

Compensation

Compensation and Retention

- A. Budgeted Salary Lapse** - Employee compensation for each agency includes the salaries, benefits and budgeted increases that may include either pay plan or pay-for-performance increases. This total compensation figure is adjusted in the base budget to account for turnover and the associated savings when longer term employees are replaced by individuals hired at lower points in the County's pay scale. This 'salary lapse' savings totaling \$2.0 million in the FY2017 adopted budget is allocated to each agency that is (1) not a state or federal agency encompassed within the Prince William County budget structure and (2) has 21 or more FTEs in the general fund portion of their budget. Larger agencies are more likely to have higher turnover during the fiscal year and are therefore in a better position to absorb salary lapse savings than smaller agencies. The amount of anticipated savings allocated to an agency is directly related to the number of FTEs in the agency. Budgeted salary lapse was increased \$0.35 million in the FY2017 adopted budget from \$1.65 million to \$2.00 million.
- B. Budgeted Agency Savings** - For over two decades, the County has had a long-standing practice of using year-end savings as a funding source in the next year's budget. Utilizing these savings has provided significant tax bill savings for County residents. The three major credit rating agencies revised their rating criteria used to evaluate the creditworthiness of jurisdictions using bond proceeds to finance capital infrastructure projects. Under the new criteria, year-end savings are considered one-time funds, which should not be used to support ongoing expenditures. In order to address this issue, the FY2016 Budget included a 2.5% reduction to the general fund portion of agency expenditure budgets (with the exception of state courts and magistrates), totaling \$13.0 million. The \$13.0 million total of budgeted agency savings is now included in agency base budgets in each year of the adopted FY2017-2021 Five-Year Plan. This reduction has been implemented by adding a negative budget line item to agencies, similar to the budgeted salary lapse. Agencies typically realize these savings during the course of the fiscal year through staff turnover (vacancies).
- C. Position Reclassifications** - Every year, the County conducts an annual benchmark salary survey of selected job classifications to ensure salaries are competitive with surrounding jurisdictions. The following position reclassifications were approved as part of the FY2017 adopted budget at a cost of approximately \$19,000:

Position Reclassifications Approved in FY2017 Budget			
	Code	Current Grade	New Grade
Title Researcher	1702	09	10
Accounting Services Coordinator II	1721	12	13
Deputy Clerk Manager	0114	15	17
Chief Deputy Clerk	0120	17	18
Construction Plans Reviewer	2442	14	15
Family Services Associate	5670	11	12
Human Resources Director	0215	21	22
Library System Director	4561	21	22
Director of Social Services	5735	22	23
Communications Director	0320	21	22
Parks and Recreation Director	9695	22	23
Parks and Recreation Counselor I	5690	PR06	PR05
Animal Caretaker	6200	PS07	PS08
Animal Head Caretaker	6205	PS10	PS11
Deputy Animal Control Officer	6210	PS10	PS11
Animal Control Investigator	6212	PS11	PS12
Animal Control Patrol Supervisor	6213	PS11	PS14
Chief Animal Control Officer	6215	PS12	PS16

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D. Parks and Recreation Hourly Pay Plan - In May 2015, the County adopted a Parks and Recreation Hourly Pay Plan to accommodate hourly position classifications. The County performed an annual benchmark salary survey for these approximately 1,100 positions. As a result of the survey, the Parks and Recreation Hourly Pay Plan was amended as follows in the FY2017 adopted budget at an estimated cost of \$135,000:

Parks & Recreation Hourly Pay Plan Approved in FY2017 Budget			
Grade	Adopted Min	Adopted Mid	Adopted Max
PR1	\$7.84	\$10.57	\$13.30
PR2	\$8.29	\$11.19	\$14.08
PR3	\$8.99	\$12.13	\$15.26
PR4	\$9.94	\$13.41	\$16.88
PR5	\$10.41	\$14.05	\$17.68
PR6	\$10.90	\$14.70	\$18.50
PR7	\$11.20	\$15.11	\$19.01
PR8	\$11.48	\$15.49	\$19.49
PR9	\$12.15	\$16.40	\$20.64
PR10	\$12.93	\$17.45	\$21.96
PR11	\$13.85	\$18.68	\$23.51
PR12	\$14.86	\$20.05	\$25.24

E. Countywide Retention - Critical to achieving the County's strategic vision and community outcomes is retaining the County's skilled workforce. Prince William County has over 4,000 active employees in more than 700 job classifications as well as more than 1,600 retirees and 6,200 volunteers. The County maintains a combination of salaries and benefits that are competitive with other Northern Virginia jurisdictions. The table below shows the County's retention rate by month from April 2015 through April 2016.

