

CITY OF *Alexandria* VIRGINIA



FY 2010 Proposed Budget



M A N A G I N G F O R R E S U L T S

FY 2010 Budget Work Session

Personnel and Compensation

February 18, 2009



Total Compensation Decreased By 3.2%

- Total compensation decreases due to:
 - Freeze on employee pay
 - No market rate adjustment (MRA) or cost of living adjustment (COLA)
 - Zeroing out of one-time pay supplement
 - Reduction in staffing



Total Compensation Decreased By 3.2%

Title	FY 2009 Approved	FY 2010 Proposed	\$Change FY09/10	%Change FY09/10
Total Salary	\$184.2	\$178.2	(\$6.0)	(3.3%)
<u>Fringe</u>				
FICA	13.0	12.8	(0.2)	(1.8%)
Retirement	32.9	31.4	(1.4)	(4.4%)
Health	19.7	19.3	(0.4)	(1.8%)
Other*	1.8	1.7	(0.1)	(7.3%)
Total Fringe	67.4	65.2	(2.2)	(3.2%)
Total Personnel	\$251.6	\$243.4	(\$8.2)	(3.2%)

*Includes Group Life; Workers Compensation; Clothing/Car Allowances; Unemployment; Recruitment; Long Term Disab

Reference: Page 8-3 of the FY 2010 Proposed Budget



City Workforce: Hiring Freeze Continues

- In July 2008 the City Manager implemented a soft hiring freeze.
- Each request to advertise and recruit to a fill vacant position is reviewed by the City Manager.
- Generally, only positions in the public safety or social service lines of business, those that generate revenue, or that are funded by grants are being approved.
- As of late January 2009, there are approximately 240 vacant positions city-wide. This equates to around 9% of the total workforce.



City Workforce: City-wide Vacancy Totals

	November 2008	December 2008	January 2009
	Total Positions*	Total Positions	Total Positions
No Requests to Fill	138	146	169
Requests Pending with CMO to Advertise/Recruit	14	19	18
Subtotal	152	165	187
New Requests Approved for Advertising/Recruiting but Still Vacant	65	61	53
Grand Total Vacant Positions	217	226	240

* Total positions includes full and part-time positions.

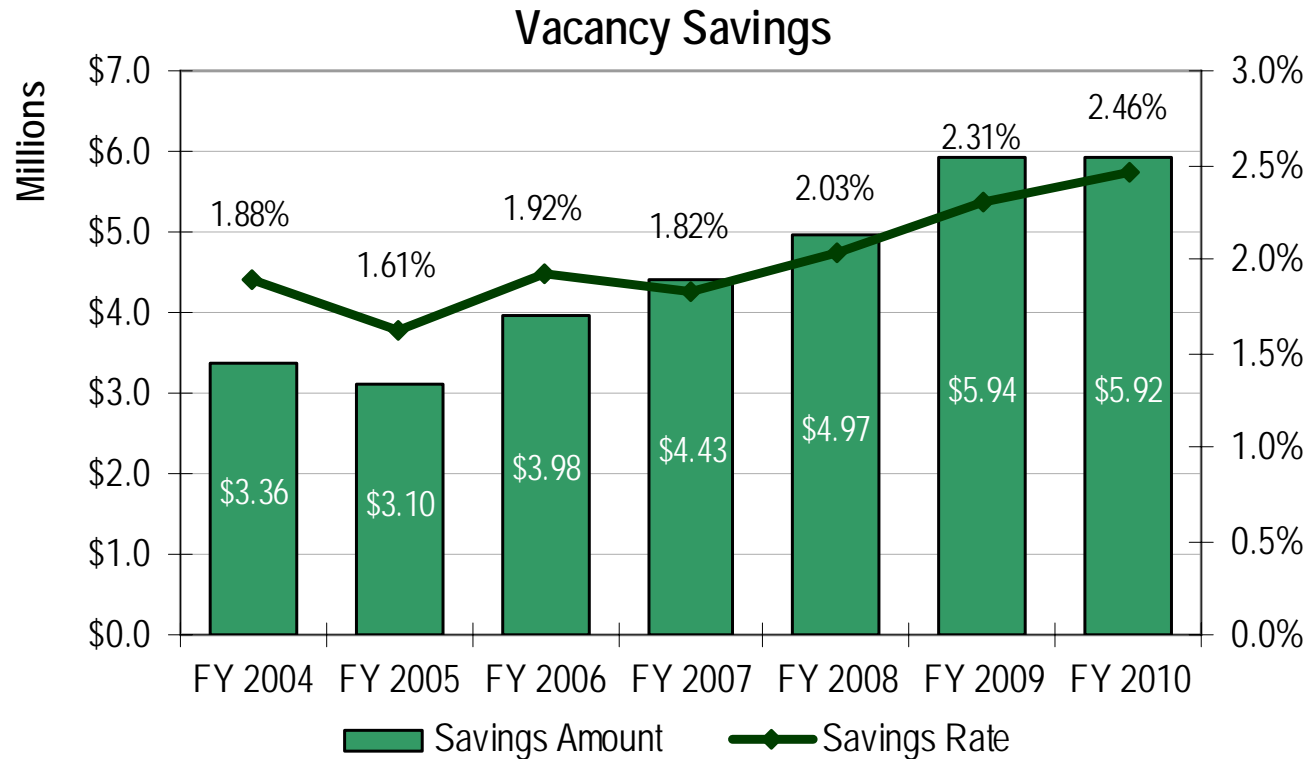
From November 2008 – January 2009 the total number of vacant positions city-wide increased by 23 positions.

