

Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Chairman Connolly and Supervisors Bulova, DuBois and Kauffman

Question: Discuss and compare the proposed compensation adjustments for both the County and Schools by category of employee (County non-public safety, County public safety, teacher and School non-teacher) including percentage increase and costs by category.

Response: There are different compensation proposals for each of the four categories of employees for the County and Schools (County non-public safety, County public safety, teacher and School non-teacher). The basic breakdown of percentage increase and cost are provided in the following table. The percentage increase is the average for the employees in each category. In many case employees in a specific category may not be eligible for a particular type of compensation adjustment. The details of the compensation adjustments and who is eligible are included below. The cost is the projected FY 2005 impact of the compensation adjustment and associated fringe benefit adjustments including several fringe benefit enhancements for School employees discussed below. In addition those compensation adjustments that occur on an employee's anniversary date as opposed to the beginning of the fiscal year will have a higher full year cost.

Compensation Adjustment Summary

Category of Employee	Percentage Increase	Cost
County non-public safety	4.12%	\$9.4 million
County public safety	7.98%/5.23%*	\$11.3 million
Teacher	7.10%	\$55.2 million
School non-teacher	5.60%	\$19.7 million

* The total possible for Public Safety employees is a 5.00 percent merit and a 2.98 percent market rate adjustment resulting in 7.98 percent total. However, only approximately 45 percent of public safety employees are anticipated to be eligible to receive the merit increase so the adjusted percentage increase is 5.23 percent.

Compensation Adjustment Detail

County non-public safety: Since FY 2001, pay increases for over 8,000 non-public safety employees have been based on Pay for Performance. Consistent with the County's ongoing assessment of its compensation philosophy and policy, staff undertook a review of the Pay for Performance system during FY 2004. As part of this analysis, other jurisdictions with Pay for Performance systems were surveyed for best practices. Based on this review, two changes to the system are recommended for FY 2005, both of which will better align the Pay for Performance system with the County's goals and competitive marketplace practices. The first is a recalibration of the points required to receive various pay awards and the second is the establishment of a range from 0 percent to 6 percent (0.0, 1.7, 2.1, 2.6, 3.0, 3.4, 3.9, 4.3, 4.7, 5.1, 5.6 and 6.0). This replaces the original 0 to 7 percent range (discounted by 25 percent in FY 2004), maintaining the integrity of the Pay for Performance system by allowing for meaningful differentiation based on performance, while tightening the requirements for the higher level pay awards to more

closely track with pay increases in the marketplace. The average that is anticipated for non-public safety employees is 4.12 percent to be received by employees on their review dates throughout the year.

Additionally, two departments were selected as pilots for a more comprehensive review of performance elements to increase clarity and strengthen the link between pay and performance. The lessons learned will be shared with the remaining departments to further enhance the overall program. Efforts will continue to update employee performance elements and assure their linkage to departmental strategic plans and performance measures. Countywide training for employees and managers will continue to be a priority, as will the expansion of options for multi-rater feedback as part of the performance management process. For FY 2005, funding of \$7.6 million is included for General Fund agencies in addition to \$1.8 million for General Fund-supported agencies for a total of \$9.4 million for Pay for Performance.

In order to ensure that pay scales remain competitive with the market, County non-public safety pay scales are increased in accordance with the annual market index, which is calculated based on data from the Consumer Price Index; the Employment Cost Index, which includes private sector, state and local government salaries; and the Federal Wage adjustment. This is designed to keep County pay scales from falling below the marketplace, requiring a large-scale catch-up every few years. In FY 2005, the non-public safety pay scales will be adjusted 2.98 percent based on the current market index. However, it is important to note that employees do not receive this adjustment as they did in the past through a cost-of-living increase. Pay increases can only be earned through performance. By adjusting the pay scales, however, employees' long-term earning potential remains competitive with the market.

County public safety: Uniformed public safety employees do not participate in the Pay for Performance program. Their increases are based on the market rate adjustment effective the first full pay period in July and step increments on their review date. For FY 2005, funding of \$2.22 million has been included for those eligible to receive public safety merit increments. Typically between 40 and 50 percent of public safety employees are eligible for merit increments on their review dates.

In addition, \$9.12 million is included to provide a 2.98 percent market rate adjustment for approximately 3,000 uniformed public safety employees. As described above, the market index is the County's tool to ensure that salaries remain competitive. Unlike for non-public safety employees for whom the market index is applied to the pay scales but not individual salaries, the County has applied the market index to the salaries of public safety employees to ensure that actual employees keep pace with the market and to support the County's public safety priorities.

It should be noted that FY 2005 funding of \$1.77 million is also included for a regrade of the Fire Technician, Master Technician and Lieutenant classes in the Fire and Rescue Department to provide for market competitiveness of these positions (this funding is not included in the table above). Each year, the Department of Human Resources conducts a market pay study to compare specific core and supplemental position classes to the local and regional employment market. In addition, the range of public safety position classes is reviewed. This proposed increase is based on a review of these public safety classes in comparison to those in surrounding jurisdictions. Only three public safety position classes had hourly rate midpoints 5 percent or more below the market average, which is

the threshold used in making pay recommendations. The adjustment will impact more than 700 positions.

Teacher: Fairfax County Public Schools teachers are eligible for four types of compensation increases in FY 2005 totaling \$55.2 million. These include a market scale adjustment of 3.0 percent with a cost of \$28.7 million, an average step increase of 3.1 percent with a cost of \$22.6 million, a reduction in the annual contract by one day with no reduction in pay or an effective increase of 0.5 percent (with no additional cost to the system) and a fringe benefit enhancement resulting in an increased employer contribution for the Virginia Retirement System equating to a 0.5 percent increase with a cost of \$3.9 million.

School non-teacher: The 5.6 percent, or \$19.7 million, increase noted above for School non-teachers includes three types of compensation adjustments. The non-teacher market scale adjustment is 2.0 percent with a cost of \$8.0 million (as compared to the 3.0 percent for teachers). The average step increase of 3.1 percent and the fringe benefit enhancement of an increased employer contribution for the Virginia Retirement System of 0.5 percent are the same as for teachers and have associated costs of \$10.5 million and \$1.2 million respectively.

In addition, a number of other adjustments are included for non-teachers including the restoration of the step increase for those employees who lost it in FY 1992 (\$2.3 million), a change in the policy for promotions to ensure a 10 percent increase consistent with the County policy (\$1.0 million) and adjustment of the retiree health subsidy to be consistent with the graduated County system implemented in FY 2004 (\$0.6 million).