

**COUNCIL SALARY SETTING COMMISSION
DRAFT REPORT – 3/25/09**

April X, 2009

Honorable Mayor and City Council
City of San José
200 East Santa Clara Street
San Jose, CA 95113-1905

Re: Recommended Mayor and Council Salaries, Compensation and Benefits for FY 2009 – 2010
and FY 2010 - 2011

RECOMMENDATION

Adoption of an ordinance authorizing the salaries and benefits of the Mayor and City Council for Fiscal Year (FY) 2009 - 2010 and FY 2010 - 2011 as follows:

1. For the Mayor, maintain the annual salary at the current level of \$127,000 for FY 2009 - 2010 and FY 2010 - 2011, respectively.
2. For each Councilmember, maintain the annual salary at the current level of \$90,000 for FY 2009 - 2010 and FY 2010 - 2011, respectively.
3. Retain the levels of health, dental, life insurance and other benefits through FY 2010 - 2011 in accordance with the benefits provided to management employees in Unit 99 and salary continuation insurance benefits as well as the City's contributions to CalPERS or PTC 457 plans through FY 2010 - 2011.
4. Continue to require Councilmembers to pay \$250 for each unexcused absence at scheduled Council meetings, pursuant to City Charter Section 407.
5. Maintain the current compensation level of a monthly \$600 vehicle allowance for the Mayor and City Council through June 30, 2011.

EXECUTIVE SUMMARY

The City Charter directs the Council Salary Setting Commission to review biennially the salaries, compensation and benefits for the Mayor and City Council. The Charter requires the Commission to take into account the full time nature of the office and to set a compensation level which is comparable to other public or private positions with similar full time duties, responsibilities and obligations. In performing our duties, the Commission has diligently reviewed compensation levels for other elected officials in California while taking into consideration the current economic conditions and the status of public and private compensation in our labor market. In fulfilling our Charter responsibilities, we are mindful of the City's ongoing fiscal challenges and the state of the City's budget now and in the future.

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Taking all of these factors into consideration, we recommend maintaining the current compensation levels for the next two years for the Mayor and Council. We find that the current salaries and benefits paid to the Mayor and Council are adequate given the tremendous workload and demands placed upon our elected leaders. While a reduction in pay might be a symbolic gesture favored by some in our community, we believe that a two-year salary freeze is significant. A five percent reduction (5%) in the salaries paid to the Mayor and Councilmembers would generate savings of approximately \$50,000 to the City's General Fund, which is an insignificant percentage (.00005%) of the City's operating budget of \$1 billion. Thus, we have concluded that to recommend a reduction of salaries is not in the best interests of the City nor is it consistent with our Charter mandate. A reduction in compensation could further marginalize the City's ability to attract otherwise qualified candidates for public office, including those who have families or those who could not sustain the loss of earnings while serving our City.

BACKGROUND

Section 407 of the San José City Charter requires that the Council Salary Setting Commission (CSSC), which is appointed by the Civil Service Commission, biennially review and recommend appropriate compensation levels for the Mayor and City Council. The proposed salaries are expected to "take into account the full time nature of the office" and be "commensurate with salaries then being paid for other public or private positions having similar full time duties, responsibilities and obligations." The City Council may adopt the recommended salaries or lesser amounts.

Since January 21, 2009, the CSSC has met in public on at least a biweekly basis to discuss issues central to setting a fair and appropriate compensation for the City Council. The Commission reviewed the Council salary history and pertinent documents, interviewed Councilmembers and former Council candidates, and evaluated other San Jose data. In addition, staff of the Office of the City Clerk conducted a salary survey of other California cities and counties to determine the range of compensation to elected officials in comparable jurisdictions.

The Commission conducted public hearings at five different locations throughout the City on March 4, 9, 18, 19 and 21 to obtain public input in accordance with the City Charter. During these meetings six (6) residents spoke. The general sentiment expressed by the residents who spoke at the hearings was that the compensation for the Mayor and City Council should be reduced in light of the current economic situation and the City's ongoing budget deficits.

This report represents the result of the above efforts and the (unanimous) recommendation of the Council Salary Setting Commission on April X, 2009.

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ANALYSIS

A. Goals of Salary Setting

The Commission strongly believes that the compensation for the Mayor and Councilmembers should be fair and adequate with respect to the scope and complexity of their responsibilities. Equally important, the Council's salary should be appropriately competitive by the local living standards so that qualified citizens are not deterred from running for office because of economic considerations. It should also be on par with the salaries of City employees or elected officials in other jurisdictions with comparable workloads, responsibilities and obligations. Councilmembers testified before the Commission that candidates are aware of the compensation paid to the City's elected leaders and it is a consideration prior to seeking office. Overall, compensation is an important factor in attracting and retaining high quality public officials.

B. Review of Current Mayor and Council Salaries

In reviewing compensation for the City's elected leaders, the Commission recognizes that the City of San Jose is the third largest City in California and the tenth largest city in the United States. The eleven members of the City Council have the responsibility for overseeing an operating and capital budget of approximately \$3 billion. Each Councilmember represents approximately 100,000 constituents, which is comparable to a medium-size city in California, and the Mayor represents nearly one million residents. The CSSC believes that the salary and benefits should be adequate and fair for current members of the City Council but also such that the City will continue to attract the best qualified persons to represent its citizens.

