

Hussmann

MY NAME IS WILLIAM H. HUSSMANN, CHIEF ADMINISTRATIVE OFFICER FOR MONTGOMERY COUNTY.

IN MAY OF THIS YEAR, I PRESENTED TO THE COUNTY COUNCIL A COMPREHENSIVE PROPOSAL FOR REVISING THE PAY PLAN FOR MONTGOMERY COUNTY EMPLOYEES. AS YOU WILL RECALL, THAT PAY PROPOSAL INVOLVED CURTAILMENT OF INCREMENTS FROM APPROXIMATELY FIVE PERCENT (5%) TO TWO PERCENT (2%), EXTENDING THE RANGE OF PAY BY ELIMINATING THE PROVISIONS FOR LONGEVITY INCREMENTS, AND ADJUSTING THE PAY PLAN ANNUALLY BY AN AMOUNT NOT LESS THAN SEVENTY-FIVE PERCENT (75%) OF THE CONSUMER PRICE INDEX. THAT PAY PLAN HAS BEEN SUCCESSFULLY IMPLEMENTED.

IT REMAINS FOR THE COUNCIL TO ADOPT INTO LAW PROVISIONS FOR ADJUSTING THE PAY PLAN ANNUALLY BY AN AMOUNT NOT LESS THAN SEVENTY-FIVE PERCENT (75%) OF THE CONSUMER PRICE INDEX.

IN ADOPTING RESOLUTION NO. 8-1925, ON MAY 9, 1979, THE COUNCIL RESOLVED THAT "IT SHALL BE THE POLICY OF THE MONTGOMERY COUNTY GOVERNMENT EFFECTIVE JULY 1, 1979, TO ADOPT ANNUALLY THE UNIFORM SALARY PLAN FOR ALL CLASSIFIED EMPLOYEES OF THE MERIT SYSTEM OF THE MONTGOMERY COUNTY GOVERNMENT BASED ON NOT LESS THAN SEVENTY-FIVE PERCENT (75%) OF THE NOVEMBER CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS FOR THE WASHINGTON, D.C. AREA; AND BE IT FURTHER RESOLVED THAT THE COUNTY COUNCIL REQUESTS THE COUNTY EXECUTIVE TO SUBMIT LEGISLATION FOR ITS CONSIDERATION TO PROVIDE BY LOCAL LAW FOR THE IMPLEMENTATION OF THE POLICY WITH REGARD TO THE ANNUAL UNIFORM SALARY PLAN ADJUSTMENT AS AFOREMENTIONED". IT IS MY RECOLLECTION THAT SUCH RESOLUTION WAS PASSED UNANIMOUSLY BY THE COUNTY COUNCIL.

THE SEVENTY-FIVE PERCENT (75%) CONSUMER PRICE INDEX ADJUSTMENT ANNUALLY IS AN EXTREMELY IMPORTANT PART OF OUR OVERALL PAY SYSTEM, AS I OUTLINED TO YOU IN MAY. THIS GOVERNMENT HAS TAKEN A RATHER EXTREME ACTION IN REDUCING THE AMOUNT OF OUR ANNUAL MERIT INCREMENTS FROM FIVE PERCENT (5%) TO TWO PERCENT (2%), THE LOWEST IN THIS METROPOLITAN AREA AND AMONG THE

LOWEST AMONG LOCAL GOVERNMENTS IN THE COUNTRY.

THIS WAS DONE DELIBERATELY. YOU WILL RECALL THAT UNDER THE OLD PAY SYSTEM SOME FORTY PERCENT (40%) OF OUR EMPLOYEES HAD ALREADY REACHED THE MAXIMUM OF THE NORMAL STEPS OF THE PAY GRADE (EXCLUDING LONGEVITIES), RESULTING IN A SITUATION WHERE OUR MOST EXPERIENCED AND VALUED EMPLOYEES RECEIVED ONLY A COST-OF-LIVING ADJUSTMENT ANNUALLY, WHICH WAS NORMALLY PROVIDED AT THE "ELEVENTH HOUR" OF THE BUDGET DELIBERATION PROCESS, MANY TIMES INFLUENCED BY SPECIAL INTEREST AND OTHER PPESSURE GROUPS AND CERTAINLY WITHOUT A DELIBERATE SYSTEMATIC METHOD OF DEVELOPMENT.

WE THEN MADE A CONSCIOUS DECISION TO PLACE MOST OF OUR SALARY RESOURCES TOWARD MINIMIZING THE ADVERSE AFFECTS OF INFLATION BORNE BY ALL EMPLOYEES.

