


**MEMORANDUM**

February 2, 2016

TO: Government Operations and Fiscal Policy Committee

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Worksession:** Bill 51-15, Non-merit employees – Salary Schedule - Established

Bill 51-15, Non-merit employees – Salary Schedule - Established, sponsored by Lead Sponsor Councilmember Leventhal and Co-sponsors Councilmembers Elrich and Rice, was introduced on December 8, 2015. There were no speakers at the January 12 public hearing.

Bill 51-15 would establish a salary schedule for heads of departments and principal offices, and other non-merit employees. The Bill would require the Executive to propose a salary schedule for heads of departments and principal offices, and other non-merit employees in the Executive Branch for approval by the Council as part of the annual operating budget for the County government. The Bill would also require the Council to establish a salary schedule for non-merit employees in the Legislative Branch as part of the operating budget. Non-merit employees would be paid a salary within the appropriate salary schedule. The Bill would permit the Executive to exceed the salary schedule established for a position for an individual employee, subject to Council approval, if the Executive finds that it is necessary to attract or retain a senior leader for a specific position. The Lead Sponsor, Councilmember Leventhal explained the purpose of the Bill in a memorandum to his colleagues at ©5 and added some additional information in a February 1 memorandum at ©9.

**Background**

The County needs a compensation system designed to attract and retain highly competent senior leaders as heads of departments and principal offices, and other non-merit employees. It is also important to ensure that the compensation system is in line with other competing organizations. The Council's Office of Legislative Oversight (OLO) recently issued Memorandum Report 2016-1, *Comparative Data on High-Level Manager Salaries*. The Report can be viewed at:

[http://www.montgomerycountymd.gov/OLO/Resources/Files/2015\\_Reports/OLOMemorandum\\_Report2016-1.pdf](http://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/OLOMemorandum_Report2016-1.pdf) . OLO found that salaries for County non-merit employees was the highest in the Washington-Baltimore region and higher than most non-local jurisdictions surveyed. The Chief Administrative Officer's comments and the response to the CAO's comments from OLO can be viewed at:

<http://www.montgomerycountymd.gov/OLO/Resources/Files/2016%20Reports/CombinedResponseandComments2016-1.pdf>.

In the fall of 2015, the Executive retained Public Financial Management (PFM) to do an Executive Compensation Study for the County. The Chief Administrative Officer sent the final report to the Council last week. A copy of the CAO transmittal memo and the Executive Summary is at ©10-15. The report looked at total compensation and concluded that the County's executive cash compensation lagged behind the private sector, was in the top quartile of other local government employers, but not out of line with comparable government employers. While this study may be useful for determining future salary schedules, the Bill would not dictate what the salary schedules for non-merit employees should be. The Bill would simply require the re-establishment of salary schedules for non-merit senior leaders.

### Issues

#### **1. Do other government agencies have salary schedules for non-merit senior leaders?**

OLO found that the Federal government has a salary schedule for non-merit positions that are appointed by the President, typically with the advice and consent of the Senate. There are 5 levels of this Executive Schedule ranging from Cabinet Secretaries to appointed directors and deputy directors across multiple federal agencies. See the excerpt from the OLO report at ©6. OLO also found that the State of Maryland has a salary schedule for non-merit executives in State government. See the Maryland Executive Pay Plan at ©7. Howard and Prince George's Counties in Maryland and Arlington and Fairfax Counties and the City of Alexandria in Virginia also have salary schedules for non-merit executives.

Prior to 1997, each County employee holding a non-merit position was paid within a salary schedule approved by the Council in the operating budget. Each department director was assigned a specific salary grade that coincided with a salary schedule. See the Appendix to OLO Memorandum Report 2016-1 showing the former salary grades for County department directors at ©8. Bill 51-15 would not mandate any specific salary schedule. It would require the Executive and Council to re-establish a salary schedule for each non-merit position. The Bill would apply to any employee who is hired or promoted to head of a department or principal office or other non-merit position after the date when this Act becomes law.

