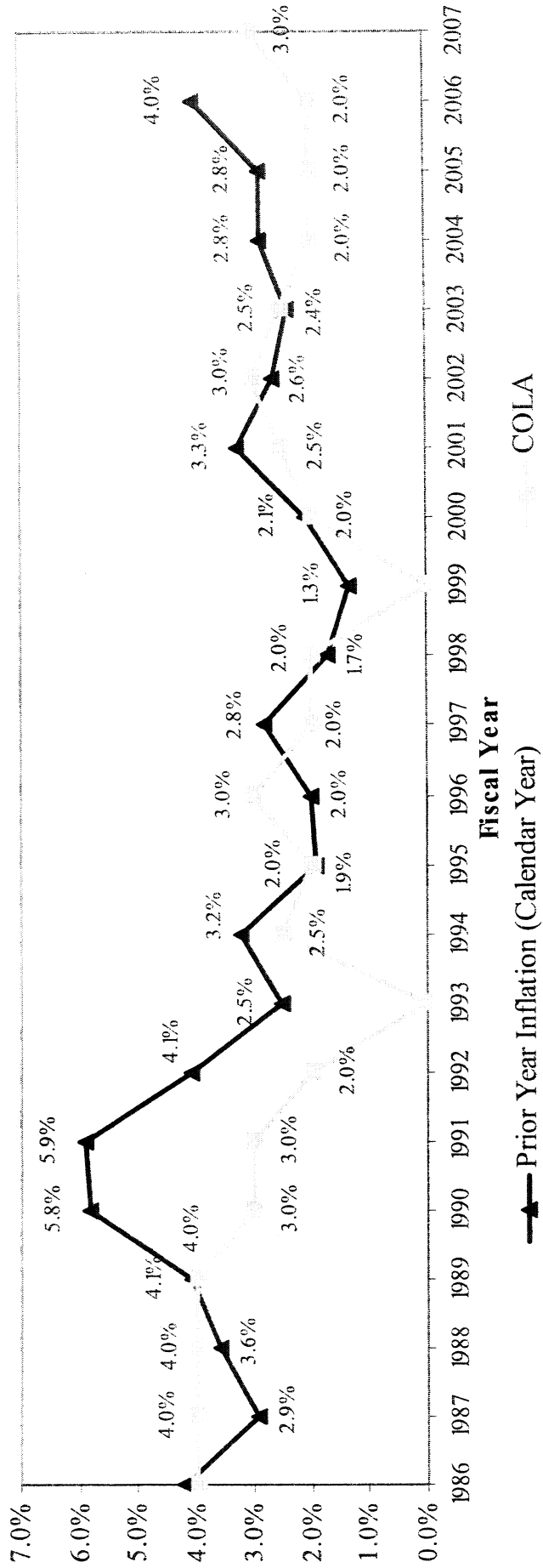
Average Annual Pay Per Worker (U.S. Bureau of Labor Statistics)





