

## Large benefit cuts help close budget deficits

Employee compensation package costs lowered by \$469 million in Montgomery County, Md.

After several years of layoffs, trimmed wages and benefits and cuts in everything from road repairs to recreational facilities, Montgomery County, Md., is actually adding employees and restoring some services. But that doesn't mean that the "old normal" is likely to return soon.

"All things equal, we're not going back to the go-go, heady days," says Joseph Adler, the county's director of human resources.

In the six years since fiscal year 2008, the county has closed budget shortfalls of \$2.635 billion, with just under \$1 billion of that in FY 2011 alone. As a consequence, the county underwent a massive restructuring of its workforce, with a total of 1,254 positions abolished. In its most recent budget, the county planned to add 92 positions.

County Executive Isiah Leggett says that painful decisions made in the lean years have positioned the county to recover. "Our balanced approach to addressing these difficulties has helped bring us out of the worst of this economic crisis," Leggett wrote in his budget message.

The balanced approach represented a total cut in the county's workforce compensation package of \$469 million from FY 2010 to FY 2013, according to county statistics. Changes to the retirement package saved \$14 million; trims in healthcare benefits, \$10 million; three years of no wage increments, \$62 million; four years of no cost-of-living-adjustments, \$162 million; furloughs in FY 2011, \$11 million; and net savings from the loss of positions, \$210 million.

The county had already moved to a defined contribution plan in 1994, well ahead of the curve toward employee responsibility for retirement income. In addition, the county has changed its health care premium mix to encourage more employees to move to cost-effective health maintenance organizations and a multi-tier system for prescription drugs.

At the same time, Adler says, the county countered the bleak compensation picture with multiple training opportunities, a tuition assistance program and flexible work hours, including adjustments like four-day workweeks and flex work schedules.

"We try to be family friendly," he says. "We try to keep the workforce motivated. We haven't had a large exodus, not constant turnover."

While other areas of the nation can use higher unemployment as a lever, Montgomery County has to compete for top employees against the federal government in Washington and big local government employers like Fairfax County in the nearby northern Virginia suburbs. Adler says Montgomery County has not had a problem attracting good candidates, except in highly technical positions.

He is particularly proud of the managerial development program that has aimed to build management talent from



### Employee Cost Savings FY10-FY13

Retirement Changes .....	\$14 million
Health Benefits Changes .....	\$10 million
3 Years of No Increments .....	\$62 million
4 Years of No COLAs.....	\$162 million
Furloughs (FY11) .....	\$11 million
Net Savings from Abolishing 1,254 Positions (FY10-12) .....	\$210 million
<b>TOTAL</b>	<b>\$469 million</b>

**Plus \$156 million annually in ongoing savings.**

Source: Montgomery County, Md., Office of Human Resources

its current employee pool, through a rigorous approval process and a program of classes and mentor relationships.

In the future, he foresees an effort to build a workforce and level of service that more closely matches the changing demographics of the county, which he says has changed significantly in the last five years.

"We are looking at what we have to strategically do in the next 10 years," he says. "I don't see further cutbacks in these areas. Probably even modest growth. I see a stabilizing rate of growth rather than further decreases."

— Robert Barkin