

MEMORANDUM

April 18, 2022

TO: Government Operations and Fiscal Policy Committee

FROM: Craig Howard, Deputy Director
Aron Trombka, Senior Legislative Analyst, OLO

SUBJECT: **FY23 Compensation and Benefits for All Agencies**

PURPOSE: Review and make recommendations for Council consideration

1. BUDGET AND COMPENSATION CONTEXT

The Executive’s FY23 recommended tax supported operating budget is \$5.474 billion, an increase of 7.0% above the FY22 amount. Across the four County-funded agencies, employee compensation costs (consisting of salaries as well as benefits) comprise about 80% of all agency expenditures. As such, the cost of government is driven by both the number of employees and the cost per employee. County-funded agencies have requested tax supported FY23 operating budgets with a combined \$3.8 billion for employee compensation, a 6.3% increase from FY22.

FY22 Approved and FY23 Requested Tax Supported Compensation Costs by Agency

Agency	FY22 Approved	FY23 Requested	% Change
County Government	\$1,007,347,950	\$1,079,193,719	7.1%
MCPS	\$2,228,338,754	\$2,371,869,547	6.4%
Montgomery College	\$216,996,786	\$220,995,703	1.8%
M-NCPPC	\$125,171,748	\$132,382,962	5.8%
Totals	\$3,577,855,238	\$3,804,441,931	6.3%

Since compensation costs are the dominant factor in the cost of providing County services, the long-term sustainability of County agency operating budgets is dependent upon maintaining a balance between compensation cost growth and revenue growth. Increases in compensation costs will demand the expenditure of additional resources. The 6.3% increase in the aggregate four-agency compensation request is higher than the projected FY23 growth in tax supported revenues of 5.9% as well as the projected FY23-FY28 revenue growth rate of 3.4%.

For County Government, the Council will review and make decisions on the proposed collective bargaining agreements and other compensation costs not part of the agreements. For MCPS, Montgomery College, and M-NCPPC, final decisions on proposed FY23 pay and benefit enhancements will be made by their respective governing bodies based on the ultimate funding levels approved by the Council.

2. PAY ADJUSTMENTS

This section provides an overview of agency requested FY23 pay adjustments. Detailed information comparing FY22 approved and FY23 requested compensation costs by agency appears on ©1-29.

A. County Government

For FY23, the Executive negotiated pay increases with each bargaining unit including general wage adjustments and service increments. In addition, the Executive recommends funding a past year service increment for eligible MCGEO members who did not receive a service increment during the recession year of FY11. The Executive's recommended operating budget also adds a third longevity increment for FOP and IAFF members. Proposed County Government salary schedules appear on ©30-43.

The table on the following page summarizes the major pay adjustments recommended by the Executive for FY23. The table shows that County Government employees could receive maximum cumulative FY23 pay increases of:

- 7.3% for non-represented employees (based on average salary);
- 8.5% for IAFF members;
- 9.3% for MCGEO members (based on average salary); and
- 13.5% for FOP members.

Information on past year pay increases received by County Government employees is attached at ©44.

Executive Recommended FY23 County Government Pay Increases

Employee Group	General Wage Adjustment	Service Increment	Salary Schedule Adjustment	Past Year Service Increment	Longevity Increment	Lump Sum Payment
MCGEO	\$4,333 (June 2023) Equivalent to 5.8% based on the average MCGEO salary	3.5% (effective employee anniversary date)	None	1.25% for employees who did not receive an increment in FY11 (July 2022)	<u>Non-Public Safety</u> 3.0% at 18 and 24 years of service <u>Public Safety</u> 3.5% at 20 years of service and 2.5% at 24 years of service	\$600 for employees who do not receive an increment in FY23
IAFF	4.0% (Oct. 2022) + 1.0% (Jan. 2023)			None	3.5% at 17, 20 and 24 years of service (addition of new longevity step)	None
FOP	3.5% (July 2022) + 3.0% (Jan. 2023)		3.5% (July 2022)	None	3.5% at 15, 17, and 20 years of service (revised schedule and addition of new longevity step)	None
Non-Represented	\$4,333 (June 2023) Equivalent to 3.8% based on the average Non-Rep. salary		None	None	2.0% at 20 years (employees with high performance ratings)	None
MLS/PLS		Performance-based pay (July 2022)		None	None	None

1. General Wage Adjustments

The Executive recommends general wage adjustments (GWAs) that vary by employee group, as follows:

MCGEO Members, Non-Represented Employees.¹ The Executive recommends a flat dollar amount of \$4,333 as the GWA for MCGEO members and most unrepresented employees² effective June 2023 – the last pay period of the fiscal year. For FY22, the Executive recommended and the Council approved a flat dollar amount GWA of \$1,684 for MCGEO members and unrepresented employees.

¹ Non-represented employees include elected and appointed officials, members of the Management Leadership Service and the Police Leadership Service, employees in non-merit positions, an employee who provides direct staff or administrative support to a department director, as well as all employees of the Office of the County Executive, the County Council, the Office of the County Attorney, the Office of Management and Budget, the Office of Intergovernmental Relations, the Office of Human Resources, the Merit System Protection Board, and the Ethics Commission.

² As recommended by the Executive, the \$4,333 GWA would apply to all non-represented employees except Fire and Rescue uniformed management. Fire and Rescue uniformed management members would receive a 4.0% GWA in October 2022 followed by an additional 1.0% GWA in January 2023.

A flat dollar amount GWA represents a higher pay increase for lower salaried employees than for higher salaried employees. For example, the \$4,333 GWA represents a 10.8% pay increase for an employee with an annual salary of \$40,000 while the same dollar amount represents a 4.3% pay increase for an employee with an annual salary of \$100,000. Overall, the cost of \$4,333 per employee GWA approximately equates to a 5.8% increase based on the average salary for MCGEO members and a 3.8% increase based on the average salary for non-represented employees.

As staff noted last year, repeated use of a flat rate GWA over several years could result in salary scale compression.

IAFF Members. The Executive recommends that IAFF members receive two GWAs in FY23, a first of 4.0% in October 2022 followed by a second of 1.0% in January 2023.

In addition, the FY22 agreement negotiated by the Executive with the IAFF states that if consumer price index (CPI) for the period ending March 2022 exceeds 1.5%, then the Executive would submit to Council a supplemental appropriation to adjust the GWA for IAFF members to an amount equal to the CPI for that period, up to a maximum of 2.25%. The resolution approving the FY22 operating budget noted that the Council had not appropriated funds for an increase in the IAFF general wage adjustment and that the Council would consider that supplemental appropriation request if or when it is submitted by the Executive. Executive staff has informed Council staff that the Executive intends to transmit a supplemental appropriation to Council before the end of the current fiscal year to fund an additional 0.75% FY22 GWA increase for IAFF members. Of note, any additional increase in FY22 will impact the FY23 projected costs for the IAFF agreement since the proposed adjustments will be levied on a higher base.

FOP Members. The Executive recommends that FOP members receive two GWAs in FY23, a first of 3.5% in July 2022 followed by a second of 3.0% in January 2023.

GWA Analysis. As shown in the table below, the size of the FY23 GWAs proposed by the Executive is greater any annual GWA provided to County Government employees during the past decade.

County Government General Wage Adjustments by Employee Group, FY13 – FY22										
Employee Group	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
MCGEO, Non-Rep.	0.00%	3.25%	3.25%	2.00%	1.00%	2.00%	2.00%	2.25%	1.50%	\$1,684
IAFF	0.00%	2.75%	2.75%	2.00%	1.00%	2.00%	2.00%	2.40%	1.50%	1.50%
FOP	0.00%	2.10%	2.10%	2.00%	1.00%	2.00%	2.00%	0.00%	1.50%	2.50%

For MCGEO members and non-represented employees, the recommended FY23 flat salary adjustment of \$4,333 represents a 257% increase above the FY22 GWA of \$1,684. Excluding the FY13 recession year when no County Government employees received a GWA, the average annual GWA for MCGEO members and non-represented employees was 2.2%.³ With a cost equivalent to a 5.8% pay increase, the FY23 GWA for MCGEO members is more than 2½ times greater than the FY14-FY22 average.

For IAFF members, the proposed 5.0% combined FY23 GWA is about 2¾ times greater than the FY14-FY22 average of 1.8%. For FOP members, the proposed 6.5% combined FY23 GWA is almost four times greater than the FY14-FY22 average of 1.7%.

Staff requested the Executive provide justification for the recommended GWAs. The Executive responded:

Inflation is the highest it has been in the past two decades, and the overall job market is extremely competitive. These factors provide a cornerstone for bargaining positions in any labor negotiation. In addition, there is great demand for qualified applicants for public safety positions in the region and across the nation, and the County Government has a legal and moral obligation to provide our residents with high quality public safety services. We need this rate of compensation for our recruitment efforts to remain competitive.

At the time the Executive submitted his recommended operating budget, the Consumer Price Index (CPI) for the Washington DC region showed that prices had increased by 6.0% for the 12-month period ending January 2022.⁴ The GWAs recommended by the Executive for MCGEO members (based on the 5.8% average) and for IAFF members come close to the recent pace of inflation. The GWA recommended for FOP members is a bit higher than the recent rate for inflation. However, the GWA for non-represented employees averages 3.8%, well below the inflation rate.

Staff notes that, historically, there has been minimal correlation between the rate of inflation and rate of GWAs awarded to County Government employees. In most recent years, employee GWAs well exceed the CPI for the previous year. From FY14-FY22, the Consumer Price Index (CPI) averaged about 1.4% annually.⁵ The average annual GWA for MCGEO, IAFF, and FOP members was 2.2%, 2.0%, and 1.7%, respectively, over the same time period. This difference produced sustained wage growth that exceeded the rate of inflation. From FY14-FY22, the compounded rate of GWA growth for the MCGEO, IAFF, and FOP members was 21.4%, 19.4%, and 16.2%, respectively. Over the same decade, the compounded CPI increased by a rate of 15.1%.

³ The 2.2% average for FY14-FY22 is calculated using a FY22 GWA of 2.4%, the average per employee GWA for MCGEO members in that fiscal year.

⁴ Source: U.S. Bureau of Labor Statistics, https://www.bls.gov/regions/mid-atlantic/md_bethesda_md.htm.

⁵ Source: County Executive's Recommended Operating Budget, Schedules F-1, FY13 through FY22.

2. Service Increments

The Executive recommends that all County Government merit system employees (excluding Management Leadership Service and Police Leadership Service employees) who are not at top of grade receive a 3.5% service increment (also known as a step increase) in FY23. An employee receives the service increment in the first pay period following their employment anniversary date.

In addition to the regular service increment for FOP members, the Executive's budget includes funding for a "salary schedule adjustment" for FOP members. Similar to a service increment, FOP members who are not at the top of their salary grade would receive this proposed 3.5% salary adjustment. The Executive provided the following justification for the FOP salary schedule adjustment:

The County's salary schedules for police officer positions have fallen well below regional comparables. We initially attempted to address this issue of regional competitiveness in our FY21 agreement with a 3.5% salary schedule adjustment applicable to officers in the first 14 steps of the schedule. That proposal was rejected by the Council.⁶ This provision has been reintroduced to accomplish our original intent – improve the entry police officer salaries.

The Council did not fund service increments for any County employees in FY11, FY12, and FY13 because of fiscal constraints.⁷ The Executive negotiated a contract with MCGEO that includes past year service increments for certain employees. The agreement with MCGEO offers an additional service increment of 1.25% (effective July 2022) for bargaining unit members who did not receive a service increment in FY11.

3. MLS/PLS Performance-Based Pay

Employees in the Management Leadership Service (MLS) and the Police Leadership Service (PLS) are eligible for performance-based pay increases in lieu of service increments. Since MLS/PLS employees are non-represented, performance-based pay is not included in any collective bargaining agreement. The Executive's recommended FY23 operating budget includes \$2.0 million (\$1.0 million tax supported) in the Compensation Adjustment and Employee Benefits non-departmental account to fund performance-based pay increases for MLS/PLS employees.

⁶ Council staff notes that the Council rejected the FY21 salary schedule adjustment as part of the "same services" budget approved at the outset of the pandemic.

⁷ FOP members received past year service increments of 1.75% awarded in FY14 and FY15. The Executive agreed to a past year service increment of 3.5% to be awarded in FY17 for both the FOP and MCGEO, but the Council rejected funding for both. For FY19, the Executive recommended a past year service increment of 3.5% for MCGEO who had been employed by the County in FY11; the Council rejected the original proposal but subsequently approved an amended MCGEO agreement with a 1.25% FY11 service increment. The 1.25% FY11 service increment included in the Executive's budget would be the third and final phase of the FY11 increment for MCGEO members. Unrepresented employees have not received any make-up service increments for the service increments missed in FY11, FY12, and FY13.

4. Longevity Increments

Certain County Government employees who have worked a specified number of years are eligible for a longevity adjustment to their base pay. Longevity increases afford a pay increase to employees who otherwise are at the maximum salary level for their grade. Currently, MCGEO members are eligible to receive two longevity increases; non-represented employees (excluding MLS/PLS) are eligible to receive one longevity increase; and MLS/PLS employees are not eligible for any longevity increase. As shown in the table below, the years of service required and the size of the longevity increase vary by employee group.

Executive Recommended FY23 Longevity Adjustments

(YOS = years of service)

Employee Group	Current			CE Recommended		
	First Longevity Increment	Second Longevity Increment	Third Longevity Increment	First Longevity Increment	Second Longevity Increment	Third Longevity Increment
IAFF	3.5% at 20 YOS	3.5% at 24 YOS	None	3.5% at 17 YOS	3.5% at 20 YOS	3.5% at 24 YOS
FOP	3.5% at 16 YOS	3.5% at 20 YOS	None	3.5% at 15 YOS	3.5% at 17 YOS	3.5% at 20 YOS
MCGEO (non-public safety)	3.0% at 18 YOS	3.0% at 24 YOS	None	No change		
MCGEO (public safety)	3.5% at 20 YOS	2.5% at 24 YOS	None	No change		
Non-Represented ⁸ (excl. MLS/PLS)	2.0% at 20 YOS	None	None	No change		
MLS/PLS	None	None	None	No change		

The Executive recommends modifying the longevity increment schedule and adding a third longevity adjustment for IAFF and FOP members. At present, IAFF members are eligible for longevity increases of 3.5% after 20 and 24 years of service. As proposed by the Executive, starting in FY23, IAFF members would be eligible for longevity increases of 3.5% after 17, 20, and 24 years of service.

At present, FOP members are eligible for longevity increases of 3.5% after 16 and 20 years of service. As proposed by the Executive, starting in FY23, FOP members would be eligible for longevity increases of 3.5% after 15, 17, and 20 years of service.

⁸ For non-represented employees, only those who are at top of grade and received performance ratings of “exceptional” or “highly successful” for the two most recent years are eligible for a longevity increase.

Staff requested the Executive provide justification for the recommendation to add third longevity increments for IAFF and FOP members. The Executive responded:

The current salary schedules for both IAFF and FOP members “end” after approximately 15 years. A significant number of employees exceed that marker; a third longevity step provides an additional step to employees in a years-of-service range that currently only sees two adjustments. This is done both to recognize the general lack of movement after 15 years and to incentivize retention.

5. Lump Sum Payments

The Executive negotiated an agreement with MCGEO that includes a lump sum payment of \$600 for employees (including those at top of grade) who are not eligible for a service increment in FY23. While the lump sum payments do not raise future year employee salaries, staff notes that the FY22 agreement with MCGEO also included a “one-time” lump sum payment of \$600 for employees who did not receive a service increment that year. The Executive does not recommend a similar lump sum payment for non-represented employees.

6. Miscellaneous Pay and Benefit Adjustments

The negotiated collective bargaining agreements include various miscellaneous pay adjustments and benefit enhancements.

- The agreement negotiated by the Executive with MCGEO includes two wage adjustments of \$0.50 an hour (the first in July 2022, the second in June 2023) for seasonal employees not affected by the County minimum wage increase.
- The Executive negotiated a military service pension credit for eligible IAFF members. The proposed military service credit would provide up to 24 months of service credit to eligible IAFF members with qualifying prior military service. The existing law allows eligible employees to purchase up to 48 months of pension service credit. The Executive recommends granting the first 24 months to IAFF members at no cost to the employee.
- The proposed agreement with the FOP includes an increase in the Field Training Officer pay differential from \$3.50 to \$6.00 per hour for eligible unit members.

7. Cost of Pay Adjustments

As shown in the table on the next page, the pay and retirement contribution adjustments recommended by the Executive will have a combined FY23 cost of \$29.4 million (\$25.8 million tax supported).⁹ These estimates include the salary and wage costs as well as salary-based benefit costs borne by the employer.¹⁰ However, as many of the pay adjustments take effect midway or near the end of the fiscal year, the amount budgeted for FY23 does not reflect the full

⁹ Cost estimates include pay adjustments from bargained agreements, non-represented employee pass-through adjustments, and MLS/PLS performance-based pay.

¹⁰ The estimates include the additional costs of all salary-based benefits included Social Security, Medicare, defined benefit retirement, and defined contribution retirement.

annualized cost (that is, the 12-month cost) of the Executive’s recommendations. The annualized cost of the FY23 pay adjustments is \$76.7 million (\$61.7 million tax supported) and exceeds the FY23 cost by \$47.2 million (\$35.8 million tax supported). These costs will become part of the base budget in FY24 and all subsequent years. Future year annualized cost of the pay increases will have to be funded from on-going (as opposed to one-time) revenue sources.

Estimated Cost of Executive Recommended FY23 Pay Adjustments
(collective bargaining agreements, non-represented pass-through,
and MLS/PLS performance-based pay)

Salary Adjustment	Total Cost		Tax Supported Cost	
	FY23 Budgeted Amount	Annualized Cost	FY23 Budgeted Amount	Annualized Cost
GWA – \$4,333 for MCGEO	\$1,038,608	\$27,003,808	\$742,593	\$19,307,426
GWA – 3.5% FOP (July 22) and 3.0% (Jan. 23)	\$5,834,029	\$7,687,515	\$5,834,029	\$7,687,515
GWA – 4.0% IAFF (Oct. 22) and 1.0% (Jan. 23)	\$3,815,894	\$5,886,151	\$3,815,894	\$5,886,151
GWA – \$4,333 for Non-Rep.	\$425,957	\$11,069,072	\$314,467	\$8,171,864
Increments – 3.5% MCGEO	\$3,899,678	\$7,580,121	\$2,788,227	\$5,419,703
Increments – 3.5% Non-Rep.	\$1,380,749	\$2,594,696	\$1,019,353	\$1,915,563
Increments – 3.5% IAFF	\$900,712	\$1,665,475	\$900,712	\$1,665,475
Increments – 3.5% FOP	\$1,000,025	\$1,482,665	\$1,000,025	\$1,482,665
Salary Schedule Adjustment FOP	\$1,493,033	\$1,595,900	\$1,493,033	\$1,595,900
FY11 Increment – 1.25% for MCGEO	\$593,688	\$593,688	\$424,480	\$424,480
MLS Performance-Based Pay	\$2,000,000	\$2,000,000	\$1,000,000	\$1,000,000
Longevity Steps – MCGEO	\$336,996	\$721,154	\$240,949	\$515,617
Longevity Step – Non-Rep.	\$32,008	\$70,036	\$23,630	\$51,705
Longevity Steps - FOP	\$285,565	\$487,125	\$285,565	\$487,125
Longevity Adjustments and New 3 rd Step for FOP	\$2,591,421	\$2,841,990	\$2,591,421	\$2,841,990
Longevity Steps - IAFF	\$164,311	\$318,731	\$164,311	\$318,731
Longevity Adjustments and New 3 rd Step for IAFF	\$1,689,691	\$2,079,292	\$1,689,691	\$2,079,292
\$600 Lump Sum - MCGEO	\$1,055,791	--	\$754,879	--
Other*	\$882,926	\$974,011	\$744,194	\$810,810
TOTALS	\$29,421,082	\$76,651,430	\$25,827,453	\$61,662,012

* Includes FOP field training pay differential, IAFF military service credit, MCGEO seasonal employee pay adjustment, and all other miscellaneous personnel costs.

8. Workforce Size

Compensation costs are the function of two variables, the cost per employee and the number of employees, also known as workforce size. The Executive recommends an increase of 296.9 tax supported positions in County Government in FY23, an increase of 3.4% over FY22. This growth rate is double the annual average growth from FY13-22 (beginning after the County had exited the Great Recession). In total, the Executive’s recommended staffing increases would mean a total of 565 tax supported positions have been added to the County Government over the past four years.

Annual Growth in Montgomery County Government Tax Supported Workforce

Positions	Annual Average Growth FY13-22	FY23 CE Recommendation
Number of Position	+132.5 FTEs	+296. 9 FTEs
Percent Change	+1.7%	+3.4%

In an August 2020 letter to the Council, the Chief Administrative Officer informed the Council that the Executive and MCGEO have convened the Cost Efficiency Study Group to “analyze existing government operations and consider alternate service delivery methods and organizational structures to better serve the residents of Montgomery County...The primary charge of the Study Group is to identify at least 100 vacant positions that can be abolished across various levels of County government without impacting service delivery.”

The Study Group issued a report in April 2021; however, the report did not specify any positions to be abolished (executive summary attached at ©45-54). The report did recommend increasing the span of control of supervisory positions with a long-term goal or reducing up to 225 supervisory positions. The Executive provided the following update on the Study Group’s status:

The efforts of the working group were focused on construction of the report. Certain aspects of the report were utilized in the construction of what became the FY23 budget, including looking at span of control of supervisors and requested positions, elimination of long-term vacancies, and placement of organizational functions. Much like the County made significant changes to look at the budget process through both racial equity and climate change lenses, the processes asked different questions as a result of the working group and report. Further implementation of issues highlighted by the working group and the report are likely to occur in the future.

B. MCPS

The Board of Education currently is engaged in contract negotiations with its employee bargaining units. The Board’s recommended FY23 budget includes \$107 million in placeholders (\$96 million for salaries and \$11 million for benefits) for employee compensation increases. The major MCPS employee pay increases for FY22 took effect in the third quarter of the fiscal year. As a result, the Board’s recommended FY23 budget includes approximately \$76.1 million in annualized FY22 compensation cost increases.

C. Montgomery College

The Montgomery College FY22 operating budget included no funding for employee pay adjustments. The College recently concluded negotiations with the American Federation of State, County and Municipal Employees (AFSME) for a collective bargaining agreement for FY23-FY25 that includes a 3.5% salary increase (effective July 1, 2022) for staff who have been in the bargaining unit for at least six months. The College also concluded negotiations with the American Association of University Professors (AAUP). The agreement with AAUP provides a flat salary increase of \$3,270 (effective on the first day of the academic year) for all faculty members who have been in the bargaining unit for at least one semester. The estimated cost of the College's FY23 compensation increases totals \$3.76 million.

D. M-NCPPC

The Montgomery County portion of M-NCPPC's FY23 budget request includes \$3.9 million for employee pay increases as well as an additional \$1.3 million for possible employee reclassifications. As of the writing of this memorandum, FY23 pay adjustments for represented and non-represented employees have yet to be determined. The Commission is currently in negotiations with its two employee bargaining units, MCGEO (for a wage re-opener) and the FOP (for a wage and retirement benefit re-opener).

M-NCPPC implemented a \$15 per hour minimum wage as of January 1, 2022, for employees both in Montgomery and Prince George's Counties. For the Montgomery County portion of M-NCPPC, the anticipated FY23 fiscal impact of the minimum wage is \$136,700 for the Park Fund, and \$170,000 for the Enterprise Fund.

E. WSSC

As a result of revenue shortfalls, WSSC employees received no cost-of-living adjustments nor merit increases in FY21 and FY22. Instead, WSSC provided a one-time cash payment to certain employees in each year. The FY23 WSSC budget request includes \$6.9 million for employee pay increases. The WSSC budget including specific pay adjustment will be determined by joint agreement of the Montgomery and Prince George's County Councils.

3. RETIREMENT BENEFITS

This section provides an overview of requested funding for employee retiree benefits. As detailed below, some County Government employees receive a defined benefit or pension; others receive a defined contribution retirement benefit. All other agencies provide a pension benefit to eligible employees.

A. County Government

Apart from the military service pension credit for IAFF members, the Executive recommends no other changes to County Government employee retirement plan design in FY23 as part of his budget submission. The County Government operating budget includes contributions to pay for three different employee retirement plans.

Defined Benefit Plan (Employees’ Retirement System). Uniformed public safety employees as well as general government employees hired before October 1, 1994, participate in a defined benefit pension plan, the Employees’ Retirement System (ERS). To support this benefit, the County Government makes an annual contribution to the pension trust fund. The County’s actuary annually calculates the amount of the pension plan contribution based on assessments of pension fund assets, accrued liabilities, and demographic assumptions. The annual contribution amount is intended to set aside funds to cover projected future pension payments (“normal costs”) as well as the cost of amortized payments to cover past year benefit improvements and investment losses (“unfunded liability”). For FY23, the Executive’s recommended ERS contribution is \$37.3 million (\$36.8 million tax supported).

Defined Contribution Plan (Retirement Savings Plan). General government employees hired since October 1, 1994, participate in the Retirement Savings Plan (RSP). The County Government contributes a defined percentage of salary (currently 8%) into employee retirement savings accounts. For FY23 the County will contribute an estimated \$20.8 million (\$16.9 million tax supported) to employee RSP accounts.

Cash Balance Plan (Guaranteed Retirement Income Plan). Beginning in 2009, non-public safety employees hired since October 1, 1994, have had the option of participating in the Guaranteed Retirement Income Plan (GRIP). GRIP is a cash balance plan that guarantees a 7¼% annual return, and as a result is a type of defined benefit plan. About 26% of eligible employees have chosen the GRIP option. The Executive estimates that the GRIP will cost the County Government \$9.1 million (\$7.6 million tax supported) in FY23.

Participation and Cost Comparisons. A disparity exists in the costs of the County Government retirement plans. The table below shows the number of employees participating in each of the retirement plans and the total FY23 cost (excluding employee contributions) for each plan. The data show that while 37% of employees participate in the ERS, the ERS accounts for 56% of total County Government retirement plan costs. The average cost per employee for an ERS participant is about 70% greater than the cost per RSP participant and more than three times greater than the cost per GRIP participant.

	Plan Participants		FY23 Cost		Average FY23 Cost/ Employee
	Employees	Percent	\$ Amount (millions)	Percent	
ERS (Defined Benefit)	3,504	36.7%	\$37.32	55.53%	\$10,652
RSP (Defined Contribution)	3,328	34.9%	\$20.79	30.93%	\$6,246
GRIP (Cash Balance)	2,710	28.4%	\$9.10	13.54%	\$3,358

The County’s FY23 retirement contribution rates (as a percentage of an employee’s salary) are 15.3% for public safety employees in the ERS; 1.64% for non-public safety employees in the ERS¹¹; 8.00% for employees in the RSP; and 6.12% for employees in the GRIP.

