

M E M O R A N D U M

July 22, 2019

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Craig Howard, Senior Legislative Analyst^{CH}
Linda Price, Legislative Analyst ^{AP}

SUBJECT: **Discussion: Non-Merit Salary Schedule**

PURPOSE: Discuss proposed salary schedule for Council approval

Expected Attendees:

- Karen Plucinski, Acting Director, Office of Human Resources
- Kimberly Williams, Acting Manager, Business Operations and Performance, OHR

Introduction

Expedited Bill 51-15, enacted by the Council in March 2016, requires 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 County Government. Bill 51-15 also requires the Council to approve a salary schedule for future non-merit employees in the Legislative Branch.

In FY17, the Executive submitted a proposed schedule and the Council identified several concerns and requested the Executive make revisions. During FY18 and FY19 budget deliberations, the Council declined to approve the non-merit salary schedules submitted by the Executive – determining that the Executive did not address the Council’s concerns.

The Executive submitted a proposed FY20 pay schedule for Executive Branch non-merit employees on April 18. Given the short timeframe to review the proposed schedule, the Council unanimously recommended deferring any action until the GO Committee had an opportunity to conduct a more detailed review.

After reviewing the history of this issue and the details of the proposed salary schedule, Council staff recommends that the Committee discuss the following questions:

- **Does the Committee feel that the Executive’s proposed non-merit salary schedule addresses concerns that were expressed by the Council about prior schedules?**

- **Does the Committee want to request additional information or consideration of changes to the proposed schedules before making a recommendation to the full Council?**

Background

Expedited Bill 51-15. This bill requires 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 County Government. The bill authorizes the Executive to exceed the salary schedule 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 bill also requires the Council to establish a salary schedule for non-merit employees in the Legislative Branch as part of the operating budget. The schedules are to take effect after the Council has approved the first schedules. The schedules will not apply to current non-merit appointees.

Previous Non-Merit Salary Schedule. 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 grade that coincided with the salary schedule. There were at least three different grade levels for Department Directors (see © 1). Then-County Executive Duncan abolished the schedule in 1997.

OLO Report. In November 2015 the Office of Legislative Oversight (OLO) issued Memorandum Report 2016-1, *Comparative Data on High-Level Manager Salaries*. OLO found that the federal government has a salary schedule for non-merit positions that are appointed by the President, typically with advice and consent from the Senate. There are five grade levels of the Executive Schedule ranging from Cabinet Secretaries to appointed Directors and Deputy Directors across multiple federal agencies. The State of Maryland Executive pay Plan has nine grade levels for non-merit executives in State government. The majority of jurisdictions in the OLO report had five or more grade levels for Executive staff (Howard County five levels; Fairfax seven levels).

The OLO report also found that among 20 local government and the two federal classifications, Montgomery had the 3rd highest average salary for Director positions. In addition, Montgomery County's average Director salary was highest among the DC-Baltimore region.

Previous Proposed Non-Merit Schedules Under Bill 51-15. In April 2016, then-Executive Leggett submitted the first proposed schedule under the bill. In developing the proposed schedule, the Office of Human Resources (OHR) created three primary grades (XI, XII, and XIII) and one grade for the salary of the Chief Administrative Officer (CAO). OHR also developed Executive Core Qualifications that outlined the requisite qualifications for employees in each grade level and submitted a list of which non-merit positions were placed into each grade. At the time, OHR used actual employee pay to develop the schedule. These pay levels represent "anchors" on which the new schedule was constructed, and then OHR applied a salary range spread of 80% around these anchors.

At the time, the Council identified three primary concerns, listed below, and asked the Executive to revise the schedule accordingly (as detailed in a memorandum from then-Councilmember Leventhal at © 2):

- The Executive’s premise that the executive-level salaries in the public sector need to keep pace with the salaries of executive’s in the private sector;
- The “anchor” salaries used to construct the ranges seemed high, and the 80% spread for each range was too large; and
- The grouping of positions assigned to each grade. For example, should positions like Police Chief, Fire Chief, and HHS Director be in the same category as directors of small offices like Consumer Protection or Public Information?

For the FY18 and FY19 budgets, Executive Leggett submitted the same schedule as previously proposed, only adjusted to reflect the general wage adjustments recommended for other County employees.

Legislative Branch Non-Merit Schedule. For legislative branch non-merit employees, the Council has discussed a structure that would align Confidential Aide positions with the Management II level of the Management Leadership Service (the same level as Senior Legislative Analysts); align Hearing Examiners and the OLO Director with the Management I level of the MLS; and align the Council Executive Director position with the XI level of the proposed Executive schedule. Each year, the Council has decided that a schedule for non-merit legislative branch employees should be adopted in conjunction with one for executive branch employees.