Countywide Retention (April 2015 - April 2016)													
MONTH	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR
Countywide Without Retirement	99.37%	99.29%	98.99%	99.27%	99.12%	99.19%	99.30%	99.43%	99.41%	99.67%	99.48%	99.28%	99.49%
Countywide With Retirement	99.32%	99.10%	98.77%	98.75%	98.88%	98.94%	99.24%	99.24%	99.04%	99.59%	99.23%	98.91%	99.28%

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Attracting and Retaining Quality County Employees

The County's compensation policy is as follows:

Prince William County will have a combination of salaries, benefits, employee development and workplace environment that will attract and retain the most qualified employees in order to implement our vision. To accomplish this, the County recognizes the importance of maintaining salaries that are competitive with other Northern Virginia jurisdictions. Our success in implementing this strategy will be measured by our ability to attract quality applicants, retain quality employees and maintain employee satisfaction.

To implement this compensation policy, we will make every effort, within our position classification structure, to maintain salaries comparable to salaries of similar positions in Fairfax and Arlington counties and the City of Alexandria. The County will annually benchmark to the average midpoint salaries for these three jurisdictions. Since the County's pay grades are based on the starting salary figure, increases in the starting salary will result in increases throughout the pay grade.

The County's policy will be implemented through the following components:

1. Market Pay Adjustment

Total Cost	\$0
Supporting Revenue	\$0
Total PWC Cost	\$0

- a. **Market Pay Adjustment** - When an adjustment is required to maintain salaries that are competitive between Prince William and the other Northern Virginia jurisdictions, an across-the-board market pay adjustment will be proposed for all County employees. No funding is included to support a market pay adjustment in FY17. Market pay adjustments of 2.0% in FY18 and FY20 are included in the Five-Year Plan. The total general fund cost of market pay adjustments is \$37,500,559 in FY17-21.
- b. **Sunday and Holiday Pay Increase** - This covers the increased cost of Sunday and holiday pay due to market pay adjustment increases. The total general fund cost is \$750,256 in FY17-21.

2. Pay for Performance Adjustment

Total Cost	\$6,537,482
Supporting Revenue	\$677,755
Total PWC Cost	\$5,859,727

- a. **Pay for Performance Adjustment** - Funding is included to support a pay for performance increase in FY17. The five-year plan funds 3.0% pay for performance increases during FY19 and FY21. Pay for performance includes the following:
 - The basic pay for performance increase is calculated on the employee's current salary/pay as a percentage increase until the employee reaches the maximum salary/pay for that position. Maximum salary/pay scales are not extended based on pay for performance adjustments. The total general fund cost of pay for performance adjustments is \$47,272,655 in FY17-21.
 - "Performance Plus" is a lump-sum award that will be added to the first paycheck the employee receives after his/her evaluation, if the performance is rated higher than the "Fully Achieved" rating. This one-time amount is not added to the employee's base pay. Employees at the maximum salary/pay for their position ("topped out") are eligible for this award. Funding to support "Performance Plus" is budgeted in FY17, FY19 and FY21. The total general fund cost of Performance Plus is \$2,328,594 in FY17-21.
- b. **Compensation Rollover** - Each year compensation actions are rolled over into the next budget year. This includes positions which were funded for a partial year that require a full year budget in the next fiscal year. Pay for performance rollovers are necessary because not all employees receive pay for performance increases at the beginning of the fiscal year. Therefore, a pay for performance increase given halfway through a fiscal year needs to be funded for the entire next fiscal year. This

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rollover captures the full cost of providing a pay for performance increase to employees. When no pay for performance increase is authorized, little if any compensation rollover funds are added to the budget in the next budget year. The total general fund cost of compensation rollover is \$15,311,808 in FY17-21.