¹¹ As the ERS closed for non-public safety employees in 1994, the number of active employees contributing to the plan has steadily declined resulting in the high contribution rate (as a percent of salary).

B. MCPS

MCPS provides a core pension benefit for employees in permanent positions who are not eligible for a State pension as well as a supplemental benefit for all permanent employees. MCPS is the sole school district in the State of Maryland to provide a pension supplement. The Board of Education budget assumes no changes to MCPS employee retirement plan benefits in FY23.

For FY23, the cost of funding the MCPS pension benefits will be \$71.7 million (over and above the local contribution to the State Teacher's Pension Plan). In February 2016, the Office of Legislative Oversight (OLO) issued a report that presents options to reduce MCPS pension costs. In each subsequent year, the Council has encouraged MCPS to achieve savings in retirement costs as discussed in the OLO report.

In 2012 the Maryland General Assembly shifted a portion of the annual funding requirement for the State-run teacher pension system to the counties.¹² The shift of pension costs to the counties was phased in over four years (FY13 through FY16). Beginning in FY16, the County's teachers' pension contribution was counted in the Maintenance of Effort calculation. Effective in FY23, the State raised the mandatory Board contribution to the State Teacher's Pension Plan from 4.17% to 5.12% of employee payroll. This change in the local contribution rate is a major factor in the 19% growth in the MCPS obligation for FY23. The FY23 amount of the MCPS contribution to the State pension fund is \$73.5 million (\$63.5 million in tax supported funds and \$6.6 million in grant funds).

C. Other Agencies

Montgomery College, M-NCPPC, and WSSC each offer defined benefit pension plans. Montgomery College and WSSC do not plan to change the design of their respective retirement plans in FY23. As noted above, M-NCPPC currently is in negotiations with its bargaining units; the negotiations with the FOP include the subject of retirement benefits.

D. Funded Ratios

The "funded ratio" of a pension plan is the percentage of the plan's liabilities covered by the current actuarial value of the plan's assets. In other words, the funded ratio measures the extent to which a plan has set aside funds to pay benefits accrued by its members. When an employer's funded ratio is below 100%, additional assets (from employer contributions, employee contributions, and/or investment income) will be required in future years to meet forthcoming liabilities.

The table below shows the most recent funded ratio or "fiduciary net position as a percentage of the total pension liability" for agency pension plans.¹³ Each of the agency pension funds experienced significant improvement in their funded ratio when compared to the previous reported year. All the funds benefited from the strong stock market that yielded exceptionally strong investment returns, which, in turn, raised the value of fund assets. For example, the

¹² Under the 2012 State law, counties must pay for the normal pension costs going forward. The State remains responsible for costs associated with unfunded pension liability.

¹³ Montgomery College does not manage a pension fund as its employees participate in a State-run retirement system.

County Government’s funded ratio as of June 2021 was 116.2%, an increase of nearly 20 points from the previous year. In addition, the MCPS funded ratio jumped by about 15 points as a result of investment returns coupled with modifications to its actuarial and demographic assumptions implemented in FY19.

Agency	Pension Funded Ratios*
County Government	116.2%
MCPS	80.0%
M-NCPPC (Bi-County)	98.3%
WSSC (Bi-County)	88.1%

*As of 6/30/21 for MCG, MCPS, and M-NCPPC and 12/31/20 for WSSC

4. GROUP INSURANCE FOR ACTIVE EMPLOYEES

The FY23 tax supported request for active employees’ group insurance benefits for all agencies totals \$459.3 million, an increase of 9.1% from FY22. These costs represent the employer share of annual group insurance premiums.

FY22 Approved and FY23 Requested Tax Supported Active Employee Group Insurance Costs

Agency	FY22 Approved	FY23 Request	% Change, FY22-23
County Government	\$111.1 million	\$118.7 million	6.8%
MCPS	\$276.9 million	\$308.0 million	11.2%
Montgomery College	\$16.2 million	\$15.8 million	(2.4%)
M-NCPPC	\$16.8 million	\$16.8 million	0.0%
Total	\$421.0 million	\$459.3 million	9.1%

County Government. The County does not plan any changes to active employee group insurance benefits in FY23. **However, the Executive’s budget includes funding for a different group insurance cost share all employee groups.**

In FY11, as part of a series of actions to ensure long-term fiscal sustainability while recovering from the Great Recession, the Council approved a group insurance cost share split of 75/25 (excluding HMO medical plans, which stayed at 80/20) for all County Government employees. Each year since, the Council has reconfirmed this policy as part of its budget actions, resulting in significant cost savings. The collective bargaining agreements with the County’s three unions were never amended to reflect this change.

For FY23, the Executive includes a funding placeholder in the Compensation and Employee Benefit Adjustments NDA for an 80/20 cost share for all employees. Unlike prior years, the Executive did not ask the unions to agree to a side letter that acknowledges the standard 75/25 cost share in FY23. **When the Executive has included a similar funding placeholder in prior years, including in FY22 for FOP and IAFF, the Council has rejected any changes and maintained the 75/25 cost share policy for all employees established in FY11.** Approving the standard 75/25 cost share for all County employees once again in FY23 will result in a reduction to the Executive's budget of \$6,302,265.

MCPS. The Board of Education does not plan any changes to active employee group insurance benefits in FY23. The Board's request reflects an increase because in FY21 and FY22 MCPS was able to draw down on excess group insurance fund balance and lower its tax supported request. MCPS continues to provide a health premium cost share split substantially different than the cost share split for County Government. For the past several years, the Council has encouraged MCPS to align its cost share for active employees with that of County Government. **If MCPS did so, it would result in estimated annual savings in the range of \$25 million.** MCPS' cost share structure continues to include credits of 1% each for completing a biometric screening and a health risk assessment.

5. GROUP INSURANCE FOR RETIREES (OPEB)

Other Post-Employment Benefits (OPEB) are non-pension benefits offered by an employer to qualified retirees (i.e., retiree health insurance, life insurance, etc.). Each agency sets OPEB benefit levels and eligibility criteria for their own retirees. OPEB includes two funding components:

- **Pay-as-you-go funding** refers to the annual cost of group insurance benefits for current retirees. Under this funding method, agencies annually budget resources to pay the current year's cost of health care premiums for retired employees and their dependents.
- **Pre-funding** sets aside assets at the time employees earn a benefit to cover cost obligations that will be paid in the future (the same as how all agencies pre-fund pension benefits). Annual pre-funding amounts are determined by actuarial valuation (updated every one or two years), and pre-funding payments are deposited into a designated Trust Fund. As with pension programs, different structural, market, or employee demographic factors can impact required pre-funding levels. In 2011, the Council established a Consolidated Retiree Health Benefits Trust (CRHBT) for the County Government, MCPS, and Montgomery College. M-NCPPC manages its own OPEB trust.

A. Retiree Group Insurance Pay-As-You-Go Funding

The FY23 request for retiree pay-as-you-go group insurance funding totals \$114.7 million, a 1.5% decrease from the funding level in FY22. These costs represent the employer share of annual group insurance premiums.

FY22 Approved and FY23 Recommended Retiree Health Pay-As-You-Go Funding by Agency

Agency	FY22 Approved	FY23 Request	% Change, FY22-23
County Government	\$50.6 million	\$48.9 million	(3.4%)
MCPS	\$56.3 million	\$56.3 million	0.0%
Montgomery College	\$4.6 million	\$4.6 million	0.0%
M-NCPPC	\$4.9 million	\$4.9 million	0.0%
All Agencies	\$116.4 million	\$114.7 million	(1.5%)

County Government. The Executive recommends including \$28.9 million in tax supported funding and drawing down on the assets in the OPEB Trust to fund the remaining \$20 million. The recommended use of Trust assets represents a change to current OPEB funding polices and is discussed on more detail on page 18.

MCPS. The Board of Education’s request and the County Executive’s recommendation for MCPS includes \$27.2 million in funding from MCPS funding allocated to the Consolidated OPEB Trust to fund retiree pay-as-you-go costs. In FY15, the Council reduced MCPS’ tax supported retiree health pay-as-you-go funding by \$27.2 million and added \$27.2 million to MCPS’ portion of the Consolidated OPEB Trust to hold MCPS OPEB spending harmless. In FY16 and each year since, this use of \$27.2 million has continued but without the corresponding replacement of expenditures in the Trust. As a result, the net effect is continued increases in MCPS OPEB Trust balance but by smaller amounts that would occur otherwise.

B. OPEB Pre-Funding

FY23 Recommended OPEB Pre-funding. The Executive recommends \$62.8 million in tax supported OPEB pre-funding for FY23, representing a significant decrease of \$29.3 million or 31.8%. The reductions in pre-funding for FY23 are primarily due to strong investment performance and assumption changes. The FY23 OPEB pre-funding recommendation includes \$177,588 in non-tax supported M-NCPPC proprietary fund contributions.

FY22 Approved and FY23 Recommended OPEB Pre-Funding by Agency

	FY22 Approved	FY23 Recommended	% Change FY22-23
Tax Supported			
County Government	\$10.8 million	--	(100%)
MCPS	\$73.0 million	\$57.4 million	(21.4%)
Montgomery College	\$5.6 million	\$1.7 million	(69.6%)
M-NCPPC	\$2.7 million	\$3.7 million	37.0%
Total Tax Supported	\$92.1 million	\$62.8 million	(31.8%)
Total Non-Tax Supported	\$1.8 million	\$0.2 million	(88.9%)

OPEB Trust Investment Performance. Buoyed by a high-performing stock market and strong management from the Trust Board and staff, the Consolidated OPEB Trust achieved a 26% investment return in 2021. This rate of return added \$162.5 million to the Trust, which was greater than the total investment income for the prior four years combined (\$156.7 million). As a result, the pre-funding requirement based on the actuarially determined contribution (ADC) for each of the agencies that participate in the Consolidated Trust was reduced.

Unfortunately, these historic rates of returns are not expected to continue. Closely connected with ongoing inflation, financial institutions are expecting stock and bond returns to be well below past annualized averages. The County’s Board of Investment Trustees is signaling a similar picture. Investment experts who advise the Board are projecting annualized average returns of 6% for the next ten years – well below recent trends and below the 7.5% assumed rate of return assumed in calculating the ADC.

Pre-Funding in the Fiscal Plan. The Executive’s FY23-28 fiscal plan maintains similar levels of projected OPEB pre-funding over the six years as shown in the table below.

FY23-28 Tax Supported OPEB Pre-Funding in Executive’s Fiscal Plan (All Agencies)

FY23	FY24	FY25	FY26	FY27	FY28
\$62.8 million	\$62.6 million	\$62.5 million	\$62.3 million	\$62.3 million	\$62.3 million

Current Agency OPEB Liabilities, Assets, and Funded Ratio. An agency’s total OPEB liability refers to the present value of benefits earned to date for employees’ past service. The net position in trust refers to the current value of OPEB assets (cash or investments) placed into a fund to pay future liabilities. The funded ratio is calculated by dividing the net position in the trust by the total OPEB liability. The table on the next page shows these values for each agency based on each agency’s most recent GASB 74/75 OPEB valuation. In sum:

- The total estimated OPEB liability for County Government, MCPS, Montgomery College, and M-NCPPC is about \$5.6 billion.
- The actuarial value of OPEB assets in the agency trust funds, \$1.7 billion, represents 31% of the total OPEB liability.

Agency OPEB Liabilities, Assets, and Funded Ratio (as of 7/1/21)

Agency	Total OPEB Liability	Net Position in Trust	Funded Ratio (actuarial)
County Government	\$1,661,544,310	\$818,822,037	49%
MCPS	\$3,596,803,362	\$768,959,936	21%
Montgomery College	\$142,000,463	\$66,868,925	47%
M-NCPPC ¹⁴	\$188,838,947	\$57,944,034	31%
Total	\$5,589,187,082	\$1,712,594,932	31%

Sources: FY21 Agency Comprehensive Financial Reports and GASB 74/75 OPEB Actuarial Valuations

¹⁴ Montgomery County’s OPEB funding schedule assumes the County portion is 45% of M-NCPPC’s total plan.

C. Executive's Recommended OPEB Draw Down

The County Executive's recommended budget presents a significant policy change to OPEB funding for FY23. The County's current fiscal policies are focused on increasing the assets of the OPEB Trust, and do not provide a mechanism to draw down on Trust assets.

As included in the staff report for the [Council's April 19 FY23 Budget Overview discussion](#), council staff recommends that the Council not approve any use of Trust assets for this purpose prior to thoroughly reviewing and updating the County's OPEB funding policy. It is important that the Council carefully considers and establishes any changes to OPEB funding policies to protect the County from near-term budget volatility (e.g., if investment performance declines), ensure the long-term sustainability of retiree health benefits, and protect the County's AAA bond rating.

The [County Executive's recommended budget document](#) includes the following explanation for the draw down on OPEB Trust assets to pay current year claims in FY23:

In planning for FY23, actuarial analysis assumed a utilization of Trust assets due to the funded status of plan, and the pay-as-you-go amount was determined to be higher than the ADC. The County Executive has determined that the magnitude of the assets in the OPEB Trust requires a shift from the policy of paying the full amount of the ADC each year, to a policy that utilizes the Trust to pay a portion of the retiree health benefits while maintaining the assets necessary to support consistent and continued utilization through sustained investment growth and contributions as required. (Page 8-4)

The Executive added language to this effect in the Retiree Health benefits Trust section of the Fiscal Policy chapter of the budget (bolded language is new for FY23):

*The County phased-in full pre-funding of its Actuarially Determined Contribution (ADC), from the previous pay-as-you-go approach, beginning with contributions to one or more trust funds established for that purpose, over an eight-year period beginning with FY08. This approach allows the County to use a discount rate higher than its operating investment rate for accounting and budgeting purposes, which will result in lower costs and liabilities than if the County did not have a Trust in place. **In FY15, full pre-funding was reached, and the County applied a policy of contributing the full ADC in each budget. The actuarial valuation for FY23 assumed a utilization of Trust assets due to the funded status of the plan with an ADC lower than the projected pay-as-you-go costs. Beginning in FY23, the County is shifting the policy from one intended to build the Trust to one that utilizes and maintains the Trust.***

Additionally, in response to follow-up questions from Council staff, the Executive Branch noted that the draw-down of \$20 million from the Trust is assumed as a one-time action pending the development of a long-term OPEB utilization fiscal policy.

The full new fiscal policy as it relates to the OPEB Trust is in the early stages of development, and executive branch staff will be reaching out shortly to Council staff to ensure full participation in the development of the long-term OPEB utilization fiscal

policy. The policy will explore the scenarios in which utilization is allowable and when it is not, addressing concerns such as differing actual investment returns. The FY23 budget and Fiscal Plan do NOT assume the use of \$20 million on a go-forward basis; any future utilization is intended to be determined through agreement on a long-term OPEB utilization fiscal policy.

Issues for Council consideration. Council staff has several concerns with the Executive's FY23 recommendation which are detailed below.

- **It is premature to approve any use of Trust assets prior to thoroughly reviewing and updating the County's long-term OPEB funding policy.** A complete policy update is necessary to ensure that all OPEB funding options are considered, including options that do not include a Trust draw down. Council staff agrees with the Executive's determination that a long-term funding policy is needed and should be developed jointly, as was first discussed during the GO Committee's review of [OLO Report 2019-11, Cost of Retiree Health Benefits](#). However, this policy development – including formal review and approval by the GO Committee and Council – needs to occur first to ensure that all future funding decisions align with the updated policy.

The Council has received a letter (©56) from the Consolidated Retiree Health Benefit Board of Trustees (responsible for managing the OPEB Trust) stating that the Board's position is to not draw down on Trust assets prior to adopting an updated utilization policy. The Montgomery County Retired Employees Association (MCREA) expressed the same position at its March 28, 2022 meeting with the Council.

- **The County's current fiscal policies are focused on increasing the assets of the OPEB Trust, and do not provide a mechanism to draw down on Trust assets.** The current OPEB policies, which were developed jointly by the Council and Executive, call for a build up to full pre-funding (which was achieved in FY15) and then continued funding at the Actuarially Determined Contribution (ADC). In addition to minimally funding the ADC, the County's fiscal policies also state that a priority use for any one-time revenue (after meeting reserve policy obligations) is to fund OPEB above the ADC level as long as unfunded liabilities still exist.
- **Drawing down on the Trust without a long-term utilization policy may require changes to other OPEB assumptions that impact the funded status of the plan.** The Executive's recommendation to use Trust assets to fund a portion of pay-as-you-go costs in FY23 is based on the ADC calculation and funded status. Unlike the County's pension plan, which is over 100% funded in FY23, the OPEB Trust is 49% funded on an actuarial basis and 60% funded on a market basis (with the difference being the assumed investment rate of return in performing the calculations under accounting standards). Removing funds from the Trust in the absence of an identified strategy may require a reduction in the 7.5% rate of return assumed on a market basis or other assumptions. Changes to any assumptions will impact the funded ratio and may lead to different decisions related to a removing funds from the Trust. Additionally, as discussed on page 17, the 26% one-year investment returns played a significant role in boosting the funded ratio but returns are expected to decline significantly.

6. AGENCY GROUP INSURANCE FUNDS

In December 2003 the Council approved Resolution No. 15-454, *Policy Guidance for Agency Group Insurance Programs*, which included a recommendation that agencies maintain a minimum fund balance (or reserve) in their respective group insurance funds equivalent to 5% of annual expenditures. For the tax supported agencies, the table below shows the actual FY21 group insurance fund ending balances (in dollars and as a percent of expenditures), along with any projected balances or uses of fund reserves identified in agency budget or related documents. MCPS maintains separate fund accounts for active and retired employees, while the other agency group insurance funds combine active and retired employees.

Agency	FY21 Year-End Fund Balance		Future Fund Balance Projections
	\$'s	% of Expend.	
County Government ¹⁵	(\$13,602,257)	(5.0%)	<ul style="list-style-type: none"> Projected FY21 year-end fund balance of \$1.2 million or 0.4%. Fiscal projection shows a 3.6% year-end fund balance in FY24 and a 5.0% fund balance each year in FY25-28.
MCPS: Active Employees	\$17.6 million	4.6%	<ul style="list-style-type: none"> Projected FY22 year-end fund balance of \$3.1 million or 2.9%.
MCPS: Retired Employees	\$39.3 million	30.5%	<ul style="list-style-type: none"> Projected FY22 year-end fund balance of \$24.6 million or 17.2%.
M-NCPPC (Bi-County)	\$13.1 million	22.5%	<ul style="list-style-type: none"> Projected FY22 year-end fund balance of \$12.9 million or 18.1%. Proposed FY23 budget projects a year-end fund balance of \$11.4 million or 15.9%.
Montgomery College	\$1.3 million	6.7%	n/a

¹⁵ The FY21-27 fiscal projection for the County Government's Employee Health Benefits Self Insurance Fund from the Executive's Fiscal Plan is at ©45.

7. COMPENSATION COST SUSTAINABILITY

Last year, the Council adopted [Resolution No. 19-753](#) that established and/or updated several fiscal policies. The resolution included a policy addressing the sustainability of County Government compensation costs. The Council-adopted policy reads:

As a means to preserve long-term budget sustainability, the annual growth rate of total compensation costs (including all wage and benefit costs) should be similar to the annual growth rate of tax-supported revenues. In submitting a recommended annual operating budget, the Executive should indicate how recommended compensation cost increases compare with projected rates of revenue growth. Should recommended compensation cost increases exceed the projected one-year or six-year rate of revenue growth, then the Executive should provide a written explanation of: (a) how operating budget resources are re-allocated to pay for total compensation costs; and (b) how the recommended rate of compensation cost growth can be sustained over time.

In summary, the compensation sustainability policy states that the annual growth rate of total compensation costs should be similar to the annual growth rate of tax supported revenues. If the rates differ, the policy asks the Executive to explain how increases in total compensation costs requested in the budget will be supported by revenues or reductions in expenditures.

The Executive's recommended FY23 operating budget includes tax-supported compensation costs that exceed those in the FY22 budget by 7.1%. This calculation includes the net cost of all FY23 compensation and benefit enhancements, the annualized cost of FY22 compensation enhancements and new positions, the costs associated with adding proposed new positions, and the budgeted savings from assumed lapse and turnover. As many of the recommended pay increases take effect midway or near the end of FY23, the on-going annual impact of the Executive's compensation package is greater than a 7.1% increase. In contrast, the Executive's budget projects that tax-supported revenues will grow by an average of 3.4% during the six-year Fiscal Plan time horizon of FY23-FY28.¹⁶

The intent of the compensation sustainability policy is to align recurring pay and benefits expenditures with available resources without requiring offsetting service level reductions or revenue increases. As compensation costs comprise more than 60% of the County Government's operating budget, if the rate of spending on pay and benefits annually outpaces revenue growth, then insufficient budget room would exist to fund other priorities (in the absence of raising taxes or finding another ongoing source of new revenue).

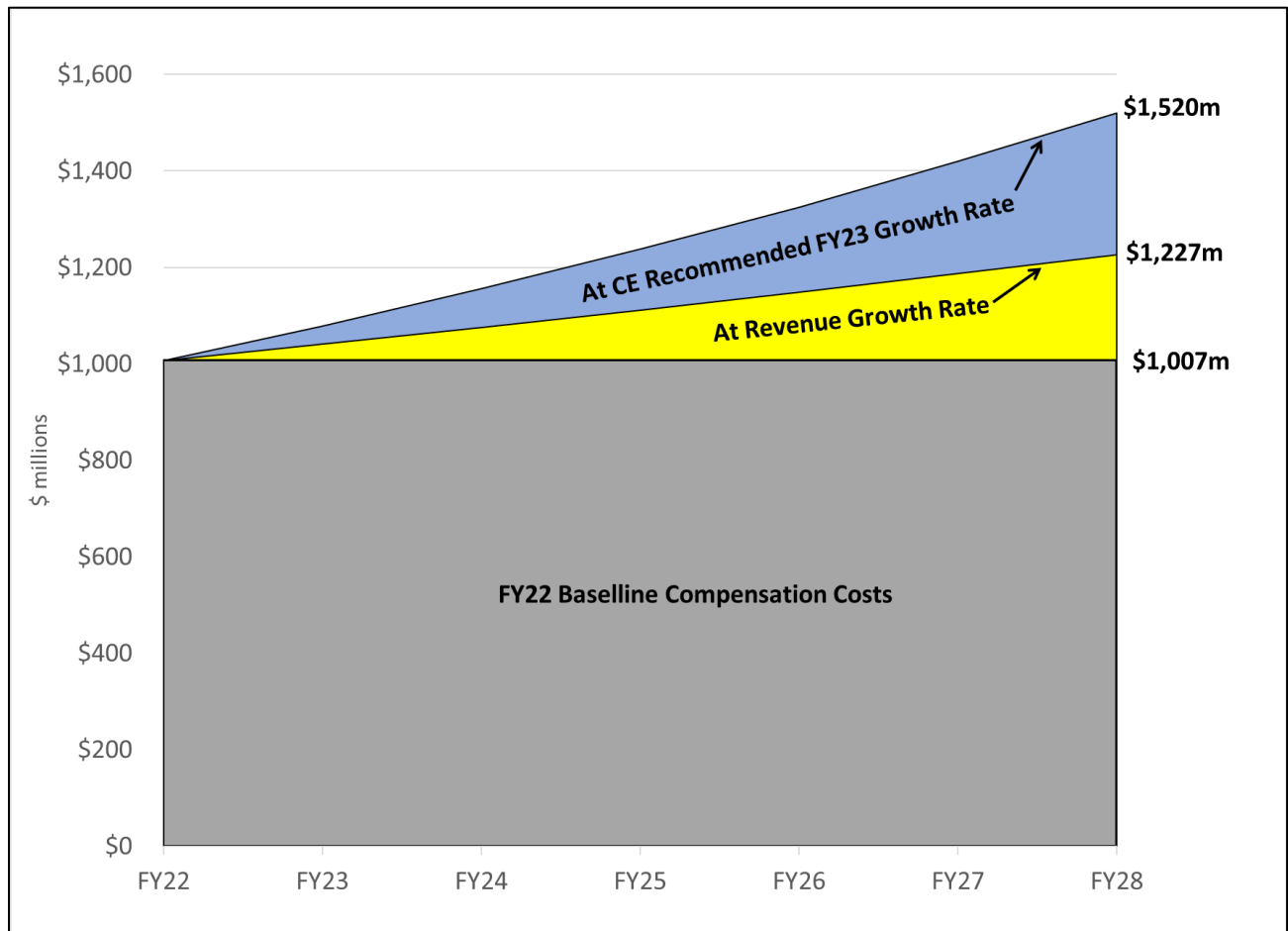
The table and graph on the next page illustrate how a mismatch between cost and revenue growth affects long-term budget sustainability. The FY22 County Government operating budget includes approximately \$1,007 million in compensation costs. The table compares six-year growth of \$1,007 million at a rate of 7.1% (the FY23 compensation growth rate recommended by the Executive) versus a rate of 3.4% (the projected rate of revenue growth for FY23-FY28). As shown in the table, the difference between these two growth rates yields a \$37 million gap in

¹⁶ The Fiscal Plan projection of average annual revenue of 3.4% is in line with recent actual experience. From FY16-FY21, the actual growth rate for County revenues was 3.8%.

FY23. The cumulative effect of this pattern, if allowed to recur annually, would produce a gap of \$289 million at the end of six years.

**Future Year County Government Compensation Cost Growth
Comparison of 7.1% and 3.4% Annual Growth Rates (in \$ millions)**

	FY22	FY23	FY24	FY25	FY26	FY27	FY28
7.1% Annual Cost Increase (CE FY23 Recommendation)	\$1,007	\$1,079	\$1,155	\$1,237	\$1,325	\$1,419	\$1,520
3.4% Annual Cost Increase (Projected Revenue Growth Rate)	\$1,007	\$1,041	\$1,076	\$1,112	\$1,149	\$1,187	\$1,227
Difference	--	\$38	\$80	\$126	\$177	\$232	\$293



As described above, the compensation sustainability policy requires that the Executive provide a written explanation when the growth rate of total compensation costs exceeds the projected one-year or six-year rate of revenue growth. The Executive transmitted to Council the following statement:

My FY23 Recommended Operating Budget includes total compensation and benefit increases, exclusive of new positions added or eliminated in FY23, of approximately \$59.2 million, for a growth rate of 4.88%. As shown in the fiscal plan, the one-year growth rate is 5.9%, while the six-year growth rate is 3.34%.

Operating budget resources did not need to be re-allocated in FY23 to accommodate these costs; the one-year growth rate exceeded the increase. These costs are sustainable over time as the total increase of \$59.2 million is far below the increase in growth associated with the 3.34% annual growth over the six-year projection, which amounts to \$175 million for FY23.