The number of positions of positions being held open with “No Requests to Fill” increased by 31 positions.



City Workforce: Vacancy Savings

The proposed budget includes a vacancy savings amount of \$5.92 million. This is only \$0.02 million less than the FY 2009 amount in total.



Reference: Page 8-3 of the FY 2010 Proposed Budget.



City Workforce: Staffing Reductions

- In FY 2010, the City workforce will be reduced by 121 funded full and part-time positions.
 - 74 vacant positions to be eliminated
 - 17 employees affected by conversions, downgrades or possible retirements
 - 30 positions will be subject to a reduction in force (RIF)
- The elimination of 121 positions reduces the City's full-time equivalent (FTE) count by 103.88.
- This reduction, with other changes in the budget, results in a net FTE reduction of 91.6.

(Note: 1.00 FTE represents a position working full-time at 80 hours per pay period. FTE's that are less than 1.00 represent a position that works less than full-time hours.)



City Workforce: Staffing Reductions

- A list of each position that is being reduced can be found on starting on page 8-8 of the proposed budget.
- Additional details on each position can be found in each impacted department's budget text
- The budget includes \$282,000 to fund severance payments and leave buy-outs for those affected employees who ultimately separate from City service.



Employee Pay: Overview

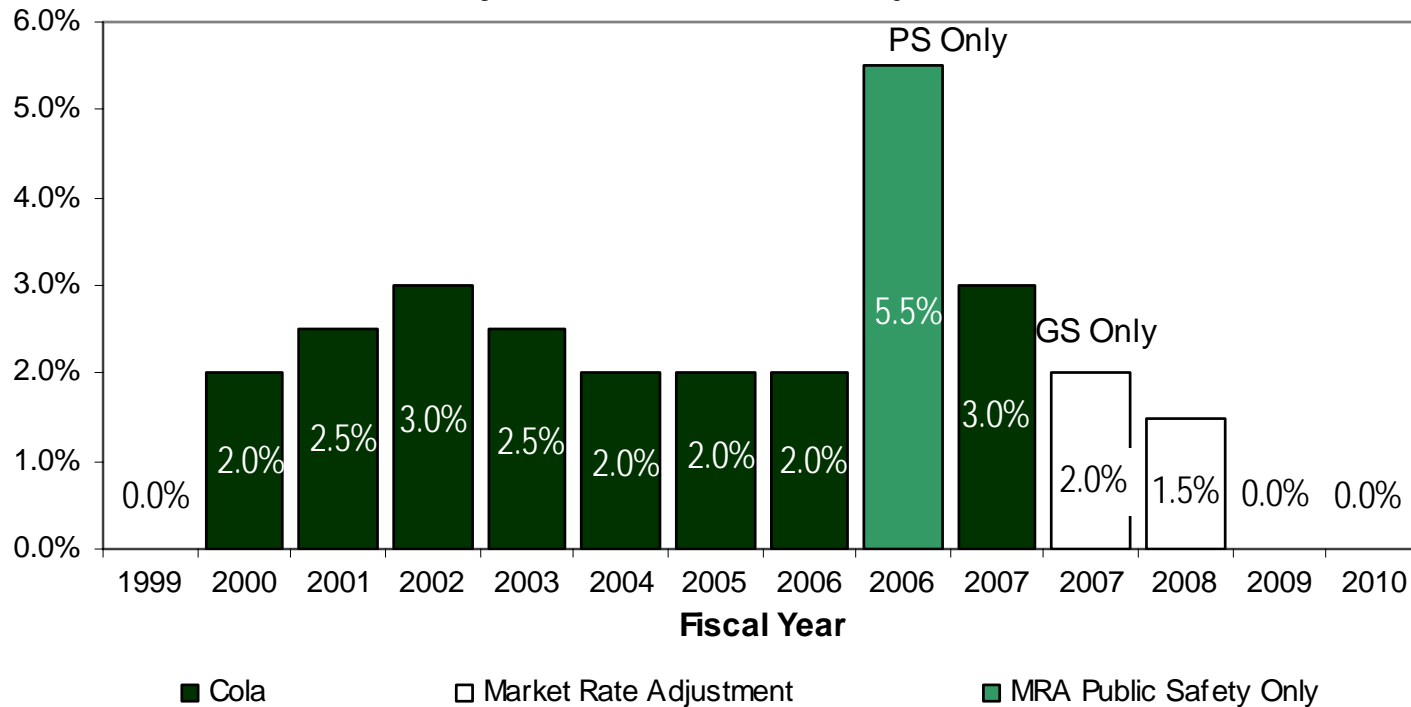
No Step/Merit.

