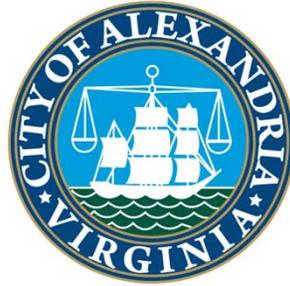


FY 2016 CITY MANAGER'S PROPOSED BUDGET

COMPENSATION/REVENUES/FIVE YEAR PLAN

MARCH 12, 2015



PRIORITY V: RECRUITMENT AND RETENTION OF THE BEST AND BRIGHTEST TALENT

TOTAL COMPENSATION





OVERVIEW

- Introduction
 - Total Compensation: Pay & Benefits
 - FY 2016 Proposed Funding Initiatives
- Compensation
 - City Council Compensation Philosophy
 - Benchmarking Analysis and Market Overview
 - Public Safety Pay
 - General Schedule Pay
- Benefits
 - Health & Life Insurance
 - Commuting, Parking & Telework



EMPLOYEE TOTAL COMPENSATION

- Total compensation costs are a significant portion of the General Fund budget
- A tight budget environment requires strategic investments that maintain competitiveness, are fair to employees and fiscally responsible.
- The proposed All Funds budget includes an additional \$12.5 M for total compensation.

Salaries	\$146.7 M
Fringe Benefits	\$67.3 M
Total Personnel	\$214.0 M
% to General Fund	33%

	General Schedule ¹	Public Safety		
		Police/ Fire	Fire Marshall	Sheriff
Average Salary	69,706	71,186	72,323	77,793
Benefits²				
FICA	5,333	5,446	5,533	5,951
Retirement	9,529		13,915	14,967
<i>Pension</i>		22,039		
<i>Disability</i>		9,361		
OPEB	1,471	1,502	1,526	1,641
LOD		2,890	2,936	3,158
Health Insurance	9,068	9,068	9,068	9,068
Long Term Disability	185	189	192	207
Group Life	100	102	103	111
Total Benefits	25,685	50,597	33,274	35,104
Grand Total	95,391	121,782	105,596	112,897

EMPLOYEE RETIREMENT COST



Retirement Cost Increase (FY2015 Approved - FY 2016 Proposed)

	General Scale	Police	Fire	Fire Marshall EMT/Sheriff	Total
Retirement	243,733	-	-	99,024	342,757
<i>Pension</i>	-	1,333,123.53	734,424.98	-	2,067,549
<i>Disability</i>	-	566,233.03	311,940.84	-	878,174
OPEB	191,177	39,332	20,901	34,762	286,172
LOD	-	106,904	56,656	91,457	255,017
Total	434,910	2,045,592	1,123,923	225,243	3,829,668

Total Retirement Cost (FY2016 Proposed)

	General Scale	Police	Fire	Fire Marshall EMT/Sheriff	Total
Retirement	18,177,193	-	-	3,923,794	22,100,987
<i>Pension</i>	-	7,318,470.79	4,031,785.22	-	11,350,256
<i>Disability</i>	-	3,108,459.01	1,712,466.91	-	4,820,926
OPEB	191,177	494,642	263,374	409,840	1,359,033
LOD	-	951,825	504,825	779,517	2,236,167
Total	18,368,370	11,873,396	6,512,452	5,113,151	41,867,369



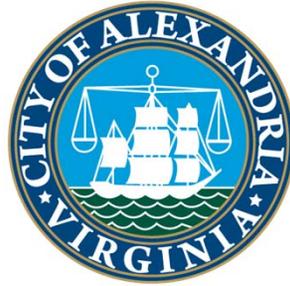
TOTAL COMPENSATION

New Strategic Investments:

- Police pay alignment
- Expansion of Fire Department career ladder
- Commitment to affordable health and life insurance options for employees
- Workplace improvements: commuting, space planning and telework

Other Ongoing Investments:

- Merit increases funded (Average increase of 2.9%)
- 2nd year of funding for Courts pay (District and Juvenile Domestic Relations Courts)
- Pay scales for VRS employees increasing by 1% to offset increased contribution to retirement
- Career Ladder elevations in FY 2016



