



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lee Price, MMC

**SUBJECT: TRANSMITTAL OF THE COUNCIL
SALARY SETTING COMMISSION
REPORT**

DATE: May 10, 2007

Approved

Date

COUNCIL DISTRICT: City-Wide
SNI AREA:

RECOMMENDATION

As recommended by the Council Salary Setting Commission:

Approval of an ordinance authorizing the salaries and benefits of the Mayor and City Council for Fiscal Year (FY) 2007 – 08 and FY 2008 - 09 as follows:

1. For the Mayor, increase the annual salary from \$105,000 to \$115,000 and \$127,000 for FY 2007 - 08 and FY 2008 - 09, respectively.
2. For each Councilmember, increase the annual salary from \$75,000 to \$82,500 and \$90,000 for FY2007 - 08 and FY2008 - 09, respectively.
3. Retain the current levels of health, dental, and life insurance benefits through FY 2008 -09 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 2008 - 09.
4. Continue to require Councilmembers to pay \$250 for each unexcused absence at scheduled Council meetings, pursuant to City Charter Section 407.
5. Increase the monthly vehicle allowance for the Mayor and City Council from \$350 to \$600 through FY2008 - 09.

As recommended by City Staff:

6. Repeal Resolution No. 59263 adopted June 24, 1986 which allows Councilmembers to elect to use a City vehicle in lieu of receiving a monthly car allowance.

BACKGROUND

Pursuant to Section 407 of the San Jose City Charter, the Council Salary Setting Commission is responsible to biennially review and recommend the appropriate compensation levels for the Mayor and City Council. The Office of the City Clerk provides staff support to the Commission and is transmitting its report for your consideration. The City Council may adopt the recommended salaries, or lesser amounts.

On June 24, 1986 the City Council adopted Resolution No. 59263 which authorized the \$350 per month reimbursement for car expenses for Councilmembers and unrepresented managers appointed by the City Manager who elect not to drive a City-owned or City-furnished vehicle. This Resolution increased the monthly car allowance from \$250 to \$350 and was adopted to provide an incentive for Councilmembers to use their own vehicles for City business, thereby reducing the cost to the City of maintaining an executive fleet of vehicles.

On May 22, 2001 the City Council adopted Ordinance No. 26384 which accepted the recommendations of the Council Salary Setting Commission and implemented the current compensation levels for the Mayor and City Councilmembers, effective July 1, 2002. The Ordinance continued the automobile allowance without change.

On June 3, 2003 the City Council adopted Ordinance No. 26897 which accepted the recommendations of the Council Salary Setting Commission and deferred implementation of the recommended adjustments to the salaries and automobile allowance for the Mayor and Councilmembers. Specifically, the Ordinance increased the salary of the Mayor to \$117,978 and of Councilmembers to \$84,270 effective July 1, 2004, but deferred the implementation until at least May 2004 and required another Resolution to make the new rates effective. The Council also accepted the Commission recommendation to increase the automobile allowance from \$350 to \$600 per month, which was also deferred. The July 2002 salaries and automobile allowance remain in effect.

ANALYSIS

On May 2, 2007, in the context of reviewing the parameters of a Council Expenditure and Reimbursement Ordinance, the Rules and Open Government Committee directed staff to bring to the Council for consideration the clarification of the ambiguities surrounding Councilmembers ability to choose the use of a City vehicle instead of receiving a car allowance. The repeal of Resolution No. 59263 will eliminate the option of Councilmembers to choose between a car allowance and a City-provided vehicle. In recent years the City has adopted a more restrictive "Use of City and Personal Vehicles Policy" (City Policy Manual Section 1.8.1) which has made it more attractive and flexible for Councilmembers to choose the automobile allowance.

PUBLIC OUTREACH

The Council Salary Setting Commission conducted a series of public meetings from January 3 through April 27, 2007. As a part of this process, the Commission conducted public hearings on March 21 and March 28, 2007

This action does not meet the criteria set below; however the Office of the City Clerk will post the item on the City's Website.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)

- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)

- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

COORDINATION

The Council Salary Setting Commission report has been coordinated with the City Attorney's Office.

COST IMPLICATIONS

Based upon current compensation levels, the total annual salary costs for the Mayor and City Council is \$855,000 plus \$46,200 to fund the annual cost of the Councilmember's automobile allowance, yielding a total annual cost of \$901,200. The proposed salary adjustment in FY 2007 – 08 would increase the annual cost of salaries of all elected representatives to \$940,000, an increase of \$85,000. As recommended, the total annual salary cost for elected officials would total \$1,027,000 in FY 2008 – 09, an additional incremental cost of \$87,000. The recommended automobile allowance incremental increase of \$250 per month would add \$33,000 annually to net a total annual cost for the Mayor and Councilmembers of \$79,200. If the Council were to accept all Commission recommendations, the net increase would add \$118,000 in costs in FY 2007 – 08 and \$205,000 in FY 2008 – 09 over FY 2006 – 07 expenditures.

