



Memorandum

TO: City Council
FROM: Mayor Chuck Reed
SUBJECT: SALARY FOR UNIT 99 AND COUNCIL APPOINTEES
DATE: June 18, 2007

APPROVE *Chuck Reed* **DATE** *6/18/07*

RECOMMENDATION

Amend the City of San José Pay Plan to provide a base salary increase of 3% and no increase in auto allowance effective July 1, 2007 for Council Appointees and unrepresented employees in Units 81, 82 and 99, excluding temporary employees and the City Manager.

BACKGROUND

I appreciate the hard work and professional accomplishments of all the Council Appointees and Unit 99 employees in the past year. The previous City Council had committed to considering salary ranges and a merit-based compensation plan for Council Appointees. We should continue to explore best practices of various large cities and other agencies throughout the United States. However, there should not be an expectation that we will adopt these systems until after our structural deficit is solved. After we solve the structural deficit, the City will be in a better budgetary position to financially recognize all the good work of each Appointee and Unit 99 employees.

We have a structural budget deficit because our expenses are going up faster than revenues. The solution is to reverse that relationship. Personal service costs account for two-thirds of the total General Fund uses and have risen significantly during a time of serious fiscal challenges. Fiscal Year 2007-08 marks the sixth consecutive year of budget shortfalls, with projected shortfalls for the next four years. As the City continues to explore methods to bridge the gap between revenue and expenses, the City Council has stated that the City must partner with our bargaining units in addressing these ongoing costs. At the June 12 City Council meeting, the Council approved new principles to help address the projected growth in personal service costs.

The first and most important guiding principle is to focus on the cost of total compensation while considering the City's fiscal condition, revenue growth, and changes in the Consumer Price Index. Total compensation includes the total costs of a position including salary, pension, and all other benefits. As the administration develops a methodology for determining and applying total compensation to our bargaining groups, the City Council at the very least should begin to the extent possible with a "total salary" approach in working with the Council Appointees and Executive Management (Unit 99) employees to better align ourselves with the new priorities established by the City Council.