Furthermore, the composition of compensation elements that make up the \$59.2 million increase include items that take steps necessary to address major issues within County employee compensation structures. Included in the increases are:

- Collectively bargained compensation increases to ensure wage growth keeps pace with significantly higher than normal inflation*
- Adjustments to transit bus operator salary schedules that resolves a decade-long wage inequity*
- Increases to Police compensation to address severe comparability issues*
- Health insurance funding to return the employer cost share to the levels established in the collective bargaining agreements.*

In his statement above, the Executive cites a compensation growth rate of 4.88% exclusive of new positions [emphasis added]. Staff notes that the cost of all positions – both existing and new – draw on available resources and comprise the base budget costs for subsequent years. As such, this calculation has always included the cost of new positions.

The Executive further suggests that projected revenue growth will generate sufficient dollars to accommodate his recommended increase in compensation costs. Staff concurs that this statement is correct; but we note that the effect of compensation spending that greatly exceeds revenue growth necessarily requires a siphoning of resources away from non-compensation uses.

This spending pattern, if allowed to proceed unchecked, will produce a budget sustainability challenge. The unavoidable outcome of a recurring trend of this sort is to constrain the County's ability to meet future spending priorities (including future year pay adjustments) or to necessitate new on-going (as opposed to one-time) tax revenues.

8. COUNTY GOVERNMENT COMPENSATION-RELATED NDAS

The FY23 recommended budget contains eight compensation-related Non-Departmental Accounts (NDAs).

A. Compensation and Employee Benefits Adjustments NDA (©58)

This NDA funds certain personnel costs related to adjustments in employee and retiree benefits, pay-for-performance awards for employees in the Management Leadership Service (MLS) and Police Management Service (PLS) employees, deferred compensation management, and unemployment insurance. The recommended amount for FY23 is \$9,483,863, a \$5,316,265 (or 128%) increase above the approved FY22 budgeted amount. The large jump in NDA funding is entirely attributable to the Executive's including \$6,302,265 to adjust the health insurance cost share adjustment for all employees (see pages 14-15). Absent this addition, NDA funding would be \$3,181,600, a 24% reduction from the FY22 approved budget.

B. Consolidated Retiree Health Benefits Trust NDAs (©60 and ©64)

In 2011, the Council established the consolidated trust on behalf of County Government, MCPS, and Montgomery College to make the OPEB funding process more transparent. The operating budget includes an NDA for each agency. The Executive's budget includes no funding for the County Government's Retiree Health Trust NDA in FY23. The Executive recommends \$57,424,677 for the MCPS Retiree Health Trust NDA and \$1,704,000 for the College's Retiree Health Trust NDA (see pages 16-17).

C. Group Insurance for Retirees NDA (©61-62)

This NDA funds the employer share of annual group insurance premiums for County Government retirees. The Executive recommends funding this NDA in FY23 at \$28,928,437, a \$21,690,215 reduction from the amount for FY22 funding level. Nearly all the reduction is attributable to the Executive's recommendation to use \$20 million in OPEB Trust Fund resources to pay current year retiree health costs (see pages 16-20).

D. Montgomery County Employee Retirement Plans NDA (©63)

The operating budget includes an NDA for the Montgomery County Employee Retirement Plans (MCERP). Expenditures associated with the Retirement Program are funded from the ERS and the RSP, and from the General Fund on behalf of the DCP. As such, the NDA does not show any appropriation amounts.

E. State Positions Supplement NDA (©65)

This NDA funds the County supplement to State salaries and benefits for secretarial assistance for the resident judges of the Maryland Appellate Courts. The recommended amount for FY23 is \$60,756, the same amount as budgeted in FY23.

F. State Retirement Contribution NDA (©65)

This NDA funds the County's contribution to the Maryland State Retirement System (MSRS) for County employees who are members of the MSRS and to the State Library Retirement for Montgomery County Public Library retirees who receive a State retirement benefit. The recommended amount for FY23 is \$3,754.

9. ADMINISTRATION OF COUNTY GOVERNMENT RETIREMENT PLANS AND OPEB TRUST

The County manages three programs that offer retirement benefits (the Employees' Retirement System, the Retirement Savings Plan, the Deferred Compensation Plan) as well as an additional program that provides funding for retiree health benefits (the Consolidated Retiree Health Benefits Trust). In FY13 the Chief Administrative Officer (who serves as Administrator of County Government retirement plans) approved the consolidation of all retirement-related functions into one organization, Montgomery County Employee Retirement Plans (MCERP). MCERP is responsible for retirement plan investment, administration, and accounting functions. The cost of administering retirement programs is included in the MCERP budget. The Office of Human Resources administers group insurance programs for active employees and retirees.

A. Employees' Retirement System

The Employees' Retirement System (ERS) is a defined benefit (pension) plan for eligible County Government employees. Uniformed public safety employees, as well as general government employees hired before October 1, 1994, participate in the ERS. The ERS also serves general government employees hired starting October 1, 1994, who have elected to participate in the Guaranteed Retirement Income Plan (GRIP).

The Board of Investment Trustees (BIT) invests and manages ERS assets. The table below shows FY22 approved and FY23 recommended ERS administrative and operating expenses.

Employees' Retirement System Administrative and Operating Expenses

	FY22 Approved	FY23 Recommended	\$ Amount Change FY22 to FY23	Percent Change FY22 to FY23
Investment Management	\$24,582,000	\$28,174,000	\$3,592,000	14.6%
Salaries and Benefits	\$2,550,000	\$2,823,000	\$273,000	10.7%
Professional Services	\$1,013,900	\$1,024,200	\$10,300	1.0%
Benefit Processing	\$129,800	\$132,300	\$2,500	1.9%
Office Management	\$88,300	\$88,300	\$0	0.0%
Due Diligence/Education	\$33,700	\$33,700	\$0	0.0%
TOTAL	\$28,397,700	\$32,275,500	\$3,877,800	13.7%

The Executive recommends a \$3.88 million increase in funding for ERS management, primarily resulting from a \$2.59 million increase in investment management fees. Investment

management fees are based on investment return assumptions for asset growth and include custodian bank, investment managers and consultant/financial advisor fees. As ERS returns on investment exceed the actuarial assumed return, the funds asset base increased more than projected, thus raising investment management fees.

B. Retirement Savings Plan

The Retirement Savings Plan (RSP) is a defined contribution plan providing benefits to non-public safety employees, and certain public safety employees, hired after 1994. The County Government contributes a defined percentage of salary to RSP participants’ retirement savings accounts. Employees also contribute to their RSP account and self-manage investment choices. The BIT also provides investment education sessions for RSP participants. The table below shows FY22 approved and FY23 recommended RSP administrative and operating expenses.

Retirement Savings Plan Administrative and Operating Expenses

	FY22 Approved	FY23 Recommended	\$ Amount Change FY22 to FY23	Percent Change FY22 to FY23
Investment Management	\$6,000	\$9,800	\$3,800	63.3%
Salaries and Benefits	\$213,000	\$224,500	\$11,500	5.4%
Professional Services	\$66,700	\$75,000	\$8,300	12.4%
Office Management	\$7,300	\$7,300	\$0	0.0%
Due Diligence/Education	\$2,800	\$2,800	\$0	0.0%
TOTAL	\$295,800	\$319,400	\$23,600	8.0%

The Executive recommends a \$23,600 increase in funding for RSP management, primarily a result of higher salary and investment management costs.

C. Deferred Compensation Plan

County Government employees, if eligible, may elect to participate in the Deferred Compensation Plan (DCP) created pursuant to Section 457 of the Internal Revenue Code. The DCP is a voluntary deferred compensation plan that allows employees to make tax-deferred contributions into a retirement savings account. Employees self-manage DCP investment choices. The BIT contracts with a record keeper who administers the mutual and commingled fund options selected by the Board and offered to DCP participants. The table below shows FY21 approved and FY22 recommended DCP administrative and operating expenses.

Deferred Compensation Plan Administrative and Operating Expenses

	FY22 Approved	FY23 Recommended	\$ Amount Change FY22 to FY23	Percent Change FY22 to FY23
Investment Management	\$6,000	\$9,800	\$3,800	63.3%
Salaries and Benefits	\$187,000	\$196,500	\$9,500	5.1%
Professional Services	\$52,300	\$53,000	\$700	1.3%
Office Management	\$8,000	\$8,000	\$0	0.0%
Due Diligence/Education	\$2,800	\$2,800	\$0	0.0%
TOTAL	\$256,100	\$270,100	\$14,000	5.5%

The Executive recommends a \$14,000 increase in funding for DCP management, primarily a result of higher professional services costs.

D. Consolidated Retiree Health Benefits Trust Fund

The County has established a Consolidated Retiree Health Benefits Trust (CRHBT) to set aside funds for retiree health benefits, similar to the County’s practice of prefunding for retiree pension benefits. The Office of Human Resources is responsible for the administration of the Trust Fund, and the BIT is responsible for investing the Fund assets with the goal of managing risk exposure while maximizing asset growth. The table below shows FY22 approved and FY23 recommended Trust Fund administrative and operating expenses.

Consolidated Retiree Health Benefits Trust Fund Administrative and Operating Expenses

	FY21 Approved	FY22 Recommended	\$ Amount Change FY21 to FY22	Percent Change FY21 to FY22
Investment Management	\$7,088,250	\$8,451,000	\$1,362,750	19.2%
Salaries and Benefits	\$526,000	\$565,000	\$39,000	7.4%
Professional Services	\$174,042	\$176,500	\$2,458	1.4%
Office Management	\$14,300	\$14,000	-\$300	-2.1%
Due Diligence/Education	\$27,000	\$26,000	-\$1,000	-3.7%
TOTAL	\$7,829,592	\$9,232,500	\$1,402,908	17.9%

The Executive recommends a \$1.40 million increase in funding for CRHBT management, primarily resulting from a \$1.36 million increase in investment management fees. Investment management fees are based on investment return assumptions for asset growth and include custodian bank, investment managers and consultant/financial advisor fees. As CRHBT returns on investment exceed the actuarial assumed return, the funds asset base increased more than projected, thus raising investment management fees.

10. OTHER COMPENSATION ISSUES

A. New Salary Schedule for Legislative Branch Non-Merit Employees

In 2016, the Council approved [Bill 51-15](#) which requires salary schedules to be developed for all executive and legislative branch non-merit appointees. Two issues delayed implementation of the required salary schedules:

- 1) The Council was dissatisfied with the original executive branch salary schedules submitted by the County Executive in FY17-19. The Council did adopt an Executive Branch salary schedule in [September 2019](#).
- 2) The Council [deferred action on a legislative branch salary schedule](#) in FY20 due to ongoing staffing analysis being conducted by a consultant. This was followed by the onset of the COVID-19 pandemic at the same time as the FY21 budget process began.

For consideration as part of the FY23 budget process, Council staff recommends salary schedules for Legislative Branch non-merit staff as detailed below to take effect July 1, 2022. Any legislative branch schedule will not take effect until after the Council has approved the first schedule, and only applies to employees promoted or hired after the schedule takes effect. For context, a table showing the FY22 approved Executive Branch non-merit schedule and the MLS schedule follows.

Proposed Legislative Branch Non-Merit Salary Schedule – Chiefs of Staff and Directors

Grade	Minimum	Maximum	Positions	Notes
LB3	\$95,251	\$201,315	Chiefs of Staff	<ul style="list-style-type: none"> • Maximum aligns with the Exec Branch scale for Special Assistants, Deputy Department Directors, etc. • Minimum aligns with M1 in MLS scale to provide flexibility for CM's in determining office staffing
LB2	\$108,684	\$191,726	<ul style="list-style-type: none"> • Hearing Examiners • OLO Director 	Aligns with M1 in MLS scale
LB1	\$143,288	\$243,589	Council Executive Director	Aligns with EXE1 in Exec Branch scale

Approved FY22 Executive Branch Non-Merit Schedule and MLS

Grade	Minimum	Maximum	Positions
Executive Non-Merit Salary Schedule			
EXE3	\$118,420	\$201,315	<ul style="list-style-type: none"> • Special Assistants • Deputy Department Directors • Division/Service Chiefs • Assistant Chiefs of Police • Directors of Non-Principal Offices
EXE2	\$130,262	\$221,446	<ul style="list-style-type: none"> • Department Directors • Fire and Police Chiefs • County Attorney
EXE1	\$143,288	\$243,589	Assistant Chief Administrative Officers
EXE0	\$171,946	\$292,308	Chief Administrative Officer
MLS Salary Schedule			
M3	\$82,068	\$148,607	<ul style="list-style-type: none"> • Clerk of the Council • Administrative Services Manager
M2	\$95,251	\$163,911	Senior Legislative Analyst
M1	\$108,684	\$148,607	<ul style="list-style-type: none"> • Deputy Director • Senior Legislative Attorney

Council staff anticipates receiving two additional documents soon from the Executive Branch: 1) a recommended FY23 salary schedule for the Executive non-merit positions, and 2) a recommended salary schedule for the Inspector General. In reviewing the classification structure of the Inspector General position, the Executive Branch has determined that the current structure for the Inspector General is inconsistent with other Executive and Legislative Branch non-merit appointed senior management positions. As a result, the Executive has prepared and will be sending to the Council a proposed schedule for the Inspector General position that addresses these issues.

Staff recommends that the GO Committee initially review the proposed salary schedule for legislative branch non-merit employees on April 21 and schedule a follow-up session prior to final budget approval to consider recommendations on all the non-merit schedules after the remaining documents are received from the Executive Branch.

B. Agency Analysis of Personnel Management

Each agency compiles an annual report on its workforce containing data that are generally comparable to the information provided in the County Government’s Personnel Management Review. Material of this kind is a valuable adjunct to the agency personnel information that comes from budget documents and Council staff data requests. Agency staff have worked hard to assemble these displays of personnel information, and their efforts are appreciated. The most recent agency reports are available online and summarized below.

- [Montgomery County Government – Personnel Management Review](#)
- [Montgomery County Public Schools – Staff Statistical Profile](#)
- [Montgomery College – Personnel Profile](#)
- [M-NCPPC – Personnel Management Review](#)
- [WSSC – Human Resources Management Review](#)

Summary of Agency Personnel Management Data

Workforce Characteristics	County Government	MCPS	Montgomery College	M-NCPPC (Montgomery)	WSSC (Bi-County)
Reporting Period	CY 2020	FY 2022	CY 2021	FY 2020	FY 2021
Permanent Employees	9,429	24,605	1,787	858	1,679
Average Annual Salary	\$83,420 (overall weighted avg.)	<u>Administrators</u> \$140,125 <u>Teachers (10-Month)</u> \$85,569 <u>Support Staff (10-Month)</u> \$38,731	Largest proportion of permanent staff (~40%) earn between \$75,000 and \$99,999	\$77,320*	\$87,779
Gender					
% Male	59%	26%	43%	68%	71%
% Female	41%	74%	57%	32%	29%
Race/Ethnicity:					
% White	46%	56%	44%	67%	37%
% Black/Af. Amer.	27%	18%	31%	18%	48%
% Hispanic/Latino	11%	15%	10%	8%	6%
% Asian	7%	9%	13%	6%	6%
% Other**	9%	2%	1%	1%	3%
Turnover Rate	5.5%	7.1%	7.3%	7.5%*	7.3%

*Bi-County data

**Includes “Unreported”, which accounts for 7%.

11. STAFF RECOMMENDATIONS

The Executive has recommended County Government employee pay and benefit costs that can be funded by available FY23 revenues. Nonetheless, the recommended compensation package does present long-term sustainability challenges. The Council's approved compensation sustainability policy states that the annual growth rate of total compensations costs should be similar to the growth rate of tax supported revenues.

Tax supported compensation costs in the Executive's recommended FY23 budget grow by 7.1%. In contrast, the Executive's budget projects that tax-supported revenues will grow by 5.9% in FY23 and at an average annual growth rate of 3.4% from FY23-FY28. If compensation continues to grow at rates that exceed revenue growth over the long term, it may create budget gaps that need to be filled by reducing other expenditures or creating additional revenues.

Decisions on compensation provisions in the negotiated agreements for County Government employees will be made as part of the Committee's action on the collective bargaining agreements. Decisions on pay and benefit adjustments for non-represented employees are separate from the collective bargaining decisions. Historically, the Council has supported equity in pay and benefit adjustments for non-represented employees with other employee groups when final budget decisions are made. Final decisions on pay and benefit adjustments for other County agencies will be made by their respective governing bodies.

If requested, staff can develop proposed modifications to the Executive's FY23 recommendations to render compensation spending more sustainable in the long-term. Additionally, staff has prepared recommendations to review compensation policies and practices outside of the annual budget deliberation process that may help address long-term cost sustainability.

Staff outlines the following recommendations for Committee consideration:

A. FY23 Pay Adjustments (see pages 2-9)

- Support the Executive's proposed funding for FY23 pay adjustments for non-represented employees, with the understanding that any changes to the Executive's recommended collective bargaining agreement may require similar changes for non-represented employees.
- Support funding within the MCPS budget, Montgomery College budget, M-NCCPC budget, and WSSC budget for the requested allocation for compensation. Make a final decision on M-NCCPC and WSSC pay adjustments at the bi-county meeting with the Prince George's County Council.
- Maintain language in the budget resolution (added for the first time in FY22) specifying that Council approval is required for the provision of general emergency or hazard pay for more than 10 consecutive days and for any provision of COVID-19 hazard pay.

B. FY23 Group Insurance (see pages 14-20 and ©55)

- Support the agencies' FY23 tax supported requests for active employee costs (excluding the cost share for County Government employees, which is addressed in section D below).
- Support the MCPS, Montgomery College, and M-NCPPC FY23 tax supported pay-as-you-go requests for retired employee costs.
- Reject the Executive's recommendation to use \$20 million on OPEB Trust assets in FY23 to help fund County Government retiree health costs and add \$20 million to the reconciliation list to restore that funding to the Group Insurance Retirees NDA.
- Support the Executive's recommended FY23 OPEB pre-funding and approve the recommended funding in the Consolidated Retiree Health Benefit Trust – College NDA, the Consolidated Retiree Health Benefits Trust – MCPS NDA, and Retiree Health Benefits Trust NDA.
- Support the recommended FY23 projection for County Government's Employee Health Benefits Self Insurance Fund.
- Encourage MCPS to take further efforts to move toward align the group insurance premium cost share for active employees with the cost share established by County Government.

C. FY23 Allocations for Retirement (see pages 11-14)

- Approve the recommended FY23 County contributions for the County Government Employee Retirement System, Retirement Savings Plan, Guaranteed Retirement Income Plan.
- Approve the recommended FY23 administrative and operating budgets of the Employee Retirement System, Retirement Savings Plan, Guaranteed Retirement Income Plan, Deferred Compensation Plan, and Consolidated Retiree Health Benefits Trust.
- Continue to monitor the funded ratio of the agencies' pension funds.
- Encourage MCPS to achieve savings in retirement costs, as set forth in OLO Memorandum Report 2016-5, MCPS Local Pension Plan and Supplement.

D. FY23 County Government Compensation-Related NDAs (see pages 24-25)

- Approve the Executive's recommended funding for the Montgomery County Employee Retirement Plans, State Positions Supplement, and State Retirement Contribution NDAs.
- Approve the Executive's recommended funding for the Compensation and Employee Benefits Adjustments NDA, except for the \$6,302,265 included for changes in the group insurance cost share for County Government employees. **Staff recommends that the Committee recommend rejecting this item as part of its decisions on the collective bargaining agreements.** If the Committee reaffirms the same cost share split for all employees as it has since FY11, it will reduce this NDA by \$6,302,265.

E. Compensation Policies and Practices

Staff recommends that the Council continue to review and update County fiscal policies and their relationship to long-term compensation cost sustainability. Of particular importance this year is updating the OPEB funding policy prior to any use of resources from the OPEB Trust (see pages 18-20).

The Council should also consider a review of policies to help the County provide pay and benefits needed to attract and retain a first-class workforce, while at the same time ensuring that salary and benefit levels remain viable even in times of fiscal uncertainty. As discussed previously, assessing the long-term fiscal sustainability of compensation costs requires an examination of both the revenue and expenditure sides of the equation. On the revenue side, the GO Committee has already led efforts to review annual revenue projections and to continue expanding economic development opportunities. On the expenditures side, staff provides the following suggestions:

- **Review of the legal, regulatory, and policy framework related to compensation costs to identify changes that could help address long-term sustainability.** These could include reviewing the section of the County Code that governs the collective bargaining process as well as a review of when during the fiscal year agencies provide compensation adjustments, the timing and structure of service increments and general wage adjustments, and pay adjustments for non-represented employees (including members of the Management Leadership Service). For example, Council could consider requiring that all pay adjustments for County Government must take effect near the start of the fiscal year or whether general wage adjustments should be indexed to inflation.
- **Review of parity between non-represented employees and other employee groups.** Historically, the County Government has promoted equity in pay and benefit adjustments for non-represented employees with other employee groups. However, in recent years the Executive has not provided non-represented employees with some compensation adjustments granted to the represented colleagues. The Council should consider a broad review of this issue to ensure that employees performing similar tasks are receiving similar compensation, regardless of representation status.
- **Revisit benefit plans, costs, and funding across all County-funded agencies.** In addition to the OPEB work, the Council could resume its conversation with MCPS about benefit provisions – most notably, employee health insurance cost share and the supplemental pension – that are not commensurate with benefits offered by other County agencies and may deserve re-examination in the context of the Kirwan legislation.



Workforce/Compensation

SUMMARY OF FY23 RECOMMENDATIONS

A. SUMMARY OF AGENCY REQUESTS

Montgomery County Public Schools (MCPS): The MCPS workforce for FY23, as recommended by the Board of Education (BOE), is 23,976.4935 FTEs, or 130.7375 FTEs greater than the Board of Education adopted FY22 workforce of 23,845.7560 FTEs. MCPS is in negotiations with the public schools' bargaining units, the Service Employees International Union (SEIU), the Montgomery County Education Association (MCEA), the Montgomery County Association of Administrators and Personnel (MCAAP), and the Montgomery County Business and Operations Administrators (MCBOA). The potential impact on the FY23 budget is unknown. For more information on compensation and workforce changes, please see the Board of Education's FY23 requested budget document.

Montgomery College (MC): The College and its Board of Trustees have proposed a maintenance of effort budget that continues its current core staff complement at the FY22 level with the exception of adding 10.5 FTE to support a new East County Education Center. The FY23 Current Fund increase in personnel costs of roughly \$4.0 million will support these new positions while providing other College employees with a modest compensation increase. College faculty and staff did not receive compensation increases in FY22 due to budget austerity. Negotiations with the bargaining units are ongoing, however, merit and general wage adjustment increases are not known at the time of this publication. For more information on compensation and workforce changes, please consult the Adopted FY23 Montgomery College Operating Budget Request, available on the College's website.

Maryland-National Capital Park & Planning Commission (M-NCPPC): The net impact on the M-NCPPC workforce for FY23, as recommended by the Planning Board, is an increase of 11.13 FTEs. The Commission's requested budget includes an increase in personnel costs of \$5.4 million. The increase also includes retirement and group insurance adjustments, a compensation placeholder (to address collectively bargained compensation increases and pass-through costs), and a reclassification placeholder. For more information on compensation and workforce changes, please see the M-NCPPC FY23 requested budget document.

Montgomery County Government (MCG): The net impact on the County government workforce for FY23, as recommended by the Executive, is an increase of 240 positions.

The recommended budget contains an increase in total personnel costs of \$78.5 million, or 6.5 percent. The increase in FY23 related only to FY23 compensation and benefits adjustments totaled \$31.5 million, or 2.6 percent. The primary factors in these changes are:

Factor	Millions
General Wage Adjustment	\$11.4
Decrease in required retirement contribution	-\$20.0
Increase in group insurance	\$12.6
Service increments and longevity	\$8.0
Annualization of FY22 Compensation Adjustments	\$20.7

Other FY23 Compensation Adjustments	\$19.6
New positions in FY23	\$20.0
Position eliminations in FY23	-\$0.7
Other changes in personnel costs, including turnover savings and annualization of positions	\$7.0

The recommendations in the remainder of this section are for the County Government and are based upon the bargained agreements with the United Food and Commercial Workers, Local 1994 (Municipal and County Government Employees Organization - MCGEO); the International Association of Fire Fighters (IAFF); Local 1664, the Fraternal Order of Police (FOP), Lodge 35; and the Montgomery County Volunteer Fire and Rescue Association (MCVFRA). Certain provisions of the agreements have been extended to unrepresented employees, as noted below.

B. COUNTY GOVERNMENT SALARY AND WAGES

General Wage Adjustment: The Executive recommends the following general wage adjustments (GWA) in FY23: 3.5 percent effective the first full pay period after July 3, 2022 and 3.0 percent effective the first full pay period after January 1, 2023 for all employees in the Police bargaining unit; 4.0 percent effective the first full pay period after October 9, 2022 and 1.0 percent effective the first full pay period after January 1, 2023 for all employees in the Fire and Rescue bargaining unit and Fire and Rescue uniformed management; \$4,333 effective the last pay period after June 2023 for all employees in the Office, Professional, and Technical (OPT), and Service, Labor, and Trades (SLT) units, as well as all employees on the Deputy Sheriffs and Correctional Officers Uniform Salary Schedules, and all non-represented employees, including Management Leadership Service (MLS) and Police Leadership Service (PLS) employees.

FY23 salary schedules can be found on the County's website at:

<http://www.montgomerycountymd.gov/HR/compensation/Compensation.html>.

Lump-Sum Payments: The Executive recommends a lump-sum bonus payment of \$600 for employees in the OPT and SLT units, as well as on the Deputy Sheriffs and Correctional Officers schedules, who are not eligible for a full service increment in FY23.

Service Increments: The Executive recommends service increments of 3.5 percent for all eligible employees.

Longevity Increments: The Executive recommends longevity increments in FY23 for all eligible employees; adjustments to longevity steps to be awarded after 15, 17, and 20 years of service for all employees in the Police bargaining unit; adjustments to longevity steps to be awarded after 17, 20, and 24 years of service for all employees in the Fire and Rescue bargaining unit and Fire and Rescue uniformed management.

Performance-Based Pay: The Executive recommends \$2,000,000 in the Compensation Adjustment and Employee Benefits NDA to fund performance-based pay increases for MLS and PLS employees.

C. COUNTY GOVERNMENT: EMPLOYEE BENEFITS

The following employee benefits are funded in the Executive's recommended budget through a combination of lump sum or payroll-based contributions.

- **FICA (Social Security & Medicare)**
- **Workers' Compensation**
- **Group Insurance**

- **Employees' Retirement System**
- **Retirement Savings Plan**

Social Security and Medicare: Contributions are collected from County departments and agencies each payday based on actual payroll. Since contribution rates and salary maximums change at the start of the calendar year, figures used in the recommended fiscal year budget represent an average of the rates set for 2022 and projected changes for 2023. The employer rates of 6.2 percent for social security and 1.45 percent for Medicare are not expected to change.

