

Memorandum

TO: City Council

FROM: Mayor Ron Gonzales
Vice Mayor Cindy Chavez

SUBJECT: Adoption of a Resolution Setting the
Salaries and Benefits for City Council
Appointees and the Interim City Manager

DATE: February 2, 2006

Approved

Date

Recommendation

We recommend the City Council take the following actions:

1. Based on the 2005 annual Council appointee performance evaluations conducted by Council from mid-October to mid-January, we recommend the City Council approve the salary adjustments for individual Council appointees as outlined in this memo.
2. On January 31 the Council appointed Les White as Interim City Manager. We recommend the Council also approve the recommendation on Mr. White's compensation package that is also contained in this memo.
3. Finally, we recommend the Council approve the broad timetable and next steps to recruit the next city manager.

Background

The Council has reviewed and evaluated the performance of all six Council appointees. The objectives of the evaluation process have been to:

- provide better communication to the appointees regarding the Council's performance expectations;
- provide a better opportunity for appointees to inform the Council about their work and accomplishments over the past year;
- focus the appointees' efforts on key Council priorities and strengthen their accountability for achieving them; and
- develop a clearer relationship between performance and compensation for appointees.

In addition, the Council received updated salary survey information on each appointee position. The surveys were conducted by the Employee Services Department. The information was helpful in determining the appointee salary recommendations contained in this memo. The survey information is contained in Attachment A.

In addition, with the appointment of Les White as Interim City Manager, Council needs to approve a compensation package for him as well. Our recommendation on Mr. White's compensation package is also contained in this memo.

To ensure the timely appointment of the next permanent city manager, we also recommend that Council approve the proposed timetable and steps to recruit and appoint the next city manager.

Discussion

2005-2006 Salary Recommendations for Current Council Appointees

As in previous years, with the exception of Interim City Manager Les White (who was just appointed), the recommended salary adjustment is a direct reflection of how the Council rated the appointee's performance over the past year. The recommended salary adjustments are based on a performance evaluation ratings table established by the Mayor's Office and reviewed by the Council several years ago (see Attachment B). As in past years, when the City has been able to award pay adjustments, we are recommending that any recommended pay increase first be used to adjust the base salary of any appointee whose salary was found to be below the surveyed average to that market average. (In this case, we are recommending the "geographically adjusted survey average," which comes the closest to a "level playing field" average because it takes into account factors that cause regional differences in salaries for the same position.) Placing all or a portion of the salary in the base will ensure the base salary remains competitive compared to other similar jurisdictions. *Any appointee whose current salary is at or above the geographically adjusted survey average would not receive a base salary adjustment.* Any adjustments to those salaries that are currently at or above the survey average would be one-time merit pay to be distributed throughout the remainder in FY 05-06.

In addition to any market rate salary adjustments, we are recommending one-year merit pay in the amounts outlined below. The purpose of merit pay is to recognize an appointee's job performance for the past fiscal year. All recommended salary adjustments are retroactive to the first pay period of FY 2005-2006. We recommend that merit pay count toward retirement benefits.

For FY 05-06, only the City Manager's salary was below the survey average. The salaries of all the other appointees were at or above the surveyed market average.

It has been a number of years since the list of agencies used in the appointee salary surveys have been reviewed. Council appointees were consulted in establishing the original list of surveyed agencies. We recommend that before the next performance evaluation cycle, the current appointees be asked to provide their comments on the current list of surveyed agencies and that

staff in Employee Services make revisions, as appropriate, before conducting the next round of surveys.

Specific Salary Recommendations

Harry Mavrognis: We recommend the Executive Director of the Redevelopment Agency receive a one-time merit award in the amount of \$17,503 (8.5% of current salary) for a total 2005-06 salary compensation of \$223,127.

Richard Doyle: We recommend the City Attorney receive a one-time merit award in the amount of \$15,873 (8% of current salary) for a total 2005-06 salary compensation of \$214,352.