PRIORITY V: RECRUITMENT AND RETENTION OF THE BEST AND BRIGHTEST TALENT

COMPENSATION



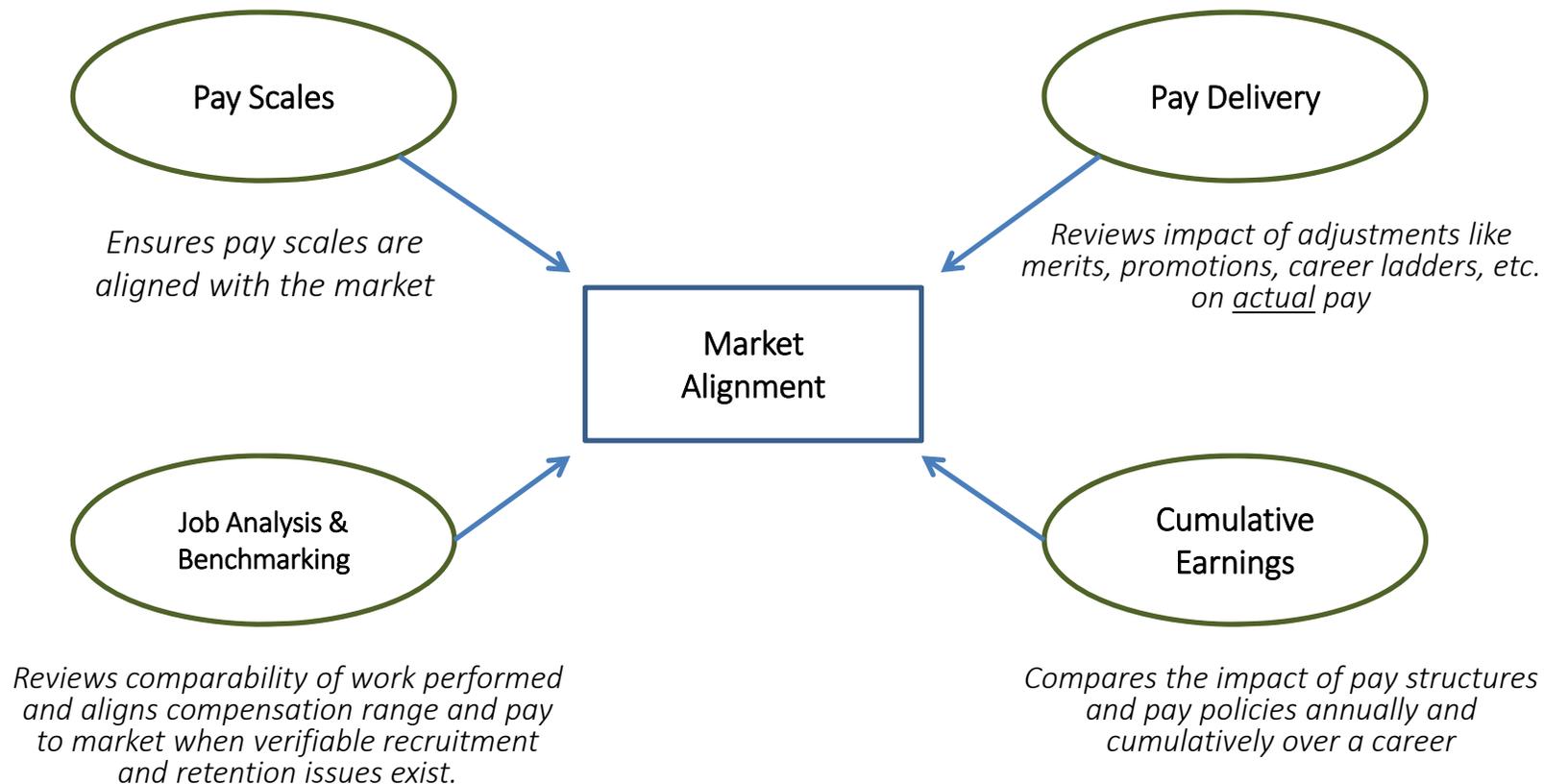
CITY COUNCIL COMPENSATION PHILOSOPHY (EXCERPTS)



- Pay programs are intended to be competitive at a minimum with the average pay of comparator organizations.
 - The primary comparator market includes the Counties of Arlington, Fairfax, Prince William, Montgomery and Prince George's
- Every two years, the City will conduct a market study of benchmark positions to determine the competitive posture of the organization, and propose a plan of action.

BENCHMARKING ANALYSIS

- No longer focused solely on pay scales and pay ranges (min., max., or midpoint salary).





PAY PARITY

- Pay parity was enacted by Council in FY 1998.
- In May 2006, Council approved the City Manager's recommendation to eliminate pay parity
 - Three separate public safety pay scales (Fire, Police & Sheriff)
 - Executive, Physicians and Part-time/Temporary pay scales have also been created
 - Today pay adjustments are made based on comparisons with similar jobs in comparator jurisdictions



PUBLIC SAFETY COMPENSATION

FY 2015 MARKET POSTURE

Matches include non-supervisory and supervisory jobs. (Agency and rank specific details included in later slides)

Police ranks are behind at both minimum and maximum

City of Alexandria FY 2015 Market Position

Alexandria compensation levels by Job Type relative to average of comparator market

Job Type**	Jobs Matched	Deviation from Average	
		Minimum Salary*	Maximum Salary*
Public Safety-Police	4	-\$2,005	-\$4,259
Public Safety-Sheriff	4	\$7,407	\$3,414
Public Safety-Firefighter/Officer	4	\$299	-\$8,988

*Minimum salary reflects earliest salary in rank based on a typical career progression

*Maximum salary reflects the year employees in every comparator jurisdiction should reach the top of their pay scale

**Does not include Department of Emergency Communications

Sheriff Public Safety scale increasing 1% a year from FY 2013 to FY 2017

Firefighter and officer ranks are at or near market at entry.

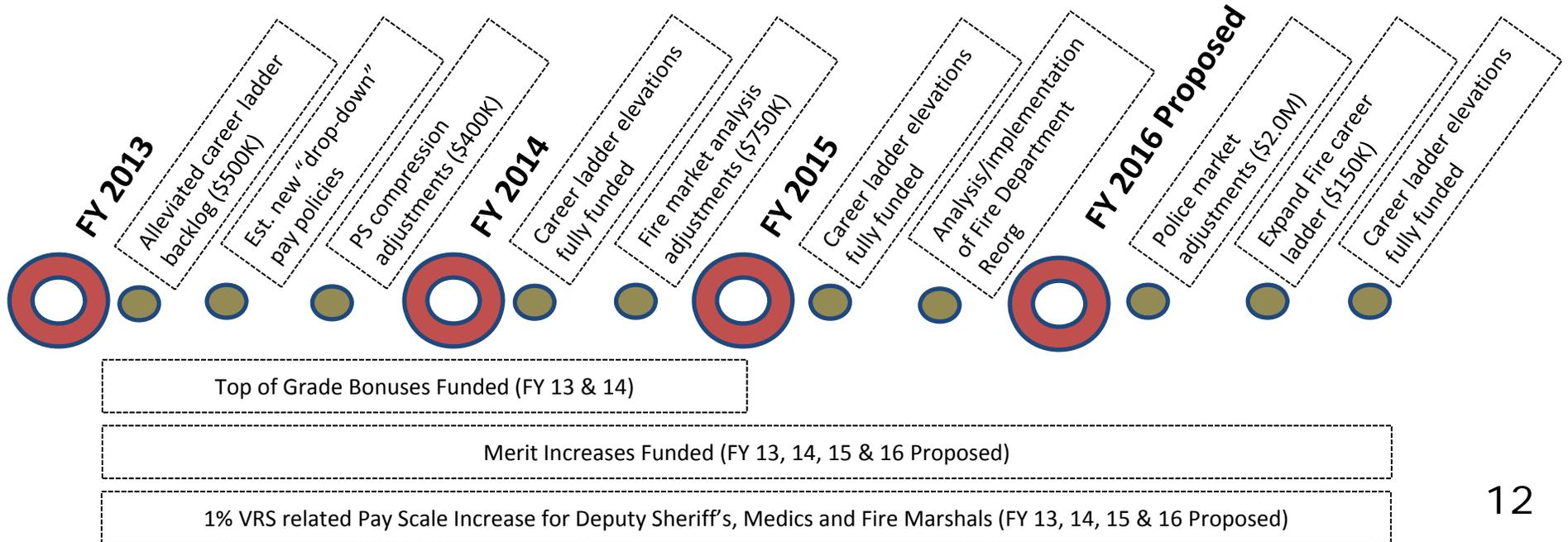
Firefighter and officers are behind at maximum