Pay frozen for first time since 1990's

No market rate adjustment (MRA) or cost of living adjustment (COLA).

Living wage rate frozen at FY 2009 level of \$13.13 per hour

History of COLA & Market Rate Adjustments



Reference: Page 8-12 of the FY 2010 Proposed Budget.



Employee Pay: Compensation Option Costs

Compensation Option Not Recommended	Cost
FY 2009 One-time \$500 pay supplement and longevity step	\$2.0 Million
Step/Merit Increase in FY 2010 (City only)	\$ 2.6 Million
1% Market Rate Adjustment (includes City, ACPS and Transit employees)	\$3.8 Million

- The FY 2010 proposed budget includes \$1.8 million for the annualized cost of step/merit increases in FY 2010 approved during FY 2009.



Employee Pay: Furloughs

- In the proposed budget, furloughs are not included as a cost savings option.
- This option is appropriate only as a last minute/emergency measure. This option does not have a sustainable impact on future budgets unless it is repeated again.
- The estimated savings from a city-wide furlough varies depending on which employees are included in the furlough.

Furlough Option

Savings Possible

Furlough Exempting Public Safety and

Other Essential Employees

\$565,058



Employee Benefits: Health Care

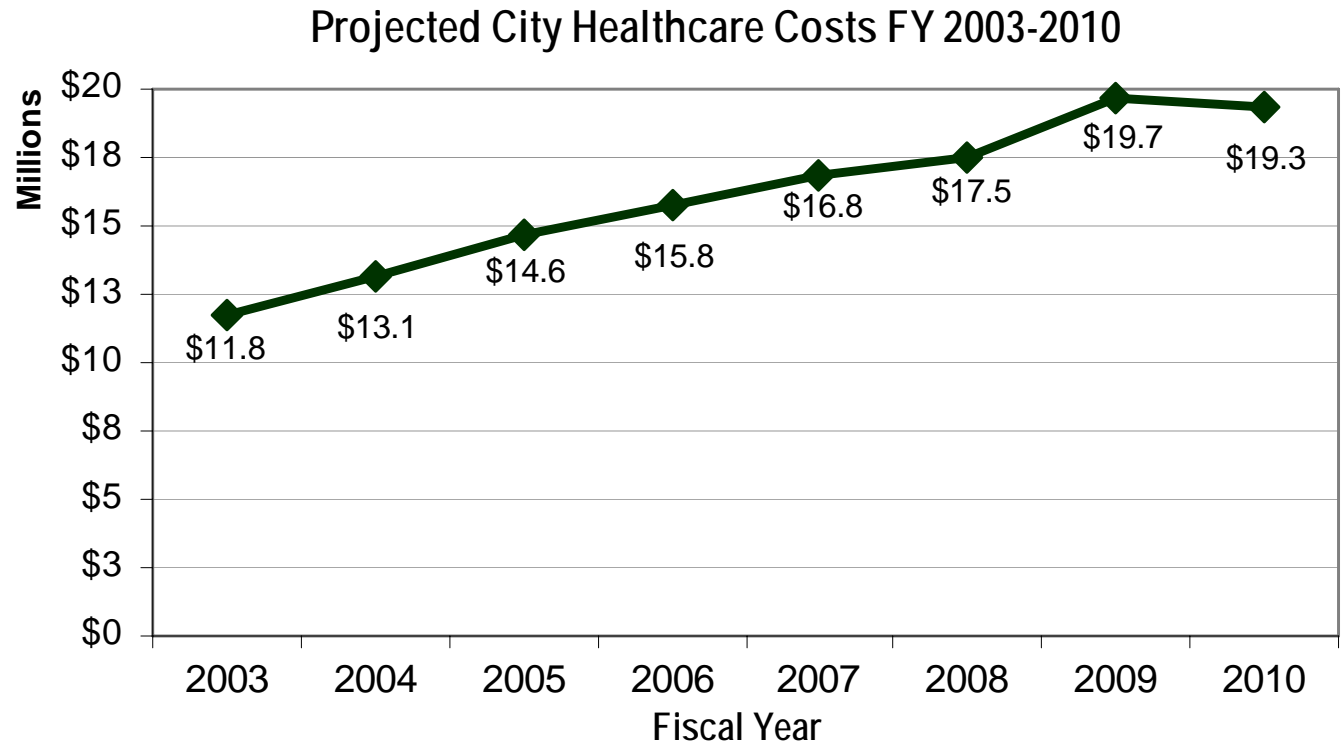
- Budgeted City healthcare costs decline by \$0.4 million or 1.8%
- Healthcare premiums will increase by 4% (Kaiser) and 10% (United Healthcare) depending on the type of plan.
- Lower than initially expected premium increases for the Kaiser Permanente plan results in a reduction of \$515,000 for health insurance costs (10% vs. 4 %).
- City continues to use the self-funded healthcare model with United Healthcare. This model is expected to generate \$1.1 million in savings annually once adequate reserves are established.
- Moving to a self-funded model with Kaiser Permanente was discussed but is not proposed at this time because savings were not sufficient.