HONORABLE MAYOR AND CITY COUNCIL
May 10, 2007
Subject: Report of the Council Salary Setting Commission
Page 4

BUDGET REFERENCE

| Fund # | Appn. # | Appn. Name | Total Appn. | 2006 - 2007 Adopted Operating Budget (Page)* | Last Budget Action (Date, Ord. No.) |
|--------|---------|-----------------|-------------|--|-------------------------------------|
| 001 | 0220 | Council General | \$4,125,491 | VII - 622 | 2/13/07 Ord. No. 27973 |

CEQA

Not a project.


LEE PRICE, MMC
City Clerk

C: Les White, City Manager
Rick Doyle, City Attorney

For questions please contact Lee Price at 408.535.1260.



CITY OF SAN JOSÉ, CALIFORNIA

200 East Santa Clara Street
San José, California 95113
Telephone (408) 535-1265
FAX (408) 292-6207

CITY COUNCIL SALARY SETTING COMMISSION

Thomas E. Cochran,
Chair
Kim A. Skeen, Vice Chair
Minh Duong
Jon Fitch
Jacqueline Hernandez

April 30, 2007

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 for FY 2007 - 08 and FY 2008 - 09

RECOMMENDATION

Adoption of an ordinance authorizing the salaries and benefits of the Mayor and City Council for Fiscal Year (FY) 2007 – 08 and FY 2008 - 09 as follows:

1. For the Mayor, increase the annual salary from \$105,000 to \$115,000 and \$127,000 for FY 2007 - 08 and FY 2008 - 09, respectively.
2. For each Councilmember, increase the annual salary from \$75,000 to \$82,500 and \$90,000 for FY2007 - 08 and FY2008 - 09, respectively.
3. Retain the current levels of health, dental, and life insurance benefits through FY 2008 -09 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 2008 - 09.
4. Continue to require Councilmembers to pay \$250 for each unexcused absence at scheduled Council meetings, pursuant to City Charter Section 407.
5. Increase the monthly vehicle allowance for the Mayor and City Council from \$350 to \$600 through FY2008 -09.

BACKGROUND

Section 407 of the San José City Charter requires that the Council Salary Setting (CSS) 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 3, 2007, the CSS Commission has met in public on 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, other elected officials, former Council candidates and City officials; and analyzed City employee salary plans and Council local travel demands. In addition, staff of the Office of the City Clerk conducted a salary survey of other elected officials in twelve comparable jurisdictions.

On March 21 and March 28, 2007, the Commission conducted public hearings to obtain public input in accordance with the City Charter.

This report represents the result of the above efforts and the unanimous recommendation of the CSS Commission on April 24, 2007.

ANALYSIS

A. Goals of Salary Setting

The CSS 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 offices 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.

Speakers testified before the Commission that pay equity is important in attracting and retaining high quality public officials who are dedicated to put the City's interest first.

B. Review of Current Mayor and Council Salaries

Since 2005, when the last Salary Setting Commission made its recommendation for a salary increase for City elected officials, the City of San Jose has become the 10th 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 about 95,000 constituents, which is comparable to a medium-size city in California, and the Mayor represents nearly one million residents. The CSS Commission believes that the salary and incentives 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.

Through interviews, surveys, public forum and analysis of published data, the CSS Commission finds that the Mayor and City Council have not been receiving adequate and fair compensation. During the hearings the Commission heard anecdotal evidence that, based upon family size, some Councilmembers could qualify for low-income housing assistance, based upon their current compensation level.

In addition, the Commission notes the following facts which have led to the recommendation to increase Mayor and City Council compensation:

- Council Salaries have not increased since 2002. However, during this time all City employees have had general salary increases. The salaries of the City's roughly 300 members of its executive staff have increased 13.89% over the past five years.
- A City Councilmember now earns approximately the same income as an entry-level Analyst or Accountant.
- The Mayor earns less than the initial salary step of an Assistant Director of a City Department and roughly equivalent to the top salary of an Administrative Manager, a mid-level managerial position.
- The Mayor and City Council are not among the City's 200 highest paid employees.
- The median resale price of a home in Santa Clara County was \$755,000 in March of 2007.
- The median family income in San Jose in 2005 was \$79,413.
- The Commission found that the United States Government's Bureau of Labor Statistics calculates that to have the same buying power of a \$75,000 income in 2002, an employee would need to earn \$84,838 in 2007.

The Office of the City Clerk conducted a survey of comparable cities and other jurisdictions and the salaries paid to various levels 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 now the 10th largest City in the nation
- The job of the Mayor and City Councilmembers are full-time positions
- The size of the City's operating and capital budgets equal or exceed some California counties
- San Jose's geographic area, population, diversity, economy and number of employees in its work force is more comparable to those of California County Boards of Supervisors, rather than other California cities.

Based on these factors, the Commission found that the Mayor and City Council are underpaid relative to other elected officials with comparable responsibilities. This is summarized in the following Attachment.

Discussing the compensation of elected officials is a controversial topic, particularly when those who are elected must vote on their own salary and benefits. A few former Council candidates testified before the Commission and did not favor increasing compensation to the Mayor and City Council. The Commission is mindful of those opinions.