FY20 Proposed Salary Schedules for Non-Merit Employees

On April 18, Executive Elrich submitted an updated non-merit salary schedule as part of his recommended FY20 budget (© 3-6). The proposed schedule maintains the same general structure of four grades as recommended by the previous Executive in FY19.

Proposed Grades with Definitions
XIII – An appointed member of senior management, who is responsible for the overall operations of a non-primary department and/or directs a critical business function for the County.
XII – An appointed member of senior or top management, who is responsible for the overall operations of a non-primary department and/or leads one or more strategic functions.
XI – An appointed member of executive leadership, who is responsible for the overall operations of a primary department and/or leads one or more strategic functions.
Chief Administrative Officer (CAO) – An appointed member of executive leadership, who is responsible for leading the day-to-day operations of the entire government.

However, the Executive did make some changes to the pay range and classification of positions as summarized below. The Executive’s transmittal notes that these changes “were made to better align with my vision for a more cost effective and sustainable government.”

- **Reduces the maximum salary for each of the four pay bands.** While the schedule increases the minimum for each band to reflect a 2.0% general wage adjustment, the maximum salary for each is decreased by 3.7% as shown in the table below. This reduces the salary range spread for each band from 80% to 70%.

Grande/Pay Band	Minimum	Midpoint	Maximum
FY19 Proposed			
XIII	\$114,383	\$160,136	\$205,888
XII	\$125,821	\$176,150	\$226,478
XI	\$138,403	\$193,764	\$249,125
CAO	\$166,084	\$232,517	\$298,950
FY20 Proposed			
XIII	\$116,670	\$157,505	\$198,339
XII	\$128,337	\$173,255	\$218,173
XI	\$141,170	\$190,580	\$239,990
CAO	\$169,405	\$228,697	\$287,988

- **Classification of position in each grade.** The current proposed schedule moves three positions to lower grades. The Director of the Office of Community Partnerships and the Regional Services Center Director positions are both moved from XII to XIII. The Special Assistant to the County Executive position is moved from XI to XIII. Additionally, the new non-merit positions recommended by the Executive are all classified as XIII positions.

Recent Non-Merit Appointments. As shown in the following table, the County Executive has appointed 14 positions since the beginning of his administration. While the proposed schedule would not take effect until the Council has approved and therefore does not apply to current non-merit appointees, this gives a sense of where salaries have fallen in comparison with the proposed schedule. Of the 14 appointees to date, the starting salaries for nine have been below the midpoint for the applicable grade.

Appt. Date	Position	Salary Level	Starting Pay	Percentile
12/11/2018	Chief Administrative Officer	CAO	\$280,000	93.3%
6/25/2019	Director, Health and Human Services	XI	\$210,000	69.7%
12/11/2018	Director, Office of Management and Budget	XI	\$200,000	59.5%
2/26/2019	Director, Office of Procurement	XI	\$190,000	49.4%
1/29/2019	Director, Department of Environmental Protection	XI	\$190,000	49.4%
5/7/2019	Public Information Office	XI	\$175,000	34.2%
5/14/2019	Chief, Labor Relations Officer	XIII	\$170,000	65.3%
12/11/2018	Director, Department of Recreation	XI	\$170,000	29.2%
2/28/2019	Assistant Chief Administrative Officer	XII	\$165,000	40.8%

Appt. Date	Position	Salary Level	Starting Pay	Percentile
2/28/2019	Assistant Chief Administrative Officer	XII	\$165,000	40.8%
2/26/2019	Assistant Chief Administrative Officer	XII	\$165,000	40.8%
7/16/2019	Deputy Director for Results, Office of Management and Budget	XIII	\$160,000	53.1%
5/14/2019	Division Chief, Montgomery County Fire and Rescue, Volunteer Services	XIII	\$150,000	40.8%
1/29/2019	Director, Office of Community Partnerships	XIII	\$150,000	40.8%

The Executive has transmitted appointment papers for 4 additional non-merit appointees.

Tentative Appt. Date	Position	Salary Level	Starting Pay	Percentile
7/30/2019	Director, Department of Housing and Community Affairs	XI	\$195,000	54.5%
7/30/2019	Deputy Director, Department of Housing and Community Affairs	XIII	\$160,000	53.1%
7/23/2019	Director, Office of Human Resources	XI	\$190,000	49.4%
7/30/2019	Director, Department of Corrections and Rehabilitation	XI	\$206,000	65.6%

Additionally, there are several non-merit positions that the Executive is currently recruiting for, including:

- Chief, Department of Police – XI
- Director, Department of Finance – XI
- Director, Department of Technology Services – XI
- Director, Office of Permitting Services – XI
- Director, Department of Public Libraries – XI
- Chief Digital Officer – XIII
- Chief Equity Officer – XIII

Proposed Legislative Branch Schedule. For the legislative branch, Council staff has included a draft schedule that aligns with previous discussion. This schedule will cover 13 non-merit positions: nine Confidential Aides, two Hearing Examiners, the OLO Director, and the Council Executive Director. One option is to align these salaries as follows:

- **Confidential Aides:** Align with Management II level of the Management Leadership Service (the same level as Senior Legislative Analysts) – minimum \$91,959, midpoint \$129,448, maximum \$166,936 in FY20.
- **Hearing Examiners and OLO Director:** Align with Management I level of the MLS – minimum \$105,161, midpoint \$145,968, maximum \$186,775 in FY20.