Workers' Compensation: This is handled through the County's Risk Management program under the Department of Finance. Departments with significant non-tax revenues make annual contributions to the Liability and Property Coverage Self-Insurance Fund. A lump sum contribution to the Fund for insurance for the remaining County departments is made annually through the Risk Management (General Fund portion) Non-Departmental Account. Participating County agencies also make annual lump sum contributions. Contributions for all members are set each year based on an actuarial valuation of exposures, and past and projected claims experience along with administrative expenses.

Group Insurance Benefits : The contributions for health insurance are based on an actuarially determined Countywide average fixed rate of \$13,893 per position, and the contribution for life insurance is based on fixed rates per coverage amounts based on an employee's salary.

It is projected for the long term that the annual cost of group insurance for the County, including active employees and retirees, could increase an average of approximately seven percent annually between FY23 and FY28. Contribution rates during this period will be set based on various factors, including the fund balance in the Health Insurance Fund and claims cost experience.

Consolidated Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to the County's 50-year-old practice of pre-funding for retiree pension benefits. Due to exponential growth in expected retiree health costs, the County had determined the cost of funding these benefits, which were being paid out as the bills came due, would become unaffordable. Setting aside money now and investing it in a Trust Fund, which is invested in a similar manner as the pension fund, is a prudent and responsible approach that will result in significant savings over the long-term.

County agencies develop current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$2.3 billion - approximately 33.6 percent of the total FY23 budget for all agencies.

Proposed FY23 Consolidated Retiree Health Benefits Trust Contributions		
Montgomery County Government (MCG)	<u>FY23</u>	
<i>General Fund:</i>		
Retiree Health Benefits Trust NDA	\$0	
<i>Proprietary Funds:</i>		
Bethesda Parking District	\$0	
Wheaton Parking District	0	
Silver Spring Parking District	0	
Solid Waste Collection	0	
Solid Waste Disposal	0	
Alcohol Beverage Services	0	
Permitting Services	0	
Community Use of Public Facilities	0	

The County's approach to address retiree health benefits funding has been to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits and any accrued interest on unfunded liability. This amount, known as an Actuarially Determined Contribution or "ADC", is estimated at \$65.9 million. This amount normally consists of two pieces - the annual amount the County would usually pay out for health benefits for current retirees

Motor Pool	0	(the pay as you go amount), plus the additional amount estimated to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.
Risk Management	0	
Central Duplicating	0	
<u>Participating Agency Contributions</u>	\$0	
Total MCG Trust Contributions	\$0	
Consolidated Trust: Montgomery County Public Schools	\$57,424,677	
Consolidated Trust: Montgomery College	\$1,704,000	
Park and Planning Commission Trust Fund*	\$3,861,796	
Total Contributions/Assets Held in Trust	\$62,990,473	
* MNCPPC's contribution from tax supported funds is \$3,684,208.		

The County's policy has been to pay the full amount of ADC each year. In FY11, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The Bill

amended existing law and provided a funding mechanism to pay for other post employment benefits (OPEB) for employees of MCPS and MC. In FY15, the County and all other agencies implemented the Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015. This has reduced retiree drug insurance costs and the County's OPEB liability. The County achieved full pre-funding in FY15, consistent with Council resolution No. 16-555. In FY22, these contributions were budgeted at \$10.8 million (County General Fund), \$73.0 million (MCPS Consolidated Trust), and \$5.6 million (MC Consolidated Trust).

In planning for FY23, actuarial analysis assumed a utilization of Trust assets due to the funded status of plan, and the pay-as-you-go amount was determined to be higher than the ADC. The County Executive has determined that the magnitude of the assets in the OPEB Trust requires a shift from the policy of paying the full amount of the ADC each year, to a policy that utilizes the Trust to pay a portion of the retiree health benefits while maintaining the assets necessary to support consistent and continued utilization through sustained investment growth and contributions as required.

A detailed breakdown of FY23 recommended contributions to the Consolidated Retiree Health Benefit Trust for County government tax supported agencies, participating agencies, MCPS, and MC is displayed in the table above. The Executive is recommending that the Retiree Health Benefits Trust provide \$20.0 million to the County's Employee Group Health Insurance fund and \$27.2 million to MCPS for the payment of retiree health insurance claims in FY23.

Retirement Benefits: Montgomery County Government maintains a system of retirement pay and benefits for its employees which are intended to provide income during their retirement years. The Employees' Retirement System, which currently provides benefits to approximately 6,843 retirees and survivors, is administered by Montgomery County Employee Retirement Plans (MCERP). MCERP oversees all facets of the retirement plans including investments, administration, and accounting. Retirement plan design changes occurring through the collective bargaining process and by other means are coordinated with MCERP in consultation with the Office of Human Resources, the County's actuaries, the Finance Department, and the Office of Management and Budget.

Retirement Plans: Montgomery County Government maintains three retirement plans for its employees: a defined benefit pension plan, a defined contribution plan, and a deferred compensation plan for its employees and participating agencies.

1. The Employees' Retirement System (ERS), a defined benefit pension plan, was established through legislation in 1965 and is described in the Montgomery County Code, Section 33. As of June 30, 2021, there were 6,843 retirees and survivors and 6,214 active members, including 2,710 in the Guaranteed Retirement Income Plan (GRIP). Retirement plan design changes occurring through the collective bargaining process and by other means are coordinated by the MCERP staff, in consultation with the County's actuaries, the Office of Human Resources, the Finance Department, and the Office of Management and Budget.

The ERS consists of four plans including a Mandatory Integrated Retirement Plan, an Optional Non-Integrated

Retirement Plan, an Optional Integrated Plan, and a Guaranteed Retirement Income Plan. The GRIP is a Cash Balance Plan that began in FY10 as a result of negotiations between Montgomery County and United Food and Commercial Workers Local 1994 MCGEO. Eligibility to participate has been passed through to non-represented employees and participants of participating agencies. All full-time and part-time non-public safety employees hired before January 1, 2009 enrolled in the RSP were eligible to make a one-time irrevocable election to transfer to the GRIP by June 1, 2009. Eligible employees hired after January 1, 2009, have the option to participate in either the RSP or the GRIP. As with the RSP, the County and employee each make contributions at a set percentage of pay. The salient feature of the GRIP is that the plan provides guaranteed annual earnings of 7.25%, credited monthly.

2. The Retirement Savings Plan (RSP), a defined contribution plan, was established for all new OPT/SLT (non-public safety) and non-represented employees hired on or after October 1, 1994. Eligible employees hired after January 1, 2009, have the option to participate in either the RSP or the GRIP. Eligible employees in the ERS are allowed to transfer to the Retirement Savings Plan. Both regular full-time and part-time employees can participate. Under this plan, the County and employee each make contributions at a set percentage of pay. These monies are deposited into employee accounts and invested based on each employee's selection of an investment vehicle(s) established by the Board of Investment Trustees.
3. The Montgomery County Deferred Compensation Plan (DCP) was established by the County to make a deferred compensation plan available pursuant to Section 457 of the Internal Revenue Code. Employee contributions are made on a voluntary basis with the monies deposited into employee accounts and invested based on each employee's selection of an investment vehicle(s) established by the Board of Investment Trustees. In FY 2005, the County established the Montgomery County Union Employees Deferred Compensation Plan for employees covered by a collective bargaining agreement. This Plan is administered by the three unions representing Montgomery County employees.

The Board of Investment Trustees manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy. The Board also administers the investment program for the Retirement Savings Plan and the Montgomery County Deferred Compensation Plan. The Montgomery County Union Employees Deferred Compensation Plan is administered by the three unions representing Montgomery County employees. The Board currently consists of 13 trustees, including: the Directors of Human Resources, Finance, and Management and Budget; the County Council Executive Director; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public.

Change in Retirement System Membership: The number of active non-public safety in the ERS decreased by 69 and the number of public safety employees decreased by 110, for a combined total active enrollment of 3,504 in FY22. GRIP membership increased by 189 employees to 2,710 in FY22. The RSP had the same number of active employees enrolled in FY22 as in FY21, for a total FY22 enrollment of 3,328.

Funds for the County's contribution to the ERS for each member employee are included in the appropriate County government departmental budget or agency budget. The County uses multiple contribution rates designating the percentage of payroll for the various employee groups to determine the retirement contribution.

County contributions are determined using actuarially sound assumptions to assure the financial health of the Fund. Factors that affect the County's contributions include the impact of compensation adjustments, changes in the size of the workforce, investment returns, and collectively bargained benefit changes. The ERS contribution rates reflect projections of revenues and expenses to the fund. Revenues include County and member contributions which are set at fixed percentages of salaries and investment income, which is driven by both earnings in the various financial markets and the size of the Fund balance invested.

Expenses of the Fund include pension payments, which are affected by mandated cost-of-living increases and changes in the

number of retirees and survivors; administrative and operational expenses of the Fund managers and financial consultants, and charges for services provided by the MCERP staff as well as staff from Finance and Human Resources.

COLLECTIVE BARGAINING

Fire and Rescue Bargaining Unit: The current agreement expires on June 30, 2022. The negotiated agreement becomes effective July 1, 2022, and expires on June 30, 2024. The agreement's salient economic terms include:

- General Wage Adjustment. A 4.0 percent and a 1.0 percent GWA will be paid in October 2022 and January 2023, respectively.
- Service Increments. A service increment of 3.5 percent will be paid in FY23 up to the maximum base salary for the grade for eligible unit members.
- Longevity step increases. Longevity step increases will be paid to eligible employees; effective July 2023, a third longevity step will be added, and longevity steps will be adjusted to be awarded after completion of 17, 20, and 24 years of service.
- Military Service Credit. A military service credit will be paid to eligible Group G members.

MC GEO Bargaining Unit: The current agreement became effective July 1, 2020, and expires on June 30, 2023. A limited scope reopener agreement became effective July 1, 2021 and will expire on June 30, 2023. The limited scope reopener agreement's salient economic terms for FY23 include:

- General Wage Adjustment. A \$4,333 GWA will be paid the last pay period of June 2023.
- Service Increments. A service increment of 3.5 percent will be paid in FY23 up to the maximum base salary for the grade for eligible unit members.
- Deferred Service Increment. A service increment of 3.5 percent for any eligible bargaining unit member who was scheduled to receive a service increment in FY11, but which was not funded by the County Council, was split into three phases; the third phase of 1.25 percent will be paid in FY23 to eligible unit members the first full pay period following July 1, 2022.
- Longevity step increases. Longevity step increases will be paid to eligible employees.
- Lump sum payment. A \$600 lump sum payment for eligible unit members who are not eligible for a service increment in FY23 will be paid the first full pay period following July 1, 2022.
- Seasonal Wage Adjustment. A \$0.50 an hour adjustment will be provided effective the first full pay period after July 1, 2022, and a \$0.50 an hour adjustment effective the last pay period in June 2023 for seasonal employees not affected by the County minimum wage increase.

Police Bargaining Unit: The current agreement became effective July 1, 2020, and expires on June 30, 2023. A limited scope reopener agreement will become effective July 1, 2022 and expire on June 30, 2023. The agreement's salient economic terms include:

- General Wage Adjustment. A 3.5 percent and a 3.0 percent GWA will be paid in July 2022 and January 2023, respectively.
- Service Increments. A service increment of 3.5 percent will be paid in FY23 up to the maximum base salary for the grade for eligible unit members.
- Longevity step increases. Longevity step increases will be paid to eligible employees; effective July 2023, a third longevity step will be added, and longevity steps will be adjusted to be awarded after completion of 15, 17, and 20 years of service.
- Field Training Officer Pay Differential. An increase to the Field Training Officer (FTO) pay from \$3.50 per hour to \$6.00 per hour for eligible unit members.
- Salary Schedule Adjustment. A salary schedule adjustment of 3.5 percent for all eligible unit members receiving less than the maximum base salary will be paid the first full pay period following July 1, 2022.

Volunteer Fire and Rescue Bargaining Unit: The current agreement became effective on July 1, 2020, and expires on June 30, 2023. The agreement's salient economic terms include:

- Nominal fee. A nominal fee increase will be paid in FY23. The nominal fee for eligible volunteers increases in July 2022 to \$550 and to \$1,000, depending on level of service.
- Association funding. Funding for the Association will increase to \$14,059 on July 1, 2022.
- Training. Funding in the amount of \$21,000 will be provided for Volunteer Basic Orientation Course training, and \$15,000 will be provided for training and Pro-Board certification.
- Length of Service Award Program (LOSAP). An increase in LOSAP of 2.5 percent will be made for certain active members, on July 1, 2022.

WORKFORCE ANALYSIS

Basis: Workforce analysis has been performed on changes to tax supported and non-tax supported full-time equivalent (FTE) positions in the Executive's Recommended FY23 Operating Budget for the County government.

Overall changes are calculated in comparison to the Approved Personnel Complement for FY22, which began on July 1, 2021. Changes shown reflect the addition of grant-funded positions, abolishments and creations to implement approved job-sharing agreements, and other miscellaneous changes. Changes recommended by the Executive for FY23 are in three categories: current year position changes due to supplemental appropriations or other actions, new fiscal year position changes scheduled to take effect July 1, 2022, and technical changes.

Summary: The recommended budget includes funding for 10,081 full-time positions, a net increase of 244 from the approved FY22 Personnel Complement of 9,837 full-time positions. Funding for 982 part-time positions is also included, a net decrease of 4 positions from the approved FY22 Personnel Complement of 986 positions. FTEs increased by 287.0 to 10,901.4.

MONTGOMERY COUNTY GOVERNMENT WORKFORCE CHANGE SUMMARY					
COUNTY EXECUTIVE RECOMMENDED: FY23					
	POSITIONS		FULL-TIME EQUIVALENTS		
	Full Time	Part Time	Tax Supported	Non-Tax Supp.	TOTAL
FY22 APPROVED COMPLEMENT	9,837	986	8,708.9	1,905.5	10,614.3
FY23 RECOMMENDED COMPLEMENT	10,081	982	9,005.8	1,895.6	10,901.4
CHANGE IN WORKFORCE (GROSS)	244	(4)	296.9	(9.9)	287.0
Percentage Change	2.5%	(0.4%)	3.4%	(0.5%)	2.7%

Detailed below are the significant net changes in the number of positions in the FY23 Recommended Budget.

Workforce Changes	Position Change
Health and Human Services - Change is related to staff added to support Mental Health Services at Montgomery County Public Schools; staff to support a new Wellness Center; additions for existing and new programs in Children, Youth and Families; support for programs in Services to End and Prevent Homelessness; additional Public Health staff to support Montgomery County Public Schools; and staff to support increased work demand in Aging and Disability Services.	62
County Council - Change is due to the addition of two new Councilmembers that was approved by the voters in the 2020 election, their staff, and the impact this voter-approved change will have on Council operations.	26

Environmental Protection - Change is due to adding positions to create a Building Energy Performance Standards program, address flooding and stormwater management activities, and to implement other climate efforts.	24
Police - Change is due to the consolidation of Fire Dispatch at the 911 Call Center, additional staffing to support the review and dissemination of Public Information, and to support police recruitment.	24
Recreation - Change is due to staffing associated with the opening of the South County Regional Recreation and Aquatic Center, support of the Newcomers Enhancements and Assistants programs, expansion of Out-of-School-Time programs, and new positions to support the mission of the department and to improve service delivery and operational efficiency.	23
Fire and Rescue Service - Change is due to the addition of positions to support emergency medical service enhancements and infrastructure improvements supported by new Emergency Service Transporter Supplemental Payment Program revenues, which are offset in part by the elimination of 14 long-term vacant lapsed positions.	19
Human Resources - Change is due to adding positions to address gaps in service delivery, enhance the customer experience, address critical areas of improvement, and strengthen partnerships within the Human Resources community.	11

MONTGOMERY COUNTY GOVERNMENT - MEDICAL PLAN ENROLLMENT, ACTIVE EMPLOYEES															
HEALTH PLAN	2021					2022					CHANGE				
	EMP	EMP+1	FAM	TOTAL	% OF INSURED	EMP	EMP+1	FAM	TOTAL	% OF INSURED	EMP	EMP+1	FAM	TOTAL	%Dif
Carefirst POS	1,296	1,011	1,847	4,154	46.2%	1,335	1,035	1,776	4,146	46.3%	39	24	(71)	(8)	0.1%
Carefirst POS Std	450	206	398	1,054	11.7%	506	219	432	1,157	12.9%	56	13	34	103	1.2%
Kaiser	841	410	605	1,856	20.6%	792	390	593	1,775	19.8%	(49)	(20)	(12)	(81)	-0.8%
United Healthcare	681	425	829	1,935	21.5%	663	428	790	1,881	21.0%	(18)	3	(39)	(54)	-0.5%
Grand Total				8,999					8,959					(40)	

RETIREMENT FUNDS: ENROLLMENT & COUNTY CONTRIBUTION RATES						
Employee Retirement System Plans	Number	Fiscal 2022	Number	Fiscal 2023	Number	Contribution
	<u>Employees</u> (7/1/20)	<u>Rate</u> %	<u>Employees</u> (7/1/21)	<u>Rate</u> %	<u>Employees</u> (7/20 v. 7/21)	<u>Rate</u> (7/20 v. 7/21)
Public Safety	2,869	18.34%	2,759	15.32%	(110)	-3.02%
Non-Public Safety	814	14.41%	745	1.64%	(69)	-12.77%
Guaranteed Retirement Income Plan	2,521	6.29%	2,710	6.12%	189	-0.17%
Total ERS System Plans	6,204		6,214		10	
Retirement Savings Plan	3,328	8.00%	3,328	8.00%	-	0.00%

Source: Montgomery County Employees' Retirement System, 2020 and 2021 Actuarial Valuation Reports for Plan Years Beginning July 1, 2020, and July 1, 2021, respectively. RSP data provided by the Montgomery County Employee Retirement Plans.

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT							
ITEM	FY21 APPR	FY21 ACT	FY22 APPR	FY22 EST	FY23 REC	\$ Change	%Change
EXPENSES							
Salaries and Benefits	191,000	143,787	187,000	172,000	196,500	9,500	5.1%
Professional Services	63,700	49,001	52,300	51,000	53,000	700	1.3%
Due Diligence/Education	3,600	42	2,800	1,500	2,800	0	0.0%
Office Management	9,600	4,089	8,000	7,100	8,000	0	0.0%
Investment Management fees	5,800	5,870	6,000	8,500	9,800	3,800	63.3%
TOTAL EXPENSES	\$273,700	\$202,789	\$256,100	\$240,100	\$270,100	\$14,000	5.5%

Amounts shown above are not charged to the Deferred Compensation Plan Trust but are instead appropriated and charged to the General Fund Compensation and Employee Benefits Adjustments Non-Departmental Account.

PROPOSED OPERATING BUDGET RETIREE HEALTH BENEFIT TRUST							
ITEM	FY21 APPR	FY21 ACT	FY22 APPR	FY22 EST	FY23 REC	\$ Change	%Change
EXPENSES							
Salaries and Benefits	539,000	452,656	526,000	490,000	565,000	39,000	7.4%
Professional Services	209,200	200,014	174,042	173,100	176,500	2,458	1.4%
Due Diligence/Education	40,000	2,769	27,000	14,000	26,000	(1,000)	(3.7%)
Office Management	17,000	16,083	14,300	11,700	14,000	(300)	(2.1%)
Investment Management fees	5,627,000	7,067,375	7,088,250	6,324,000	8,451,000	1,362,750	19.2%
TOTAL EXPENSES	\$6,432,200	\$7,738,897	\$7,829,592	\$7,012,800	\$9,232,500	\$1,402,908	17.9%

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM							
ITEM	FY21 APPR	FY21 ACT	FY22 APPR	FY22 EST	FY23 REC	\$ Change	%Change
REVENUE							
Contributions	91,900,000	101,588,846	91,500,000	91,500,000	75,175,000	(16,325,000)	(17.8%)
Investment Income	337,600,000	1,166,428,940	322,000,000	381,000,000	395,000,000	73,000,000	22.7%
Miscellaneous Income	1,058,000	829,084	1,050,000	815,000	876,000	(174,000)	(16.6%)
TOTAL REVENUE	\$430,558,000	\$1,268,846,870	\$414,550,000	\$473,315,000	\$471,051,000	\$56,501,000	13.6%
EXPENSES							
OPERATING EXPENSES							
Retirement Benefits	280,170,000	277,169,709	285,420,000	298,503,000	312,458,000	27,038,000	9.5%
Investment Management fees	22,200,000	26,117,250	24,582,000	20,684,000	28,174,000	3,592,000	14.6%
SUBTOTAL	302,370,000	303,286,959	310,002,000	319,187,000	340,632,000	30,630,000	9.9%
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	2,584,000	1,947,231	2,550,000	2,384,000	2,823,000	273,000	10.7%
Professional Services	1,173,000	925,708	1,013,900	990,000	1,024,200	10,300	1.0%
Benefit Processing	128,000	124,549	129,800	125,000	132,300	2,500	1.9%
Due Diligence/Education	55,500	3,141	33,700	18,000	33,700	0	0.0%
Office Management	105,500	88,281	88,300	76,400	88,300	0	0.0%
SUBTOTAL	4,046,000	3,088,910	3,815,700	3,593,400	4,101,500	285,800	7.5%
TOTAL EXPENSES	\$306,416,000	\$306,375,869	\$313,817,700	\$322,780,400	\$344,733,500	\$30,915,800	9.9%
NET REVENUE	\$124,142,000	\$962,471,001	\$100,732,300	\$150,534,600	\$126,317,500	\$25,585,200	25.4%

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN							
ITEM	FY21 APPR	FY21 ACT	FY22 APPR	FY22 EST	FY23 REC	\$ Change	%Change
REVENUE							
Investment Income	3,100	262	5,000	1,200	1,600	(3,400)	(68.0%)
Miscellaneous Income	132,000	358,770	150,000	357,000	312,000	162,000	108.0%
TOTAL REVENUE	\$135,100	\$359,032	\$155,000	\$358,200	\$313,600	\$158,600	102.3%
EXPENSES							
OPERATING EXPENSES							
Investment Management fees	5,800	5,870	6,000	8,500	9,800	3,800	63.3%
SUBTOTAL	5,800	5,870	6,000	8,500	9,800	3,800	63.3%
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	217,000	176,911	213,000	199,000	224,500	11,500	5.4%
Professional Services	85,700	71,661	66,700	66,000	75,000	8,300	12.4%
Due Diligence/Education	3,600	42	2,800	1,500	2,800	0	0.0%
Office Management	9,600	4,239	7,300	5,300	7,300	0	0.0%
SUBTOTAL	315,900	252,853	289,800	271,800	309,600	19,800	6.8%
TOTAL EXPENSES	\$321,700	\$258,723	\$295,800	\$280,300	\$319,400	\$23,600	8.0%

**Fraternal Order of Police County Lodge 35, Inc.
Fiscal Impact Summary***

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY23</u>	<u>Annual Cost Beyond FY23</u>	<u>Estimated # affected***</u>
5	Tech Pay	Increase Field Training Differential from \$3.50 per hour to \$6.00 per hour for Eligible Employees	\$59,092	\$64,324	--
28	Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$1,000,025	\$1,482,665	561
28	Longevity	Longevity Step Increase of 3.5 Percent for Eligible Employees	\$285,565	\$487,125	117
28	Longevity	Adjustment of Longevity Steps to after 15, 17, and 20	\$2,591,421	\$2,841,990	623
36	Wages	Salary Schedule Adjustment of 3.5 Percent for Eligible Employees	\$1,493,033	\$1,595,900	531
36	Wages	3.5 and 3.0 Percent General Wage Adjustment in July 2022 and January 2023, respectively	\$5,834,029	\$7,687,515	1,193
Total			\$11,263,166	\$14,159,518	1,193

Police Uniformed Management Pass-Through Estimates**

<u>Item</u>	<u>Description</u>	<u>FY23</u>	<u>Annual Cost Beyond FY23</u>	<u>Estimated # affected***</u>
Wages	\$4,333 General Wage Adjustment in the Last Pay Period of June 2023	\$9,784	\$254,266	52
Total		\$9,784	\$254,266	

* Estimates reflect the impact to all funds. Increases apply in the first full pay period during the month noted.

** Police Management converted to a new Police Leadership Service (PLS) Schedule in FY19.

***The estimated number of employees affected by the economic item is identified where known.

**Montgomery County Career Fire Fighters Association, Inc
International Association of Fire Fighters, Local 1664
Fiscal Impact Summary***

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>Annual Cost</u>		<u>Estimated # affected**</u>
			<u>FY23</u>	<u>Beyond FY23</u>	
19.1	Wages	4.0 and 1.0 Percent General Wage Adjustment in October 2022 and January 2023, respectively.	\$3,815,894	\$5,886,151	1,211
19	Longevity	Longevity Step Increases of 3.5 Percent for Eligible Employees	\$164,311	\$318,731	58
19	Longevity	Adjustment of Longevity Steps to after 17, 20, and 24 Years of Service	\$1,689,691	\$2,079,292	1,098
51	Pensions	Military Service Credit for Eligible Group G Members	\$337,073	\$337,073	—
55	Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$900,712	\$1,665,475	688
Total			\$6,907,680	\$10,286,722	1,211

**Fire and Rescue Uniformed Management Pass-Through
Estimates**

<u>Item</u>	<u>Description</u>	<u>Annual Cost</u>		<u>Estimated # affected**</u>
		<u>FY23</u>	<u>Beyond FY23</u>	
Wages	4.0 and 1.0 Percent General Wage Adjustment in October 2022 and January 2023, respectively.	\$211,791	\$334,228	43
Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$24,562	\$25,487	3
Total		\$236,353	\$359,715	43

* Estimates reflect the impact to all funds. Increases apply in the first full pay period during the month noted.

** The estimated number of employees affected by the economic item is identified where known.

**Municipal and County Government Employees Organization
United Food and Commercial Workers, Local 1994
Fiscal Impact Summary***

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY23</u>	<u>Annual Cost Beyond FY23</u>	<u>Estimated # affected**</u>
5	Wages	\$4,333 General Wage Adjustment in the Last Pay Period of June 2023	\$1,038,608	\$27,003,808	5,004
5	Wages	\$600 Lump Sum to Eligible Employees not Eligible to Receive a Full Service Increment in FY23	\$1,055,791	\$0	1,700
5.1	Longevity	Longevity Step Increase of 2.5, 3, or 3.5 Percent for Eligible Employees	\$336,996	\$721,154	174
6	Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$3,899,678	\$7,580,121	3,554
6	Deferred Increment	Deferred Service Increment from FY11 for Eligible Employees, Third Phase of 1.25% Effective July 2022	\$593,688	\$593,688	616
53	Seasonal Employees	Additional \$0.50 Adjustments Effective the First Full Pay Period in July 2022 and the Last Pay Period in June 2023	\$92,723	\$178,576	-
Total			\$7,017,483	\$36,077,347	

Non-Represented Pass-Through Estimates*

<u>Item</u>	<u>Description</u>	<u>FY23</u>	<u>Annual Cost Beyond FY23</u>	<u>Estimated # affected**</u>
Wages	\$4,333 General Wage Adjustment in the Last Pay Period of June 2023	\$425,957	\$11,069,072	2,153
Longevity	Longevity Step Increase of 2 Percent for Eligible Employees	\$32,008	\$70,036	30
Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$1,380,749	\$2,594,696	665
Total		\$1,838,714	\$13,733,805	

* Estimates reflect the impact to all funds. Increases apply in the first full pay period during the month noted.
** The estimated number of employees affected by the economic item is identified where known.