Entry pay for firefighters (and medics) was increased in FY 2014

PUBLIC SAFETY COMPENSATION

FY 2013 – 2016 PROPOSED

- Since their establishment in FY 2013, the Public Safety Work Groups (PSWG) have worked to jointly analyze compensation issues and provide recommendations for improvement.
- In addition to normal pay adjustments (i.e., merits), significant investments have been funded to address several long standing pay challenges.





PUBLIC SAFETY COMPENSATION

- Several comparators have proposed compensation adjustments for FY 2016 that will impact Alexandria's market position.

FY 2016 Proposed Market Salary/Scale Changes among Comparators*			
Jurisdiction	Payscale Adjustments		Merit
Alexandria	4.50%	Police	Merit Increases between 2.3%-5.0%
	1%	Sheriff, Medic & Fire Marshals (VRS Offset)	
	0%	Fire	
Arlington	0%		Merit Increases between 2.8%-3.35%
Fairfax County	0.84%	All Public Safety	Merit increases between 1.25%-3% or longevity increases
Montgomery County	2.00%	All Public Safety	Merit increases 3.5% or longevity increases
Prince George's County	TBD	TBD	TBD
Prince William County	1%	All Public Safety (VRS Offset)	0%

*This data is preliminary, as no comparator budgets have been adopted.

PUBLIC SAFETY COMPENSATION

POLICE



Police FY 2015 Market Position

Alexandria compensation levels by Job Type relative to average of comparator market

Job Class	Deviation from Average Minimum Salary*	Deviation from Average Maximum Salary*
Police Officer-Full Perf.	-\$4,222	-\$2,570
Sergeant	-\$2,419	-\$4,451
Lieutenant	-\$3,044	-\$3,044
Captain	\$1,666	-\$6,972

*Minimum salary reflects earliest salary in rank based on a typical career progression

*Maximum salary reflects the year employees in every comparator should reach the top of their pay scale

PUBLIC SAFETY COMPENSATION

POLICE



- The proposed budget recommends the following actions to address police pay

Increase police officer entry pay to \$47,863:

Step 1: Increase pay grade of entry officers

Police Officer I & II		
Current	Grade 9	\$43,618
		
Proposed	Grade 10	\$45,802
		} +5%

Step 2: Increase the pay scale by 4.5%

Police Officer I & II		
Current	Grade 10	\$45,802
		
Proposed	Grade 10	\$47,863
		} +4.5%

Adjust police supervisors' pay with:

4.5% market rate adjustment for Sergeant, Lieutenant, Captain, Deputy Chief & Chief

Plus, increase the Lieutenants one pay grade from Grade 16 to 17 (an additional 5% increase)

The total annual cost (salary + benefits) for all market based adjustments is:

\$2.1 million

PUBLIC SAFETY COMPENSATION

POLICE



- The proposed adjustments to Police pay have a significant impact on the City's competitive position.

Police FY 2015 Market Position

Alexandria compensation levels by Job Type relative to average of comparator market

Job Class	Deviation from Average	
	Minimum Salary*	Maximum Salary*
Police Officer-Full Perf.	-\$4,222	-\$2,570
Sergeant	-\$2,419	-\$4,451
Lieutenant	-\$3,044	-\$3,044
Captain	\$1,666	-\$6,972

Current market position with no change

*Minimum salary reflects earliest salary in rank based on a typical career progression

*Maximum salary reflects the year employees in every comparator should reach the top of their pay scale

Police FY 2016 Proposed Market Position

Proposed compensation levels by Job Type relative to average of comparator market

Job Class	Deviation from Average	
	Minimum Salary*	Maximum Salary*
Police Officer-Full Perf.	\$23	\$1,364
Sergeant	\$842	-\$114
Lieutenant	\$5,086	\$311
Captain	\$6,608	-\$1,175