#### **2. What is the fiscal and economic impact of the Bill?**

OMB and Finance have not yet prepared a fiscal and economic impact statement for Bill 51-15. We expect to receive it later this week. However, Council staff would not expect the Bill to have a significant fiscal impact to implement. It is difficult to predict, how, if at all, a salary schedule will impact future non-merit salaries for County positions. Since the Bill would only apply to individuals hired or promoted into a non-merit position after the Bill takes effect, there should be little immediate fiscal impact. The establishment of salary schedules should not have a significant fiscal impact since both the OLO Report and the PFM Report recently benchmarked salaries for comparable positions in the region.

### 3. When should the Bill take effect?

The Bill contains the following transition clause:

This Act must apply to any employee who is hired or promoted to head of a department or principal office or other non-merit position after the date when this Act becomes law.

As pointed out by Assistant CAO Bonnie Kirkland, the Bill would become law when the Executive signs it, but before any salary schedules are approved by the Council. See Ms. Kirkland's email at ©16. If the Bill is enacted in February or March, the first salary schedule would not be approved until May. Therefore, it is possible that someone is hired or promoted into a non-merit position after the Bill takes effect, but before a salary schedule exists. If the salary approved for that person does not fit into the salary schedule approved later, does that require a salary reduction? One reasonable solution, as suggested by Ms. Kirkland, would be to make the Bill apply to an employee hired or promoted into a non-merit position after the approval of the first salary schedule by the Council.

In addition, in order to ensure that the law takes effect soon enough to require the establishment of salary schedules in the approved FY17 budget, the Committee may want to amend this Bill to be an expedited Bill. Therefore, it is likely to take effect before the Council approves the FY17 budget, and possibly before the Executive submits a recommended FY17 budget on March 15. **Council staff recommendation:** amend the effective date to make the Bill expedited and to make it applicable to an employee hired or promoted into a non-merit position after the approval of the first salary schedule by the Council as follows:

*Amend lines 45-47 as follows:*

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law. This Act must apply to any employee who is hired or promoted to head of a department or principal office or other non-merit position after the date the Council approves the first salary schedule required in Section 1 [[when this Act becomes law]].

### 4. Should the Bill contain a provision authorizing the Council to exceed the salary schedule for a position in the Legislative Branch?

The Bill contains the following authority for an exception in the Executive Branch:

The salary schedule may contain a provision permitting the Executive to exceed the salary schedule established for a position for an individual employee, subject to Council approval, if the Executive finds that it is necessary to attract or retain a senior leader for a specific position.

There is no corresponding exception permitting the Council to exceed the salary schedule for an individual position. However, the Executive Branch salary schedules must be approved by the Council. The Legislative Branch salary schedules do not need to be approved by the Executive.<sup>1</sup> If the Council finds a Legislative Branch salary schedule unworkable, the Council can amend it. **Council staff recommendation:** no amendment is necessary.

## 5. Should the Bill be enacted?

An executive salary schedule is common in Federal, State, and local governments. This Bill would not break new ground; it would add Montgomery County to the majority rule in the area. While one may debate whether the County's current non-merit salaries are reasonable or excessive, the Bill would delegate that debate to the establishment of the salary schedules as part of the operating budget process. The Council would have general control over the minimum and maximum non-merit salaries just as it has control over merit salaries and the County budget. The Executive would retain control over the amount of an individual non-merit Executive Branch salary within the broad guidelines of the relevant salary schedule, and would have the authority to seek a waiver where appropriate. **Council staff recommendation:** approve the Bill with the amendments recommended above.

This packet contains:	<u>Circle #</u>
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<sup>1</sup> Although the Executive may veto part of the budget, the Council retains the authority to override a veto.

Bill No. 51-15  
Concerning: Non-merit employees -  
Salary Schedule - Established  
Revised: December 1, 2015 Draft No. 4  
Introduced: December 8, 2015  
Expires: June 8, 2017  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: \_\_\_\_\_  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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Lead Sponsor: Councilmember Leventhal  
Co-Sponsors: Councilmembers Elrich and Rice

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**AN ACT to:**

- (1) establish a salary schedule for heads of departments, principal offices, and other non-merit employees;
- (2) require certain salaries to be set under the salary schedule established for these positions; and
- (3) generally amend the law governing compensation for non-merit employees.