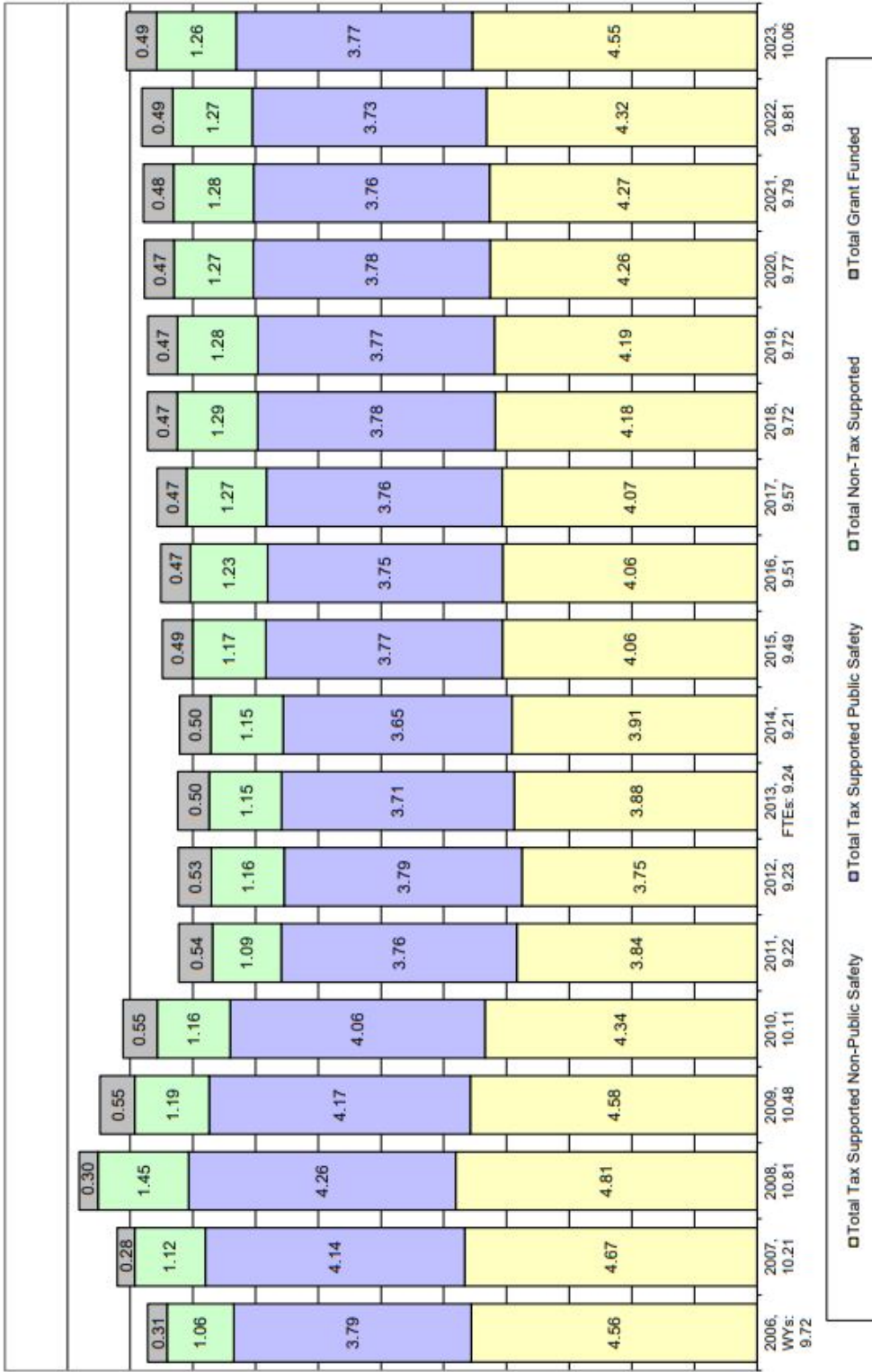
Montgomery County Volunteer Fire and Rescue Association Fiscal Impact Summary*

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>Annual Cost</u>	
			<u>FY23</u>	<u>Beyond FY23</u>
12	Nominal Fee	Nominal fee of \$550/1000 in FY23**	\$74,250	\$74,250
16	Training	Provide \$10,000 funding for training and \$5,000 for Pro-Board certification	\$15,000	\$15,000
22	Volunteer Basic Orientation	Training fee not to exceed \$21,000 each year of the agreement	\$21,000	\$21,000
25	Length of Service Award Program	Provide 2.5 percent increase for certain active members, on July 1, 2022	\$1,612	\$1,612
Side Letter	Association Operating Funds	Association funding effective July 1 each year of the agreement	\$14,059	\$14,059
Total			\$125,921	\$125,921

* Estimates reflect the impact to all funds.

** Nominal fee paid to eligible volunteers on July 1 of the fiscal year.

**HISTORY OF APPROVED COUNTY GOVERNMENT POSITIONS
PER 1,000 POPULATION BY FUNDING CATEGORY
FY06-FY22 Approved Workyears and FTEs, FY23 Recommended FTEs¹**



¹ From FY06 through FY12, workyears are used; beginning in FY13, full-time equivalent (FTE) positions will be used.

MONTGOMERY COUNTY PRODUCTION REPORT

FY23 Total Employee Benefits County Wide

	Social Security	Group Insurance	Retirement	Total Benefits
County General Fund				
General Government				
Board of Appeals	34,608	48,626	26,035	109,269
Board of Elections	282,665	458,529	194,867	936,061
Circuit Court	626,945	1,396,061	564,150	2,587,156
Community Engagement Cluster	339,035	780,367	237,969	1,357,371
County Attorney	345,993	525,511	272,131	1,143,635
County Council	835,697	1,462,239	653,501	2,951,437
County Executive	308,308	530,764	262,591	1,101,663
Ethics Commission	19,491	27,786	15,726	63,003
Finance	804,656	1,396,636	597,537	2,798,829
General Services	871,617	1,837,879	633,391	3,342,887
Grants Management	19,023	34,733	9,947	63,703
Human Resources	403,887	682,612	278,409	1,364,908
Human Rights	85,384	152,824	67,195	305,403
Inspector General	140,051	222,149	124,177	486,377
Intergovernmental Relations	52,692	83,358	39,346	175,396
Labor Relations	71,198	106,413	62,735	240,346
Legislative Oversight	124,668	192,418	91,154	408,240
Management and Budget	382,564	567,716	286,365	1,236,645
Merit System Protection Board	15,631	27,786	10,302	53,719
Peoples' Counsel	11,875	20,840	6,209	38,924
Procurement	271,479	518,983	199,424	989,886
Public Information	376,022	851,512	325,153	1,552,687
Racial Equity and Social Justice	54,905	104,198	44,480	203,583
State's Attorney	1,115,613	2,095,394	1,012,230	4,223,237
Technology and Enterprise Business Solutions	1,431,064	2,061,839	962,765	4,455,668
Zoning and Administrative Hearings	35,848	55,572	35,624	127,044
Total General Government	9,060,919	16,242,745	7,013,413	32,317,077
Public Safety				
Animal Services	408,181	994,306	306,450	1,708,937
Consumer Protection	140,409	243,535	92,265	476,209

MONTGOMERY COUNTY PRODUCTION REPORT

FY23 Total Employee Benefits County Wide

	Social Security	Group Insurance	Retirement	Total Benefits
Correction and Rehabilitation	3,839,421	7,369,526	3,151,455	14,360,402
Emergency Management and Homeland Security	95,883	163,516	76,819	336,218
Police	14,578,380	27,565,949	11,875,536	54,019,865
Sheriff	1,291,851	2,600,919	946,780	4,839,550
Total Public Safety	20,354,125	38,937,751	16,449,305	75,741,181
Transportation				
Transportation	1,396,453	3,049,543	874,518	5,320,514
Health and Human Services				
Health and Human Services	8,694,064	19,072,125	6,413,565	34,179,754
Culture and Recreation				
Public Libraries	2,059,804	5,810,054	1,173,618	9,043,476
Housing and Community Development				
Agriculture	44,788	71,549	24,808	141,145
Housing and Community Affairs	457,607	889,253	334,028	1,680,888
Total Housing and Community Developme	502,395	960,802	358,836	1,822,033
Environment				
Environmental Protection	179,153	316,877	134,276	630,306
Other County Functions				
NDA - Climate Change Planning	17,592	35,428	9,380	62,400
NDA - Compensation and Employee Benefit Adjustments	11,286	16,394	9,355	37,035
NDA - Conference Center	6,595	13,893	3,449	23,937
NDA - Early Care and Education	61,530	107,556	59,083	228,169
NDA - Guaranteed Income	6,269	13,893	9,916	30,078
NDA - Incubator Programs - Economic Development Partnership	32,712	59,045	23,428	115,185
NDA - Independent Audit	1,699	2,084	1,313	5,096
NDA - Legislative Branch Communications Outreach	85,515	170,189	64,724	320,428
NDA - State Positions Supplement	4,318	0	0	4,318
NDA - Vision Zero	8,343	13,893	8,725	30,961
Total Other County Functions	235,859	432,375	189,373	857,607
Total County General Fund	42,482,772	84,822,272	32,606,904	159,911,948
Special Funds - Tax Supported				
Bethesda Urban District	6,461	13,893	6,756	27,110
Economic Development Fund	10,167	13,893	10,632	34,692

MONTGOMERY COUNTY PRODUCTION REPORT

FY23 Total Employee Benefits County Wide

	Social Security	Group Insurance	Retirement	Total Benefits
Fire	11,537,347	18,276,759	23,548,195	53,362,301
Mass Transit	5,102,669	12,400,265	3,713,158	21,216,092
Recreation	2,065,040	2,419,501	756,620	5,241,161
Silver Spring Urban District	156,613	488,049	105,890	750,552
Wheaton Urban District	106,806	312,124	84,889	503,819
Total Special Funds - Tax Supported	18,985,103	33,924,484	28,226,140	81,135,727
Total Tax Supported Funds	61,467,875	118,746,756	60,833,044	241,047,675
Special Funds - NonTax Supported				
Cable TV	257,789	410,539	187,046	855,374
Grant Fund	3,522,876	8,151,547	2,978,983	14,653,406
Montgomery Housing Initiative	140,005	251,323	115,741	507,069
Water Quality Protection	598,597	1,296,374	609,844	2,504,815
Total Special Funds - NonTax Supported	4,519,267	10,109,783	3,891,614	18,520,664
Enterprise Funds				
Bethesda Parking	140,505	283,237	99,631	523,373
Community Use of Public Facilities	215,746	433,925	177,467	827,138
Leaf Vacuuming	200,922	399,722	125,488	726,132
Liquor	2,208,703	6,284,006	1,531,283	10,023,992
Permitting Services	1,850,486	3,288,403	1,315,853	6,454,742
Silver Spring Parking	153,655	340,202	119,487	613,344
Solid Waste Collection	100,613	167,445	90,110	358,168
Solid Waste Disposal	691,205	1,361,949	548,121	2,601,275
Wheaton Parking	23,338	47,182	17,788	88,308
Total Enterprise Funds	5,585,173	12,606,071	4,025,228	22,216,472
Total Non Tax Supported Funds	10,104,440	22,715,854	7,916,842	40,737,136
Internal Service Funds				
Central Duplicating (Printing & Mail)	184,007	475,412	131,320	790,739
Employee Health Self Insurance	197,511	345,189	180,474	723,174
Motor Pool	1,525,755	2,877,154	1,229,585	5,632,494
Risk Management (Self Insurance - ISF)	285,911	449,495	229,691	965,097
Total Internal Service Funds	2,193,184	4,147,250	1,771,070	8,111,504
Total Benefits	73,765,499	145,609,860	70,520,956	289,896,315

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY22 Approved Budget	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported	5,034	1,175	1,152	2,068	9,429
Percent of total	53.4%	12.5%	12.2%	21.9%	100.0%
Workyears (bargaining units estimated)	4,650	1,085	1,064	1,910	8,709
Active employees:					
Wages					765,922,743
Social Security					56,780,976
Retirement					73,441,255
Group insurance for active employees					111,146,538
Subtotal	378,097,587	147,148,560	144,867,859	258,663,982	928,777,988
Other					78,569,962
Total compensation for active employees					1,007,347,950
Retiree benefits: group insurance					
Pay as you go amount					50,618,652
OPEB Contribution					10,829,980
Total compensation for retired employees					61,448,632
Total compensation for active and retired employees					1,068,796,582
Operating budget without debt service					1,727,750,693
Total compensation as % of total operating budget					61.9%
% General Wage Adjustment	0.08%	0.05%	1.25%	0.05%	
Cost of General Wage Adjustment (wages, social security, retirement)	249,670	51,060	1,435,494	103,334	1,839,558
Cost of other Wage Adjustment	593,688	1,689,691	4,084,454		0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	3,120,876	1,021,191	1,148,395	2,066,683	7,357,145
Annualized cost of General Wage Adjustment (wages, social security, retirement)	7,458,893	1,531,786	2,870,988	3,120,692	14,982,359
Cost per furlough day (wages, social security)					
Cost of increment for employees not at top of grade (wages, social security, retirement)	3,020,843	828,337	1,176,481	1,110,369	6,136,030
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	863,098	236,668	336,137	317,248	1,753,151
Annualized cost of increment for employees not at top of grade (wages, social security, retirement)	5,742,235	1,602,216	1,720,575	2,134,996	11,200,022

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY23 Request	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported	5,196	1,120	1,097	1,986	9,399
Percent of total	55.3%	11.9%	11.7%	21.1%	100.0%
Workyears (bargaining units estimated)	4,979	1,073	1,051	1,903	9,006
Active employees:					
Wages					838,089,606
Social Security					61,467,875
Retirement					60,833,044
Group insurance for active employees					118,746,756
Subtotal	394,322,488	151,645,962	145,400,232	266,952,488	958,321,170
Other					120,872,549
Total compensation for active employees					1,079,193,719
Retiree benefits: group insurance					
Pay as you go amount					28,928,437
OPEB Contribution					0
Total compensation for retired employees					28,928,437
Total compensation for active and retired employees					1,108,122,156
Operating budget without debt service					1,864,254,175
Total compensation as % of total operating budget					59.4%
% General Wage Adjustment	5.75%	3.42%	5.00%	3.80%	
Cost of General Wage Adjustment (wages, social security, retirement)*	742,593	3,815,894	5,834,029	533,481	10,925,997
Cost of other Wage Adjustment					0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	129,147	1,115,758	1,166,806	140,390	2,552,101
Annualized cost of General Wage Adjustment (wages, social security, retirement)	19,307,426	5,886,151	7,687,515	8,693,807	41,574,899
Cost per furlough day (wages, social security)					
Cost of increment for employees not at top of grade (wages, social security, retirement)	2,788,227	900,712	1,000,025	1,043,915	5,732,879
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	796,636	257,346	285,721	298,261	1,637,965
Annualized cost of increment for employees not at top of grade (wages, social security, retirement)	5,419,703	1,665,475	1,482,665	1,941,050	10,508,893

* NOTE - Non-represented GWA includes Fire management, which received pass-through from IAFF, which differs from other non-represented

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY22-FY23	MCGEO	IAFF	FOP	Non Represented	TOTAL
Workyears	329	(12)	(13)	(7)	297
Active employees:					
Wages					72,166,863
Social Security					4,686,899
Retirement					(12,608,211)
Group insurance for active employees					7,600,218
Subtotal	16,224,901	4,497,402	532,373	8,288,506	29,543,182
Other					42,302,587
Total compensation for active employees	0	0	0	0	71,845,769
Retiree benefits: group insurance					
Pay as you go amount					(21,690,215)
Phase in of the Annual Required Contribution					(10,829,980)
Total compensation for retired employees					(32,520,195)
Total compensation for active and retired employees	0	0	0	0	39,325,574

Percent increase FY22-FY23	MCGEO	IAFF	FOP	Non Represented	TOTAL
Workyears	7.08%	-1.12%	-1.21%	-0.37%	3.41%
Active employees:					
Wages					9.42%
Social Security					8.25%
Retirement					-17.17%
Group insurance for active employees					6.84%
Subtotal	4.29%	3.06%	0.37%	3.20%	3.18%
Other					
Total compensation for active employees					7.13%
Retiree benefits: group insurance					
Pay as you go amount					-42.85%
Phase in of the Annual Required Contribution					-100.00%
Total compensation for retired employees					-52.92%
Total compensation for active and retired employees					3.68%

**MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY22 APPROVED BUDGET AND FY23 REQUEST**

Tax Supported Funds, FY22 Approved Budget	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears	731.0000	83.2500	13,542.5680	8,086.6700	83.5000	22,526.9880
Active employees:						
Wages	102,753,181	8,849,337	1,169,473,006	377,752,628	10,674,035	1,669,502,187
Social Security	7,049,811	510,970	90,315,710	29,864,465	697,277	128,438,233
Retirement	4,249,598	365,985	48,366,291	15,622,843	442,523	69,047,240
Group insurance for active employees	8,985,538	1,023,319	166,466,844	99,402,302	1,026,398	276,904,401
State Retirement Payment						55,308,257
Total compensation for active employees	123,038,128	10,749,611	1,474,621,851	522,642,238	12,840,233	2,199,200,318
Retiree benefits: group insurance						
Pay as you go amount						29,138,436
Total compensation for active and retired employees	123,038,128	10,749,611	1,474,621,851	522,642,238	12,840,233	2,228,338,754
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,595,435,919
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	85.86%
% General Wage Adjustment	1.5%	1.5%	1.5%	1.5%	1.5%	
Cost of General Wage Adjustment (wages, social security, retirement): 1.5% Implemented 1/29/22 (data includes related employee benefits)	604,613	58,720	6,431,841	2,243,303	10,464	9,348,940
Cost of other Wage Adjustment - Step/Longevity Implemented 3/12/22 (data includes related employee benefits)	331,961	57,061	7,307,551	2,355,940	9,882	10,062,396
Cost per 1% General Wage Adjustment (wages, social security, retirement) if implemented on 1/29/22 (data includes related employee benefits)	403,075	39,146	4,287,894	1,495,536	6,976	6,232,627
Annualized cost of General Wage Adjustment (wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	N/A
Cost per furlough day (wages, social security)	N/A	N/A	N/A	N/A	N/A	N/A
Cost of increment for employees not at top of grade(wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	N/A
Cost of 1% increment for employees not at top of grade(wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	N/A
Annualized cost of increment for employees not at top of grade (wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	N/A

**MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY22 APPROVED BUDGET AND FY23 REQUEST**

Tax Supported Funds, FY23 Request	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears	743.000	82.250	13,490.968	8,223.783	83.500	22,623.50
Active employees:						
Wages	108,837,264	9,589,805	1,237,348,071	404,374,749	10,674,035	1,770,823,924
Social Security	7,492,289	564,821	94,915,209	31,715,878	700,510	135,388,707
Retirement	4,501,219	396,608	51,173,423	16,723,864	441,450	73,236,564
Group insurance for active employees	10,114,457	1,119,669	183,652,516	111,950,332	1,136,685	307,973,659
State Retirement Payment						64,087,480
Total compensation for active employees	130,945,229	11,670,903	1,567,089,219	564,764,823	12,952,680	2,351,510,334
Retiree benefits: group insurance						
Pay as you go amount						29,138,436
Total compensation for active and retired employees	130,945,229	11,670,903	1,567,089,219	564,764,823	12,952,680	2,287,422,854
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,768,095,924
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	82.64%
% General Wage Adjustment	N/A	N/A	N/A	N/A	N/A	N/A
Cost of General Wage Adjustment (wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	N/A
Cost of other Wage Adjustment	N/A	N/A	N/A	N/A	N/A	N/A
Cost per 1% General Wage Adjustment (wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	N/A
Annualized cost of General Wage Adjustment (wages, social security, retirement): FY22 1.5% GWA (including employee related benefits)	1,088,303	105,695	13,579,074	4,735,863	21,347	19,530,282
Cost per furlough day (wages, social security)	N/A	N/A	N/A	N/A	N/A	0.0%
Cost of increment for employees not at top of grade(wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	0.0%
Cost of 1% increment for employees not at top of grade(wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	0.0%
Annualized cost of increment for employees not at top of grade (wages, social security, retirement): FY22 Step and Longevity (Including employee related benefits)	984,613	151,649	21,923,353	8,329,423	34,105	31,423,143

Note: Based on MCPS negotiations with the bargaining units, there is a placeholder in the budget for a salary increase of 3.35% GWA and Step. Once the contracts are ratified, we will submit an updated compensation analysis report.

**MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY22 APPROVED BUDGET AND FY23 REQUEST**

Amount increase FY22-FY23	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears	12.000	(1.000)	(51.600)	137.112	0.000	96.51
Active employees:						
Wages	6,084,083	740,468	67,875,065	26,622,121	0	101,321,737
Social Security	442,478	53,851	4,599,499	1,851,413	3,233	6,950,474
Retirement	251,621	30,623	2,807,132	1,101,021	(1,073)	4,189,324
Group insurance for active employees	1,128,919	96,350	17,185,672	12,548,030	110,287	31,069,258
State Retirement Payment						
Total compensation for active employees	7,907,101	921,292	92,467,368	42,122,585	112,447	143,530,793
Retiree benefits: group insurance						
Pay as you go amount						
Total compensation for active and retired employees	7,907,101	921,292	92,467,368	42,122,585	112,447	143,530,793
Percent increase FY22-FY23	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:						
Wages	5.92%	8.37%	5.80%	7.05%	0.00%	6.07%
Social Security	6.28%	10.54%	5.09%	6.20%	0.46%	5.41%
Retirement	5.92%	8.37%	5.80%	7.05%	-0.24%	6.07%
Group insurance for active employees	12.56%	9.42%	10.32%	12.62%	10.75%	11.22%
State Retirement Payment						
Total compensation for active employees	6.43%	8.57%	6.27%	8.06%	0.88%	6.53%
Retiree benefits: group insurance						
Pay as you go amount						#REF!
Total compensation for active and retired employees	6.43%	8.57%	6.27%	8.06%	0.88%	6.44%

Note: Based on MCPS negotiations with the bargaining units, there is a placeholder in the budget for a salary increase of 3.35% GWA and Step. Once the contracts are ratified, we will submit an updated compensation analysis report.

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY22 Approved Budget	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	610.00	479.10	85.00	629.25	1,803.35
Active employees:					
Wages	52,886,433	27,239,517	12,440,596	85,731,156	178,297,702
Social Security	3,704,719	1,908,141	871,469	6,005,506	12,489,835
Retirement		1,000,000		925,000	1,925,000
Other Benefits (EAP, recognition awards, comp absences, etc)	1,165,750	915,591	162,441	1,202,538	3,446,320
Group insurance for active employees	5,492,631	4,313,967	765,367	5,665,964	16,237,929
Total compensation for active employees	63,249,533	35,377,216	14,239,873	99,530,165	212,396,786
Retiree benefits: group insurance					
Pay as you go amount	1,555,993	1,222,092	216,819	1,605,096	4,600,000
OPEB					
Total compensation for retired employees	1,555,993	1,222,092	216,819	1,605,096	4,600,000
Total compensation for active and retired employees	64,805,526	36,599,308	14,456,691	101,135,261	216,996,786
Operating budget without debt service					264,704,984
Total compensation as % of total operating budget					82.0%
% General Wage Adjustment	None	None	None	None	
Cost of General Wage Adjustment (wages, social security, retirement) - includes part time faculty	None	None	None	None	
Cost of other Wage Adjustment	None	None	None	None	
Cost per 1% wage adjustment (wages, social security, retirement)	None	None	None	None	
Annualized cost of wage adjustment (wages, social security, retirement)	None	None	None	None	
Cost per furlough day (wages, social security)	284,661	112,782	51,509	218,970	667,922
Cost of increment for employees not at top of grade (wages, social security, retirement)					
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)					
Annualized cost of increment for employees not at top of grade (wages, social security, retirement)					

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY23 Requested Budget	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	610.00	475.60	85.00	643.25	1,813.85
Active employees:					
Wages	53,662,721	27,718,506	13,425,956	87,490,526	182,297,709
Social Security	3,790,622	1,957,977	948,381	6,180,147	12,877,128
Retirement		1,000,000		925,000	1,925,000
Other Benefits (EAP, recognition awards, comp absences, etc)	1,159,002	903,641	161,500	1,222,177	3,446,320
Group insurance for active employees	5,330,222	4,155,825	742,736	5,620,763	15,849,546
Total compensation for active employees	63,942,567	35,735,950	15,278,573	101,438,613	216,395,703
Retiree benefits: group insurance					
Pay as you go amount	1,546,986	1,206,142	215,564	1,631,309	4,600,000
OPEB					
Total compensation for retired employees	1,546,986	1,206,142	215,564	1,631,309	4,600,000
Total compensation for active and retired employees	65,489,552	36,942,092	15,494,137	103,069,922	220,995,703
Operating budget without debt service					274,009,984
Total compensation as % of total operating budget					80.7%
% General Wage Adjustment	3.5%	3.5%	3.5%	3.5%	
Cost of Wage Adjustment (wages, social security, retirement) -includes part time faculty	1,426,767	622,889	364,107	1,347,113	3,760,876
Cost of other Wage Adjustment					
Annualized cost of GWA (wages, social security, retirement)	1,426,767	622,889	364,107	1,347,113	3,760,876
Cost per furlough day (wages, social security)	288,840	114,326	55,376	224,139	682,679
Cost of increment for employees not at top of grade (wages, social security, retirement)	None	None	None	None	
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	None	None	None	None	
Annualized cost of increment for employees not at top of grade (wages, social security, retirement)	None	None	None	None	

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY22-FY232	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	-	(3.50)	-	14.00	10.5
Active employees:					
Wages	776,288	478,989	985,360	1,759,370	4,000,007
Social Security	85,903	49,837	76,912	174,641	387,293
Retirement	-	-	-	-	-
Other Benefits (EAP, recognition awards, comp absences, etc)	(6,748)	(11,950)	(940)	19,639	0
Group insurance for active employees	(162,409)	(158,141)	(22,631)	(45,202)	(388,383)
Total compensation for active employees	693,034	358,734	1,038,701	1,908,448	3,998,917
Retiree benefits: group insurance					
Pay as you go amount	(9,007)	(15,951)	(1,255)	26,213	(0)
Phase in of the Annual Required Contribution					
Total compensation for retired employees	(9,007)	(15,951)	(1,255)	26,213	(0)
Total compensation for active and retired employees	684,026	342,784	1,037,446	1,934,661	3,998,917
Percent increase FY22-FY23	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	0.00%	-0.73%	0.00%	2.22%	0.58%
Active employees:					
Wages	1.47%	1.76%	7.92%	2.05%	2.24%
Social Security	2.32%	2.61%	8.83%	2.91%	3.10%
Retirement		0.00%		0.00%	0.00%
Other Benefits (EAP, recognition awards, comp absences, etc)	-0.58%	-1.31%	-0.58%	1.63%	0.00%
Group insurance for active employees	-2.96%	-3.67%	-2.96%	-0.80%	-2.39%
Total compensation for active employees	1.10%	1.01%	7.29%	1.92%	1.88%
Retiree benefits: group insurance					
Pay as you go amount	-0.58%	-1.31%	-0.58%	1.63%	0.00%
Phase in of the Annual Required Contribution					
Total compensation for retired employees	-0.58%	-1.31%	-0.58%	1.63%	0.00%
Total compensation for active and retired employees	1.06%	0.94%	7.18%	1.91%	1.84%

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY22 Approved Budget	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	83.00	313.14	561.76	957.90
Active employees:				
Wages	7,910,975	17,781,547	59,054,339	84,746,861
Social Security	100,092	1,245,192	4,262,047	5,607,331
Retirement	1,595,202	1,949,686	6,941,360	10,486,248
Group insurance for active employees	1,343,649	4,744,451	10,678,689	16,766,789
Total compensation for active employees	10,949,918	25,720,876	80,936,435	117,607,229
Retiree benefits: group insurance				
Pay as you go amount	403,979	1,509,166	2,983,565	4,896,710
OPEB pre-funding	220,094	822,219	1,625,496	2,667,809
Total compensation for retired employees	624,073	2,331,385	4,609,061	7,564,519
Total compensation for active and retired employees*	11,573,991	28,052,261	85,545,496	125,171,748
Operating budget without debt service*				144,301,333
Total compensation as % of total operating budget				86.7%
% General Wage Adjustment	0.00%	0.00%	0.00%	
Cost of General Wage Adjustment (wages, social security) SEE NOTE 1	NOTE 1	NOTE 1	NOTE 1	
Cost of other Wage Adjustment (wages, social security)				0
Cost per 1% General Wage Adjustment (wages, social security)	NOTE 1	NOTE 1	NOTE 1	
Cost per furlough day (wages, social security)	30,812	73,180	243,525	347,516
Cost of increments for employees not at top of grade (wages, social security) SEE NOTE 2	104,018	263,707	921,041	1,288,766
Cost of 1% increment for employees not at top of grade (wages, social security) SEE NOTE 2	29,719	75,345	263,155	368,219

NOTE 1: No COLA for FY22.