Market position with proposed 4.5% increase

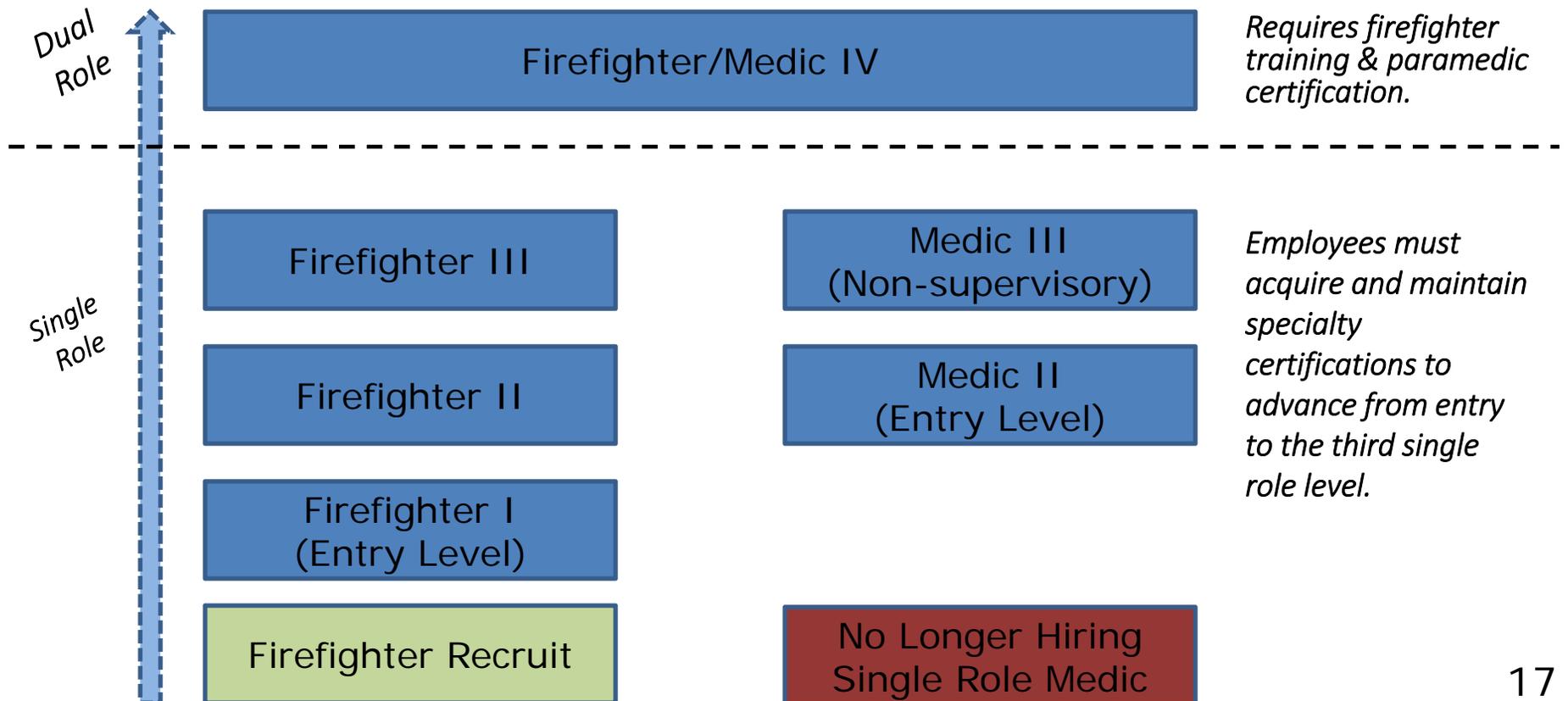
*Minimum salary reflects earliest salary in rank based on a typical career progression

*Maximum salary reflects the year employees in every comparator should reach the top of their pay scale

PUBLIC SAFETY COMPENSATION

FIRE DEPARTMENT

- Proposed budget includes a \$150,000 increase to fund career ladder elevations for the firefighter and medic ladders.





PUBLIC SAFETY COMPENSATION

- The Years of Service Alignment Model (YOSAM), not funded, would have placed employees on the pay grade step based upon years of service.

	Police	Fire-fighters	Medics	Fire Marshals	Sheriff	Totals
Net Cost	\$447,164	\$536,473	\$195,301	\$21,578	\$475,617	\$1,676,133
# of Impacted Employees	106	56	29	3	67	261



GENERAL SCHEDULE COMPENSATION

- Creating career pathways and providing training opportunities to employees.

Senior Executive Group
(CMO, Depart. Heads, Deputy/Assist Dept. Directors)

Management Level
(Division Chiefs and Manager)