3. Virginia Retirement System (VRS) Offset and Plan 1 Savings

Total Cost	\$1,526,498
Supporting Revenue	\$180,476
Total PWC Cost	\$1,346,022

- **VRS Background** - The Prince William County (PWC) FY17 VRS rate is 16.74%. This rate includes the employer (11.74%) and employee share (5.0%) of VRS contributions. VRS rates are calculated based on an actuarial valuation of political subdivision contribution rates as of June 30, 2015. In May 1981, the Board of County Supervisors (BOCS) approved that the employee share of VRS contributions would be paid by the County. From July 4, 1981, through June 30, 2012, the County paid the 5% employee share.
- **2012 Legislative Session Approves VRS Pension Reform** - During FY12 the Commonwealth of Virginia passed additional VRS legislation that required all individuals in VRS who are employed by local governments to pay the 5% employee contribution effective July 1, 2012. The state provided local governments the option to phase in the 5% VRS contribution paid by employees over a maximum of five years. However, localities must provide a salary increase to offset the mandatory VRS contributions from employees.
- **1% VRS Offset Cost** - \$3,266,651 - PWC elected in the FY2013 Budget to phase in the 5% employee VRS contribution over a period of five years. Therefore, the final 1% VRS offset is included in FY17 for the following employees at a total general fund cost of \$14,882,000 in FY17-21:
 - o All VRS Plan 1 employees hired on or before June 30, 2010 will receive a 1% salary increase on July 1, 2016 to help offset their required 5% contribution to VRS.
 - o All VRS Plan 2 employees hired between July 1, 2010, and June 30, 2011 will receive a 1% salary increase on July 1, 2016 to help offset their required 5% employee contribution to VRS.
 - o VRS Plan 2 employees hired on or after July 1, 2011 will not receive any VRS-related salary increase because they were hired knowing that they are required to make the 5% employee contribution to VRS.

The FY17 general fund cost of providing the 1% VRS offset to all employees is \$2,901,650. Total savings of \$904,348 is included in the Non-Departmental FY17 base budget to account for VRS Plan 2 employees who are not eligible for the 1% VRS offset. Therefore, the FY17 net general fund cost of the 1% VRS offset for eligible employees is \$1,997,302.

- **VRS Plan 1 Savings** - (\$1,740,153) - During FY10 the Commonwealth of Virginia passed legislation that created VRS Plan 2 for employees hired after July 1, 2010, and who were not a member of VRS in a previous job. The BOCS approved the FY2012 Budget with all Plan 2 employees paying their 5% employee share of VRS.

PWC will realize savings as a result of the annual 1% shift in VRS costs from employer to Plan 1 employees as mandated by VRS legislation. Instead of paying the VRS actuarial rate of 16.74% in FY17, the County will pay a rate of 11.74% because of the cumulative 5% shift to Plan 1 employees (1% shifted per year in FY13-17). Savings to the County's general fund will be realized in FY17 which is when Plan 1 employees reach their mandated 5% contribution to VRS.

The incremental general fund savings associated with Plan 1 employees paying their final 1% share of VRS in FY17 (for a cumulative total of 5%) is projected to be \$8,322,380 in FY17-21.

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4. VRS Actuarial Rate Decrease and Group Life Insurance Decrease

Total Cost	(\$4,479,400)
Supporting Revenue	(\$452,502)
Total PWC Cost	(\$4,026,898)