Salary Adjustments- COLA

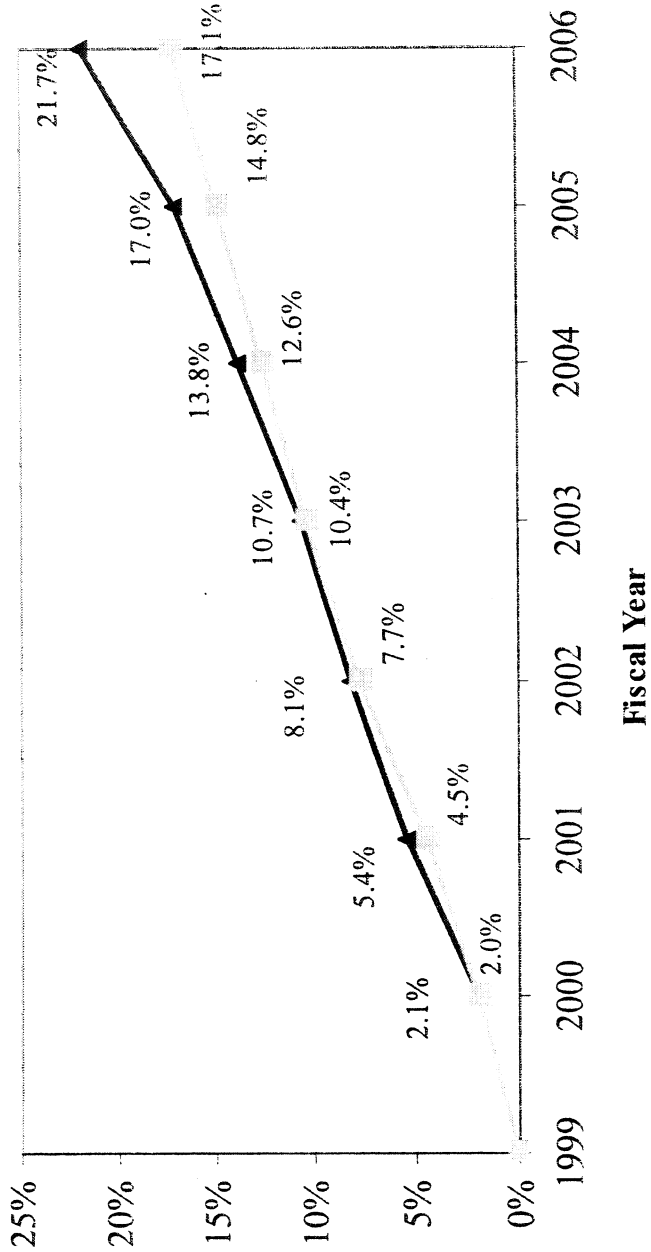
General Salary Adjustment History



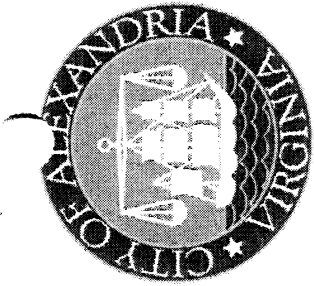


Salary Adjustments- COLA

Comparison of Alexandria's COLA's (compounded) and CPI-U (DC Area)



—▲— Prior Year Inflation (CalYr) —■— COLA (Compounded Annually)



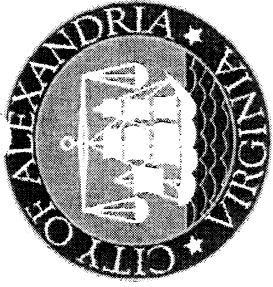
Salary Adjustments- Merit Pay

- Cost of \$2.8 Million
- 1.5% pay on average
- 9% of all employees at end of scale and not eligible in FY 2007
- <1% of Public Safety employees at end of scale not eligible in FY 2007
- Pay adjustments: 5% (beginning) / 3.3% (middle) / 2.3% (top) salary scale



General Pay Scale Adjustments

- **Sworn Public Safety Pay Adjustment
(Council Approved in FY 2006)**
 - \$3.0 M appropriated in FY 2006
 - \$1.4 M Police
 - \$0.9 M Fire
 - \$0.7 M Sheriff
 - \$3.3 M budgeted in FY 2007



General Pay Scale Adjustments

- \$4 M set aside for additional pay adjustments
- Changes under consideration
 - General Schedule employee pay scale adjustments
 - General employee pay is fully behind comparator jurisdictions
 - Adjustment similar to public safety need to be addressed in FY 2007
 - Some minor adjustments to Public Safety still needed
 - Designed to become more competitive
 - Specific details to be designed



Health Insurance for Active Employees

- Two health plans give eight choices for employees
 - Kaiser or Optimum Choice (MAMSI/ United HealthCare)
 - Individual or Family Plan
 - Health Management Organization (HMO) or Point of Service (POS) option



Health Insurance for Active Employees

Number of Full and Part-time Enrollees in each Plan¹

	Kaiser			Optimum Choice		
	HMO	POS	Total	HMO	POS	Total
Individual	375	9	384	317	124	441
Family	666	3	669	527	182	709
Total	1,041	12	1,053	844	306	1,150

¹172 full-time regular employees do not elect to be covered by City Health Insurance.