Lee Price: We recommend the City Clerk receive one-time a merit award in the amount of \$11,356 (9% of current salary) for a total 2005-06 salary compensation of \$137,529.

Gerald Silva: We recommend the City Auditor receive a one-time merit award in the amount of \$15,169 (9% of current salary) for a total 2005-06 salary compensation of \$183,711.

Barbara Attard: We recommend the Independent Police Auditor receive a one-time merit award in the amount of \$10,150 (7% of current salary) for a total 2005-06 salary compensation of \$155,150.

We congratulate each of the current appointees for another year of meritorious service to the City and its residents.

Compensation Adjustment to Former City Manager Del Borgsdorf

Former City Manager Del Borgsdorf's base salary was found to be 11% below the survey average. Thus all of his recommended salary adjustment would normally be applied to his base salary. However, because Mr. Borgsdorf has recently retired, we recommend that in addition to any other payment due him as a result of his departure from the City, that he also receive the prorated portion the \$13,801 (6.5% of current salary) that would have been added to his FY 05-06 base salary. This award reflects the fact that as we set the FY 05-06 salary for this position and the City Manager leaves the City, *we are now seven months into the current fiscal year.*

Compensation Package for Interim City Manager Les White

For Interim City Manager Les White, we recommend the City Council direct the City Clerk to execute an employment contract containing the following terms and conditions:

- 1) a total compensation package not to exceed former City Manager Del Borgsdorf's total compensation package of \$285,906.20.
- 2) an annual salary of \$232,000.
- 3) a monthly car allowance of \$200.

- 4) reimbursement for one-time moving expenses not to exceed \$1,000.
- 5) no 401(a) plan.
- 6) standard employee health and dental benefits. At the end of his services as interim City Manager, Mr. White will re-retire with all the benefits of a vested City employee including his current lifetime dental benefits.
- 7) All additional standard City employee benefits and obligations.

Long-term City Manager Recruitment and Appointment

In addition to Mr. White's compensation package, we recommend Council approve the following steps in recruiting the next permanent city manager:

- a) Start the preliminary activities for a national recruitment and selection process for the next city manager in fall 2006 so that the next Mayor and City Council can make an appointment by spring 2007. To accomplish this objective, we recommend that Council:
 - b) Direct the Mayor's office to retain an executive search firm, and as in previous Council appointees searches, bring a contract to Council for approval no later than August 2006;
 - c) Conduct extensive public outreach throughout San Jose regarding community criteria for the candidate profile during the fall of 2006.
 - d) Prepare a draft city manager profile for council review and approval.
 - e) Include members of the community in the 2007 candidate interview process to provide advice and comment to the Mayor (similar to the process used to select the current Independent Police Auditor and the current Executive Director of the Redevelopment Agency).

We believe the selection process to hire our next city manager should be led by the next Mayor, who will be elected by San Jose voters later this year. This is the most critically important personnel appointment that the City Council makes and it is essential that the new city manager be hired by the Mayor and Councilmembers who will be working most closely with this individual in the coming years.

Based on our recent experience with national recruitment and selection processes for Council appointees, we can expect the search could require at least six months and it could be nearly a year from the beginning of the effort before a new city manager reports to work in San Jose. We therefore recommend that the City Council take steps this fall that would make it possible for the next Mayor and Council to make this appointment sooner to have the new city manager on board no later than mid-2007.

These preliminary steps would begin this fall. They would include:

- retaining a search firm;
- beginning the public participation process to solicit community input regarding the desired qualities and criteria for the position; and
- developing a draft position profile based on this and other input that would guide the recruitment.

This approach would lead to candidate interviews in early spring 2007 (with public participation in the candidate interview process) with the Mayor's nomination and a Council decision by late spring that would enable the new manager to begin by mid-year 2007.

Attachments:

- A. Appointee Position Salary Surveys
- B. Performance Rating Pay Increase Table
- C. Comparative Compensation packages of Former City Manager Del Borgsdorf and Interim City Manager Les White