

# FY 2012 BUDGET POSITION PAPER

APRIL 2011

## EMPLOYEE COMPENSATION AND POSITION CLASSIFICATION

### Annual Pay Adjustment

During difficult financial conditions, employee compensation and benefits are areas where localities must look to reduce or eliminate costs. This is evidenced by actions in some of the neighboring localities and in other areas throughout the nation. From FY 2009 to FY 2011, through attrition and a hiring freeze, the City was able to avoid massive lay-offs, furloughs, salary reductions, and costly early retirement buy-out programs.

The last annual pay adjustment provided to employees, which was effective July 1, 2008, granted an adjustment that had two components - a 2% general adjustment and a performance based increase of up to 2% (with an average performance increase of 1%). At that time, each department was required to average a 3% increase for the combined adjustment. Due to severe budget constraints, no across the board pay adjustments in the form of general wage adjustments or merit increases have been provided since. Over this same time period, 233 full time positions were cut from the operating budget, as well as reductions in Part Time and Temporary staffing funds. These overall personnel cuts required the remaining employees to perform additional duties with no increased compensation.

In July 2010, a one-time payment of \$500 was provided to regular full-time employees hired prior to December 31, 2009, in recognition for continuing to provide efficient and effective services, both to citizens and to internal clients during this time economic stress. It also was intended to help offset a rise in the employees' portion of health insurance premiums.

Departmental organizational restructuring has been encouraged throughout the City to accommodate the shifting of the workload. The City's employees have worked diligently in their support of the organization's mission and goals despite the professional and personal challenges all have experienced had in dealing with a troubling economy. The City's workforce has remained highly competent and motivated to provide efficient and effective services to citizens on a daily basis.

In recognition of the effort of employees to carry on the mission despite the challenges of reduced resources and greater personal workload and stresses, it is recommended that effective July 1, 2011, all regular full-time employees, including Constitutional

Officers and Appointed Officials, receive a general wage adjustment of 2%. The General Fund expenditure budget increase for salaries in FY 2012 is \$2.65 million. All other operating funds (user fee and special operating funds) also incorporated a 2% salary increase for the upcoming fiscal year.

### **Reclassifying Positions**

In order to accommodate the reductions in the workforce, departmental organizational restructuring occur throughout the City to accommodate the workload and maintain existing service levels. The classification of a position is a means of evaluating a filled or vacant allotment to ensure the assigned duties and responsibilities are properly graded and grouped with similar level positions across the City.

For the FY 2012 budget, a proactive approach was taken and potential position reclassification changes were solicited from departments during the budget preparation process as a result of this restructuring. Potential pay grade change to positions as a result of increased responsibilities were identified early in the process, enabling Human Resources to review requests, and Budget and Evaluation to calculate the cost of the potential changes. On an ongoing basis, Departments will review positions to determine if efficiency and productivity can be gained through position reclassifications. As a result, \$152,636 has been budgeted in the General Fund Nondepartmental cost center to allow for the change in the value of positions that may occur during the fiscal year. This pool is to be used in the event that the increased salary and fringe benefit cost could not be absorbed by the position's operating department.

### **Pension Contributions**

Based on legislative activity this year, it seems likely that in 2012 or a future session of the General Assembly the State will give localities the option to require an employee contribution to the VRS pension system of up to 5% of an employee's annual salary. Time and due consideration needs to be afforded to such a significant policy change, especially in the light that the City currently has two separate pension systems: the now-closed City system, and the VRS system (for new hires after March 1, 2010). However, as pension contributions may be a salary consideration for any new employees, I am initiating a comprehensive salary study of all current City positions and pay ranges. Once this study is complete, the City will be better positioned to consider how potential employee pension contributions might affect future overall compensation and fringe benefits packages.