THE SEVENTY-FIVE PERCENT (75%) FIGURE IS AN ARBITRARY ONE. AN EMPLOYEE'S SALARY, HOWEVER, IS ONLY A PORTION OF THE TOTAL COMPENSATION RECEIVED. WHEN THE COST OF FRINGE BENEFITS IS CONSIDERED, SUCH AS GROUP INSURANCE, HOSPITALIZATION, ETC., SEVENTY-FIVE PERCENT (75%) IS AN EQUITABLE ANNUAL ADJUSTMENT. IT IS, INCIDENTALLY, THE SAME FIGURE RECEIVED BY OUR ELECTED OFFICIALS FOR THEIR ANNUAL PAY ADJUSTMENT.

THIS PAST YEAR, YOU APPROVED A 6.8% COST-OF-LIVING FIGURE FOR OUR EMPLOYEES. THIS FIGURE CORRESPONDED VERY WELL WITH THE INCREASE IN HOUSEHOLD BUDGETS FOR THE PERIOD AUGUST 1976 TO AUGUST 1977. SUCH HOUSEHOLD BUDGETS, WHEN MEDICAL CARE EXPENSES ARE EXCLUDED, FOR A FAMILY OF FOUR INCREASED BY 6.7% FOR LOWER-LEVEL FAMILY BUDGETS; BY 7.6% FOR INTERMEDIATE-LEVEL FAMILY BUDGETS; AND 6.8% FOR HIGHER-LEVEL FAMILY BUDGETS.

DURING THE SEVEN YEARS SINCE FY 73, THE CONSUMER PRICE INDEX FOR THE WASHINGTON METROPOLITAN AREA HAS RISEN BY 47.4%. HAD THE SEVENTY-FIVE PERCENT (75%) CONSUMER PRICE INDEX PROVISION BEEN IN EFFECT DURING THAT

PERIOD, OUR EMPLOYEES WOULD HAVE RECEIVED AGGREGATE INCREASES AMOUNTING TO 35.5%. IN FACT, THEY RECEIVED INCREASES AMOUNTING TO 33.3%, OR 70% OF THE CONSUMER PRICE INDEX. IT IS INTERESTING TO NOTE THAT THE FEDERAL GOVERNMENT SALARIES, WHICH HAVE A MAJOR IMPACT ON INCOME LEVELS IN THIS AREA, ROSE BY 38.15%, OR 80% OF THE CONSUMER PRICE INDEX. THEREFORE, WHEN CONSIDERING THE SIGNIFICANTLY DECREASED AMOUNT OF THE MERIT INCREMENT, THE SEVENTY-FIVE PERCENT (75%) COST-OF-LIVING ADJUSTMENT IS NOT AT ALL UNREALISTIC.

THE SEVENTY-FIVE PERCENT (75%) COST-OF-LIVING ADJUSTMENT ALSO IS REASONABLE WHEN WE COMPARE THE INCREASES IN THE AGGREGATE PERSONAL INCOME LEVELS OF OUR MONTGOMERY COUNTY CITIZENS AND WITH THE INCREASES IN PER CAPITA INCOME. FOR THE SEVEN CALENDAR YEARS FROM 1972 THRU 1978, PERSONAL INCOME IN MONTGOMERY COUNTY ROSE FROM \$3.92 BILLION TO AN ESTIMATED \$6.85 BILLION, OR 74%. FOR THE SAME PERIOD OF TIME, PER CAPITA INCOME INCREASED FROM \$7,172 TO \$11,520, OR 61%.

AS I INDICATED TO YOU IN MAY, OUR REDUCED INCREMENT POLICY RESULTS IN THE NEXT FIVE FISCAL YEARS SAVINGS AMOUNTING TO SOME SEVEN MILLION DOLLARS (\$7,000,000). OUR EMPLOYEES HAVE BEEN INFORMED OF THIS AND UNDERSTAND IT. HOWEVER, IT IS EXTREMELY IMPORTANT THAT THEY BE ASSURED THAT THE POLICY OF THE COUNTY GOVERNMENT WILL BE TO AFFORD SOME PROTECTION AGAINST SOME OF THE RAVAGES OF INFLATION.

THE IMPACT OF THE SEVENTY-FIVE PERCENT (75%) COST-OF-LIVING POLICY FOR THE FY 80 OPERATING BUDGET WILL AMOUNT TO SOME \$4.6 MILLION BASED ON AN ANTICIPATED CONSUMER PRICE INDEX INCREASE OF 7%, OR A 5.25% COST-OF-LIVING ADJUSTMENT. AN ADDITIONAL AMOUNT OF \$2.2 MILLION FOR THE REDUCED INCREMENT POLICY AMOUNTS TO A TOTAL SALARY AND WAGE IMPACT OF \$6.8 MILLION. UNDER THE OLD POLICIES, A 6% COST OF LIVING AND THE ALMOST 5% INCREMENT POLICY WOULD HAVE A TOTAL BUDGETARY IMPACT OF \$8.4 MILLION.

