

**Subject: HRD-REVISED Merit Increase Options**

**FY 2018 Proposed Budget  
Budget Work Session Follow-up**

**4/14/2017**

The following information is provided in response to information requested by Mr. John Vihstadt at the work session on 3/16/2017, regarding compensation:

The Manager's proposed budget includes an employee compensation increase of 3.25%. Mr. Vihstadt requested the savings generated from the following:

- A. A compensation increase of 2.75%
- B. A compensation increase of 2.5%
- C. A compensation increase of 2.0%
- D. A compensation increase effective January 1, 2018 (six months into the fiscal year instead of July 1, 2017) at 3.25%, 2.5% and 2.0%

In response to Mr. Vihstadt's questions, the following tables detail the savings to the general fund based on reduced merit increase options. Table A reflects a full year of merit increases. Compared to adjustments in the region, reducing the proposed merit increase to 2.5% or 2.0% would put Arlington at one of the lowest average increases. Table B reflects a half year of merit increases. Staff does not recommend delaying the merit increase six months as it creates inequity across employee groups. 2,241 employees would be delayed an increase for 6 months while the rest of employees would receive merit increases on time (based on anniversary date). The average loss for employees in the first group is approximately \$1,600.

<b>Table A: Savings Yielded by Reduced Compensation Increases - Full Year</b>				
	<b>Proposed 3.25% &amp; 3.5%</b>	<b>2.75% &amp; 3.0%</b>	<b>2.5% &amp; 2.75%</b>	<b>2.0% &amp; 2.25%</b>
<b>Cost of Merit Increase</b>	\$5,445,748	\$4,683,143	\$4,294,765	\$3,518,465
<b>Savings from Proposed Increase</b>	NA	\$762,605	\$1,150,983	\$1,927,283
<b>Average Increase</b> (includes employees at max or close to the max who get less than the full % or none at all. There are 440 employees projected at max and another 176 within 2% of the max through end of FY 2017.)	2.85%	2.4%*	2.2%*	1.8%*
*Compared to adjustments in the region, this would put Arlington at one of the lowest average increases (See attached Compensation Comparison from 3/16/17 work session)				

Table B: Savings Yielded by Delaying Merit Increase to January 1				
	3.25% & 3.5%	2.75% & 3.0%	2.5% & 2.75%	2.0% & 2.25%
<b>Cost of Merit Increase</b>	\$3,690,638	\$3,172,125	\$2,908,391	\$2,380,965
<b>Savings from Proposed Increase</b>	\$1,755,110	\$2,273,623	\$2,537,357	\$3,064,783

- Public Safety and Pay for Performance Employees are budgeted at an additional 0.25%

Table C: Compensation Comparisons in the Region

The table below summarizes the proposed FY 2018 merit increases in the region.

## Comparison of Proposed FY 2018 Comp Adjustments in the Region

	Merit Increases	Average <sup>1</sup> Increase	Structure Change
Arlington	3.25% General 3.5% (PS and PFP)	2.85%	None
Fairfax	1.25% - 3.0% (General) 5.0% (PS) 4% longevity at 20 & 25 YOS	2.0% <sup>3</sup>	1.65% proposed
Alexandria	2.3% -5.0%	N/A	2.3% step added
Prince William	2.0%	N/A	1.0% <sup>2</sup>
Arlington Public Schools	4% - (Other employees) 5% (Teachers) 2.5% longevity	2.9%	None

<sup>1</sup>. The average increase accounts for some employees at the maximum who will not receive a merit increase. Alexandria City and Prince William County do not calculate the average.

<sup>2</sup>. Prince William County is proposing a 1% increase to the base for the next five years which applies to all employees.

<sup>3</sup>. For Fairfax County, their average merit increase is projected at 2.0%, however, their average merit increase for public safety is projected at 2.25%. **It should be noted that the Fairfax proposal includes an average 2% increase that applies to 79% of the workforce. (66% of the Arlington workforce would receive the full increase). In addition, the proposed**

**structure change is a market rate adjustment that would apply to all employees and is in addition to the merit increase. Fairfax is scheduled to adopt its budget on April 26.**