NOTE 2: FY22 make-up merit increment for FY21 effective June 26, 2022. Regular FY22 Increments are effective on annual review date; costs are for the remainder of the fiscal year following effective date.

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY23 Request	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	87.00	307.14	575.54	969.68
Active employees:				
Wages	8,807,415	18,868,267	63,154,728	90,830,410
Social Security	112,751	1,323,423	4,541,949	5,978,123
Retirement	1,610,958	1,860,458	6,762,772	10,234,188
Group insurance for active employees	1,411,649	4,652,656	10,702,036	16,766,341
Total compensation for active employees	11,942,773	26,704,804	85,161,485	123,809,062
Retiree benefits: group insurance				
Pay as you go amount	415,494	1,466,836	3,007,362	4,889,692
OPEB pre-funding	313,060	1,105,208	2,265,940	3,684,208
Total compensation for retired employees	728,553	2,572,044	5,273,302	8,573,900
Total compensation for active and retired employees	12,671,326	29,276,848	90,434,788	132,382,962
Operating budget without debt service				155,878,560
Total compensation as % of total operating budget				84.9%
% General Wage Adjustment	NOTE 3	NOTE 3	NOTE 3	
Cost of General Wage Adjustment (wages, social security)	NOTE 3	NOTE 3	NOTE 3	
Cost of other Wage Adjustment (wages, social security)				0
Cost per 1% General Wage Adjustment (wages, social security)	75,562	179,116	637,769	892,448
Cost per furlough day (wages, social security)	34,308	77,660	260,372	372,341
Cost of increments for employees not at top of grade (wages, social security)	NOTE 3	NOTE 3	NOTE 3	
Cost of 1% increment for employees not at top of grade (wages, social security) SEE NOTE 2	32,332	70,491	208,535	311,358

NOTE 3: \$3,920,386 has been included as a dollar marker for an increase to employee compensation in the FY23 Proposed Budget for the Admin and Park Funds. We are in wage and retirement benefit reopener with FOP and wage only reopener with MCGEO for FY23.

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY22-FY23	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	4	(6)	14	12
Active employees:				
Wages	896,440	1,086,720	4,100,389	6,083,549
Social Security	12,659	78,231	279,902	370,792
Retirement	15,756	(89,228)	(178,588)	(252,060)
Group insurance for active employees	68,000	(91,795)	23,347	(448)
Total compensation for active employees	992,855	983,928	4,225,051	6,201,833
Retiree benefits: group insurance				
Pay as you go amount	11,515	(42,330)	23,797	(7,018)
OPEB pre-funding	92,965	282,990	640,444	1,016,399
Total compensation for retired employees	104,480	240,660	664,241	1,009,381
Total compensation for active and retired employees				7,211,214

Percent increase FY22-FY23	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	4.8%	-1.9%	2.5%	1.2%
Active employees:				
Wages	11.3%	6.1%	6.9%	7.2%
Social Security	12.6%	6.3%	6.6%	6.6%
Retirement	1.0%	-4.6%	-2.6%	-2.4%
Group insurance for active employees	5.1%	-1.9%	0.2%	0.0%
Total compensation for active employees	9.1%	3.8%	5.2%	5.3%
Retiree benefits: group insurance				
Pay as you go amount	2.9%	-2.8%	0.8%	-0.1%
OPEB pre-funding	42.2%	34.4%	39.4%	38.1%
Total compensation for retired employees	16.7%	10.3%	14.4%	13.3%
Total compensation for active and retired employees				5.8%

*Total Compensation costs and total operating budget figures do not include chargebacks, debt service, or reserves.

*Work Years include Career Work Years for Tax Supported Funds Only

**MONTGOMERY COUNTY GOVERNMENT
OFFICE, PROFESSIONAL & TECHNICAL AND SERVICE, LABOR, AND
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022**

GRADE	MINIMUM	MIDPOINT	MAXIMUM	18 YEAR LONGEVITY (3%)	24 YEAR LONGEVITY (3%)
5	\$34,172	\$40,130	\$46,088	\$47,420	\$48,792
6	\$34,172	\$41,055	\$47,939	\$49,326	\$50,755
7	\$34,172	\$42,044	\$49,916	\$51,362	\$52,853
8	\$34,172	\$43,141	\$52,110	\$53,624	\$55,181
9	\$35,172	\$44,795	\$54,418	\$56,000	\$57,630
10	\$36,515	\$46,711	\$56,907	\$58,564	\$60,270
11	\$37,924	\$48,715	\$59,506	\$61,239	\$63,026
12	\$39,391	\$50,815	\$62,239	\$64,055	\$65,926
13	\$40,945	\$53,027	\$65,109	\$67,012	\$68,971
14	\$42,577	\$55,354	\$68,130	\$70,123	\$72,176
15	\$44,285	\$57,786	\$71,288	\$73,376	\$75,526
16	\$46,105	\$60,360	\$74,614	\$76,802	\$79,055
17	\$48,120	\$63,112	\$78,103	\$80,396	\$82,757
18	\$50,250	\$66,010	\$81,770	\$84,172	\$86,647
19	\$52,539	\$69,077	\$85,615	\$88,133	\$90,726
20	\$54,930	\$72,291	\$89,653	\$92,292	\$95,010
21	\$57,455	\$75,675	\$93,895	\$96,661	\$99,510
22	\$60,093	\$79,221	\$98,349	\$101,248	\$104,235
23	\$62,873	\$82,954	\$103,034	\$106,075	\$109,207
24	\$65,786	\$86,860	\$107,934	\$111,122	\$114,405
25	\$68,840	\$90,966	\$113,091	\$116,434	\$119,876
26	\$72,061	\$95,285	\$118,509	\$122,014	\$125,624
27	\$75,410	\$99,804	\$124,198	\$127,873	\$131,659
28	\$78,719	\$104,443	\$130,167	\$134,022	\$137,992

**MONTGOMERY COUNTY GOVERNMENT
OFFICE, PROFESSIONAL & TECHNICAL AND SERVICE, LABOR, AND
FISCAL YEAR 2023
EFFECTIVE JUNE 18, 2023
GWA: \$4,333 INCREASE**

GRADE	MINIMUM	MIDPOINT	MAXIMUM	18 YEAR LONGEVITY (3%)	24 YEAR LONGEVITY (3%)
5	\$38,505	\$44,463	\$50,421	\$51,934	\$53,492
6	\$38,505	\$45,388	\$52,272	\$53,840	\$55,455
7	\$38,505	\$46,377	\$54,249	\$55,876	\$57,553
8	\$38,505	\$47,474	\$56,443	\$58,136	\$59,880
9	\$39,505	\$49,128	\$58,751	\$60,514	\$62,329
10	\$40,848	\$51,044	\$61,240	\$63,077	\$64,970
11	\$42,257	\$53,048	\$63,839	\$65,754	\$67,727
12	\$43,724	\$55,148	\$66,572	\$68,569	\$70,626
13	\$45,278	\$57,360	\$69,442	\$71,525	\$73,671
14	\$46,910	\$59,687	\$72,463	\$74,637	\$76,876
15	\$48,618	\$62,119	\$75,621	\$77,890	\$80,226
16	\$50,438	\$64,693	\$78,947	\$81,315	\$83,755
17	\$52,453	\$67,445	\$82,436	\$84,909	\$87,456
18	\$54,583	\$70,343	\$86,103	\$88,686	\$91,347
19	\$56,872	\$73,410	\$89,948	\$92,646	\$95,426
20	\$59,263	\$76,624	\$93,986	\$96,806	\$99,710
21	\$61,788	\$80,008	\$98,228	\$101,175	\$104,210
22	\$64,426	\$83,554	\$102,682	\$105,762	\$108,935
23	\$67,206	\$87,287	\$107,367	\$110,588	\$113,906
24	\$70,119	\$91,193	\$112,267	\$115,635	\$119,104
25	\$73,173	\$95,299	\$117,424	\$120,947	\$124,575
26	\$76,394	\$99,618	\$122,842	\$126,527	\$130,323
27	\$79,743	\$104,137	\$128,531	\$132,387	\$136,359
28	\$83,052	\$108,776	\$134,500	\$138,535	\$142,691

**MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022**

GRADE	MINIMUM	MIDPOINT	MAXIMUM	20 YEAR PERFORMANCE LONGEVITY (2.0%)
N5	\$34,172	\$40,130	\$46,088	\$46,976
N6	\$34,172	\$41,055	\$47,939	\$48,864
N7	\$34,172	\$42,044	\$49,916	\$50,880
N8	\$34,172	\$43,141	\$52,110	\$53,119
N9	\$35,172	\$44,795	\$54,418	\$55,473
N10	\$36,515	\$46,711	\$56,907	\$58,012
N11	\$37,924	\$48,715	\$59,506	\$60,662
N12	\$39,391	\$50,815	\$62,239	\$63,450
N13	\$40,945	\$53,027	\$65,109	\$66,378
N14	\$42,577	\$55,354	\$68,130	\$69,459
N15	\$44,285	\$57,786	\$71,288	\$72,680
N16	\$46,105	\$60,360	\$74,614	\$76,072
N17	\$48,120	\$63,112	\$78,103	\$79,632
N18	\$50,250	\$66,010	\$81,770	\$83,371
N19	\$52,539	\$69,077	\$85,615	\$87,294
N20	\$54,930	\$72,291	\$89,653	\$91,412
N21	\$57,455	\$75,675	\$93,895	\$95,739
N22	\$60,093	\$79,221	\$98,349	\$100,282
N23	\$62,873	\$82,954	\$103,034	\$105,061
N24	\$65,786	\$86,860	\$107,934	\$110,059
N25	\$68,840	\$90,966	\$113,091	\$115,320
N26	\$72,061	\$95,285	\$118,509	\$120,846
N27	\$75,410	\$99,804	\$124,198	\$126,648
N28	\$78,719	\$104,443	\$130,167	\$132,736
N29	\$82,194	\$109,314	\$136,434	\$139,129
N30	\$85,849	\$114,435	\$143,021	\$145,847
N31	\$89,683	\$119,808	\$149,932	\$152,897
N32	\$93,704	\$124,086	\$154,469	\$157,525
N33	\$97,930	\$128,470	\$159,009	\$162,156
N34	\$102,371	\$132,961	\$163,551	\$166,788
N35	\$107,034	\$137,563	\$168,091	\$171,419
N36	\$111,931	\$142,282	\$172,633	\$176,052
N37	\$117,066	\$147,117	\$177,168	\$180,678
N38	\$122,461	\$151,833	\$181,205	\$184,795
N39	\$128,127	\$155,987	\$183,848	\$187,491
N40	\$134,076	\$160,283	\$186,490	\$190,186

**MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JUNE 18, 2023
GWA: \$4,333 INCREASE**

GRADE	MINIMUM	MIDPOINT	MAXIMUM	20 YEAR PERFORMANCE LONGEVITY (2.0%)
N5	\$38,505	\$44,463	\$50,421	\$51,429
N6	\$38,505	\$45,388	\$52,272	\$53,317
N7	\$38,505	\$46,377	\$54,249	\$55,334
N8	\$38,505	\$47,474	\$56,443	\$57,572
N9	\$39,505	\$49,128	\$58,751	\$59,926
N10	\$40,848	\$51,044	\$61,240	\$62,465
N11	\$42,257	\$53,048	\$63,839	\$65,116
N12	\$43,724	\$55,148	\$66,572	\$67,903
N13	\$45,278	\$57,360	\$69,442	\$70,831
N14	\$46,910	\$59,687	\$72,463	\$73,912
N15	\$48,618	\$62,119	\$75,621	\$77,133
N16	\$50,438	\$64,693	\$78,947	\$80,526
N17	\$52,453	\$67,445	\$82,436	\$84,085
N18	\$54,583	\$70,343	\$86,103	\$87,825
N19	\$56,872	\$73,410	\$89,948	\$91,747
N20	\$59,263	\$76,624	\$93,986	\$95,866
N21	\$61,788	\$80,008	\$98,228	\$100,193
N22	\$64,426	\$83,554	\$102,682	\$104,736
N23	\$67,206	\$87,287	\$107,367	\$109,514
N24	\$70,119	\$91,193	\$112,267	\$114,512
N25	\$73,173	\$95,299	\$117,424	\$119,772
N26	\$76,394	\$99,618	\$122,842	\$125,299
N27	\$79,743	\$104,137	\$128,531	\$131,102
N28	\$83,052	\$108,776	\$134,500	\$137,190
N29	\$86,527	\$113,647	\$140,767	\$143,582
N30	\$90,182	\$118,768	\$147,354	\$150,301
N31	\$94,016	\$124,141	\$154,265	\$157,350
N32	\$98,037	\$128,419	\$158,802	\$161,978
N33	\$102,263	\$132,803	\$163,342	\$166,609
N34	\$106,704	\$137,294	\$167,884	\$171,242
N35	\$111,367	\$141,896	\$172,424	\$175,872
N36	\$116,264	\$146,615	\$176,966	\$180,505
N37	\$121,399	\$151,450	\$181,501	\$185,131
N38	\$126,794	\$156,166	\$185,538	\$189,249
N39	\$132,460	\$160,320	\$188,181	\$191,945
N40	\$138,409	\$164,616	\$190,823	\$194,639

FY23 Notes:

1) A one-time 2.0 percent performance-based longevity increment is provided to employees who received performance ratings of "exceptional" and/or "highly successful" for the two most recent years, are at the maximum of their grade, and have completed 20 years of service.

**MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF UNIFORM SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022**

STEP	YEAR	DS I (G2*)	DS II (G3*)	DS III (G4*)	SGT (D1*)
0	1	\$53,439	\$57,062	\$60,939	\$66,863
1	2	\$55,252	\$59,002	\$63,013	\$69,147
2	3	\$57,125	\$61,008	\$65,159	\$71,508
3	4	\$59,067	\$63,082	\$67,382	\$73,952
4	5	\$61,076	\$65,234	\$69,683	\$76,481
5	6	\$63,154	\$67,459	\$72,062	\$79,101
6	7	\$65,306	\$69,761	\$74,527	\$81,809
7	8	\$67,534	\$72,146	\$77,075	\$84,614
8	9	\$69,839	\$74,612	\$79,716	\$87,518
9	10	\$72,226	\$77,165	\$82,446	\$90,522
10	11		\$79,808	\$85,272	\$93,632
11	12		\$82,543	\$88,203	\$96,851
12	13			\$91,232	\$100,182
13	14			\$94,363	\$103,630
14	15-20			\$97,606	\$107,198
20 YEAR LONGEVITY (3.5%)	21+	\$74,695	\$85,373	\$100,964	\$110,890
24 YEAR LONGEVITY (2.5%)	25+	\$76,520	\$87,465	\$103,446	\$113,621

* Class Plan Designation

**MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF UNIFORM SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JUNE 18, 2023
GWA: \$4,333 INCREASE**

STEP	YEAR	DS I (G2*)	DS II (G3*)	DS III (G4*)	SGT (D1*)
0	1	\$57,772	\$61,395	\$65,272	\$71,196
1	2	\$59,585	\$63,335	\$67,346	\$73,480
2	3	\$61,458	\$65,341	\$69,492	\$75,841
3	4	\$63,400	\$67,415	\$71,715	\$78,285
4	5	\$65,409	\$69,567	\$74,016	\$80,814
5	6	\$67,487	\$71,792	\$76,395	\$83,434
6	7	\$69,639	\$74,094	\$78,860	\$86,142
7	8	\$71,867	\$76,479	\$81,408	\$88,947
8	9	\$74,172	\$78,945	\$84,049	\$91,851
9	10	\$76,559	\$81,498	\$86,779	\$94,855
10	11		\$84,141	\$89,605	\$97,965
11	12		\$86,876	\$92,536	\$101,184
12	13			\$95,565	\$104,515
13	14			\$98,696	\$107,963
14	15-20			\$101,939	\$111,531
20 YEAR LONGEVITY (3.5%)	21+	\$79,239	\$89,917	\$105,507	\$115,435
24 YEAR LONGEVITY (2.5%)	25+	\$81,220	\$92,165	\$108,145	\$118,320

* Class Plan Designation

**MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF MANAGEMENT SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022**

GRADE	RANK	MINIMUM	MAXIMUM	20 YEAR LONGEVITY (3.5%)	24 YEAR LONGEVITY (2.5%)
D2	DEPUTY SHERIFF LIEUTENANT	\$73,383	\$117,759	\$121,821	\$124,867
D3	DEPUTY SHERIFF CAPTAIN	\$87,724	\$141,871	\$146,777	\$150,447
D4	DEPUTY SHERIFF COLONEL	\$100,630	\$163,406	\$169,066	\$173,293

**MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF MANAGEMENT SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JUNE 18, 2023
GWA: \$4,333 INCREASE**

GRADE	RANK	MINIMUM	MAXIMUM	20 YEAR LONGEVITY (3.5%)	24 YEAR LONGEVITY (2.5%)
D2	DEPUTY SHERIFF LIEUTENANT	\$77,716	\$122,092	\$126,365	\$129,524
D3	DEPUTY SHERIFF CAPTAIN	\$92,057	\$146,204	\$151,321	\$155,104
D4	DEPUTY SHERIFF COLONEL	\$104,963	\$167,739	\$173,610	\$177,950

**MONTGOMERY COUNTY GOVERNMENT
CORRECTIONAL OFFICER UNIFORM SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022**

STEP	YEAR	CO I (C3*)	CO II (C4*)	CO III (C5*)	SGT (C6*)
1	0	\$49,757	\$52,162	\$57,209	\$63,040
2	1	\$51,441	\$53,930	\$59,153	\$65,189
3	2	\$53,183	\$55,759	\$61,167	\$67,412
4	3	\$54,985	\$57,653	\$63,249	\$69,712
5	4	\$56,852	\$59,611	\$65,405	\$72,094
6	5	\$58,786	\$61,641	\$67,635	\$74,560
7	6	\$60,785	\$63,739	\$69,945	\$77,111
8	7	\$62,853	\$65,912	\$72,335	\$79,752
9	8	\$64,993	\$68,161	\$74,807	\$82,484
10	9	\$67,210	\$70,487	\$77,368	\$85,312
11	10	\$69,503	\$72,895	\$80,017	\$88,240
12	11	\$71,877	\$75,391	\$82,761	\$91,271
13	12		\$77,972	\$85,597	\$94,405
14	13		\$80,643	\$88,534	\$97,652
15	14-20				\$101,012
20 YEAR LONGEVITY (3.5%)	21+	\$74,334	\$83,406	\$91,574	\$104,489
24 YEAR LONGEVITY (2.5%)	25+	\$76,150	\$85,449	\$93,821	\$107,059

* Class Plan Designation

**MONTGOMERY COUNTY GOVERNMENT
CORRECTIONAL OFFICER UNIFORM SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JUNE 18, 2023
GWA: \$4,333 INCREASE**

STEP	YEAR	CO I (C3*)	CO II (C4*)	CO III (C5*)	SGT (C6*)
1	0	\$54,090	\$56,495	\$61,542	\$67,373
2	1	\$55,774	\$58,263	\$63,486	\$69,522
3	2	\$57,516	\$60,092	\$65,500	\$71,745
4	3	\$59,318	\$61,986	\$67,582	\$74,045
5	4	\$61,185	\$63,944	\$69,738	\$76,427
6	5	\$63,119	\$65,974	\$71,968	\$78,893
7	6	\$65,118	\$68,072	\$74,278	\$81,444
8	7	\$67,186	\$70,245	\$76,668	\$84,085
9	8	\$69,326	\$72,494	\$79,140	\$86,817
10	9	\$71,543	\$74,820	\$81,701	\$89,645
11	10	\$73,836	\$77,228	\$84,350	\$92,573
12	11	\$76,210	\$79,724	\$87,094	\$95,604
13	12		\$82,305	\$89,930	\$98,738
14	13		\$84,976	\$92,867	\$101,985
15	14-20				\$105,345
20 YEAR LONGEVITY (3.5%)	21+	\$78,877	\$87,950	\$96,117	\$109,032
24 YEAR LONGEVITY (2.5%)	25+	\$80,849	\$90,149	\$98,520	\$111,758

* Class Plan Designation

**MONTGOMERY COUNTY GOVERNMENT
 UNIFORMED CORRECTIONAL MANAGEMENT SALARY SCHEDULE
 FISCAL YEAR 2023
 EFFECTIVE JULY 3, 2022**

GRADE	RANK	MINIMUM	MAXIMUM	20 YEAR LONGEVITY (3.5%)	24 YEAR LONGEVITY (2.5%)
C1	CORRECTIONAL SHIFT COMMANDER (LT)	\$69,177	\$110,946	\$114,771	\$117,598
C2	CORRECTIONAL TEAM LEADER (CAPT)	\$75,928	\$121,874	\$126,081	\$129,190

**MONTGOMERY COUNTY GOVERNMENT
 UNIFORMED CORRECTIONAL MANAGEMENT SALARY SCHEDULE
 FISCAL YEAR 2023
 EFFECTIVE JUNE 18, 2022
 GWA: \$4,333 INCREASE**

GRADE	RANK	MINIMUM	MAXIMUM	20 YEAR LONGEVITY (3.5%)	24 YEAR LONGEVITY (2.5%)
C1	CORRECTIONAL SHIFT COMMANDER (LT)	\$73,510	\$115,279	\$119,314	\$122,297
C2	CORRECTIONAL TEAM LEADER (CAPT)	\$80,261	\$126,207	\$130,624	\$133,890

**MONTGOMERY COUNTY GOVERNMENT
TRANSIT BUS OPERATORS AND TRANSIT
COORDINATORS SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022**

STEP	Transit Bus Operators	Transit Coordinators
0	\$46,684	\$50,684
1	\$50,184	\$53,684
2	\$52,684	\$60,684
3	\$55,184	\$64,684
4	\$59,184	\$69,184
5	\$63,684	\$73,684
6	\$67,684	\$77,684
7	\$70,684	\$80,184
8	\$73,684	\$82,684
9	\$73,684	\$82,684
10	\$75,684	\$83,684
11	\$75,684	\$83,684
12	\$76,684	\$85,184
13	\$76,684	\$85,184
14	\$76,684	\$86,184
15	\$77,684	\$86,184
16	\$77,684	\$86,184
17	\$77,684	\$86,184
18	\$77,684	\$86,684
19	\$78,684	\$86,684
20	\$78,684	\$86,684
21	\$78,684	\$86,684
22	\$78,684	\$87,184
23	\$79,684	\$87,184
24	\$79,684	\$89,684
25	\$80,684	\$89,684

**MONTGOMERY COUNTY GOVERNMENT
TRANSIT BUS OPERATORS AND TRANSIT COORDINATORS
SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JUNE 18, 2023
GWA: \$4,333 INCREASE**

STEP	Transit Bus Operators	Transit Coordinators
0	\$51,017	\$55,017
1	\$54,517	\$58,017
2	\$57,017	\$65,017
3	\$59,517	\$69,017
4	\$63,517	\$73,517
5	\$68,017	\$78,017
6	\$72,017	\$82,017
7	\$75,017	\$84,517
8	\$78,017	\$87,017
9	\$78,017	\$87,017
10	\$80,017	\$88,017
11	\$80,017	\$88,017
12	\$81,017	\$89,517
13	\$81,017	\$89,517
14	\$81,017	\$90,517
15	\$82,017	\$90,517
16	\$82,017	\$90,517
17	\$82,017	\$90,517
18	\$82,017	\$91,017
19	\$83,017	\$91,017
20	\$83,017	\$91,017
21	\$83,017	\$91,017
22	\$83,017	\$91,517
23	\$84,017	\$91,517
24	\$84,017	\$94,017
25	\$85,017	\$94,017

**MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE BARGAINING UNIT SALARY SCHEDULE
FISCAL YEAR 2023**

**EFFECTIVE JULY 3, 2022
17-YEAR LONGEVITY: EFFECTIVE JULY 3, 2022**

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	\$49,677	\$52,163	\$54,770	\$60,247	\$66,277	\$74,736
B	\$51,416	\$53,987	\$56,688	\$62,356	\$68,597	\$77,353
C	\$53,216	\$55,878	\$58,672	\$64,540	\$70,999	\$80,060
D	\$55,080	\$57,834	\$60,727	\$66,799	\$73,485	\$82,864
E	\$57,007	\$59,860	\$62,852	\$69,137	\$76,057	\$85,764
F	\$59,003	\$61,955	\$65,052	\$71,558	\$78,718	\$88,767
G	\$61,069	\$64,122	\$67,329	\$74,063	\$81,475	\$91,874
H	\$63,207	\$66,368	\$69,688	\$76,655	\$84,327	\$95,089
I	\$65,420	\$68,692	\$72,128	\$79,339	\$87,278	\$98,417
J	\$67,711	\$71,096	\$74,651	\$82,114	\$90,334	\$101,863
K	\$70,080	\$73,586	\$77,265	\$84,990	\$93,497	\$105,430
L	\$72,533	\$76,161	\$79,969	\$87,965	\$96,771	\$109,119
M	\$75,072	\$78,826	\$82,769	\$91,042	\$100,159	\$112,940
N	\$77,700	\$81,586	\$85,667	\$94,230	\$103,665	\$116,893
O	\$80,420	\$84,444	\$88,666	\$97,529	\$107,293	\$120,985
17 YEAR LONGEVITY (3.5%)	\$83,235	\$87,399	\$91,770	\$100,943	\$111,048	\$125,219
20 YEAR LONGEVITY (3.5%)	\$86,148	\$90,458	\$94,982	\$104,476	\$114,935	\$129,602
24 YEAR LONGEVITY (3.5%)	\$89,163	\$93,624	\$98,306	\$108,132	\$118,957	\$134,138

FY23 Notes:
1) No retroactive pay for newly added 17-year longevity

**MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE BARGAINING UNIT SALARY SCHEDULE
FISCAL YEAR 2023**

**EFFECTIVE OCTOBER 9, 2022
GWA: 4.0% INCREASE**

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	\$51,664	\$54,250	\$56,961	\$62,657	\$68,928	\$77,725
B	\$53,473	\$56,146	\$58,956	\$64,850	\$71,341	\$80,447
C	\$55,345	\$58,113	\$61,019	\$67,122	\$73,839	\$83,262
D	\$57,283	\$60,147	\$63,156	\$69,471	\$76,424	\$86,179
E	\$59,287	\$62,254	\$65,366	\$71,902	\$79,099	\$89,195
F	\$61,363	\$64,433	\$67,654	\$74,420	\$81,867	\$92,318
G	\$63,512	\$66,687	\$70,022	\$77,026	\$84,734	\$95,549
H	\$65,735	\$69,023	\$72,476	\$79,721	\$87,700	\$98,893
I	\$68,037	\$71,440	\$75,013	\$82,513	\$90,769	\$102,354
J	\$70,419	\$73,940	\$77,637	\$85,399	\$93,947	\$105,938
K	\$72,883	\$76,529	\$80,356	\$88,390	\$97,237	\$109,647
L	\$75,434	\$79,207	\$83,168	\$91,484	\$100,642	\$113,484
M	\$78,075	\$81,979	\$86,080	\$94,684	\$104,165	\$117,458
N	\$80,808	\$84,849	\$89,094	\$97,999	\$107,812	\$121,569
O	\$83,637	\$87,822	\$92,213	\$101,430	\$111,585	\$125,824
17 YEAR LONGEVITY (3.5%)	\$86,564	\$90,895	\$95,441	\$104,981	\$115,490	\$130,228
20 YEAR LONGEVITY (3.5%)	\$89,594	\$94,076	\$98,781	\$108,655	\$119,532	\$134,786
24 YEAR LONGEVITY (3.5%)	\$92,730	\$97,369	\$102,238	\$112,457	\$123,715	\$139,504

**MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE BARGAINING UNIT SALARY SCHEDULE
FISCAL YEAR 2023**

**EFFECTIVE JANUARY 1, 2023
GWA: 1.0% INCREASE**

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	\$52,181	\$54,792	\$57,530	\$63,283	\$69,617	\$78,503
B	\$54,007	\$56,708	\$59,545	\$65,499	\$72,054	\$81,252
C	\$55,898	\$58,694	\$61,629	\$67,793	\$74,577	\$84,095
D	\$57,856	\$60,749	\$63,788	\$70,166	\$77,189	\$87,040
E	\$59,880	\$62,877	\$66,020	\$72,622	\$79,890	\$90,087
F	\$61,977	\$65,078	\$68,331	\$75,165	\$82,685	\$93,241
G	\$64,147	\$67,354	\$70,722	\$77,796	\$85,581	\$96,504
H	\$66,393	\$69,713	\$73,200	\$80,518	\$88,577	\$99,881
I	\$68,717	\$72,154	\$75,763	\$83,338	\$91,677	\$103,377
J	\$71,124	\$74,679	\$78,413	\$86,253	\$94,887	\$106,997
K	\$73,612	\$77,295	\$81,159	\$89,273	\$98,209	\$110,744
L	\$76,189	\$80,000	\$83,999	\$92,398	\$101,648	\$114,619
M	\$78,856	\$82,799	\$86,941	\$95,631	\$105,207	\$118,632
N	\$81,616	\$85,698	\$89,985	\$98,979	\$108,890	\$122,784
O	\$84,473	\$88,700	\$93,135	\$102,444	\$112,701	\$127,083
17 YEAR LONGEVITY (3.5%)	\$87,430	\$91,804	\$96,395	\$106,031	\$116,645	\$131,530
20 YEAR LONGEVITY (3.5%)	\$90,490	\$95,017	\$99,769	\$109,742	\$120,728	\$136,134
24 YEAR LONGEVITY (3.5%)	\$93,657	\$98,343	\$103,261	\$113,582	\$124,952	\$140,899

**MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE MANAGEMENT SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022
17-YEAR LONGEVITY: EFFECTIVE JULY 3, 2022**

GRADE	RANK	MINIMUM	MAXIMUM	17 YEAR LONGEVITY (3.5%)	20 YEAR LONGEVITY (3.5%)	24 YEAR LONGEVITY (3.5%)
B3	FIRE/RESCUE BATTALION CHIEF	\$83,817	\$139,289	\$144,164	\$149,210	\$154,433
B4	FIRE/RESCUE ASSISTANT CHIEF	\$91,533	\$153,207	\$158,570	\$164,119	\$169,864
B6	FIRE/RESCUE DIVISION CHIEF	\$104,632	\$173,713	\$179,793	\$186,086	\$192,599

FY23 Notes:

1) No retroactive pay for newly added 17-year longevity

**MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE MANAGEMENT SALARY SCHEDULE
FISCAL YEAR 2022
EFFECTIVE October 9, 2022
GWA: 4.0% INCREASE**

GRADE	RANK	MINIMUM	MAXIMUM	17 YEAR LONGEVITY (3.5%)	20 YEAR LONGEVITY (3.5%)	24 YEAR LONGEVITY (3.5%)
B3	FIRE/RESCUE BATTALION CHIEF	\$87,170	\$144,861	\$149,931	\$155,178	\$160,610
B4	FIRE/RESCUE ASSISTANT CHIEF	\$95,194	\$159,335	\$164,913	\$170,684	\$176,659
B6	FIRE/RESCUE DIVISION CHIEF	\$108,817	\$180,662	\$186,985	\$193,529	\$200,303

**MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE MANAGEMENT SALARY SCHEDULE
FISCAL YEAR 2022
EFFECTIVE JANUARY 1, 2023
GWA: 1.0% INCREASE**

GRADE	RANK	MINIMUM	MAXIMUM	17 YEAR LONGEVITY (3.5%)	20 YEAR LONGEVITY (3.5%)	24 YEAR LONGEVITY (3.5%)
B3	FIRE/RESCUE BATTALION CHIEF	\$88,041	\$146,309	\$151,430	\$156,730	\$162,216
B4	FIRE/RESCUE ASSISTANT CHIEF	\$96,146	\$160,929	\$166,562	\$172,391	\$178,425
B6	FIRE/RESCUE DIVISION CHIEF	\$109,905	\$182,468	\$188,855	\$195,465	\$202,306

**MONTGOMERY COUNTY GOVERNMENT
POLICE BARGAINING UNIT UNIFORM SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022
GWA: 3.5% INCREASE
15-YEAR LONGEVITY**

STEP	YEAR	PO I (P1*, P2*)	PO II (P3*)	PO III (P4*)	MPO (P5*)	SGT (A1*)
0	1	\$58,510	\$61,437	\$64,509	\$67,735	\$74,510
1	2	\$60,560	\$63,589	\$66,768	\$70,106	\$77,117
2	3	\$62,680	\$65,813	\$69,107	\$72,563	\$79,817
3	4	\$64,872	\$68,117	\$71,525	\$75,100	\$82,610
4	5	\$67,143	\$70,502	\$74,028	\$77,731	\$85,504
5	6	\$69,497	\$72,972	\$76,622	\$80,452	\$88,496
6	7	\$71,930	\$75,526	\$79,303	\$83,268	\$91,595
7	8	\$74,447	\$78,168	\$82,077	\$86,183	\$94,800
8	9	\$77,053	\$80,905	\$84,953	\$89,199	\$98,119
9	10	\$79,749	\$83,738	\$87,925	\$92,322	\$101,554
10	11	\$82,541	\$86,670	\$91,005	\$95,555	\$105,109
11	12	\$85,433	\$89,703	\$94,190	\$98,900	\$108,787
12	13	\$88,422	\$92,841	\$97,487	\$102,361	\$112,595
13	14	\$91,519	\$96,094	\$100,900	\$105,945	\$116,536
15 YEAR LONGEVITY (3.5%)	16+	\$94,722	\$99,457	\$104,432	\$109,653	\$120,615
17 YEAR LONGEVITY (3.5%)	18+	\$98,037	\$102,938	\$108,087	\$113,491	\$124,836
20 YEAR LONGEVITY (3.5%)	21+	\$101,469	\$106,541	\$111,870	\$117,463	\$129,206

* Class Plan Designation

**MONTGOMERY COUNTY GOVERNMENT
POLICE BARGAINING UNIT UNIFORM SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JANUARY 1, 2023
GWA: 3.0% INCREASE**

STEP	YEAR	PO I (P1*, P2*)	PO II (P3*)	PO III (P4*)	MPO (P5*)	SGT (A1*)
0	1	\$60,265	\$63,280	\$66,444	\$69,767	\$76,745
1	2	\$62,377	\$65,497	\$68,771	\$72,209	\$79,431
2	3	\$64,560	\$67,787	\$71,180	\$74,740	\$82,212
3	4	\$66,818	\$70,161	\$73,671	\$77,353	\$85,088
4	5	\$69,157	\$72,617	\$76,249	\$80,063	\$88,069
5	6	\$71,582	\$75,161	\$78,921	\$82,866	\$91,151
6	7	\$74,088	\$77,792	\$81,682	\$85,766	\$94,343
7	8	\$76,680	\$80,513	\$84,539	\$88,768	\$97,644
8	9	\$79,365	\$83,332	\$87,502	\$91,875	\$101,063
9	10	\$82,141	\$86,250	\$90,563	\$95,092	\$104,601
10	11	\$85,017	\$89,270	\$93,735	\$98,422	\$108,262
11	12	\$87,996	\$92,394	\$97,016	\$101,867	\$112,051
12	13	\$91,075	\$95,626	\$100,412	\$105,432	\$115,973
13	14	\$94,265	\$98,977	\$103,927	\$109,123	\$120,032
15 YEAR LONGEVITY (3.5%)	16+	\$97,564	\$102,441	\$107,564	\$112,943	\$124,233
17 YEAR LONGEVITY (3.5%)	18+	\$100,979	\$106,026	\$111,329	\$116,896	\$128,581
20 YEAR LONGEVITY (3.5%)	21+	\$104,513	\$109,737	\$115,226	\$120,987	\$133,082

**MONTGOMERY COUNTY GOVERNMENT
 POLICE LEADERSHIP SERVICE SALARY SCHEDULE
 FISCAL YEAR 2023
 EFFECTIVE JULY 3, 2022**

PAY BAND	PLS RANK	MINIMUM	MIDPOINT	CONTROL POINT	MAXIMUM
A2	POLICE LIEUTENANT	\$82,068	\$115,337	\$141,953	\$148,607
A3	POLICE CAPTAIN	\$95,251	\$133,395	\$163,911	\$171,540

**MONTGOMERY COUNTY GOVERNMENT
 POLICE LEADERSHIP SERVICE SALARY SCHEDULE
 FISCAL YEAR 2023
 EFFECTIVE JUNE 18, 2023
 GWA: \$4,333 INCREASE**

PAY BAND	PLS RANK	MINIMUM	MIDPOINT	CONTROL POINT	MAXIMUM
A2	POLICE LIEUTENANT	\$86,401	\$119,670	\$146,286	\$152,940
A3	POLICE CAPTAIN	\$99,584	\$137,728	\$168,244	\$175,873

**MONTGOMERY COUNTY GOVERNMENT
MANAGEMENT LEADERSHIP SERVICE SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JULY 3, 2022**

PAY BAND	MLS LEVEL	MINIMUM	MIDPOINT	CONTROL POINT	MAXIMUM
M1	MANAGEMENT LEVEL I	\$108,684	\$150,205	\$183,421	\$191,726
M2	MANAGEMENT LEVEL II	\$95,251	\$133,395	\$163,911	\$171,540
M3	MANAGEMENT LEVEL III	\$82,068	\$115,337	\$141,953	\$148,607

**MONTGOMERY COUNTY GOVERNMENT
MANAGEMENT LEADERSHIP SERVICE SALARY SCHEDULE
FISCAL YEAR 2023
EFFECTIVE JUNE 18, 2023
GWA: \$4,333 INCREASE**

PAY BAND	MLS LEVEL	MINIMUM	MIDPOINT	CONTROL POINT	MAXIMUM
M1	MANAGEMENT LEVEL I	\$113,017	\$154,538	\$187,754	\$196,059
M2	MANAGEMENT LEVEL II	\$99,584	\$137,728	\$168,244	\$175,873
M3	MANAGEMENT LEVEL III	\$86,401	\$119,670	\$146,286	\$152,940

**MONTGOMERY COUNTY GOVERNMENT
 MEDICAL DOCTORS SALARY SCHEDULE
 FISCAL YEAR 2023
 EFFECTIVE JULY 1, 2022**

GRADE	MEDICAL JOB CLASS	MINIMUM	MIDPOINT	MAXIMUM
MD I (D1*)	MEDICAL DOCTOR I	\$113,979	\$143,225	\$172,471
MD II (D2*)	MEDICAL DOCTOR II	\$125,205	\$157,377	\$189,548
MD III (D3*)	MEDICAL DOCTOR III	\$137,558	\$172,944	\$208,331
MD IV (D4*)	MEDICAL DOCTOR IV	\$151,145	\$190,071	\$228,996

Medical job class designation is based upon the requirements of the position

- MD I - Not eligible for Board Certification
- MD II - Board Eligible
- MD III - Board Certified
- MD IV - Board Certified in a sub-specialty

* Class Plan Designation

**MONTGOMERY COUNTY GOVERNMENT
 MEDICAL DOCTORS SALARY SCHEDULE
 FISCAL YEAR 2023
 EFFECTIVE JUNE 18, 2022
 GWA: \$4,333 INCREASE**

GRADE	MEDICAL JOB CLASS	MINIMUM	MIDPOINT	MAXIMUM
MD I (D1*)	MEDICAL DOCTOR I	\$118,312	\$147,558	\$176,804
MD II (D2*)	MEDICAL DOCTOR II	\$129,538	\$161,710	\$193,881
MD III (D3*)	MEDICAL DOCTOR III	\$141,891	\$177,277	\$212,664
MD IV (D4*)	MEDICAL DOCTOR IV	\$155,478	\$194,404	\$233,329

Medical job class designation is based upon the requirements of the position

- MD I - Not eligible for Board Certification
- MD II - Board Eligible
- MD III - Board Certified
- MD IV - Board Certified in a sub-specialty

* Class Plan Designation

**MONTGOMERY COUNTY GOVERNMENT
MINIMUM WAGE/SEASONAL SALARY SCHEDULE
FISCAL YEAR 2023**

EFFECTIVE JULY 3, 2022

***MINIMUM WAGE: \$15.65**

HOURLY WAGE: \$0.50 INCREASE

GRADE	MINIMUM ANNUAL	MINIMUM HOURLY	MAXIMUM ANNUAL	MAXIMUM HOURLY
S1*	\$32,552	\$15.65	\$32,552	\$15.65
S2*	\$32,552	\$15.65	\$32,552	\$15.65
S3*	\$32,552	\$15.65	\$32,552	\$15.65
S4*	\$32,552	\$15.65	\$32,552	\$15.65
S5*	\$32,552	\$15.65	\$35,591	\$17.11
S6	\$34,906	\$16.78	\$42,722	\$20.54
S7	\$40,476	\$19.46	\$49,967	\$24.02
S8	\$46,227	\$22.22	\$57,442	\$27.62

The following job classes are assigned to the Minimum Wage/Seasonal Salary Schedule

- County Government Aide (MW) (S1)
- Recreation Assistant 1 (S1)
- Community Correctional Intern (S1)
- County Government Assistant (S1)
- Library Page (S2)
- Recreation Assistant II (S2)
- Public Service Guide (S3)
- Nutrition Program Aide (S3)
- Recreation Assistant III (S3)
- Recreation Assistant IV (S4)
- Recreation Assistant V (S5)
- Recreation Assistant VI (S6)
- Recreation Assistant VII (S7)
- Gilchrist Center Office Assistant (S7)
- Recreation Assistant VIII (S8)

**MONTGOMERY COUNTY GOVERNMENT
MINIMUM WAGE/SEASONAL SALARY SCHEDULE
FISCAL YEAR 2023**

EFFECTIVE JUNE 18, 2023

HOURLY WAGE: \$0.50 INCREASE

GRADE	MINIMUM ANNUAL	MINIMUM HOURLY	MAXIMUM ANNUAL	MAXIMUM HOURLY
S1*	\$33,280	\$16.00	\$33,280	\$16.00
S2*	\$33,280	\$16.00	\$33,280	\$16.00
S3*	\$33,280	\$16.00	\$33,280	\$16.00
S4*	\$33,280	\$16.00	\$33,280	\$16.00
S5*	\$33,280	\$16.00	\$36,631	\$17.61
S6	\$35,946	\$17.28	\$43,762	\$21.04
S7	\$41,516	\$19.96	\$51,007	\$24.52
S8	\$47,267	\$22.72	\$58,482	\$28.12

The following job classes are assigned to the Minimum Wage/Seasonal Salary Schedule

- County Government Aide (MW) (S1)
- Recreation Assistant 1 (S1)
- Community Correctional Intern (S1)
- County Government Assistant (S1)
- Library Page (S2)
- Recreation Assistant II (S2)
- Public Service Guide (S3)
- Nutrition Program Aide (S3)
- Recreation Assistant III (S3)
- Recreation Assistant IV (S4)
- Recreation Assistant V (S5)
- Recreation Assistant VI (S6)
- Recreation Assistant VII (S7)
- Gilchrist Center Office Assistant (S7)
- Recreation Assistant VIII (S8)

Montgomery County Government: General Wage Adjustments and Service Increments by Employee Group
(excludes longevity increases and other special pay increases)

MCGEO	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 Rec.
GWA	4.50%	0.00%	0.00%	0.00%	0.00%	3.25%	3.25%	2.00%	1.00%	2.00%	2.00%	2.25%	1.50%	\$1,684	\$4,333
Increment	3.50%	3.50%	0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Past Year Increment	--	--	--	--	--	--	--	--	--	--	--	1.00%	--	1.25%	1.25%
Max Total**	8.00%	3.50%	0.00%	0.00%	0.00%	6.75%	6.75%	5.50%	4.50%	5.50%	5.50%	6.75%	5.00%	4.8% - 8.7%	9.3% on avg.

FOP	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 Rec.
GWA	4.00%	0.00%	0.00%	0.00%	0.00%	2.10%	2.10%	2.00%	1.00%	2.00%	2.00%	0.00%	1.50%	2.50%	6.50%
Increment	3.50%	3.50%	0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Past Year Increment	--	--	--	--	--	1.75%	1.75%	--	--	--	--	3.50%	--	--	--
Salary Schedule Adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3.50%
Max Total	7.5%	3.50%	0.00%	0.00%	0.00%	7.35%	7.35%	5.50%	4.50%	5.50%	5.50%	7.00%	5.00%	6.00%	13.50%

IAFF	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 Rec.
GWA	4.00%	0.00%	0.00%	0.00%	0.00%	2.75%	2.75%	2.00%	1.00%	2.00%	2.00%	2.40%	1.50%	1.50%	5.00%
Increment	3.50%	3.50%	0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Past Year Increment	--	--	--	--	--	3.50%	3.50%	--	--	--	--	--	--	--	--
Max Total	7.5%	3.50%	0.00%	0.00%	0.00%	9.75%	9.75%	5.50%	4.50%	5.50%	5.50%	5.90%	5.00%	5.00%	8.50%

Non-Represented*	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 Rec.
GWA	4.50%	0.00%	0.00%	0.00%	0.00%	3.25%	3.25%	2.00%	1.00%	2.00%	2.00%	2.25%	1.50%	\$1,684	\$4,333
Increment	3.50%	3.50%	0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Max Total**	8.00%	3.50%	0.00%	0.00%	0.00%	6.75%	6.75%	5.50%	4.50%	5.50%	5.50%	5.75%	5.00%	4.4% - 8.7%	7.3% on avg.

* Excludes Management Leadership Service and Police Leadership Service members who do not receive increments

**For MCGEO and Non-Represented, the max total in FY23 is based on the average salary for those employees as provided by OMB

Cost Efficiency Study Group Report

MONTGOMERY COUNTY, MARYLAND

April 15, 2021

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1. Introduction and Summary of Findings

The Matrix Consulting Group was retained by Montgomery County to work with the CEX Cost Efficiency Study Group to conduct a review of the organization with a focus on developing an approach to streamline the organization with an eye toward identifying opportunities to reduce the workforce by approximately 100 positions.

1. Background and Scope of the Study

Montgomery County noted in the issued RFP that the COVID-19 crisis was creating significant revenue loss to the County and added a sense of urgency to the need for workforce reduction and the implementation of additional cost saving measures. The crisis also highlighted opportunities for implementation of additional efficiencies such as expanded telework, automation of processes and enhanced customer self-service to name a few.

The County and the United Food and Commercial Workers Local 1994 (known as "MCGEO") had previously negotiated a term in the collective bargaining agreement establishing a Cost Efficiency Study Group. The terms of that article were:

"ARTICLE 55 – COST EFFICENCY STUDY GROUP

The parties shall establish a study group consisting of the Local 1994 President and two (2) other union representatives; the Director of OHR and two (2) other employer representatives and the purpose of the group shall include, but not be limited to any of the following:

- (1) Evaluate the service delivery model for each agency/program/department which employ bargaining unit members;
- (2) Evaluate the supervisor/management structure in each agency / program / department which employ bargaining unit members, to include the supervisor to employee ratio;
- (3) Evaluate the technology, equipment, and tools supplied to bargaining unit members to perform duties and responsibilities;
- (4) Evaluate the County Executive branch's operating budget to identify potential cost reductions that will not adversely impact same services;
- (5) Evaluate the cost effectiveness of current contracts with outside vendors who perform services that can otherwise be performed by bargaining unit members or via other more cost-effective ways;"

This group was activated as part of this engagement and began meeting in August of 2020.

The specific tasks outlined for review and consideration by the study group included the following items:

- Reviewing data on vacancies and retirement-eligible employees and recommending to the Study Group how to prioritize the analysis of activities;
- Analyzing activities selected for study to determine the need to fill existing and potential future vacancies;
- Developing recommendations for performing the work of each activity at the current or improved performance level with fewer employees;
- Reviewing the organizational structure of selected departments and offices to identify opportunities for management streamlining; and
- Evaluate the cost-effectiveness of current contracts with outside vendors who perform services that can otherwise be performed by bargaining unit members.

During the on-going weekly meetings, the group collectively established priority focus areas for next steps and provided input on findings as they were developed.

2. List of Study Group Members

This study took extensive work on the part of the study group members who served on the CEX Study Group and provided direction, input and guidance to the consultant project team. The group shared freely thoughts and approaches for consideration during the study and while often times there was strong disagreement on individual elements, the group maintained a strong collective focus on establishing a framework that would be transformational to the County and enable the implementation of a significant restructuring of County government based on a more streamlined service delivery approach that focused on future outcomes rather than historical approaches.

This strong working relationship has positioned the County well to move towards implementation with a shared vision.

The members of the committee include the following individuals:

- Amy Millar
- Berke Attila
- Corey Orlosky

- Fariba Kassiri
- Gino Renne
- Jennifer Bryant
- Kimberly Williams
- Lisa Blackwell-Sayles
- Richard Madaleno
- Ryan Conlon
- Steven Blivess

3. Project Methodology and Approach

The process employed by the consultants in providing these services consisted of the following activities:

- Weekly meetings were held with the CEX Study Group throughout the project to discuss topics, evaluate preliminary findings, provide input and direction and review preliminary findings.
- All covered County Department Directors, along with key other staff within the leadership organization, were interviewed individually to enable the project team to gain an understanding of the operations of the County and the current organizational structure, staffing approaches utilized, and services and service levels provided by the department.
- Individual interviews were conducted with MCGEO representatives from selected departments to provide input from frontline employees regarding service provision, staffing, and organizational approaches in place within the various departments.
- An employee survey was conducted in October 2020 to enable all employees of the organization an opportunity to provide input into the study by answering a series of standard questions. These questions covered issues related to staffing, organizational structure, service approaches, and various work environment related issues.
- Research was conducted regarding the organizational structure and staffing level of other similar-sized organizations to determine if there were approaches utilized by these organizations that would be beneficial to Montgomery County if implemented.

The following section outlines the key recommendations developed by the study group for consideration of implementation by Montgomery County.

4. Organizational Restructuring Goals

To move forward with the significant organizational restructuring contemplated by the CEX Study group to transform the organization, the County Executive should direct each department to develop a restructuring plan in alignment with the following set of guidelines for implementation over the next 12 to 18 months. This restructuring plan should be focused on implementing the following overarching goals:

1) Developing a new organizational structure for the organization in alignment with the following principles:

a. Organizational Layer¹ Targets should be established as follows:

- i. Large Departments (those of 200 or more employees) should be limited to 5 organizational layers.
- ii. Small departments (those below 200 employees) should be limited to 3 or fewer organizational layers.

b. Spans of Control² Targets should be established as follows:

- i. First Line Supervisors of administrative type staff – 1:9 (Ranging from 1:6 to 1:12)
- ii. First Line Supervisors of “routine” functions – 1:15 (ranging from 1:10 to 1:20)
- iii. Supervisors beyond first line supervisors - 1:6 (ranging from 1:4 to 1:8)
- iv. Priority focus should be on the significant reduction of the number of spans of control at 1:4 or less where no demonstrable and compelling business reason exists or it is in an extremely small operational unit where this span cannot be expanded due to limited numbers of supervisory position and a need exists for supervisory duties to be performed.

2) Identifying functional areas for implementing self-directed work teams. Self-directed work teams are, at their essence, ones where the work unit handles the majority of duties related to work assignment, monitoring of work completion and

¹ Organizational layers refer to the number of organizational layers having supervisory responsibilities. This is typically calculated as the number of layers in an organizational unit from the top executive position down to the front-line staff. Organizational layers further discussed starting on page 17.