Health Insurance for Employees

FY 2006 Premium Cost Sharing

	Kaiser						Optimum Choice							
	<u>HMO</u>		<u>POS</u>		<u>POS</u>		<u>HMO</u>		<u>Fam</u>		<u>Indiv</u>		<u>Fam</u>	
	Indiv	Fam	Indiv	Fam	Indiv	Fam	Indiv	Fam	Indiv	Fam	Indiv	Fam	Indiv	Fam
Employee Share	\$ -	\$ -	\$ 152	\$ 358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49	\$ 109	\$ -	\$ -
% of Total	0%	0%	32%	32%	0%	0%	0%	0%	0%	0%	14%	13%	0%	0%
City Share	\$ 323	\$ 762	\$ 323	\$ 762	\$ 314	\$ 740	\$ 314	\$ 740	\$ 314	\$ 740	\$ 314	\$ 740	\$ 314	\$ 740
% of Total	100%	100%	68%	68%	100%	100%	100%	100%	100%	100%	86%	87%	86%	87%

*Part-time employees pay between 43% and 66% of premium costs.



Health Insurance for Employees

- Co-Pays (Both Kaiser and Optimum Choice) FY 2006
 - Physician Visit \$15
 - Emergency Room Visit \$50
 - (waived if admitted)
 - Prescription Drugs \$10/\$20/\$35
 - Out-patient Hospital Visit \$50



Health Insurance for Employees

Comparison with Neighboring Jurisdictions

	Alexandria	Fairfax	Arlington	Montgomery	Prince George's
Gov't % of Premium Paid					
Full-time Employee	68% - 100%	75% - 85%	80%	76% - 80%	75% - 80%
Part-time Employee	43% - 66%	75% - 85%	80%	76% - 80%	75% - 80%
Co-Pays					
Physician	\$15 ^{/1}	\$10	\$10 - \$20	\$5 - \$20	\$15 - \$20
Prescription	\$10/\$20/\$35	\$10 - \$40 ^{/3}	\$13 - \$40	\$4 - \$35 ^{/4}	\$6 - \$100 ^{/5}
Emergency Room	\$50 ^{/2}	\$50 ^{/2}	\$50 ^{/2}	\$30 ^{/2}	N/A

^{/1} for in-plan HMO services

^{/2} waived if admitted

^{/3} mail order \$16-\$80 for 90 day supply

^{/4} with CareMark prescription

^{/5} with \$50 annual deductible



Health Insurance

- **Projected HealthCare Premium Increase for FY 2007
(No change in Plan design)**