Employee Benefits: Health Care

Budgeted health care costs decrease by 1.8%.

Costs decline because 121 positions are eliminated.



Reference: Page 8-16 of the FY 2010 Proposed Budget.



Employee Benefits: Health Care

4% premium increase for Kaiser Permanente plans.

10% premium increase for United Healthcare plans.

Employees also incur additional costs for co-pays and prescriptions.

		Expected FY 2010 Plan Costs					
		Monthly Employee Share		Monthly City Share		Total Monthly Premium	
		Kaiser					
HMO	Single	\$42.2	10%	\$380.1	90%	\$422	
	Family	\$99.6	10%	\$896.8	90%	\$996	
POS	Single	\$171.5	31%	\$380.1	69%	\$552	
	Family	\$393.6	31%	\$896.8	69%	\$1,290	
		Optimum Choice (United Healthcare)					
HMO	Single	\$47.6	10%	\$428.7	90%	\$476	
	Family	\$112.4	10%	\$1,011.7	90%	\$1,124	
PPO	Single	\$140.2	25%	\$428.7	75%	\$569	
	Family	\$319.4	24%	\$1,011.7	76%	\$1,331	

Reference: Page 8-16 of the FY 2010 Proposed Budget



Other Post Employment Benefits (OPEB)

- Budget includes \$2.5 from the General Fund operating budget million to fund its OPEB obligations
- City is in the second year of a multi-year plan to address its unfunded liabilities for future benefits to City employees after retirement.
- City will gradually increase its annual funding for OPEB obligations to \$11.4 million.
- There is no change to retiree health benefits of a maximum of \$3,120 per year.



Other Post Employment Benefits (OPEB)

CASH FLOW PROJECTIONS

Other Post Employment Benefits

Plan for Funding

	2009	2010	2011	2012	2013	2014	2015
Cash Flow	\$ 5.0	\$ 5.8	\$ 6.5	\$ 6.9	\$ 7.5	\$ 8.1	\$ 8.7
Medical Subsidy	\$ 1.9	\$ 2.2	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.3	\$ 3.6
Reimbursement	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.1	\$ 3.3	\$ 3.5	\$ 3.6
Life Insurance	\$ 0.8	\$ 0.9	\$ 1.0	\$ 1.1	\$ 1.2	\$ 1.4	\$ 1.5
Fund Balance Draw Down Planned	\$ 4.2	\$ 3.1	\$ 2.0	\$ 1.4	\$ -	\$ -	\$ -
New Funding	\$ 1.4	\$ 2.5	\$ 2.9	\$ 3.1	\$ 3.9	\$ 3.3	\$ 2.7
Total Annual Contributions	\$ 10.6	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4
Investible Funds	\$ 5.6	\$ 5.6	\$ 4.9	\$ 4.5	\$ 3.9	\$ 3.3	\$ 2.7
Fund Balance	\$ 6.0	\$ 12.5	\$ 18.8	\$ 25.0	\$ 31.0	\$ 36.9	\$ 42.5
Investment Assumption:	7.5%						
% of Annual Required Contribution Funded	94%	100%	100%	100%	100%	100%	100%

Reference: Page 8-17 of the FY 2010 Proposed Budget.