General Schedule
Career Ladders

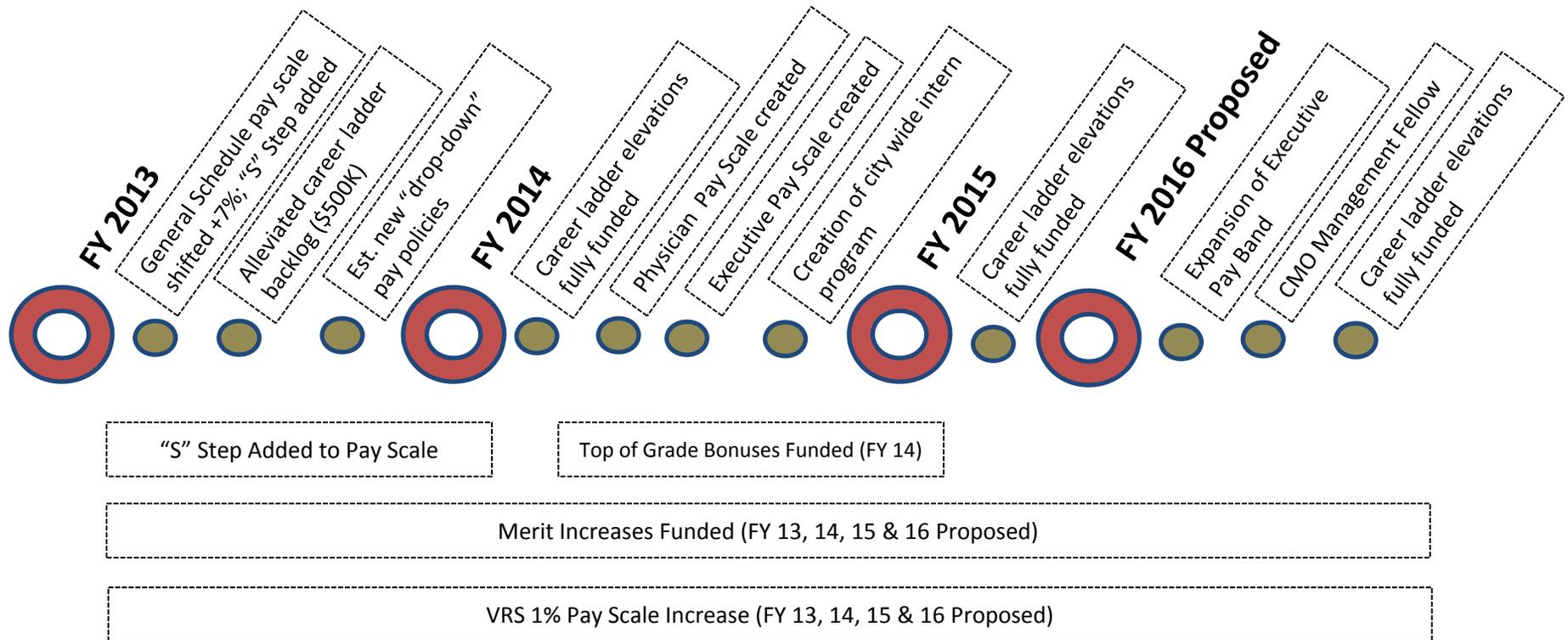
CMO Management
Fellow

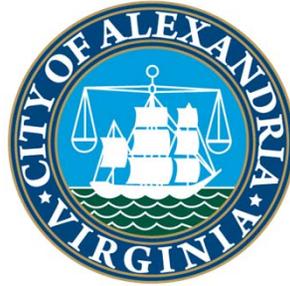
Intern Program

- Proposed budget maintains \$282,000 for the Professional Development Programs
- Programs provide educational and training assistance to employees.

GENERAL SCHEDULE COMPENSATION

FY 2013 – 2016 PROPOSED





PRIORITY V: RECRUITMENT AND RETENTION OF THE BEST AND BRIGHTEST TALENT

BENEFITS



EMPLOYEE BENEFITS

HEALTH INSURANCE CHANGES FY 2010 – FY 2016 PROPOSED

	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15*	FY 16*
Health Insurance Actuals/Budget*	\$18,618,572	\$19,387,268	\$19,737,431	\$19,920,432	\$18,520,229	\$21,580,852	\$20,131,701
Employee Premium Cost Sharing	10%	13%/20%	16%/20%	20%/20%	20%	20%	20%
Premium Change							
Kaiser	3.5%	4.4%	7.5%	7.1%	-5.5%	0.0%	6% to 8%
UHC	4.0%	12.0%	5.0%	10.0%	-1.8%	0.0%	-3% to 0.1%

*FY 2015 and 2016 represent budgeted amounts

- Negotiations and Request for Proposal (RFP) process for health insurance plans is ongoing. Premium projections subject to change



EMPLOYEE BENEFITS

LIFE INSURANCE, COMMUTING, PARKING, TELEWORK

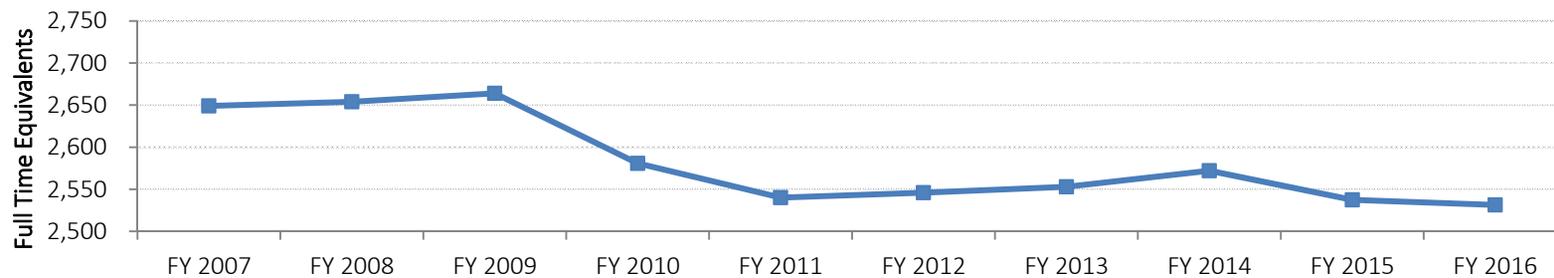
- Life Insurance rates +18% for employer/employee
- Transit benefit proposed to increase from \$100 to \$120 per month
- \$10 increase per month for monthly parkers at City owned garages
- Investments in a telework program and space planning to provide short and long term solutions for workplace environment
 - Goal is to foster more flexible schedules for employees and determine space needs for the City workforce.

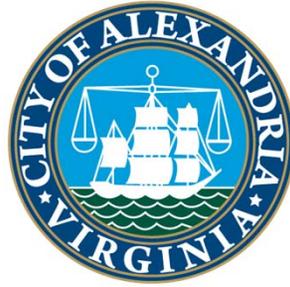


FTE SUMMARY

FOCUS AREA	REDUCTIONS		ADDITIONS	
	General Fund	Other Funds	General Fund	Other Funds
Accountable, Effective & Well-Managed Government	-3.0	-	0.4	-
Healthy & Thriving Residents	-	-	0.3	-
Livable, Green & Prospering City	-10.5	-	4.0	6.0
Safe, Secure & Just Community	-1.0	-	-	-
Total	-14.5	-	4.7	6.0
Net FTE Change				-3.8

City FTE Count (FY 2007 – FY 2016)