The Commission acknowledges and appreciates the time spent by current and former Councilmembers, candidates and other public officials who testified before us or who provided written comments to questions. The clear consensus of this testimony was that the Mayor and Councilmembers deserve an increase in their salary and automobile allowance. 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.

C. Basis for the Proposed Increases in Mayor and Council Salaries

The CSS Commission acknowledges that the City continues to deal with difficult Budget issues. Nevertheless, the Commission recommends increases in the salaries of the Mayor and City Council in order that their salaries do not fall further behind those of elected officials with comparable workloads and responsibilities and further behind the salaries of other City employees.

Recommendation for Councilmembers: The proposed salary level of \$82,500 in 2007-08 represents an increase of approximately 10%. Even at this level, Councilmembers would not have kept pace with the rate of increase afforded to the general City workforce over the past five years, which is comparable to the general increase in the Bay Area labor market.

Recommendation for Mayor: The proposed salary level of \$115,000 in 2007-08 for the Mayor is an increase of approximately 9%. The Mayor is the sole elected representative of nearly 1 million residents, 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 a national stage. The salary increase is moderate in comparison with the scope of the Mayor's role and responsibilities.

D. Review of Council Vehicle Allowance

The Mayor and City Council currently receive a \$350 monthly allowance for using their vehicles to attend City events and neighborhood meetings. This allowance has not been changed since FY1986-87.

Councilmembers who appeared before the Commission indicated that their positions require extensive use of a vehicle and many travel demands. The Commission believes that the \$350 monthly allowance for vehicle usage is inadequate and recommends that the monthly allowance be increased to \$600. With the increased cost of cost of vehicles, gasoline, maintenance, and other operating costs, the Commission believes that there is ample evidence to support an adjustment to the vehicle allowance that has not been increased in over 20 years.

CONCLUSION

Approving salary increases which have been recommended by the CSS Commission in the past has been a difficult decision for the Mayor and City Council. However, many current Councilmembers and other residents recognize the contributions, commitment and ethics of the

San Jose's elected representatives and support a compensation increase for those who lead our City. San Jose is fortunate to have had the many elected men and women who have served with 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 serve our community.

As noted by former CSS Commissions, this Commission continues to believe that despite being a difficult and sometimes unpopular decision, the City Council should make the appropriate and forward-looking choice which is to accept the compensation recommendations of the Commission.

Finally, the CSS Commission recommends that the Mayor and City Council consider and review the possibility of a future Charter change which would provide for automatic Mayor and City Council salary changes or provide an alternate method for establishing the compensation and benefits levels. For example, a change should be considered which would eliminate the need for approval of salary recommendations by the City Council, the recommendations of a community-based commission could be binding. Changes to salary can be based on an established factor or criteria such as the cost of living index or perhaps, tied to the salaries of judges as done in the County of Santa Clara and other counties for Boards of Supervisors members.

COORDINATION

The CSS Commission appreciates the inputs from Councilmembers, Public officials, City staff, Civil Service Commission Chairperson Bill Brill and the participants at the Commission's hearings. The Commission would like to thank Dennis Hawkins and Michelle Estabillo of the Office of the City Clerk and Norm Sato from the City Attorney's Office for their assistance during the meeting process.

By unanimous vote, on April 24, 2007, the Commission authorized the Chair to submit the report on behalf of the Council Salary Setting Commission.



Thomas E. Cochran, Chair

Attachment A
City of San Jose Council Salary Setting Commission
Comparable Compensation Survey

| Agency | Annual Salary | Salary Formula | Auto Allowance | Budget | Population |
|-----------------------------|----------------------|---|--|-----------------|-------------------|
| Los Angeles County | \$171,648 | Equal to Superior Court Judges | \$0* | \$20 billion | 10,223,055 |
| San Diego County | \$120,552 | 80% of Superior Court Judges | \$734 per month | \$4.3 billion | 3,051,000 |
| Santa Clara County | \$120,552 | 80% of Superior Court Judges | \$600 per month | \$2.3 billion | 1,700,000 |
| Alameda County | \$120,552 | 80% of Superior Court Judges | \$621 per month | \$2.19 billion | 1,500,000 |
| Sonoma County | \$103,980 | 69% of Superior Court Judges | \$640 per month | \$652 million | 472,700 |
| Contra Costa County | \$95,568 | Set by Resolution | \$550 per month + mileage | \$1.45 billion | 1,000,000 |
| San Mateo County | \$85,883 - \$94,266 | Set by Resolution | \$770 per month | \$1.48 billion | 707,161 |
| San Francisco City & County | \$92,902 | Set every 5 years by Civil Service Commission | \$0 | \$5.2 billion | 776,733 |
| Marin County | \$91,968 | Automatic yearly raise based on CPI | \$800 per month | \$353 million | 247,289 |
| Solano County | \$79,860 | Set by Resolution | \$550 per month | \$803 million | 421,657 |
| Napa County | \$70,968 | 47.09% of Superior Court Judges | \$440 per month | \$192 million | 129,800 |
| City of Oakland | \$183,397 | Mayor – comparable survey | \$750 per month plus use of a City vehicle | \$1.088 billion | 399,424 |
| | \$66,899 | City Councilmembers | \$550 per month | | |

* Provided with County vehicle