Employee Benefits: Life Insurance

- The budget for group life insurance decreases in FY 2010
- In FY 2010, the City contribution for group life insurance will be reduced to 1x salary for future employees (starting after July 1, 2009).
- Reducing the City's contribution for group life insurance results in a savings of \$25,000.
- Contribution rates made by the City will not change for current employees.
- Future employees who wish to increase their group life insurance contribution can do so at their own cost.



Employee Benefits: Retirement

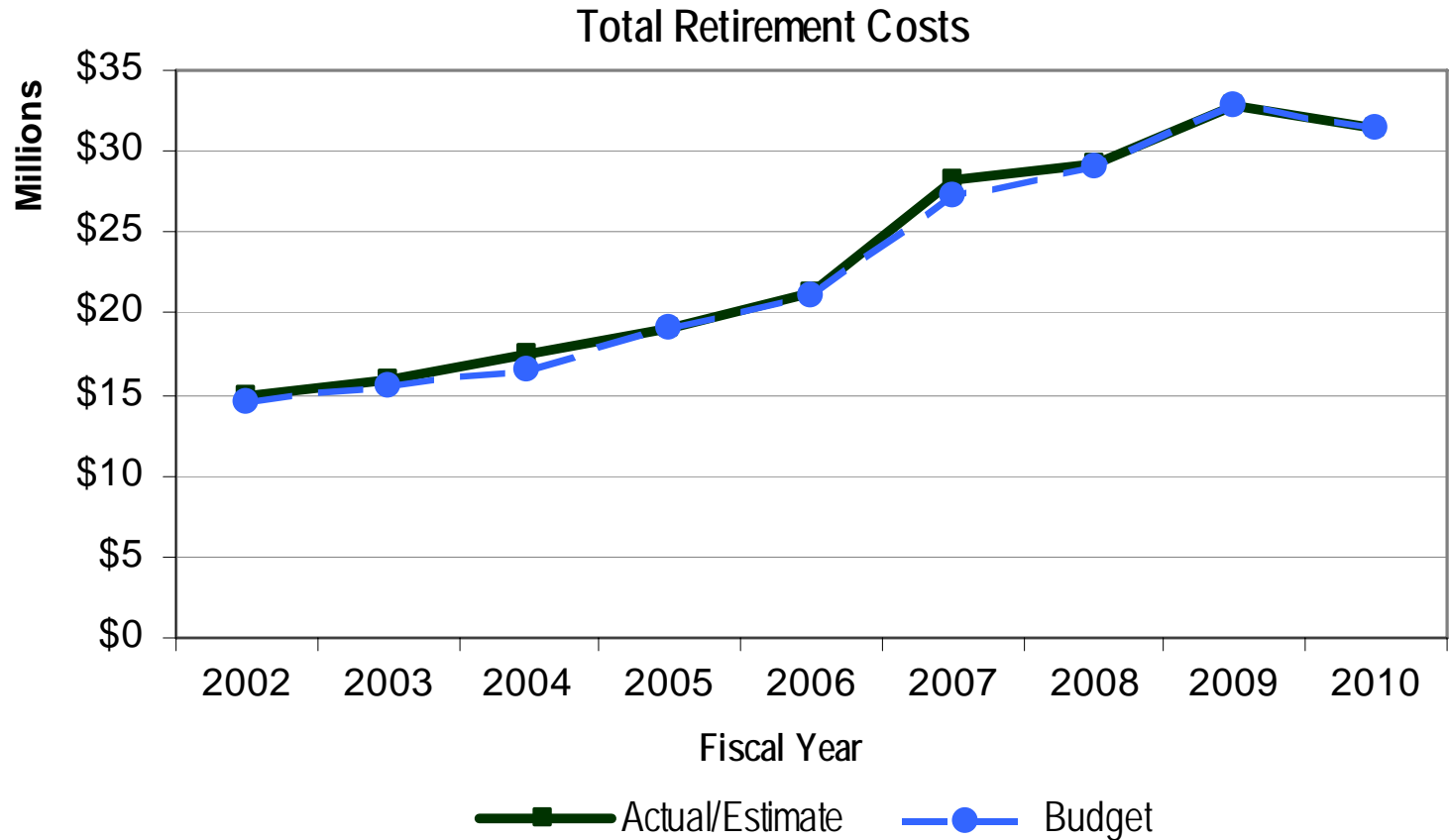
- The budget for retirement decreases in FY 2010 by 4.4%
- In FY 2010, future employees (starting after July 1, 2009) will begin to pay 2% of the City Supplemental Plan.
- This change results in \$185,000 in FY 2010 savings.
- Due to major stock market declines, it is expected that retirement contribution rates will rise in FY 2011.