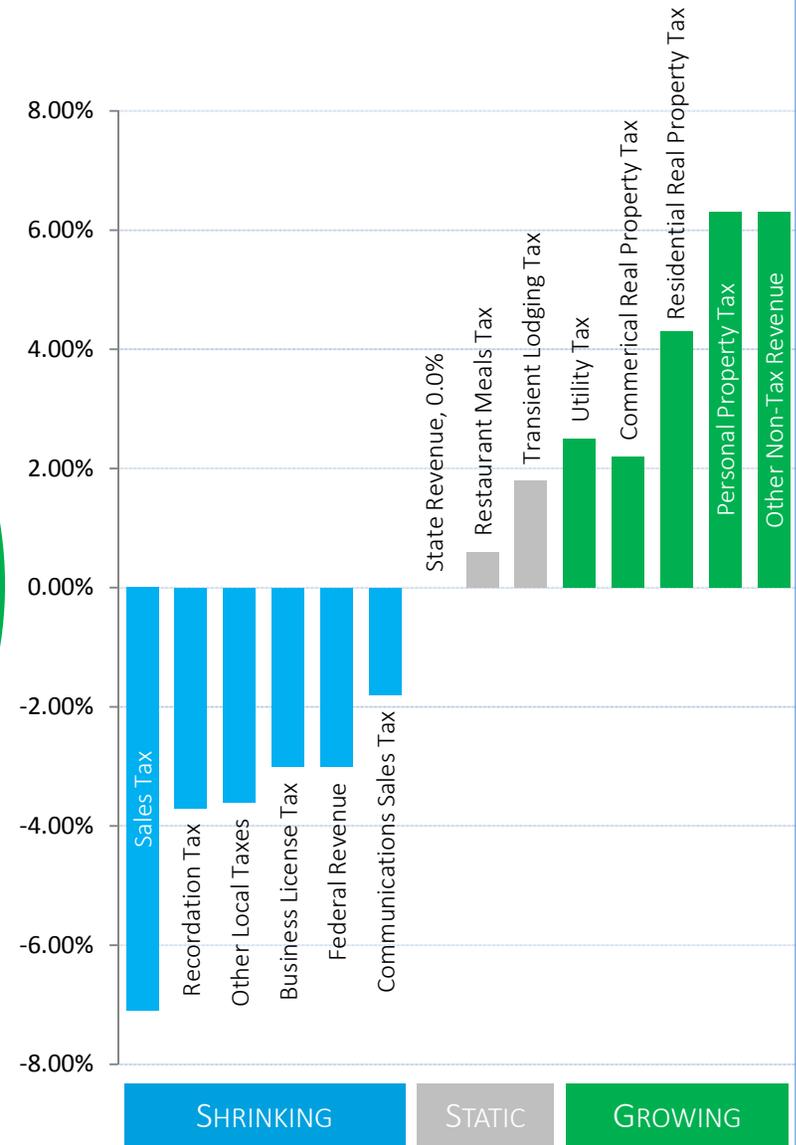
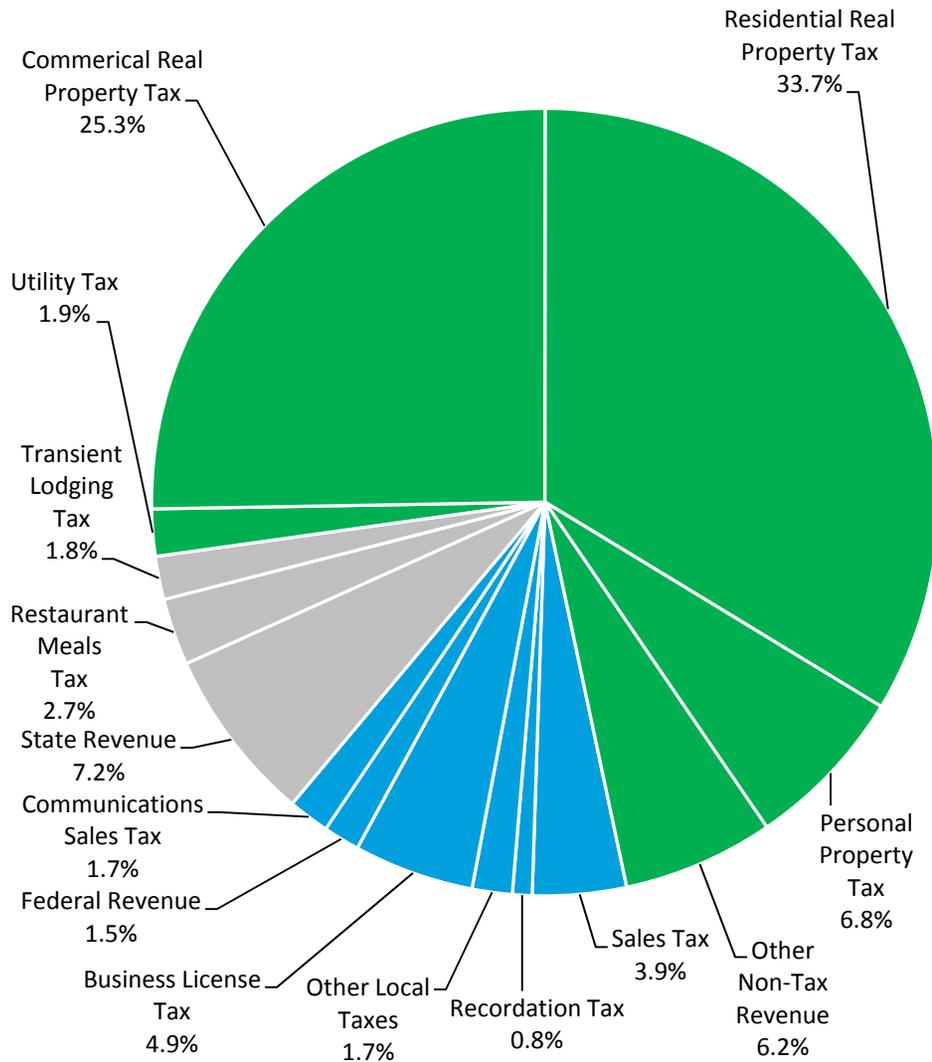


REVENUES



FY 2016 GENERAL FUND REVENUES

\$647.9 M



FY 2016 GENERAL FUND REVENUES

(IN MILLIONS; NUMBERS MAY NOT ADD DUE TO ROUNDING)



