

Last year in the 2009 budget, Manager Cleland penned the following sentence: “Combined, personnel and debt payments represent over 79% of the GF expenditure budget.” This year, the sentence reads: “Combined, the personnel and debt payments represent nearly 82% of the 2010 GF expenditure budget.” All of this INCREASE is due to personnel related expenses. Our debt service actually decreased for one year due to excellent refunding performance.

Lower Merion is caught in a structural budget spiral of increasing personnel costs: not because we are adding to the numbers of employees, but because we are continually raising salaries even at a time when the private sector is stagnant and the Consumer Price Index is negative. It is acknowledged that some employees have contracts, some quite recently renegotiated. Other non-contractual employees are reportedly receiving a 2% base raise. However, if we examine the budget carefully, virtually no one receives only 2%. For the first 5 years of most non-managerial positions there is an automatic step increase in addition to the 2% base pay raise. At 5 years there is an annually increasing longevity payment up to year 25. Presumably there may be a non-managerial employee who has been here more than 25 years. THAT person will receive 2%.

Among the non-contractual managers, there is a longevity payment schedule which is a percentage of base salary and maxes out at 25 years. A few managers might actually see only a 2% pay raise, but they are undoubtedly the recipients of the Manager’s \$15K discretionary pay fund.

In other words, almost all (if not all) employees will take home more than a 2% increase, some significantly more.

By contrast, according to an article in the Inquirer on November 5<sup>th</sup>, private sector Philadelphia metropolitan area workers averaged an annual 1.4% annual increase.

Further, the national director of research and collective bargaining for the American Federation of State, County and Municipal Employees (AFSCME) was quoted in the same article as saying, “We have seen a lot of wage freezes’...noting that frequently the first year or two of a contract will provide no increase.”

I am not a proponent of balancing the budget on the backs of municipal workers. I would not ask any employee of the town to stretch a reduced paycheck unless the circumstances were dire and, let me be clear, I am not suggesting that now. Neither should the taxpayers be asked to stretch their dwindling and non-existent paychecks unless absolutely necessary.

This year we have the opportunity, by freezing non-contractual salaries, to “reset” the salary spiral. It also sends the message to upcoming union negotiators that there is not a bottomless well of funds. Again, let me emphasize, this is not a salary CUT. I do not exaggerate when I say that this is a unique opportunity to hold the line on compensation without reducing the employees’ take home buying power. Not since 1955 have we had an annual negative CPI and given the economic distress that has accompanied it, I hope we don’t have this opportunity again.

I ask the Board of Commissioners to thoughtfully consider this action.

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