ONE TECHNICAL POINT AS TO THE BILL ITSELF--THE LANGUAGE ON PAGE 2, LINES 2 THRU 4, PROVIDES THAT THE "PERCENTAGE CHANGE WILL BE BASED ON THE LATEST PUBLISHED INDEX FOR THE CALENDAR YEAR PRECEDING THE FISCAL YEAR IN WHICH THE ADJUSTMENT IS TO BE PAID." SUCH LANGUAGE CAUSES SOME PROBLEM IN TRYING TO PLAN THE BUDGET PROPERLY. HISTORICALLY, THE COUNTY HAS USED THE AUGUST-TO-AUGUST CONSUMER PRICE INDEX. HOWEVER, THE DEPARTMENT OF LABOR HAS RECENTLY CHANGED THE REPORTING PERIOD TO EVERY OTHER MONTH. TECHNICALLY, THEN, THE NOVEMBER-TO-NOVEMBER INDEX IS THE LATEST PUBLISHED INDEX FOR THE CALENDAR YEAR. I UNDERSTAND THAT THE REASON FOR THE GENERAL LANGUAGE IS TO PREVENT THE NECESSITY OF AMENDING THE LAW IN THE FUTURE IF THE INDEX PERIOD CHANGES. HOWEVER, TO ENSURE THAT WE HAVE PLENTY OF LEAD TIME IN PLANNING THE BUDGET, I STRONGLY SUGGEST THAT THE LANGUAGE BE CHANGED TO PROVIDE FOR AN ADJUSTMENT TO BE BASED ON THE SEPTEMBER-TO-SEPTEMBER CONSUMER PRICE INDEX CHANGE.

I HAVE NOTICED THAT THERE ARE SOME AMENDMENTS OFFERED TO BILL NO. 37-78 WHICH WOULD EMPHASIZE THAT ANY COST-OF-LIVING ADJUSTMENT IS SUBJECT TO THE AVAILABILITY OF FUNDS AS PROVIDED AND APPROVED BY THE COUNTY COUNCIL. THIS GOES WITHOUT SAYING, HOWEVER, TO INCLUDE SUCH LANGUAGE IN THE BILL SEEMS TO ME TO BE AN UNNECESSARY DIMINISHING OF THE STATED POLICY OF THE COUNTY GOVERNMENT AND MIGHT BE CONSTRUED BY FUTURE ELECTED OFFICIALS TO BE SOMETHING LESS THAN A DEDICATED COMMITMENT.

SINCE OUR COMMITMENT TO AN ANNUAL ADJUSTMENT TO THE PAY PLAN EQUAL TO SEVENTY-FIVE PERCENT (75%) OF THE CONSUMER PRICE INDEX AS PRESENTED DURING THE BUDGET DELIBERATIONS THIS YEAR, WE HAVE ALL BECOME ACUTELY AWARE OF EFFORTS TO LIMIT THE ANNUAL GROWTH OF OUR OPERATING BUDGET. THE QUESTION THEN ARISES, DOES A PLANNED ANNUAL ADJUSTMENT IN OUR WAGES AND SALARIES IN THE EVENT OF THE SUCCESSFUL PASSAGE OF AMENDMENTS TO OUR CHARTER UNNECESSARILY PRE-EMPT OUR DECISION MAKING IN ESTABLISHING PROGRAMS FOR OUR CITIZENS? THE ANSWER, I BELIEVE, IS THAT IT DOES NOT.

THE PROGRAMS AND SERVICES OFFERED TO THE COUNTY CITIZENS ARE NECESSARILY CARRIED OUT BY PEOPLE. EVEN IF THE SCOPE AND EXTENT OF SUCH SERVICES HAVE TO BE CURTAILED WITH THE RESULTING LAYOFF OF MANY EMPLOYEES, IT BECOMES MORE CRITICAL THAT THOSE WHO REMAIN TO CARRY OUT THE SERVICES AND PROGRAMS BE COMPENSATED ADEQUATELY AND FAIRLY. THERE IS NO DOUBT THAT SUCH POTENTIAL CURTAILMENTS WILL RESULT IN A DEMAND FOR EVEN GREATER WORK PRODUCTIVITY AND DEDICATION ON THE PART OF OUR EMPLOYEES.

I BELIEVE IT IS NOT ASKING TOO MUCH THEN TO PLACE AN ANNUAL COST-OF-LIVING ADJUSTMENT UP FRONT BEFORE ALL OTHER PRIORITIES HAVE BEEN ESTABLISHED AND TO RECOGNIZE THAT NO COUNTY PROGRAM OR SERVICE TO OUR CITIZENS CAN BE EFFECTIVE WITHOUT OUR BODY OF DEDICATED AND MOTIVATED PUBLIC SERVANTS.