By amending

Montgomery County Code  
Chapter 1A, Structure of County Government  
Section 1A-104

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*

1           **Sec. 1. Section 1A-104 is amended as follows:**

2   **1A-104. Heads of departments and principal offices; other positions designated**  
3   **as non-merit.**

4           (a) *Names.* The head of a department or principal office is called the  
5           Director of the department or principal office, except that:

- 6           (1) the Director of Police is also called the Chief of Police;  
7           (2) the Director of the Montgomery County Fire and Rescue Service  
8           is also called the Fire Chief; and  
9           (3) the Director of the Office of the County Attorney is called the  
10           County Attorney.

11          (b) *Qualifications.*

- 12          (1) Each head of a department or principal office should be  
13          professionally qualified.  
14          (2) A person holding any other position in the Executive Branch  
15          designated by law as a non-merit position must be professionally  
16          qualified for the position under a position description established  
17          by regulation under method (1).

18          (c) *Status.* Heads of departments and principal offices, and holders of any  
19          other position in the Executive Branch designated by law as a non-merit  
20          position, are County employees but are not merit system employees.

21          (d) *Special reinstatement rule.* A person who was a merit system employee  
22          of the Police Department when appointed as an Assistant Chief of  
23          Police may return to the merit system in the Department at the same  
24          rank that the person last held in the merit system. The person must elect  
25          to return to the merit system within 10 days after leaving the Assistant  
26          Chief position, by notifying the Chief Administrative Officer in writing.  
27          If the previous rank was abolished, the person must be assigned to the

28 closest equivalent rank, and must receive the salary and benefits that  
 29 would apply if the person had remained in the merit system at the  
 30 previous rank and the rank still existed.

31 (e) Salaries. The Executive must design a compensation system to attract  
 32 and retain highly competent senior leaders as heads of departments and  
 33 principal offices, and other non-merit employees in the Executive  
 34 Branch. Each of these employees must be paid a salary within a salary  
 35 schedule proposed by the Executive and approved by the Council in the  
 36 Operating Budget of the Montgomery County Government. The salary  
 37 schedule may contain a provision permitting the Executive to exceed the  
 38 salary schedule established for a position for an individual employee,  
 39 subject to Council approval, if the Executive finds that it is necessary to  
 40 attract or retain a senior leader for a specific position. The Council must  
 41 establish a salary schedule for non-merit positions in the Legislative  
 42 Branch as part of the Operating Budget of the Montgomery County  
 43 Government.

44 **Sec. 2. Effective Date.**

45 This Act must apply to any employee who is hired or promoted to head of a  
 46 department or principal office or other non-merit position after the date when this Act  
 47 becomes law.

48 *Approved:*

49 \_\_\_\_\_  
 Nancy Floreen, President, County Council

\_\_\_\_\_ Date

## LEGISLATIVE REQUEST REPORT

Bill 51-15

*Non-merit employees – Salary Schedule - Established*

**DESCRIPTION:** The Bill would require the Executive to propose a salary schedule for heads of departments and principal offices, and other non-merit employees in the Executive Branch for approval by the Council as part of the annual operating budget for the County government. The Bill would also require the Council to establish a salary schedule for non-merit employees in the Legislative Branch as part of the operating budget.

**PROBLEM:** Salaries for non-merit employees are not controlled by a salary schedule established by the Executive and the Council.

**GOALS AND OBJECTIVES:** To establish a salary schedule for all non-merit County employees designed to attract and retain highly competent senior leaders as heads of departments and principal offices, and other non-merit employees.