Source	FY 2015 Approved	FY 2015 Projected	FY 2016 Proposed	\$ Change FY 15/16	% Change FY15/16
Real Property Tax	\$369.7	\$369.6	\$382.1	\$12.4	3.4%
Personal Property Tax	\$41.3	\$43.5	\$43.9	\$2.6	6.3%
Sales Tax	\$26.9	\$24.6	\$25.0	-\$1.9	-7.1%
Utility Tax	\$12.2	\$12.2	\$12.5	\$0.3	2.5%
Business License Tax	\$33.0	\$32.0	\$32.0	-\$1.0	-3.0%
Recordation Tax	\$5.4	\$5.2	\$5.2	-\$0.2	-3.7%
Transient Lodging Tax	\$11.3	\$11.3	\$11.5	\$0.2	1.8%
Restaurant Meals Tax	\$17.7	\$17.4	\$17.8	\$0.1	0.6%
Communications Sales Tax	\$11.2	\$11.0	\$11.0	-\$0.2	-1.8%
Other Local Taxes	\$11.1	\$10.7	\$10.7	-\$0.4	-3.6%
Federal Revenue	\$10.0	\$10.0	\$9.7	-\$0.3	-3.0%
State Revenue	\$46.4	\$45.5	\$46.4	\$0.0	0.0%
Other Non-Tax Revenue	\$37.8	\$37.8	\$40.2	\$2.4	6.3%
Total General Fund Revenue	\$634.0	\$630.9	\$647.9	\$13.9	-4.7%
Use of Fund Balance	\$2.4	\$0.0	\$0.0	-\$2.4	-
FY14 Contingent Reserve Carryover	\$0.4	\$0.4	\$0.0	-\$0.4	-
TOTAL General Fund SOURCES	\$636.8	\$631.3	\$647.9	\$11.1	1.7%
Total ALL Fund Sources	\$804.7	\$799.2	\$815.0	\$10.3	1.3%

AVERAGE REAL ESTATE TAX BILL IMPACT

NO TAX RATE INCREASE IN PROPOSED FY 2016 BUDGET



REAL PROPERTY	2014 (CY) AVG. TAX BILL (A) RATE: \$1.043	ASSESSMENT INCREASE % (B)	AVG. TAX BILL INCREASE \$ (C)	2015 (CY) AVERAGE TAX BILL (A+C) RATE: \$1.043
Residential Real Estate (Avg. Value = \$509,853)	\$5,115	3.08%	\$203	\$5,318
Single Family Average (Avg. Value = \$702,098)	\$7,065	2.92%	\$258	\$7,323
Condo Average (Avg. Value = \$302,843)	\$2,999	3.51%	\$160	\$3,159
Commercial Average	Varies	0.90%	Varies	Varies

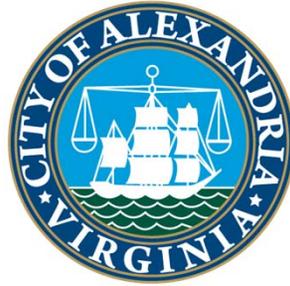
Average residential real estate tax bill will increase by \$203, or \$16.92 monthly.



FY 2016 PROPOSED GENERAL FUND REVENUE CHANGES

Proposed Fee Changes		
Department	Fee	Additional Revenue
General Services	Employee Monthly Parking Increase from \$90/mo. to \$100/mo.	\$13,080
Fire	Ambulance Billing Fee Increase (consistent with Fairfax County) Basic Life Support (BLS) from \$400 to \$500 Advanced Life Support 1 (ALS1) from \$500 to \$650 Advanced Life Support 2 (ALS2) from \$675 to \$800	\$528,733
Office of Historic Alexandria	Various facility rental fee increases based on market rate adjustments and two new fees added. (See attachment I)	\$27,000
Recreation Parks and Cultural Activities	Various Changes based on market rate adjustment and cost recovery policy. (See attachment II)	\$432,587
Total		\$1,001,400

Proposed Revenue Changes		
Revenue Source	Description	Additional Revenue
Real Property Tax	Transfer of \$2.4 million from Potomac Yard Special Fund for the cost of City services	\$2,400,000
Transfers from Special Revenue Accounts	Additional \$700,074 from Sanitary Sewer Fund and \$897,250 from permit fund fee consistent with indirect cost allocation plan	\$1,667,324
Various sources	Revenues increased in other categories based on revised revenue projections and expansions of programs.	\$8,882,753
Total		\$12,950,077