Employee Benefits: Retirement

Budget for retirement decreases by \$1.4 million in FY 2010 for a total of \$31.4 million.

Costs decline because 121 positions are eliminated.



Reference: Page 8-15 of the FY 2010 Proposed Budget.



Employee Benefits: Retirement

Plan	Contribution Rates for City Employees				Current Employees		Future Employees (Post July 1, 2009)	
	FY 2009		FY 2010		FY 2010		FY 2010	
	City	Emp'e	City	Emp'e	City	Emp'e	City	Emp'e
VRS	12.06%	-	12.07%	-	12.07%	-		
City Supplemental Plan ^{4,5}	5.64%	-	5.60%	-	3.60%	2.00%		
<i>VRS & City Supplement Total¹</i>	<i>17.70%</i>	<i>-</i>	<i>17.67%</i>	<i>-</i>	<i>15.67%</i>	<i>-</i>		
Sworn Fire & Police ²	26.41%	8.0%	26.79%	8.0%	26.79%	8.0%		
Deputy Sheriffs, Fire Marshals & ERT ³	22.35%	-	22.35%	-	22.35%	-		

¹ VRS includes only full-time GS employees; City Supplemental includes those working 20 hours or more.

² Employer contribution includes 2.35% for Disability Income Plan. Of the 8.0% employee contribution, 7.5% is for the Defined Benefit plan and 0.5% is for the Disability component.

³ This contribution includes VRS and the City Supplemental Plan plus a defined contribution amount of 1.79% to equal the Sworn Fire & Police FY 2008 contribution rate of 22.35%. This rate had not changed as the Sworn Fire & Police rate changed due to actuarial assumptions.

⁴ As of FY 2010 new employees will pay 2% into the supplemental retirement system.

⁵ For current employees the 2% employee share paid by the City will continue to be paid by the City but will be characterized as a City contribution. Thus, an employee who leaves before vesting will not be entitled to a refund of this contribution.

Reference: Page 8-15 of the FY 2010 Proposed Budget.

Retirement contribution percentages by the City vary by retirement plan.

Starting in FY 2010 future employees will begin to pay 2% of the City Supplemental Plan.



Employee Benefits: Wellness Program

- **FY 2010 Wellness budget is decreased slightly (\$5,193).**
- **Benefits in the past for employees include:**
 - **Annual Health Fair**
 - **Health Screenings**
 - **Weight Watchers At-Work**
 - **Lunch time yoga classes at Gadsby's Tavern Museum**
 - **Free use of City recreation facilities**
 - **Discount memberships at the Alexandria YMCA**



Employee Benefits: Other Benefits

- Employees are provided a transit benefit up to \$75 per month (with an option to contribute on a pre-tax basis up to \$45 of their own money).
- Tuition Assistance for education and training classes is provided based on availability of funding.



Creative Forms of Compensation

- City Employees will be given an extra day of leave in FY 2010.
- Leave accrual rates will be increased by 3.08 hours per pay period.

Example:

An employee with a leave accrual rate of 3.69 hours/pay period in FY 2009 will have a rate of 4.00 hours/pay period in FY 2010.

FY 2009: 3.69 hours x 26 pay periods = 95.94 hours of annual leave

FY 2010: 4.00 hours x 26 pay periods = 104.00 hours of annual leave

Difference of 7.8 hours (1 day) from FY 2009 to FY 2010

- The maximum accrual cap will not change.



Early Retirement Incentives

- Options to provide incentives for early retirement were seriously considered but not included in the proposed budget
- Complexities with the Virginia Retirement System (VRS) were identified as an issue.
- The volume of RIFs did not warrant the need to establish incentives to retire that would otherwise affect a much wider portion of the City workforce.