**COORDINATION:** CAO, Office of Human Resources

**FISCAL IMPACT:** To be requested.

**ECONOMIC IMPACT:** To be requested.

**EVALUATION:** To be requested.

**EXPERIENCE ELSEWHERE:** To be researched.

**SOURCE OF INFORMATION:** Robert H. Drummer, Senior Legislative Attorney

**APPLICATION WITHIN MUNICIPALITIES:** Not applicable.

**PENALTIES:** Not applicable





MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND

GEORGE LEVENTHAL  
COUNCILMEMBER  
AT-LARGE

**MEMORANDUM**

December 1, 2015

**TO:** Councilmembers  
**FROM:** George Leventhal *GL*  
**SUBJECT:** Bill on Compensation for Senior Non-Merit Employees

On December 8, I plan to introduce a bill on compensation for senior non-merit county employees. The bill would require the Executive to propose and the Council to approve a salary schedule for non-merit employees in the Executive Branch. It would also require the Council to establish a salary schedule for non-merit employees in the Legislative Branch.

It is important, as the bill text states, for the county to have a "compensation system to attract and retain highly competent senior leaders as heads of departments and principal offices, and other non-merit employees...." As the recent OLO report made clear, compensation for our senior non-merit employees is in fact highly competitive. My concern is that since 1997, when County Executive Duncan abolished the salary schedule for these employees, there has been a steady upward drift in compensation with no apparent framework. This has had an impact on the county's entire salary structure.

The bill is prospective; it would apply only to employees hired for non-merit positions after the bill becomes law. Also, the bill authorizes the Executive to exceed the salary schedule, subject to Council approval, "if the Executive finds that it is necessary to attract or retain a senior leader for a specific position."

The common-sense approach in this bill will enable us to attract and retain outstanding employees while meeting our obligations to the taxpayers. This approach is especially important in our current tight fiscal situation, including the possibility of a significant tax increase. I would welcome you as a co-sponsor of this bill.

**Comparative Data on High-Level Manager Salaries**

**2. Federal Government**

The US Office of Personnel Management (OPM) publishes average salary data for federal employees,<sup>2</sup> and Table 8 summarizes average salary data and salary schedules as of March 2015 for:

- **Executive Schedule** – positions that are appointed by the President, typically with the advice and consent of the Senate. Includes five levels ranging from Cabinet secretaries (Level I) to appointed directors, deputy directors, etc. (Level V) across multiple federal agencies.
- **Senior Executive Service (SES)** – high-level management and supervisory positions across multiple federal agencies just below Presidential appointees.
- **GS-13, GS-14, GS-15** – career position grades on the federal general salary schedule. The Montgomery County Office of Human Resources *Personnel Management Review* reports that these grades are comparable to the MLS series in the County.<sup>3</sup>

For the SES and GS series positions, OLO included the average salary nationwide as well as the weighted average for positions in DC, Maryland, and Virginia only. Additionally, the salary schedule shown for the GS positions includes the DC region locality pay differential. The maximum salaries for federal Executive Schedule and SES employees are lower than the average director salary in Montgomery County.

**Table 8. Federal Government Manager Average Salary Data, 2015**

Position	Actual Average Salary	Salary Schedule	
		Minimum	Maximum
<b>Executive Schedule</b>			
Level I (n=18)	\$198,450	–	\$203,700
Level II (n=43)	\$179,846	–	\$183,300
Level III (n=95)	\$166,509	–	\$168,700
Level IV (n=251)	\$158,434	–	\$158,700
Level V (n=18)	\$149,494*	–	\$148,700
<b>All Executive Schedule (n=426)</b>	<b>\$163,720</b>	–	–
<b>Senior Executive Service</b>			
United States (n=7,862)	\$170,572	–	–
DC, MD, and VA only (n=5,994)	\$171,351	\$121,956	\$183,300
<b>General Salary Scale (GS) 15</b>			
United States (n=61,405)	\$150,966	–	–
DC, MD, and VA only (n=40,963)	\$151,715	\$126,245	\$158,700
<b>General Salary Scale (GS) 14</b>			
United States (n=122,741)	\$124,363	–	–
DC, MD, and VA only (n=63,738)	\$126,530	\$107,325	\$139,523
<b>General Salary Scale (GS) 13</b>			
United States (n=250,038)	\$102,990	–	–
DC, MD, and VA only (n=79,256)	\$104,291	\$90,823	\$118,069

\*The OPM database does not indicate why the actual average is higher than the maximum.