- **VRS Actuarial Rate Decrease** - (\$4,462,309) - Separate from the VRS reform legislation passed by the Commonwealth during FY12, the VRS actuary completed an actuarial valuation of political subdivision contribution rates for FY17 and FY18 as of June 30, 2015. As a result of these valuations the PWC contribution rate (excluding the mandated 5% employee contribution) for FY17 decreased 1.75% from 13.49% to 11.74% effective July 1, 2016 for FY17 and FY18. The general fund savings is \$4.0 million each year. The VRS rate is projected to decrease further by 0.86% to 10.88% for FY19 and FY20 with general fund savings of \$2.0 million per year. No change is projected to VRS rates in FY21. The combined FY17 and FY19 VRS rate decreases will realize general fund savings of \$6.0 million per year beginning in FY19. The total general fund savings associated with projected VRS actuarial rate decreases is \$25,969,948 in FY17-21.
- **Group Life Insurance Rate Decrease** - (\$25,500) - VRS notified the County that the group life insurance rate decreased by 0.01% from 1.32% to 1.31% effective July 1, 2016. The rate is projected to remain at 1.31% for the duration of the Five-Year Plan. The total general fund savings due to the group life insurance rate decrease is \$114,605 in FY17-21.
- **VRS Hybrid Disability Insurance** - \$8,409 - Included in VRS pension reform, all non-hazardous duty employees hired on or after January 1, 2014 became VRS Hybrid Plan members. This plan is a mixture of a defined benefit plan and a defined contribution plan that provides a service retirement option for members as well as an employee investment option. The VRS Hybrid Plan does not have a disability retirement option as it does for VRS Plan 1 and Plan 2 members. PWC is required to provide short and long term disability benefits to VRS Hybrid Plan members comparable to a plan offered by the Commonwealth. PWC elected to use a third party insurance carrier at a current rate of 0.59% of estimated hybrid plan payroll. The rate is projected to increase 0.03% to 0.62% in FY17 and increase another 0.03% in FY18 to 0.65%. The total general fund cost associated with VRS Hybrid Plan disability insurance coverage is \$65,412 in FY17-21.

5. VRS Multiplier Increase for Hazardous Duty Employees

Total Cost	\$1,121,011
Supporting Revenue	\$21,011
Total PWC Cost	\$1,100,000

- Description** - The VRS retirement multiplier is a factor that determines how much of an employee's average final compensation will be used to calculate their retirement benefit. The FY16 retirement multiplier for hazardous duty employees is 1.70% for each creditable year of service up to a maximum of 30 years of service. Hazardous duty employees include the sworn ranks in each of the following agencies: Police, Fire and Rescue, Sheriff, and Adult Detention Center. As part of the FY17 budget, Prince William County made an irrevocable election to increase the VRS retirement multiplier for all current and future hazardous duty employees to 1.85% for each creditable year of service at a general fund cost of \$1.1 million per year. The VRS rate Prince William County pays for all County employees will increase from 11.74% to 12.73% in FY17 and FY18.

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6. County Health Insurance Increase

Total Cost	\$2,156,936
Supporting Revenue	\$219,558
Total PWC Cost	\$1,937,378

- a. **Description** - The County employer contributions to the Medical Insurance Self-Insurance Internal Service account for Health Insurance increases by \$2,156,936 in FY17 and is required to maintain the stability of the County's self-insurance fund. The increase is due to an 8.0% average increase for the County's health insurance. The total general fund cost for the County's employer contribution for health insurance/dental is \$36,650,336 in FY17-21.

7. Retiree Health Credit Cost Increase

Total Cost	\$91,295
Supporting Revenue	\$9,512
Total PWC Cost	\$81,783

- a. **Description** - County employees are not provided health insurance coverage upon retirement. The County Retiree Health Credit Program is available to employees upon separation and retirement from County service. All full-time employees and existing retirees with a minimum of 15 years of County service can receive \$5.50 per month for each year of service, up to a maximum of \$165 per month for 30 years of County service. When the \$45 maximum per month currently offered as part of the State VRS is added, the maximum for 30 years of County service increases to \$210 per month. The Retiree Health Credit Program is separate from and in addition to the existing VRS Health Credit Program, which is also totally funded by County contributions.

- A 5% cost increase of \$91,295 in the retiree health care budget is included to cover projected growth in this benefit due to additional retirees. The amount paid to each individual retiree has not increased.

The total general fund cost to increase the retiree health care budget at 5% per year is \$1,311,663 in FY17-21.