² Span of control is defined as the number of people reporting directly to one individual and can include full-time, part-time, seasonal, and short-term positions. Additional discussion regarding spans of control can be found starting on page 9.

ensuring customer needs are met with less supervisory oversight than in traditional organizational structures (additional information on self-directed work teams can be found starting on page 26). This should be a high-priority approach to enable span of control modifications and to enhance the organizational culture and employee engagement. Each organizational unit should identify the opportunities within their organization where self-directed work teams, alone or in conjunction with supervisory changes, would be appropriate for their operation.

- 3) **Identifying specific opportunities to restructure that will align with the County's vision of broadening the County's supervisory span of control.** The current average span of control of approximately 1:6.4 should be broadened to at least 1:8 over the long-term. This would represent a 25% broadening of the supervisory span of control across the organization and will require the long-term elimination of 225 supervisory positions. While this is a bold and ambitious target and will take some time to implement, it is achievable with strong focus and determination to change the organizational structure. Departments should identify specific operational areas they will target for broadening spans of control.

Specifically, departments should be required in the next 180 days, to evaluate each position with a span of control of 4 or fewer positions, and answer the following questions:

- a) Is there a specific business reason for such a low span of control?
 - b) What opportunities exist to change this ratio now that it has been identified as outside the desired level?
 - c) What would be the impact if the position were simply eliminated?
 - d) What would be the impact if supervisor responsibilities were reassigned?
 - e) Are the duties performed by the subordinates under this position suitable for self-directed work teams?
- 4) **Critically evaluating all vacancies due to retirements.** All vacancies resulting from retirements should be critically evaluated prior to approval being granted for filling. While all positions will be critically evaluated, those with supervisory responsibilities should have extra evaluation to ensure mission-criticality prior to approval to fill being granted to further the organization's goal of broadening spans of control.

Specific steps to move the organization forward with the restructuring effort include adoption and implementation of the following items.

- 1) The nine positions identified during the study for elimination (through the vacancy review conducted with department heads) should be eliminated immediately. It is estimated that conservatively these will have salary costs savings of approximately \$600,000. A portion of the savings from the elimination of these positions could fund other efforts outlined in this report.
- 2) Any position vacant for more than 12 months, other than those held vacant for cost savings, should be treated like a request for a new position with a detailed justification made for the business necessity of maintaining the position. Except in the most unique circumstances, a position that has not been filled for over a year where no requirement was imposed on the organizational unit to hold it open is hard to define as mission critical for service delivery. The County should consider a policy that automatically defunds any vacancy after a 12 month period of time. This is perhaps another recommendation that would be viewed as bold, but is not intended to eliminate any judgement from decision-making but rather to ensure that each decision about a position is conducted in a consistent manner across the organization and against a set of adopted guidelines.
- 3) The County Executive should direct the appropriate staff to pilot several self-directed work team pilot projects to gain a real-world understanding of the support needed to effectuate their broad implementation throughout the organization. These should be conducted by the end of the year to enable the full implementation of this approach during the 2022 calendar year. The implementation of self-directed work teams will not only assist with the ability to reduce the number of front-line supervisors but should have beneficial organizational culture impacts including increased employee engagement and job satisfaction.
- 4) All organizational units should identify which operational areas within their organization would be suitable for implementation of self-directed work teams so that employment decisions can be made to align future hiring of supervisory vacancies with the future implementation of the self-directed work teams.

- 5) OHR should begin developing a training program that is designed to address the following areas:
 - a. Providing necessary skills to supervisors to oversee an increased number of subordinate staff,
 - b. Teaching supervisors how to supervise remotely. The last year has highlighted that many supervisors, even highly experienced ones, need additional support in learning how to effectively supervise staff remotely.
 - c. Self-directed work team support including training for supervisors on how to supervise self-directed work teams but also for employees regarding what it means to be a self-directed work team. This training will likely require components on supervision, communication, conflict resolution, team dynamics, etc.
- 6) For any retirement that occurs in the next 18 months, the County should seek to eliminate, either through modifications of spans of control, implementation of self-directed work teams or through position elimination, between 5 – 10% of these positions (10% would equal 23 positions) for an estimated \$2,231,000 - \$4,462,000 in savings. These positions are targeted for consideration of elimination as they would be vacant and would therefore not impact a current incumbent.
- 7) The County has a significant number of employees eligible for retirement but the actual number of retirements, based on historical data, will be much smaller than those eligible. While the County may desire to explore early retirement incentives (which was beyond the scope of this effort to analyze), but should only pursue implementation if the net cost is minimal or results in a savings to the organization. While the organization would find the major restructuring contemplated under this effort significantly easier if there were more retirements and therefore vacant positions to work with, the need for cost savings within the organization negates incentivizing retirements if there is a net cost to doing so.
- 8) Direct OHR to undertake a review of the classification and compensation program, identify areas that are not in alignment with this organizational structure initiative and outline steps necessary to bring the system into compliance. Specific focus should be placed on the following elements of the classification system:

- Ensuring all supervisory positions are spending a preponderance of their time on supervisory duties during classification / reclassification requests.
- Increasing the use of lead positions in the organization prior to establishment of new supervisory positions.
- Ensuring the compensation system doesn't incentivize position creep or job inflation to reward employees.
- Ensuring the classification and compensation program will accommodate implementation of self-directed work teams.
- Reevaluating whether the current approach with the MLS series is appropriate for the organization.

EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

FY23-28 FISCAL PROJECTION							
	Estimate - FY22	Projected - FY23	Projected - FY24	Projected - FY25	Projected - FY26	Projected - FY27	Projected - FY28
BEGINNING BALANCE	(13,602,257)	1,170,573	1,183,805	12,023,391	17,891,295	19,091,100	20,378,202
REVENUES							
Premium Contributions	252,444,914	265,930,848	283,471,602	303,219,491	324,042,994	346,401,807	370,416,688
Premium Contributions: Retiree Insurance NDA	50,618,652	28,928,437	62,712,253	60,364,241	58,864,568	62,330,744	66,029,249
Investment Income	13,570	81,000	106,020	110,060	114,250	118,600	123,120
OPEB Trust Utilization		20,000,000					
TOTAL REVENUES	303,077,136	314,940,286	346,289,875	363,693,791	383,021,812	408,851,152	436,569,057
OTHER CHANGES	-	-	-	-	-	-	-
Claim on Fund Balance	7,558,000	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE	297,032,879	316,110,859	347,473,680	375,717,183	400,913,106	427,942,251	456,947,260
EXPENDITURES							
Claims, Premiums, & Carrier Administration	290,032,716	308,819,553	329,037,414	351,092,369	374,751,812	400,140,345	427,392,977
Actives	182,684,082	194,642,513	207,068,659	220,710,430	235,307,721	250,932,634	267,663,235
Retirees	107,348,635	114,177,040	121,968,755	130,381,940	139,444,091	149,207,711	159,729,741
In-house expenses	5,829,590	6,107,500	6,412,875	6,733,519	7,070,195	7,423,704	7,794,890
TOTAL EXPENDITURES	295,862,306	314,927,053	335,450,289	357,825,888	381,822,006	407,564,049	435,187,866
ENDING BALANCE	1,170,573	1,183,805	12,023,391	17,891,295	19,091,100	20,378,202	21,759,393
TARGET FUND BALANCE (5% OF EXPENDITURES)	14,793,120	15,746,350	16,772,510	17,891,290	19,091,100	20,378,200	21,759,390
ENDING BALANCE AS % OF EXPENDITURES	0.4%	0.4%	3.6%	5.0%	5.0%	5.0%	5.0%



CONSOLIDATED RETIREE HEALTH BENEFITS TRUST

April 11, 2022

TO: Council President Gabriel Albornoz

FROM: Barry Kaplan
Chair, Board of Trustees

Subject: OPEB Trust Utilization Policy / FY 2023 Funding

As you are aware, the County Executive's Fiscal Year 2023 operating budget includes a \$20 million outflow from the Consolidated Retiree Health Benefits Trust "CRHBT" to cover a portion of the County's health benefit costs. Historically, the Trust has been in the accumulation phase and Trust assets have not been drawn on for health benefit costs. While the Board appreciates that this Trust will one day be used for such a purpose, we do not believe it is prudent to utilize Trust assets without a long-term policy in place that sets parameters and guardrails to protect the long-term viability of the Trust. Without a long-term policy and strategy for this eventuality Staff and the Board will be challenged to make prudent asset allocation decisions, which may impact the expected investment return of the Trust and the ability to meet participant benefit needs.

The Board of Trustees approved a resolution at the March 25th, 2022 board meeting, stating our opposition to any Trust utilization until a long-term utilization policy and strategy is formalized. Such a policy should consider a variety of factors, including, actuarial funded status, demographic activity, investment return outlook, and future changes to the benefits structure. The Board recommends that the Council restore the funding for the CRHBT and continue working on a new utilization policy and strategy with clear parameters and guardrails that will allow strategic planning of asset allocation, timing of investments, and withdrawals in a more planful manner that optimizes portfolio management for the trust participants.

cc: Board of Trustees of the Consolidated Retiree Health Benefits Trust



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

March 15, 2022

TO: Gabe Albornoz, President
Montgomery County Council

FROM: Marc Elrich, County Executive *Marc Elrich*

SUBJECT: Compensation Sustainability Policy

The Compensation Sustainability Policy identified within Resolution 19-753 states that the County Executive should provide a written explanation when the growth rate of total compensation costs exceeds the projected one-year or six-year rate of revenue growth. My FY23 Recommended Operating Budget includes total compensation and benefit increases, exclusive of new positions added or eliminated in FY23, of approximately \$59.2 million, for a growth rate of 4.88%. As shown in the fiscal plan, the one-year growth rate is 5.9%, while the six-year growth rate is 3.34%.

Operating budget resources did not need to be re-allocated in FY23 to accommodate these costs; the one-year growth rate exceeded the increase. These costs are sustainable over time as the total increase of \$59.2 million is far below the increase in growth associated with the 3.34% annual growth over the six-year projection, which amounts to \$175 million for FY23.

Furthermore, the composition of compensation elements that make up the \$59.2 million increase include items that take steps necessary to address major issues within County employee compensation structures. Included in the increases are:

- Collectively bargained compensation increases to ensure wage growth keeps pace with significantly higher than normal inflation
- Adjustments to transit bus operator salary schedules that resolves a decade-long wage inequity
- Increases to Police compensation to address severe comparability issues
- Health insurance funding to return the employer cost share to the levels established in the collective bargaining agreements

ME:co

cc: Richard S. Madaleno, Chief Administrative Officer
Dale Tibbitts, Special Assistant to the County Executive
Fariba Kassiri, Deputy Chief Administrative Officer
Ken Hartman, Director, Office of Strategic Partnership

FY23 Recommended Changes	Expenditures	FTEs
Add: Community Grant: Us Helping Us, People Into Living, Inc. (Provide support for complimentary, comprehensive health screening to assess health risks among Montgomery County residents.)	42,400	0.00
Add: Community Grant: Vietnamese Americans Services, Inc. (Provide improved health care access to the Vietnamese community in Montgomery County.)	53,424	0.00
Add: Community Grant: Vietnamese Americans Services, Inc. (Provide services to seniors in the Vietnamese community and sustain the first adult day care center for the Vietnamese community in Montgomery County.)	53,000	0.00
Add: Community Grant: Village Youth & Family Center, Inc. (Provide afterschool programming for young women to build a healthy sense of self, community and belonging through yoga and art.)	5,300	0.00
Add: Community Grant: Washington Area Bicyclist Association, Inc. (Provide a youth bicycle safety program to Montgomery County's public school youth through the Excel Beyond the Bell after-school program.)	31,800	0.00
Add: Community Grant: Washington Youth Foundation, Inc. (Provide educational and academic support for low-income immigrant students.)	53,000	0.00
Add: Community Grant: Winter Growth, Inc. (Provide supportive services to functionally and/or cognitively impaired seniors to help them age safely and with dignity in their community.)	18,550	0.00
Add: Community Grant: YMCA of Metropolitan Washington, Inc. (Provide case management and training for volunteers in intensive one-on-one mentoring program for court-involved male and female youth of color.)	42,400	0.00
Add: Community Grant: YMCA of Metropolitan Washington, Inc. (Provides at-risk youth with trauma-informed, academic-focused, out-of-school-time enrichment services, intensive homework help and mentoring, and other services for adults.)	74,200	0.00
Add: Community Grant: YMCA of Metropolitan Washington, Inc. (To establish Long Branch Collective Action for Youth initiative, a collaborative effort to improve agency coordination and outcomes for youth.)	90,100	0.00
Add: Community Services Grant: Funding for Community Services Grants (Funding for Community Services Grants)	60,987	0.00
Add: Nonprofit Technical Assistance and Management Support Grants	750,000	0.00
Add: Underserved Communities Nonprofit Children, Youth, and Families Grants	750,000	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY22	(9,705,874)	0.00
FY23 Recommended	10,350,372	0.00

Compensation and Employee Benefit Adjustments

This NDA contains a General Fund appropriation and a non-tax appropriation, and provides funding for certain personnel costs related to adjustments in employee and retiree benefits; pay-for-performance awards for employees in the Management Leadership Service, Police Leadership Service, and non-represented employees; deferred compensation management; and unemployment insurance.

Non-Qualified Retirement Plan: This provides funding for that portion of a retiree's benefit payment that exceeds the Internal Revenue Code's §415 limits on payments from a qualified retirement plan. Payment of these benefits from the County's Employees' Retirement System (ERS) would jeopardize the qualified nature of the County's ERS. The amount in this NDA will vary based on future changes in the Consumer Price Index (CPI) affecting benefit payments, new retirees with a non-qualified level of benefits, and changes in Federal law governing the level of qualified benefits.

Deferred Compensation Management: These costs are for management expenses required for administration of the County's Deferred Compensation program. Management expenses include legal and consulting fees, office supplies, printing and postage,

and County staff support.

Management Leadership Service Performance-Based Pay Awards: In FY99, the County implemented the Management Leadership Service (MLS), which includes high-level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. In FY19, the County implemented the Police Leadership Service (PLS) to include lieutenants and captains in the Department of Police. MLS and PLS employees are not eligible for service increments. Performance-Based awards for MLS and PLS employees are funded in FY23.

Unemployment Insurance: The County is self-insured for unemployment claims resulting from separations of service.

Unemployment insurance is managed by the Office of Human Resources through a third party administrator who advises the County and monitors claims experience.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	4,167,600	1.13
Increase Cost: Health Insurance Cost Share adjustment	6,302,265	0.00
Increase Cost: Annualization of FY22 Personnel Costs	3,734	0.05
Increase Cost: FY23 Compensation Adjustment	1,955	0.00
Decrease Cost: MLS/PLS Pay for Performance	(1,000,000)	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	8,311	0.00
FY23 Recommended	9,483,865	1.18

Conference and Visitors Bureau

The Conference and Visitors Bureau (CVB) promotes Montgomery County as a destination for meetings/conferences, student group travel, group tours, leisure travel, and amateur sports events. The CVB develops and distributes publications on points of interest to tourists, implements public information campaigns promoting tourism and event facilitation in Montgomery County, and attends trade shows and sales missions in target markets. The CVB also serves as a resource center assisting small and large hospitality businesses considering new product development and/or expansions. The CVB coordinates with the Maryland Office of Tourism Development (Visit Maryland), Maryland Film Office, Capital Region USA (CRUSA), TEAM Maryland, and national and regional events to promote tourism growth, increased visitor spending, and visitation in Montgomery County. The CVB manages the tourism marketing grant provided annually by the Maryland Tourism Development Board. The CVB operates on contract with the Department of Finance. Funding is based on seven percent of the total hotel/motel tax revenues.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	1,632,834	0.00
Replace: Hotel/ Motel Tax Revenue Previously Funded by ARPA with General Funds	804,200	0.00
Enhance: Destination Management	500,000	0.00
Shift: FY22 ARPA One-Time Funding	(804,200)	0.00
FY23 Recommended	2,132,834	0.00

☀ Conference Center

Prior to FY06, the Conference Center NDA primarily provided for pre-opening expenses. Since the Conference Center opened in November 2004, the NDA has expanded its scope to fund:

- a full-time position to manage the operational and fiscal oversight of the Conference Center complex;
- non-routine repairs, alterations, improvements, renewals, and replacements; and
- the designated reserve required by the management agreement with Marriott International, Inc.

Funding is also included to reimburse the contractor for costs not covered by operations during accounting periods when losses occur. These costs will be offset by contractor payments to the County during accounting periods with operating gains. To ensure fiscal and operational accountability, a management audit is conducted every two years and the program budget is increased by \$50,000 during the year such audit is scheduled. Revenues consisting of net operating income from the Conference Center and land rent from the hotel are deposited into the general fund. Twenty percent of the County's net proceeds from Conference Center operations is retained for investment in marketing and facility improvements to increase Conference Center usage. All proposed investment expenditures are reviewed and approved by the Conference Center Management Committee.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	590,420	1.00
Increase Cost: FY23 Compensation Adjustment	788	0.00
Decrease Cost: Annualization of FY22 Personnel Costs	(17,886)	0.00
Decrease Cost: Conference Center - Biannual Management Audit	(50,000)	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	2,573	0.00
FY23 Recommended	525,895	1.00

☀ Consolidated Retiree Health Benefit Trust - College

This NDA provides consolidated funding for Montgomery College's contribution to the Retiree Health Benefits Trust.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	5,608,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(3,904,000)	0.00
FY23 Recommended	1,704,000	0.00

☀ Consolidated Retiree Health Benefit Trust - MCPS

This NDA provides consolidated funding for Montgomery County Public Schools' contribution to the Retiree Health Benefits Trust.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	73,048,269	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(15,623,592)	0.00
FY23 Recommended	57,424,677	0.00

expansion including, but not limited to financing, services alignment, workforce supports, and community engagement. As the Initiative moves into year 4, there is a focus on increasing the supply of child care, reducing costs for early educators, increasing quality programming, and subsidizing the costs of child care for families.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	10,992,589	6.00
Shift: Existing Expense from Operating Expense to Personnel Cost To Reflect Addition of Two Merit Staff Positions That Will Support the Early Care and Education Initiative	0	2.00
Shift: Recreation Summer School Wrap Around Program to Early Care and Education NDA	0	9.96
FY23 Recommended	10,992,589	17.96

Future Federal/State/Other Grants

This NDA enables the County to implement new grant-funded programs up to \$200,000 each and provides funds for grant continuations and enhancements without having to process individual supplemental appropriations through the County Council. Upon approval by the County Executive, funds in this program are transferred to the receiving department's grant account.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	20,000,000	0.00
FY23 Recommended	20,000,000	0.00

Grants To Municipalities in Lieu Of Shares Tax

This NDA funds payments required in accordance with State law. The 1968 Session of the General Assembly revised the tax structure to include a County income tax. As part of this restructuring, the shared tax on banks and financial institutions was eliminated, and a provision was adopted which requires counties to pay annually to municipalities the amount (\$28,020) that had been received by the municipalities in FY68.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	28,020	0.00
FY23 Recommended	28,020	0.00

Group Insurance Retirees

Group insurance is provided to retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

Employees hired after January 1, 1987, are eligible upon retirement for a lifetime cost sharing option under which the County pays 70 percent of the premium and the retiree pays 30 percent of the premium for life for retirees who were eligible to participate in the County group insurance plan for 15 or more years as active employees. Minimum participation eligibility of five

years as an active employee is necessary to be eligible for the lifetime plan. The County will pay 50 percent of the premium for retirees with five years of participation as an active employee. The County contribution to the payment of the premium increases by two percent for each additional year of participation up to the 70 percent maximum.

On March 5, 2002, the County Council approved a one-time opportunity for retirees still under the 20/80 arrangement with an expiration date to elect the lifetime cost sharing arrangement. The new percentage paid by the County for those electing this arrangement ranges from 50 percent to 68 percent, depending upon years of active eligibility under the plan and years since retirement. The cost sharing election process has been completed. The budget does not include employer contributions from participating outside agencies.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	50,618,652	0.00
Decrease Cost: Utilization of OPEB Trust Funds	(20,000,000)	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(1,690,215)	0.00
FY23 Recommended	28,928,437	0.00

Guaranteed Income

The Guaranteed Income Non-Departmental Account will fund a three-year pilot of the Guaranteed Income program, whose purpose is to provide direct, recurring cash payments to targeted groups of people without strings attached. The goals of the program are to alleviate poverty, provide a form of financial stability, and give people the ability to make their own choices to improve their economic position. Guaranteed Income is seen as one strategy to address income and wealth inequality.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	0	0.00
Add: Year Two Guaranteed Income Pilot Expenses	2,563,502	1.00
FY23 Recommended	2,563,502	1.00

Historical Activities

This NDA provides funding for the Historical Society to support the Society's Education Program staff, educational and outreach programs for County residents, and to maintain the Historical Society's research library and museums.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	150,000	0.00
Increase Cost: Six Percent Inflationary Increase to Non-Profit Service Provider Contracts	9,000	0.00
FY23 Recommended	159,000	0.00

Homeowners' Association Road Maintenance Reimburse

This NDA provides a partial reimbursement to homeowners' associations (HOAs) for their maintenance of certain privately-owned roadways. The payment is currently restricted to through roadways, accessible to the public, which are one-quarter mile or longer and which provide vehicular access to more than four dwelling units. In FY97, an Executive Regulation was enacted allowing homeowners' associations to request that their roadways be deemed "private maintenance roads." This

FY23 Recommended Changes	Expenditures	FTEs
Increase Cost: MCAEL Operating and Grant Expenses	117,424	0.00
FY23 Recommended	2,074,482	0.00

☀️ Montgomery County Economic Development Corporation

This is the private non-profit corporation established by Council Bill 25-15 that serves as Montgomery County's lead economic development organization. The Economic Development Corporation is responsible for implementing the County's economic development strategic plan and related programs that include marketing, business retention and attraction, entrepreneurship, and promoting the development of the County's economic base.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	5,007,750	0.00
Increase Cost: Funding for Activities and Outcomes	1,192,250	0.00
FY23 Recommended	6,200,000	0.00

☀️ Montgomery County Employee Retirement Plans

The mission of this NDA is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. Expenditures associated with this program are funded from the Employees' Retirement System (ERS), Retirement Savings Plan (RSP), and the General Fund on behalf of the Montgomery County Deferred Compensation Plan (DCP) trust funds and are, therefore, not appropriated here. This NDA manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy and investment guidelines. The Board also administers the investment programs for the RSP and DCP. The Board consists of 13 trustees including the Directors of Human Resources, Finance, and Management and Budget; the County Council Executive Director; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	0	0.00
FY23 Recommended	0	0.00

☀️ Montgomery County Green Bank

The Montgomery County Green Bank seeks to leverage public and private investments to reduce greenhouse gas emissions and is funded with both County and private money. Residents and businesses can obtain financing for things like weatherization, high efficiency HVAC systems, and renewable and clean energy projects. Bill 44-21 requires the County to appropriate 10 percent of the revenue received by the County from the fuel energy tax each year to the Montgomery County Green Bank. The amount reflected below represents 10 percent of the estimated energy tax revenue to be collected in FY23.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	0	0.00
Increase Cost: Montgomery County Green Bank	18,647,957	0.00
FY23 Recommended	18,647,957	0.00

support services, recognize member achievements and address the many technology issues that impact local government.

Funds are budgeted each year to continue membership in PTI.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	5,000	0.00
FY23 Recommended	5,000	0.00

Retiree Health Benefits Trust

Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to the County's 50-year-old practice of pre-funding for retiree pension benefits. Due to exponential growth in expected retiree health costs, the County had determined the cost of funding these benefits, which were being paid out as the bills came due, would become unaffordable. Setting aside money now and investing it in a Trust Fund, which is invested in a similar manner as the pension fund, is a prudent and responsible approach that will result in significant savings over the long-term.

The County's approach to address retiree health benefits funding has been to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits and any accrued interest on unfunded liability. This amount, known as an Actuarially Determined Contribution or "ADC", is estimated at \$65.9 million. This amount normally consists of two pieces - the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County's policy has been to pay the full amount of ADC each year. In FY11, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The Bill amended existing law and provided a funding mechanism to pay for other post employment benefits (OPEB) for employees of MCPS and MC. In FY15, the County and all other agencies implemented the Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015. This has reduced retiree drug insurance costs and the County's OPEB liability. The County achieved full pre-funding in FY15, consistent with Council resolution No. 16-555. In FY22, these contributions were budgeted at \$10.8 million (County General Fund), \$73.0 million (MCPS Consolidated Trust), and \$5.6 million (MC Consolidated Trust).

In planning for FY23, actuarial analysis assumed a utilization of Trust assets due to the funded status of plan, and the pay-as-you-go amount was determined to be higher than the ADC. The County Executive has determined that the magnitude of the assets in the OPEB Trust requires a shift from the policy of paying the full amount of the ADC each year, to a policy that utilizes the Trust to pay a portion of the retiree health benefits while maintaining the assets necessary to support consistent and continued utilization through sustained investment growth and contributions as required.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	10,829,980	0.00
Decrease Cost: County Contribution Based on Actuarial Valuation	(10,829,980)	0.00

☀ State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland Appellate Courts.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	60,756	0.00
FY23 Recommended	60,756	0.00

☀ State Property Tax Services

This NDA funds the reimbursement to the State for three programs that support the property tax billing administration conducted by the Department of Finance: the Montgomery County Homeowners Credit Supplement, the Homestead Credit Certification Program, and the County's share of the cost of conducting property tax assessments by the State Department of Assessments and Taxation. This NDA also funds the County Renters' Property Tax Relief Supplement (Bill 21-15) enacted in 2016 and administered by the Department of Finance.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	3,565,615	0.00
FY23 Recommended	3,565,615	0.00

☀ State Retirement Contribution

This NDA provides for the County's payment of two items to the State Retirement System:

- Maryland State Retirement System: Unfunded accrued liability, as established by the Maryland State Retirement System (MSRS), for employees hired prior to July 1, 1984, who are members of the MSRS (including former Department of Social Services employees hired prior to July 1, 1984), and for those who have retired (all County employees participated in the State Retirement System until 1965.) The County's contribution for this account is determined by State actuaries. Beginning in FY81, the amount due was placed on a 40-year amortization schedule. The funding of the 40-year amortization schedule was completed in FY20.
- State Library Retirement: Accrued liability for retirement costs for three Montgomery County Public Library retirees who are receiving a State retirement benefit. These were County employees prior to 1966 who opted to stay in the State plan.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	3,754	0.00
FY23 Recommended	3,754	0.00

☀ Takoma Park Library Annual Payments

The annual amount provided in this NDA is a function of County expenditures for the Montgomery County Public Libraries (as a share of property tax-funded spending) and the City of Takoma Park's assessable base. The payment is authorized by Section 2-53 of the Montgomery County Code.