<sup>2</sup> The OPM data covers most Executive Branch agencies except for several intelligence offices and agencies (CIA, NSA, etc.), White House and Office of the Vice President staff, and the U.S. Postal Service.

[http://www.fedscope.opm.gov/datadefn/aboutehri\\_sdm.asp](http://www.fedscope.opm.gov/datadefn/aboutehri_sdm.asp)

<sup>3</sup> [http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2015/150423/20150423\\_GO2-CountyGovernment.pdf](http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2015/150423/20150423_GO2-CountyGovernment.pdf), p.36

STATE OF MARYLAND					
Executive Pay Plan - Salary Schedule					
Annual Rates Effective January 1, 2015					
Grade Profile	Scale		Minimum	Midpoint	Maximum
EPP 0001	ES4	9904	\$79,953	\$93,277	\$106,604
EPP 0002	ES5	9905	\$85,902	\$100,252	\$114,600
EPP 0003	ES6	9906	\$92,333	\$107,785	\$123,236
EPP 0004	ES7	9907	\$99,275	\$115,923	\$132,569
EPP 0005	ES8	9908	\$106,773	\$124,711	\$142,646
EPP 0006	ES9	9909	\$114,874	\$134,203	\$153,532
EPP 0007	ES10	9910	\$123,618	\$144,451	\$165,281
EPP 0008	ES11	9911	\$133,069	\$155,522	\$177,977
EPP 0009	EX91	9991	\$153,027	\$204,947	\$256,866

CALCULATING BI-WEEKLY SALARY:

Annual Salary x .038143 = Bi-Weekly Salary

Bi-Weekly Salary x 26.071428 - must equal at least the annual salary, adding a penny until it does.

MONTGOMERY COUNTY GOVERNMENT

APPOINTED CLASSES

<u>CLASS CODE</u>	<u>CLASS TITLE</u>	<u>GRADE</u>
7905	County Attorney	39
7910	County Health Officer	39
7911	Director, Addiction, Victim, and Mental Health Services	36
7915	Director, Department of Transportation	39
7917	Director, Department of Police	39
7920	Director, Office of Finance	39
7921	Director, Office of Management & Budget	39
7922	Director, Department of Environmental Protection	36
7927	Director, Department of Fire & Rescue Services	39
7930	Director, Department of Public Libraries	36
7935	Director, Department of Liquor Control	39
7940	Director, Department of Correction and Rehabilitation	36
7945	Director, Department of Facilities and Services	36
7946	Personnel Director	36
7947	Director, Department of Family Resources	39
7950	Director, Department of Recreation	36
7952	Director, Department of Housing and Community Development	36
7954	Director, Office of Economic Development	35
7958	Director, Office of Planning Policies	35
7959	Director, Office of State Affairs	35



MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND

GEORGE LEVENTHAL  
COUNCILMEMBER  
AT-LARGE

**MEMORANDUM**

February 1, 2016

TO: Councilmembers

FROM: George Leventhal *George Leventhal*

SUBJECT: Bill on Compensation for Senior Non-Merit Employees: Additional Information

On December 8, 2015 the Council introduced Bill 51-15, Non-merit employees – Salary Schedule – Established. Councilmembers Elrich and Rice joined me in sponsoring this bill, which would require the Executive to propose and the Council to approve a salary schedule for non-merit employees in the Executive Branch. It would also require the Council to establish a salary schedule for non-merit employees in the Legislative Branch.

My December 1, 2015 memo to you noted that the bill is prospective; it would apply only to employees hired for non-merit positions after the bill becomes law. Also, the bill authorizes the Executive to exceed the salary schedule, subject to Council approval, "if the Executive finds that it is necessary to attract or retain a senior leader for a specific position."

Many other governments have adopted salary schedules for senior non-merit employees – for example, the federal government's Executive Schedule, which ranges from Cabinet Secretaries to appointed directors and deputy directors of multiple federal agencies, and the State of Maryland's Executive Pay Plan. Howard and Prince George's counties in Maryland, as well as Arlington and Fairfax counties and the City of Alexandria in Virginia, have such salary schedules as well.