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Summary of FY2017 Adopted Compensation Adjustments										
General Fund:	Merit Cost	VRS Offset	VRS Plan 1 Savings	VRS Actuarial Savings	VRS Multiplier	Health Insurance	Retiree Health	Group Life Insurance	VRS Hybrid Disability	Total Changes
Aging	\$39,279	\$21,210	(\$10,767)	(\$26,168)	\$0	\$8,177	\$599	(\$150)	\$83	\$32,263
Audit Services	\$1,147	\$1,123	\$0	(\$1,591)	\$0	\$986	\$23	(\$9)	\$27	\$1,706
Board of County Supervisors	\$50,595	\$19,868	(\$6,571)	(\$28,152)	\$0	\$15,790	\$553	(\$161)	\$163	\$52,085
Circuit Court Judges	\$15,816	\$6,403	(\$892)	(\$9,080)	\$0	\$2,986	\$230	(\$52)	\$113	\$15,524
Clerk of the Court	\$46,755	\$30,102	(\$19,697)	(\$42,706)	\$0	\$22,095	\$1,060	(\$244)	\$54	\$37,419
Commonwealth Attorney	\$92,840	\$47,650	(\$33,920)	(\$67,455)	\$0	\$22,677	\$991	(\$385)	\$0	\$62,398
Community Services	\$504,290	\$252,976	(\$119,527)	(\$348,511)	\$0	\$136,756	\$6,753	(\$1,991)	\$1,325	\$432,071
County Attorney	\$73,166	\$31,719	(\$18,272)	(\$46,245)	\$0	\$12,865	\$622	(\$264)	\$165	\$53,756
Criminal Justice Services	\$59,787	\$28,415	(\$17,255)	(\$34,918)	\$0	\$16,060	\$761	(\$200)	\$15	\$52,665
Economic Development	\$26,000	\$13,816	(\$2,680)	(\$19,919)	\$0	\$7,525	\$300	(\$114)	\$55	\$24,983
Elections	\$20,737	\$8,279	(\$2,534)	(\$11,187)	\$0	\$6,075	\$300	(\$64)	\$116	\$21,722
Executive Management	\$67,905	\$30,074	(\$18,756)	(\$43,699)	\$0	\$13,315	\$599	(\$250)	\$93	\$49,281
Finance	\$203,044	\$123,455	(\$71,536)	(\$173,733)	\$0	\$79,602	\$3,596	(\$993)	\$406	\$163,841
Fire and Rescue	\$851,203	\$556,111	(\$277,952)	(\$683,957)	\$400,000	\$362,625	\$13,945	(\$3,908)	\$156	\$1,218,223
General District Court	\$1,671	\$552	(\$445)	(\$779)	\$0	\$424	\$23	(\$4)	\$0	\$1,442
Human Resources	\$45,231	\$22,827	(\$11,649)	(\$32,380)	\$0	\$10,303	\$553	(\$185)	\$59	\$34,759
Human Rights Office	\$11,817	\$4,846	(\$3,434)	(\$6,967)	\$0	\$2,068	\$115	(\$40)	\$16	\$8,421
Information Technology	\$160,554	\$93,040	(\$50,972)	(\$132,021)	\$0	\$47,189	\$2,028	(\$754)	\$322	\$119,386
Juvenile Court Service Unit	\$11,260	\$4,969	(\$4,013)	(\$7,023)	\$0	\$2,820	\$138	(\$40)	\$0	\$8,111
Law Library	\$2,190	\$723	\$0	(\$1,024)	\$0	\$632	\$23	(\$6)	\$18	\$2,556
Library	\$231,324	\$123,676	(\$53,602)	(\$131,078)	\$0	\$52,806	\$2,950	(\$749)	\$430	\$225,757
Management and Budget	\$13,856	\$13,983	(\$10,695)	(\$19,984)	\$0	\$4,948	\$277	(\$114)	\$0	\$2,271
Non Departmental	\$755,789	(\$105,914)	\$5,264	(\$80,758)	\$0	\$47,382	\$0	(\$464)	\$693	\$621,992
Parks and Recreation	\$165,304	\$92,202	(\$34,652)	(\$93,841)	\$0	\$82,722	\$2,259	(\$536)	\$309	\$213,767
Planning	\$16,606	\$9,798	(\$5,036)	(\$13,908)	\$0	\$6,035	\$263	(\$79)	\$78	\$13,757
Police	\$940,218	\$685,285	(\$353,008)	(\$879,702)	\$475,000	\$429,971	\$18,486	(\$5,027)	\$386	\$1,311,609
Public Health	\$5,269	\$2,711	(\$672)	(\$3,506)	\$0	\$2,101	\$69	(\$20)	\$20	\$5,972
Public Safety Communications	\$116,651	\$74,247	(\$38,230)	(\$99,196)	\$0	\$59,441	\$2,535	(\$567)	\$334	\$115,215
Public Works	\$244,046	\$133,165	(\$79,158)	(\$187,182)	\$0	\$101,489	\$4,452	(\$1,069)	\$419	\$216,162
Sheriff	\$136,126	\$76,385	(\$47,806)	(\$102,077)	\$55,000	\$45,931	\$2,097	(\$583)	\$27	\$165,100
Social Services	\$493,285	\$229,530	(\$118,483)	(\$314,533)	\$0	\$162,413	\$7,376	(\$1,797)	\$926	\$458,717
Transfer to Adult Detention Cente	\$397,402	\$238,178	(\$134,435)	(\$328,002)	\$170,000	\$156,974	\$7,098	(\$1,874)	\$261	\$505,602
Transportation	\$51,323	\$25,696	(\$12,262)	(\$35,590)	\$0	\$12,758	\$617	(\$203)	\$183	\$42,522
Virginia Cooperative Extension Sei	\$7,241	\$4,550	(\$1,981)	(\$4,373)	\$0	\$1,437	\$92	(\$25)	\$16	\$6,957
General Fund Total	\$5,859,727	\$2,901,650	(\$1,555,628)	(\$4,011,245)	\$1,100,000	\$1,937,378	\$81,783	(\$22,921)	\$7,268	\$6,298,012

