CITY OF ROCKVILLE
COMPENSATION COMMISSION REPORT
MARCH 29, 2019

INTRODUCTION

In accordance with Chapter 2, Section 2-21 of the Rockville City Code, the Compensation Commission met between January and March, 2019, to discuss and prepare a recommendation for the Mayor and Council's annual compensation. Members of the Commission are: Richard Stolz (Chair) Janice Podoll Frankle, Barry Klein, and Jonelle Williams. There is one vacancy on the Compensation Commission. Assisting the Commission were City Clerk/Director of Council Operations, Sara Taylor-Ferrell and City Attorney Debra Daniel. In addition, staff from the City Manager's Office as well as the Finance and Human Resources Departments provided important data and information.

RESEARCH

The Compensation Commission reviewed previous Compensation Commission reports, as well as new data requested of staff by Commission members including data showing the salaries of elected officials in municipalities throughout Maryland. In addition, the Commission developed an online survey for residents to provide input on principles and goals to guide the Commission's determination of appropriate compensation. The Commission also sent questions to the current Mayor and Councilmembers seeking their suggestions for the next Mayor and Council's compensation. The Commission further held a public hearing to give residents an additional opportunity to provide feedback. There were no speakers at the public hearing. The Commission received twenty-three responses to the survey and two responses to questions posed to the current Mayor and Council. The responses received from the survey and questions to the current Mayor and Councilmembers are attached to this report as Attachment A.

In reviewing the responses received from the survey and questions to the sitting Mayor and Council, certain issues were raised and identified for response:

- Whether the amount of time spent by individual Mayor and Council members in their official capacities should be a consideration in determining the Mayor and Council's compensation.
- Whether the Mayor and Council's compensation should be increased to facilitate the acquisition of cellphones or other electronic devices, for official use, and whether travel allowances and related expenses are appropriate.

- Whether the Mayor and Council's compensation is commensurate with other similarly situated municipalities.
- Whether there is evidence that the current level of compensation for the Mayor and Council limits interest among Rockville residents in seeking a Council seat or running for Mayor.

In addition, the Commission was presented with three questions on behalf of City staff that had been raised over the past four-year term:

1. Should members of the elected body be reimbursed for meal expenses incurred when discussing business with City staff, developers, potential Rockville businesses, or residents?
2. Should members of the elected body be reimbursed for airfare, parking, mileage, and public transportation when they are on City-related business or representing the City at a function or conference?
3. Should public funds be used to reimburse Council members or the Mayor for attending charitable fundraising events chosen by that Council member or the Mayor?

GENERAL DISCUSSION

The Commission began its discussions by reaffirming the previous Compensation Commission's determination that the City's elected officials, based on the duties of the Mayor and Council set forth in the City's Charter and Code, are intended to be equivalent to a municipal Board of Directors with responsibility for strategic matters, and not as paid employees with a high-level managerial role (a function performed by the City Manager). Based on this conclusion, the Commission decided that the amount of time an individual Mayor or Councilmember chooses to spend on his or her position was not an appropriate consideration for determining compensation.

The Commission noted that many residents volunteer many hours to the City as members of the City's Boards and Commissions without compensation, while also recognizing that the responsibilities of Council members and the Mayor are broader in scope and carry greater legal authority than those of individual Board and Commission members.

While the Commission agreed that the Mayor and Council should receive financial compensation for their time, that compensation should not be considered as equivalent to a part-time salary received by City employees. Rather, a part of Mayor and Council compensation represents a reimbursement for concrete (but not specifically itemized) expenses incurred in conjunction with the performance of their duties, such as cell phones, office materials and local travel.

In addition, the Commission also considers that an important purpose of compensation for Council members and the Mayor is to offset their "opportunity cost" of losing the ability to earn pay from a regular job, due to time spent on their official duties.

Finally, the Commission also recognizes (as did several participants in the survey) that compensation plays a role in the decision-making process of some prospective candidates for Council seats or the Mayor's position. If compensation were nominal, it is probable that few non-retired Rockville citizens of average means could afford to serve on the Council or as Mayor, and thus not seek a position. That outcome could demographically restrict the pool of prospective Mayors and Council members.

SPECIFIC COMPENSATION POLICY DISCUSSION

With respect to the expense reimbursement policy, the Commission concluded that any meal expenses incurred while discussing City business, and any tickets purchased to attend fundraising events, should be included in the Mayor and Council's compensation, and thus not eligible for reimbursement.

Regarding travel reimbursement, the Commission notes that the previous Compensation Commission recommended that the previous Mayor and Council adopt a provision in the City Code providing that the Mayor and Council may receive reimbursements for expenses incurred conducting official City business – but only as consistent with the policies applicable to City employees. This recommendation, not acted upon by the previous Mayor and Council, is based both on the principle of consistency and the practical consideration of simplifying reimbursement administration. With this approach, City staff would no longer be placed in the awkward position of having to process reimbursement requests without having a clear framework for assessing the appropriateness of the request.