Until 1997, Montgomery County also had a salary schedule for senior non-merit employees. Restoring such a schedule now makes good sense. The approach in this bill will enable us to attract and retain outstanding employees while meeting our obligations to the taxpayers. I welcome your support.



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett  
County Executive

Timothy L. Firestine  
Chief Administrative Officer

MEMORANDUM

January 29, 2016

TO: Nancy Floreen, President County Council

FROM: Timothy L. Firestine, Chief Administrative Officer

SUBJECT: Executive Compensation Study

*Timothy L. Firestine*

Please find attached for your information an Executive Compensation Study (Study) for Montgomery County. In the Fall of 2015 Montgomery County engaged Public Financial Management (PFM) to perform an evaluation of executive and senior management compensation. The purpose of the study was to investigate if our compensation for executives and senior managers is competitive with similar employers around the region and the nation.

The Study entailed a rigorous evaluation of 26 positions for benchmarking purposes and comparisons with comparable positions in the DC Metro area (private, public, non-profit), as well as a selection of large regional and national public sector employers. These include Director-level, Question A appointments and Management Leadership Service (MLS) positions. PFM conducted an evaluation of base wages as well as additional allowances such as take-home vehicles, vehicle stipends, and longevity pay. PFM also obtained data on benefit levels and reporting relationships to create a full picture for comparison. PFM notes that "Montgomery County represents one of the largest and most complex employers in each of the comparison groups, as well as one of the largest jurisdictions by population size" and "ranks above the comparison group medians in measures of community wealth and cost-of-living."

Among the key findings:

- Montgomery County executive pay generally lags the regional labor market median, which is not atypical for a comparison with the private sector, but instructive in the County's ability to compete for top talent.
- While Montgomery County cash compensation ranks in the top quartile among DC area local government employers, it is not out of line with comparison jurisdictions, particularly in light of the fact that County directors oversee headcounts and budgets above the median.

Nancy Floreen, President County Council  
January 29, 2016  
Page 2

- Benefits are an important component of total compensation. The County's executive benefits do not offer a strong advantage over most of the comparison jurisdictions.
- Montgomery County currently enjoys comparatively strong retention rates, which is commonly accepted as beneficial to organizations in that it minimizes recruitment and replacement disruption and costs, and benefits organizational performance and service delivery.

In light of the Government Operations Committee work session scheduled for February 4, we have asked PFM to attend should Council members wish to discuss the Study further.

TLF:bk

Attachment

cc: Fariba Kassiri, Assistant Chief Administrative Officer  
Bonnie Kirkland, Assistant Chief Administrative Officer  
Shawn Stokes, Director, Office of Human Resources



# Executive Compensation Study

## Montgomery County, Maryland

January 28, 2016



***Corporate Office***

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## Executive Summary

Montgomery County, Maryland, engaged Public Financial Management (PFM) to perform an evaluation of executive and senior management compensation. To conduct this review, PFM benchmarked major elements of county pay and benefits for a cross-section of selected positions against the general labor market in the Washington, DC metro area, the federal government, and major regional and national public employers.

Compensation studies allow employers to analyze their relative position in the market place, and help to determine if compensation levels should be adjusted to better attract and retain high quality leadership. Such studies also provide insight into an employer's compensation structure and competitiveness. For example, one jurisdiction may have relatively higher "salaries" when comparing base pay only. Yet, when including other cash allowances not included in base pay to generate a more holistic view of combined cash compensation, the differences in pay across jurisdictions may be lessened.

In evaluating cash compensation, PFM analyzed actual base pay earned, as well as other major cash allowances received by executive managers. Even though not included in base pay, such pay elements – vehicle allowances, longevity pay, and uniform allowance – are typically considered by job candidates when weighing opportunities. When accounting for such other allowances in a combined cash compensation perspective, the gap between Montgomery County executive pay levels and those of the comparison jurisdictions surveyed narrows considerably. Looking more broadly, prospective employees may also consider non-cash benefits (e.g., take-home vehicles, retirement, and health benefits) in determining the attractiveness of a job opening. As a result, this report also presents findings on major benefits across jurisdictions surveyed.