FIVE YEAR FINANCIAL PLAN UPDATE





FIVE YEAR PLAN UPDATE CHANGES

Revenues

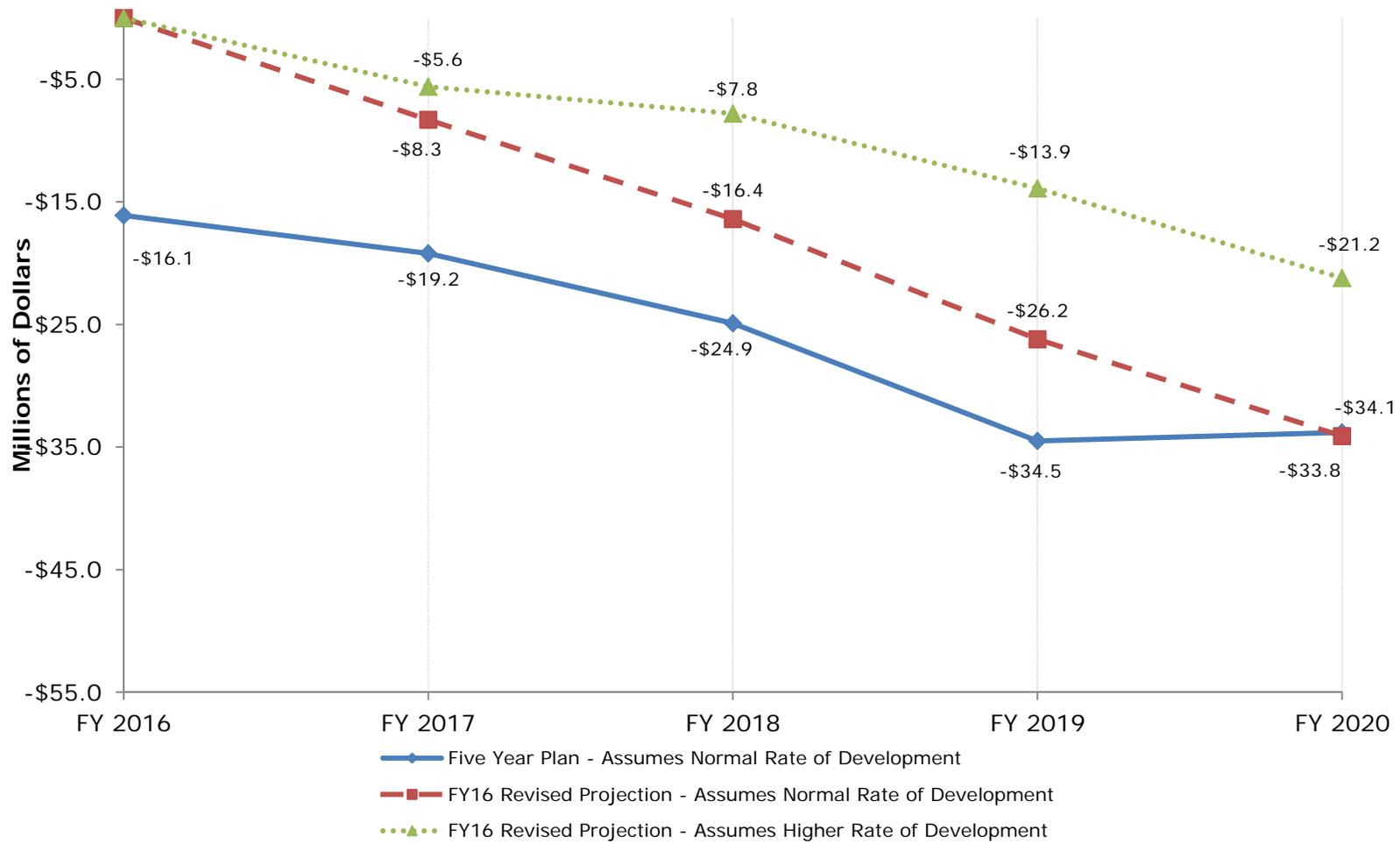
- Revised revenue assumptions based on FY 2016 proposed revenue and ongoing monitoring of the economic climate
- Revenue from Potomac Yard appreciation to cover the costs of City services for the new development
- Revenue from the permit fee fund for indirect administrative costs incurred

Expenditures

- Capital Improvement Program (CIP) cash capital and debt service funding in the operating budget have been reduced from the amounts included in the out-years of the FY 2015-2024 approved ten-year CIP
- Departmental operating budgets have been reduced through the combination of efficiency reductions and service reductions outlined in the operating budget.



FIVE-YEAR FINANCIAL PLAN



ASSUMPTION COMPARISON



Revenue Assumptions			
Source	Five Year Plan Normal Rate of Development	FY 2016 Revised Projection - Normal Rate of Development	FY 2016 Revised Projection - High Rate of Development
Real Property Tax	3.4%	3.2%	3.7%
Personal Property Tax	5.0%	1.0%	1.0%
Other Local Taxes	2.3%	0.9%	1.2%
Federal & State Revenue	1.6%	0.0%	0.0%
Other Non-Tax Revenue	3.6%	2.6%	2.6%
Total Weighted Growth Rate	3.0%	2.3%	2.7%

Expenditure Assumptions		
Category	Five Year Plan Assumption	FY 2016 Revised Assumption
City Personnel	3.4%	3.0%
City Non-Personnel	2.1%	2.2%
Other Costs	4.8%	4.8%
Schools	3.6%	3.2%
Transit Subsidies	4.6%	4.4%
Cash Capital	4.0%	3.9%
Debt Service	6.2%	4.7%
Total Weighted Growth Rate	3.7%	3.3%
Growth Rate with CIP Impact	4.0%	3.6%



KEY BUDGET DEVELOPMENT DATES

Tuesday, March 3	5:00	FY 2016 Proposed Budget Presentation (Council Chambers)
Wed., March 11	6:30	Public Budget Presentation (Beatley Library)
Thursday, March 12	6:30	Work Session: Compensation/Revenues/5-Year Financial Model (City Hall; 1101)
Monday, March 16	4:00	Public Hearing: FY 2016 Budget (Council Chambers)
Tuesday, March 17	6:30 8:00	Work Session: Alexandria City Public Schools (ACPS Headquarters) Introduction of Tax Rate Ordinance (ACPS Headquarters)
Thursday, March 19	6:30	Work Session: “Safe, Secure & Just Community” Focus Area (City Hall; 1101)
Monday, March 23	6:30	Work Session: Capital Improvement Program (City Hall; 1101)
Tuesday, April 7	6:30	Work Session: “Healthy & Thriving Residents” Focus Area (City Hall; 1101)
Thursday, April 9	6:30	Work Session: “Livable, Green & Prospering City” Focus Area (City Hall; 1101)
Tuesday, April 21	5:30 6:30 7:30	Work Session: “Accountable, Effective & Well-Managed Government” Focus Area (City Hall; 1101) Work Session: Budget & Fiscal Affairs Advisory Committee (City Hall; 1101) Public Hearing: FY 2016 Tax Rate (Council Chambers)
Tuesday, April 28	7:00	Legislative Meeting: Preliminary Add/Delete Discussion (Council Chambers)
Monday, May 4	6:30	Special Meeting: Final Add/Delete Discussion (Council Chambers)
Thursday, May 7	6:30	Special Meeting: Budget Adoption (Council Chambers)

Note: Introduction of Tax Rate Ordinance and FY 2016 Tax Rate Public Hearing will start no earlier than stated time. Start time may be later, if previous meeting runs longer than scheduled.