Since travel reimbursement is a form of compensation but is not part of the Mayor and Council's annual compensation as defined in the City Code, in order for the next Mayor and Council to receive any reimbursements, the current Mayor and Council must adopt language in the City Code allowing for such reimbursements.[1] Assuming the Mayor and Council adopt such language this term, the Commission agrees that the Mayor and Council should be reimbursed

[1]In accordance with the City Code, the Commission's recommendations as set forth in this report only address recommendations for the compensation of the Mayor and Council who will take office after the 2019 election. This report does not address in any way the compensation being provided to the current Mayor and Council, including any reimbursements.

for City-related travel expenses in the same manner and to the same extent as City employees.[2] In addition, the Commission recommends that the annual travel budget for the Mayor and Council be divided into five separate equally funded accounts for each of the five Mayor and Councilmembers, not to exceed $5,000 each. The Mayor and each Councilmember would have an equal amount of funding for travel reimbursements each fiscal year with a $250 increase starting in FY2021 for each remaining year of the Mayor and Council's term for a total increase of $1,000 over four years, with a not to exceed total of $6,000 for FY2024. The $250 annual increase will account for any increase in travel costs for each succeeding year. Residual (un-used) funds from each account would "expire" at the end of the fiscal year, i.e., a "use it or lose it" travel expense budget policy.

The Commission further discussed annual increases to the Mayor and Council's annual base compensation and agreed to recommend that the compensation be increased by the positive change, if any, in the Washington-Arlington-Alexandria, DC-VA-MA-WV CPI-U for the twelve months preceding previous November.

The Commission, as required by the City Code, reviewed the compensation levels of local cities in the State of Maryland, as well as, in the Washington Metro area and found that Rockville is in the top tier of those local jurisdictions with similar populations. Based on its review of comparable jurisdictions, the Commission deems appropriate its recommendations to increase the Rockville compensation to maintain Rockville's position in this top tier going forward for the next several years.

Regarding the Mayor and Council's access to "employee" benefits, the Commission agrees with the previous Compensation Commission's reasoning and reaffirms its adopted policy allowing any eligible member of the Mayor and Council access to certain employee benefits, but only if the member pays the full cost of that benefit.

FY2020 COMPENSATION RECOMMENDATIONS

Based on the considerations outlined above, the 2019 Compensation Commission makes the following recommendations:

1. Beginning with the Mayor and Council elected in 2019, the Mayor's compensation amount be increased from $32,582 to $34,500 (approximately 6%), and the Council's compensation be increased from $26,376 to $28,000 (also approximately 6%). Although

[2] The Commission notes that reimbursement for meals as part of travel for City business may be paid in accordance with the City's employee travel reimbursement policy. Expenses for meals incurred other than during travel for City business shall be expended by the Mayor and Councilmembers from his or her annual compensation and not be treated as reimbursement.

Mayor and Council members would be under no obligation to use the additional monies in any particular way, the amount is intended to offset the no-longer-reimbursable expenses for meals in connection with City business and the cost of tickets for fundraising or other events (these two items are estimated to total approximately $1,500, based on recent experience), and $500 to cover expenses related to cellphones and other electronic devices needed by the Mayor and Council to conduct City business. This increase is also to recognize the changing complexity of City governance and maintaining comparability to other similar local jurisdictions.

2. For FY2021, 2022, 2023 and 2024, the monetary compensation for the Mayor and Council be increased by the positive change, if any, in the Washington-Baltimore CPI-U for the twelve months preceding the previous November. The Commission further recommends that the Mayor and Council direct the City Manager to continue the established process of ensuring that the correct authorized compensation levels as set by the Mayor and Council are included in future budgets.

3. a. If the current Mayor and Council adopts a provision in the City Code that authorizes travel reimbursements as a form of compensation to the Mayor and Council, the Mayor and Councilmembers each will be allocated an equal amount for travel reimbursements from the FY2020 approved budget, not to exceed $5,000. In addition, that for FY2021, 2022, 2023, and 2024, each Mayor and Councilmember's travel reimbursement account be increased by $250 to account for any increase in travel costs. Any reimbursements paid to the Mayor and Councilmembers must be paid in the same manner and to the same extent as they are paid to City employees. The travel reimbursement provision would amend Section 2-21(h) of the City Code and read as follows (underlined language is new language):

   (h) All compensation payments for the Mayor and Councilmembers ~~shall~~ <u>must</u> be made in equal biweekly installments<u>, except for travel reimbursements for City business, which must be paid in the same manner as paid to all other City employees and in accordance with the City's employee travel reimbursement policy</u>.

   b. If the current Mayor and Council does not adopt the amendment to Section 2-21(h) as set forth above, travel expenses must be allocated as part of the Mayor and Council's annual compensation moving forward with each member of the Mayor and Council receiving an additional $2,500 for a total of $37,000 for the Mayor and $30,500 for each Councilmember. This amount will be carried forward through each year of the term

without any additional adjustments beyond the adjustments set forth in No. 2 above. If this additional $2,500 becomes a part of the Mayor and Council's adjusted annual compensation beginning with the Mayor and Council elected in 2019, the Mayor and Council will not be entitled to any travel reimbursements for City business during its term since any reimbursement amount will already be included in the annual taxable compensation.

4. The Mayor and Councilmembers continue to have access to City-offered benefits with 100% of the premiums to be paid by the Mayor and Councilmembers.

5. Any other compensation and reimbursements to the Mayor and Council, other than what is set forth in the recommendations of this report, are not allowed.