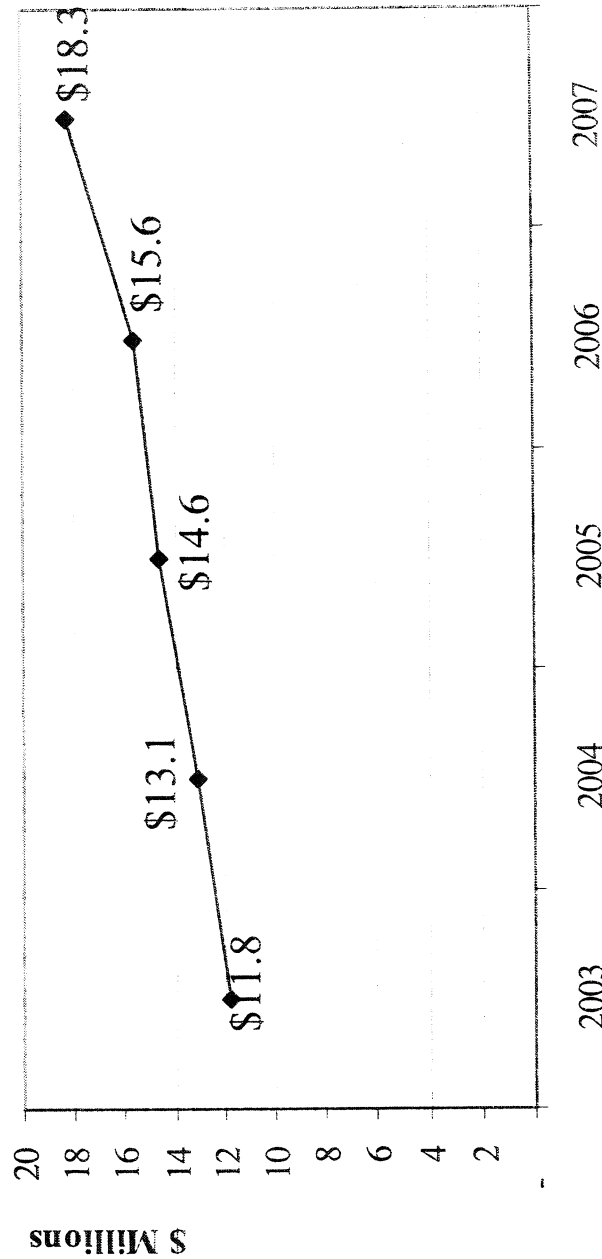
- Optimum Choice +22.1%
- Kaiser +12.8%
- Combined +17.6%

- Total Cost to City \$18.3M



Health Insurance

Projected City Healthcare Costs FY 2003-2007



FY 2003-2005 are actual costs and FY 2006-2007 are estimated costs in all funds.



Options to control HealthCare Costs

- Plan design changes through increased Co-Pays
 - 2.9% savings (about \$635,000)
 - Physician from \$15 to \$25
 - Emergency Room from \$50 to \$75
 - Out-patient hospital services from \$50 to \$100
 - Prescription drugs from \$10/\$20/\$35 to \$10/\$25/\$40

- Potential FY 2007 Options to Reduce Costs
 - More Employee Premium Cost Sharing

- Long term potential options to reduce costs
 - Shared Risk Rating with Schools
 - Self-Funded



Health Insurance for Retirees

- Current Programs
 - Must be enrolled in City Health Plan at retirement
 - \$260 per month maximum
 - 803 total participants
 - 581 in City health plans, 222 in non-City plans
 - \$2.2 million estimated pay-as-you-go cash cost in FY 2007 (if \$260 per month)
 - Other jurisdictions' plans vary, with many more generous



Health Insurance for Retirees

- New GASB and SEC disclosure and reporting mandates for post-retirement benefits (OPEB)
- Near universal practice of pay-as-you-go cash accounting
- Mandate requires reporting, recording and accounting for long-term
- FY 2008 GASB deadline, immediate SEC expectations



Health Insurance for Retirees

- Liability calculated by actuaries using pension-like methods (i.e, % of current/retirees)
- City long-term liability at least \$82 million
- Equates to \$8.4 million annual payment
- Amount likely higher when updated
- Bond rating agency expectations



Health Insurance for Retirees

- Proposed interim steps
 - \$7.2 million (from compensated absences)
 - \$1.5 million (from FY 2006 surplus)
 - \$8.7 million
- Multi-year funding plan to be developed during FY 2007



Pension costs

- City basic VRS rate from 6.5% to 11.66% from VRS study
- Added \$5.3 million in annual costs
- City supplemental retirement system from 5.25% to 5.32% added \$0.3 million
- Old Public Safety pension (closed to new participants in 1979) increased by \$0.4 million