- **Council Executive Director:** Align with Executive Level XI in the proposed FY20 Executive Branch schedule – minimum \$141,170, midpoint \$190,580, maximum \$239,990.

This schedule may need to be expanded as the Council considers implementation of the Charter Amendment authorizing the establishment of other legislative aide positions as non-merit.

Discussion Questions

Council staff recommends that the Committee discuss the following questions:

- Does the Committee feel that the Executive's proposed non-merit salary schedule addresses concerns that were expressed by the Council about prior schedules?
- Does the Committee want to request additional information or consideration of changes to the proposed executive and/or legislative non-merit schedules before making a recommendation to the full Council?

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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

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MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

GEORGE LEVENTHAL
COUNCILMEMBER
AT-LARGE

MEMORANDUM

April 24, 2018

To: Councilmembers
From: George Leventhal *George Leventhal*
Subject: Executive's Proposed Non-Merit Salary Schedule

I have reviewed the FY19 salary schedule for non-merit Executive Branch employees proposed by the County Executive. This schedule will be considered by the Government Operations and Fiscal Policy Committee on April 27 and by the Council on May 1. As was the case last year, this proposed schedule remains flawed and should not be approved.

Except for annual general wage adjustments, the proposed schedule is unchanged from the draft scheduled prepared by the County Executive two years ago. In my memo of June 28, 2016, which is attached, I listed what I considered serious problems with the draft schedule. As with the Executive's FY18 proposal, the FY19 schedule fails to address any of these problems.

I continue to believe that it is not fair to our taxpayers to expect executive-level salaries for public service occupations like libraries, corrections, or recreation to keep pace with salaries of executives in private sector occupations. I continue to believe that the proposed schedule, including the "range spread," is poorly constructed. And I continue to believe that positions like Police Chief, Fire Chief, and directors of departments like HHS and DOT do not belong in the same category as the directors of small offices like Consumer Protection and Public Information or the special assistants to the County Executive. Once again, the Executive's proposed FY19 salary schedule ignores these concerns.

I hope that the GO Committee and the Council will not approve the proposed schedule. Instead, the Council should again request the County Executive to transmit a revised schedule, although under Bill 51-15 he is not required to do so. As I have stated in each of the last two years, the Council must assure that the first approved non-merit salary schedule is well designed and carefully considered. Yet again, what the County Executive has sent us does not meet that test.

GOVT



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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

RECEIVED
MONTGOMERY COUNTY

Marc Elrich
County Executive

MEMORANDUM

April 18, 2019

To: Nancy Navarro, President
Montgomery County Council

From: Marc Elrich, County Executive *Marc Elrich*

Subject: Salary Schedule for Non-Merit Employees

Pursuant to Bill 51-15, Non-merit employees – Salary Schedule – Established, I am submitting for County Council approval in the Fiscal Year 2020 Operating Budget, a proposed Executive Level Service (ELS) Salary Schedule for the Chief Administrative Officer, Principal Department Directors and Other Non-Merit employees.

The baseline data for the proposed Executive Salary Schedule was created using information from the Executive Compensation Study that was completed in 2016 by the Public Financial Management, Inc. (PFM). However, adjustments to the proposed ELS Salary Schedule were made to better align with my vision for a more cost effective and sustainable government. In our commitment to attract and retain a diverse group of competent leaders and ensure consistency with compensation standards, we adjusted each of the previously established pay band ranges from 80% to 70%. Please note that a yearly 2% cost of living adjustment is included in the proposed salary bands.

I am confident the adjusted range spread of the proposed ELS Salary Schedule provides us the flexibility to attract and hire competent individuals to our non-merit leadership positions and supports the opportunity for advancement within the proposed pay bands.

Attachment: Fiscal Year 2020 Executive Level Salary Schedule

Cc: Andrew Kleine, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Rich Madaleno, Director, Office of Management and Budget
Karen Plucinski, Acting Director, Office of Human Resources

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Executive Level Salary Schedules

Proposed Draft

Grade Definitions

XIII

An appointed member of senior management, who is responsible for the overall operations of a non-primary department and/or directs a critical business function for the County.