As further detailed in the full report to follow, key findings include:

- Relative to other large employers with more than \$1 billion in revenue in the Washington, DC area general labor market, Montgomery County executive pay generally lagged the regional median – typically by 15% - 40%. While such a differential is typical for public employers when compared to the private sector, this reference point nonetheless informs an evaluation of the County's position to compete for top tier talent.
- Along with cash compensation, benefits are also an important component of total compensation. With a defined contribution retirement benefit, Montgomery County executive benefits do not offer a strong advantage over the 401(k) plans typical for regional private employers. Further, most of the public employers surveyed offer a traditional defined benefit pension (either as the primary retirement program, or as an element of a "hybrid" plan in conjunction with a defined contribution supplement), which can be an important factor for some employees when comparing total compensation across employers. To successfully recruit executive managers who plan a long tenure, higher salaries may be required in Montgomery County relative to competing employers with a defined benefit pension plan.
- Among other large Washington, DC area local government employers, Montgomery County cash compensation generally ranks above the median, typically within the top quarter or third. This relative position correlates with Montgomery County's comparatively large scale and complexity, as reflected in budget size and number of employees supervised.

- For every Director-level position benchmarked, Montgomery County directors oversee a headcount and budget above the median and, in all cases, report to the chief executive, which is not always the case across the other regional employers surveyed.
- Relative to the federal government, the region's largest public employer, Montgomery County Management Leadership Service (MLS) pay ranges are in line with comparable ranges on the General Schedule and Senior Executive Service pay ranges for the Washington, DC metropolitan area. At maximum, Montgomery County executive managers in the M-1, M-2, and M-3 pay ranges closely parallel their federal counterparts.
- As an additional reference point, recognizing that some executive positions may be recruited nationally, PFM also evaluated Montgomery County executive compensation relative to larger local governments in regions with similar economic factors. Within this grouping, Montgomery County pay remains competitive – again, with a rough correlation found between salary levels and factors such as organizational size and complexity. In addition, regional economic factors can also contribute to comparative pay levels, as the Washington DC area is generally a high cost, high wage market.
- Relative to broad private and public sector averages, Montgomery County's current compensation approach achieves comparatively strong retention rates. Such continuity may also contribute to comparatively higher salaries – as employees with longer tenure generally earn higher wages – but this trade-off, on balance, is commonly accepted as beneficial to organizations. In addition to minimizing recruitment and replacement disruption and costs, such stability in leadership roles is can benefit organizational performance and service delivery to the public.

## **Drummer, Bob**

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**From:** Kirkland, Bonnie  
**Sent:** Wednesday, January 27, 2016 3:02 PM  
**To:** Drummer, Bob  
**Cc:** Firestine, Timothy; Kassiri, Fariba; Stokes, Shawn Y.  
**Subject:** Bill 51-15 Salary Schedule

Hello Bob – This is to follow up on our earlier conversation about the bill, in particular Section 2 which provides that the Act will apply to hires or promotions “after the date when the Act becomes law.” This is a little confusing because the Act will become law on the day the CE signs it (presumably around February 15, if enacted by the Council on Feb 9). But the Bill will not actually take effect until 91 days after signature, setting up a period between Mid-February and Mid-May, during which the Act applies but has not yet taken effect (and during which there is no approved salary schedule).

Making the Bill an expedited bill is unnecessary and does not address the issue I described above. If made an expedited bill (meaning it would go into effect roughly Mid-February), there would still be no “approved” salary schedule until the Council takes action on the Budget later in May. So the same situation would exist.

Because you indicated the intent that this Act be prospective, and to clarify the above, I would suggest an amendment that substitutes the language in quotes above with “after the date when the Council approves the salary schedule required by this Act.”

It is my understanding that you agree with this clarification and will present it to the GO Committee at its work session.

Thank you for your time and assistance on this issue.

Bonnie