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Summary of FY2017 Adopted Compensation Adjustments (Continued)

General Fund:	Merit Cost	VRS Offset	VRS Plan 1 Savings	VRS Actuarial Savings	VRS Multiplier	Health Insurance	Retiree Health	Group Life Insurance	VRS Hybrid Disability	Total Changes
Other Fund:										
Adult Detention Center	\$49,117	\$29,438	(\$16,616)	(\$40,540)	\$21,011	\$19,401	\$877	(\$232)	\$32	\$62,488
Development Services	\$173,891	\$91,023	(\$52,312)	(\$129,081)	\$0	\$62,447	\$2,581	(\$738)	\$394	\$148,205
Fire and Rescue - Fire Marshal	\$16,951	\$7,031	(\$3,060)	(\$8,875)	\$0	\$5,010	\$184	(\$51)	\$45	\$17,235
Housing & Community Development	\$22,747	\$20,155	(\$14,292)	(\$28,581)	\$0	\$11,971	\$553	(\$163)	\$61	\$12,451
Parks and Recreation	\$171,993	\$78,689	(\$16,727)	(\$48,584)	\$0	\$24,691	\$1,083	(\$278)	\$114	\$210,981
Planning	\$29,424	\$15,068	(\$7,527)	(\$21,496)	\$0	\$8,627	\$406	(\$123)	\$105	\$24,484
Public Works - Const. Crew	\$22,220	\$10,135	(\$6,302)	(\$14,325)	\$0	\$5,178	\$332	(\$82)	\$15	\$17,171
Public Works - Landfill	\$68,473	\$38,742	(\$24,716)	(\$53,708)	\$0	\$34,046	\$1,376	(\$307)	\$62	\$63,968
Public Works - Special Levy	\$100,493	\$59,282	(\$32,262)	(\$83,947)	\$0	\$39,025	\$1,769	(\$480)	\$293	\$84,173
Transportation	\$22,446	\$15,438	(\$10,711)	(\$21,927)	\$0	\$9,162	\$351	(\$125)	\$20	\$14,654
Other Funds Total	\$677,755	\$365,001	(\$184,525)	(\$451,064)	\$21,011	\$219,558	\$9,512	(\$2,579)	\$1,141	\$655,810
Grand Total	\$6,537,482	\$3,266,651	(\$1,740,153)	(\$4,462,309)	\$1,121,011	\$2,156,936	\$91,295	(\$25,500)	\$8,409	\$6,953,822