XII

An appointed member of senior or top management, who is responsible for the overall operations of a non-primary department and/or leads one or more strategic functions.

XI

An appointed member of executive leadership, who is responsible for the overall operations of a primary department and/or leads one or more strategic functions.

Chief Administrative Officer

An appointed member of executive leadership, who is responsible for leading the day-to-day operations of the entire government.

Proposed Executive Pay Schedules – Fiscal Year 2020

	MINIMUM	MIDPOINT	MAXIMUM
XIII	\$116,670	\$157,505	\$198,339
XII	\$128,337	\$173,255	\$218,173
XI	\$141,170	\$190,580	\$239,990
CAO	\$169,405	\$228,697	\$287,988

As provided for in the Montgomery County Code, Section 1A-104, the County Executive may exceed the salary schedule 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. This chart includes a yearly 2% cost of living adjustment.

	XIII	XII	XI	CAO
Position	Senior Management	Senior/Top Management	Director, Executive Leadership	Chief Administrative Officer
Management Role	Directs a critical business function. Responsible, through subordinate management, for an overall department, division, one or more functions in a unit/group or for a County function.	A member of the senior management team and leads one or more strategic functions, or a non-primary department for the County. Responsible, through subordinate management, for the overall operations of a department/division or unit for the County.	A member of the senior management team and leads one or more strategic functions, or a primary department for the County.	Leads the day-to-day operations for the entire County government.
Policy and Strategy	Participates with executive leadership and top management in developing and authorizing the implementation of strategic business plans.	Establishes strategies and philosophies of a department, division or unit in collaboration with the executive leadership and Chief Administrative Officer.	Develops corporate strategic plans driving toward the achievement of the County's service, business and financial goals.	Articulates corporate strategy and performance goals in the context of the mission and values of the organization.
Freedom to Act	Objectives largely tied to County-wide performance and guided by broad County policies and strategic plans.	Objectives directly tied to overall performance of the County. Makes final decisions, guided by the broadest policies and strategies.	Takes action guided by the general direction set by the County Executive Officer and the Chief Administrative Officer.	Directly accountable to the County Executive, County Council, and stakeholders.
Impact	Decisions have major and measurable long-term impact on the success, failure, profitability and growth of a department, division, unit/group, and/or the County.	Decisions drive the long-term success, failure, profitability and growth of the County's department, division or unit functions.	Decisions drive the success, failure, service delivery, profitability and growth of the County.	Decisions drive the success, failure, profitability and growth of the County in achieving its overall long-term objectives.
Liaison	Serves as a principal spokesperson for the department/division/unit or group on highly significant matters.	Interacts with executive leadership to execute decisions, manage risk and influence activities that affect the long-term service and operational continuity of the County.	Represents the County internally and externally.	Serves as the spokesperson for the County Executive on behalf of the County government.

Executive Salary Scales and Positions

CAO – EXECUTIVE SALARY SCALE

Position Title

Chief Administrative Officer

XI – EXECUTIVE SALARY SCALE

Position Title

Director Office of Consumer Protection
Director Department of Correction and Rehabilitation
County Attorney
Director Department of Environmental Protection
Director Department of Finance
Fire Chief, Fire/Rescue Service
Director Department of General Services
Director Department of Health and Human Services
Director Department of Housing and Community Affairs
Director Office of Human Resources
Director Office of Intergovernmental Relations
Director Department of Liquor Control
Director Office of Management and Budget
Director Department of Permitting Services
Director Department of Police
Director Office of Procurement
Director Office of Public Information
Director Department of Public Libraries
Director Department of Recreation
Director Department of Technology Services
Director Department of Transportation

XII – EXECUTIVE SALARY SCALE

Position Title

Assistant Chief Administrative Officers

XIII – EXECUTIVE SALARY SCALE

Position Title

Special Assistants to County Executive
Special Projects Manager, Office of the CAO
Development Ombudsman, Office of the CAO
Director Criminal Justice Coordinating Commission, Office of the CAO
Division Chief MCFRS Volunteer Services
Chief Aging and Disability Services, HHS
Chief Children Youth and Family Services, HHS
Chief Special Needs Housing, HHS
Chief Behavioral Health and Crisis Services, HHS
County Health Officer
Assistant Chiefs of Police
Director Office of Community Partnerships
Director Regional Services Centers
Transportation Policy Officer, DOT
Deputy Director of Operations, DOT
Deputy Director, DGS
Deputy Director, DHCA
Deputy Director, OMB
Chief Broadband Officer, DTS
Chief Data Officer, DTS
Chief Digital Officer, Office of the CAO
Chief Equity Officer, Office of the CAO
Chief Labor Relations Officer, Office of the CAO

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