

ARLINGTON COUNTY FISCAL AFFAIRS ADVISORY COMMISSION
 REPORT TO THE COUNTY BOARD
 FY2017 PROPOSED BUDGET

BUDGET AREA:	Compensation
FAAC REVIEWERS:	David Kinney, Steve Baker, Mark Morze
DATE OF FAAC ACTION:	29 February 2016

FAAC Opinion

There are quite a few changes in the County Manager’s proposals for compensation in Fiscal Year 2017. Foremost is the elimination of the entire step program and implementing an open range pay plan that would equalize percentage increases for general employees. Additionally, the County Manager recommends changes to the very top and very bottom of the pay scale with increases in the grade maximum and the removal of the lowest two steps for permanent employees. The County Manager also included increases of many smaller work/life balance incentives.

FAAC Recommendation #1			
The FAAC recommends that the County Board approve the 3.25% increase in salary compensation as recommended by the County Manager. (\$5,000,000)			
Vote:	Yes: 10	No: 3	Abstain: 0
Comment:			

FAAC Recommendation #2			
The FAAC recommends that the County Board approve the Open Range Pay Plan recommended by the County Manager.			
Vote:	Yes: 9	No: 2	Abstain: 2
Comment:	<ul style="list-style-type: none"> • The abstentions did not feel as though they had enough information to make an informed choice on such a large change. • Many FAAC members, including some who voted in support, questioned the implementation of such a sweeping philosophical change directly before a multi-year review planned to encompass all facets of compensation. 		

	<ul style="list-style-type: none"> Concerns were raised that while managerial flexibility might be beneficial it can also lead to gender imbalances. FAAC members felt there should be a mechanism in place to monitor this.
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FAAC Recommendation #3

The FAAC recommends that the County Board increase the maximum salary of each pay grade by 1.75% as recommended by the County Manager. (\$1,000,000)

Vote:	Yes: 8	No: 3	Abstain: 2
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Comment:	<ul style="list-style-type: none"> The abstentions did not feel as though they had enough information to make an informed choice on such a large change. FAAC members expressed interest in a study or metrics proving the need for this change.
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FAAC Recommendation #4

The FAAC recommends that the County Board increase the base rate for permanent employees to \$14.50 per hour as recommended by the County Manager. (\$200,000)

Vote:	Yes: 11	No: 2	Abstain: 0
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Comment:	<ul style="list-style-type: none"> This would also eliminate steps 2 and 3 for general employees.
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FAAC Recommendation #5

The FAAC recommends that the County Board fund the Live Where You Work Grants at the level recommended by the County Manager. (\$22,000)

Vote:	Yes: 9	No: 3	Abstain: 1
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Comment:	<ul style="list-style-type: none"> The nays were dubious that this program actually affected the employee decision making process.
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FAAC Recommendation #6

The FAAC recommends that the County Board implement a commercial driver's license bonus linked to safe driving practices as recommended by the County Manager.

Vote:	Yes: 11	No: 0	Abstain: 2
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Comment:	
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FAAC Recommendation #7

The FAAC recommends that the County Board extend new parent leave for primary caregivers from 10 days to 20 days, as recommended by the County Manager.

Vote:	Yes: 11	No: 0	Abstain: 2
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Comment:	<ul style="list-style-type: none"> Many FAAC members supported a study of nearby localities and the private sector to determine if Arlington should grant more than 20 days of new parent leave.
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FAAC Recommendation #8

The FAAC recommends that the County Board increase the tuition reimbursement program as recommended by the County Manager. (\$38,000)

Vote:	Yes: 9	No: 3	Abstain: 1
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Comment:	<ul style="list-style-type: none"> The nays were dubious that this program actually affected the employee decision making process.
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FAAC Recommendation #9

The FAAC recommends that the County Board increase the number of days per week the HealthSmart Wellness Clinic is open from 3 days to 4 days, as recommended by the County Manager. (\$60,000)

Vote:	Yes: 9	No: 3	Abstain: 1
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Comment:	<ul style="list-style-type: none"> The nays questioned both the efficacy of adding an additional day and the logic of the underlying assumptions.
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Future Considerations

For the past few years, Arlington has made incremental changes to certain portions of compensation to remain competitive. According to County staff, there is a need to look at overall pay and benefits over the next two years. This would be a two to three year, holistic look at Arlington’s Total Compensation Philosophy that might find needed tweaks or changes. According to the County Manager, there is money available in contingency funds for this initiative. Given compensation is a significant portion of the budget, FAAC would like to be involved throughout the study process.

FAAC also believes that a component of this study should be a review of policies, practices, and data to find any gender imbalances. This should encompass both existing practices and inform any proposed changes to compensation.

Millennials are becoming an ever larger part of the County's workforce. Figuring out how to best utilize and incentivize our younger workers is incredibly important going forward and should be a significant component of the overall study mentioned above.

As part of said study, FAAC recommends the County take a hard look at whether we should move to a defined contribution retirement plan. Such plans have become the norm in private enterprise. Additionally, many millennials are more acquainted with defined contribution plans to begin with and don't stay long at a single job, on average.

Another tough decision looming is the possible decision to decouple retirees' and employees' health insurance plans. Right now the split of retirees to employees is just about 50/50, but that is only expected to grow on the retiree side, who cost more per average than the employees. This raises the out-of-pocket health insurance costs on employees and will eventually significantly hamper hiring and retention if not solved.