In addition, the Commission notes the following factors which led to the recommendation to maintain current compensation levels for the Mayor and City Council:

- For the eighth consecutive year the City faces a General Fund shortfall and has embraced the goal of solving the City's a structural budget deficit. In addition, the City Council is committed to maintaining public safety service levels while addressing a significant unfunded deferred maintenance backlog, and meeting unfunded pension and other liabilities
- In this period of economic uncertainty, the Commission has decided not to recommend increases in compensation for the Mayor and City Council. The Commission would consider proposing changes to compensation levels in a different economic environment.
- Salaries paid to the Mayor and City Council are at the lower end of the salary range when compared to similar elected officials in California.
- The symbolic value of the Mayor and Councilmembers reducing their compensation or holding the line on their pay is an example that the residents who testified before the Commission feel is appropriate for the City's elected leaders.

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The Office of the City Clerk conducted a survey of comparable cities and counties and the salaries paid to various levels of elected officials. The Commission believes that the scope of responsibility of the San Jose Mayor and Councilmembers has grown over the years. Factors such as the following should be considered in establishing the salaries of San Jose's elected leaders:

- San Jose is the 10th largest City in the nation and the third most populous city in California
- The jobs of San Jose's Mayor and City Councilmembers are full-time positions. It is difficult to make a direct comparison between the duties and responsibilities of San Jose's Mayor and Council with the roles and obligations of other cities' elected officials. Each community is unique with elected officials performing distinct tasks within differing governmental structures amidst varying expectations
- The size of the City's operating and capital budgets equal or exceed many California counties and place San Jose in the top tier of California cities.
- San Jose's geographic area, population, diversity, economy, budget, and number of employees in its work force is more comparable to those of California County Boards of Supervisors, rather than other California cities.

Discussing the compensation of elected officials is a controversial topic, particularly in tough economic times and when those who are elected must vote on their own salary and benefits. During the course of its hearings, the Commission heard testimony from six (6) residents, four (4) of whom favored reducing the Council's current compensation levels. The Commission appreciates the residents' participation and has carefully considered those opinions.

However, the Commission does not recommend any compensation reductions. A call for a reduction in salary might be appropriate if the Commission found evidence that San Jose's compensation levels were high relative to pay for other elected officials with similar responsibilities. But the Commission finds that pay for San Jose's Mayor and City Council is at the lower end of the salary range paid to other City and County officials with comparable duties. We believe that a pay reduction is not warranted in light of the full-time nature of the job and the demands placed upon our elected officials.

Virtually every participant testified about the extensive commitment by San Jose's elected representatives attending countless evening and weekend meetings and events in fulfilling their job duties. Several Councilmembers testified about their activities representing the City at various county, regional and state boards, committees or other organizations. These external assignments consume a large time commitment as well as extensive automobile travel.

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C. Basis for the maintenance of current salaries for the Mayor and Council

The City Charter requires the Commission to recommend salary and benefits which are appropriate given the level of authority and accountability held by our elected representatives. It is important that compensation and benefits for the Mayor and Council do not fall behind those of elected officials with comparable workloads and responsibilities. The Commission acknowledges that the City continues to deal with difficult budget issues in the midst of unprecedented economic challenges. Nevertheless, the Commission recommends no changes in the salaries of the Mayor and City Council.

Recommendation for Councilmembers: The proposed freeze of the Council's salary at \$90,000 annually for the next two fiscal years is reasonable and prudent at this time. Since 2007, the Consumer Price Index for the Bay Area has risen 3.8%. Even maintaining compensation at the current level, Councilmembers will not have kept pace with the rate of inflation in the Bay Area labor market over the last two years.

Recommendation for Mayor: The proposed freeze of the Mayor's compensation at \$127,000 annually is also reasonable and prudent. The Mayor is the sole elected representative of nearly 1 million residents, representing the largest City in Northern California. The City Charter recognizes the unique position and responsibilities held by the Mayor in our City government. As such, the Mayor of San Jose has increased prominence in Santa Clara County, the Bay Area, California and on the national stage. The Mayor's salary is moderate in comparison with compensation paid to other elected city and county leaders in California and the scope of the Mayor's role and responsibilities.

D. Mayor and Council Vehicle Allowance

As a part of its overall compensation, the Mayor and City Council currently receive a \$600 monthly automobile allowance. The allowance is provided to compensate the members for using their vehicles to attend City events, to participate in regional meetings and to conduct their constituent outreach activities. This allowance was adjusted in 2007, the first such revision since FY 1986-87. The Commission recommends maintaining the current vehicle allowance.

CONCLUSION

San Jose is fortunate to have had effective leadership by many men and women who have been elected and served with integrity and distinction. One way to assure that San Jose's elected leaders continue to focus on the people's business is to provide a fair and adequate salary for those who are elected to serve our community. At this time, the Commission feels the appropriate course of action is to maintain the status quo regarding compensation for the Mayor and Council.

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Finally, the Commission is aware of prior referrals from the City Council regarding a potential change to the City Charter which would provide an alternate method for establishing compensation for the Mayor and City Council. In view of the City's current fiscal challenges the Commission recommends that such considerations be tabled for now. Should the Council consider other proposed Charter changes for future City elections, the Commission recommends that it reconvene and develop alternatives for Council consideration.

COORDINATION

The Commission appreciates the testimony from Councilmembers and community participants at the Commission's hearings. The Commission expresses its appreciation to City staff at City Hall and in various Library branches who have hosted the Commission while conducting our public hearings. Finally, the Commission would like to thank the staffs of the Offices of the City Clerk and City Attorney: Dennis Hawkins, Assistant City Clerk; Michelle Radcliffe, Deputy City Clerk; Erik Lacayo, Research Assistant and Lisa Herrick, Senior Deputy City Attorney for their support and assistance to the Commission fulfilling its role and meeting our charge.

By unanimous vote, on April X, 2009, the Commission approved submission of this report.

Joan M. Cooper, Chairperson

Diane Owen, Vice-Chair

Eileen Consiglio, Commissioner

George Thibeault, Commissioner

Patrick Traynor, Commissioner