



CITY OF SAN JOSÉ, CALIFORNIA

801 North First Street, Room 116
San José, California 95110
Telephone (408) 277-4429
FAX (408) 277-3285
E-mail: Council.Salaries@sanjoseca.gov

CITY COUNCIL SALARY SETTING COMMISSION

Thomas E. Cochran, Chair
Priscilla G. Siersema, Vice Chair
Philip A. Barone
Scarlett Li Lam
Kim Ann Skeen

April 26, 2005

Honorable Mayor and City Council
City of San José
801 North First Street
San José, CA 95110

Re: **Recommended Mayor and Council Salaries for FY2005-06 and FY2006-07**

RECOMMENDATION

Adoption of an ordinance authorizing the salaries and benefits of the Mayor and City Council for FY2005-06 and FY2006-07 as follows:

1. For the Mayor, increase the annual salary from \$105,000 to \$117,600 and \$122,304 for FY2005-06 and FY2006-07, respectively.
2. For each Councilmember, increase the annual salary from \$75,000 to \$84,000 and \$87,360 for FY2005-06 and FY2006-07, respectively.
3. Retain the current levels of health, dental, life insurance and salary continuation insurance benefits as well as the City's contributions to CalPERS or PTC 457 plans through FY2006-07.
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 \$400 through FY2006-07.

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 5, 2005, 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. It reviewed the Council salary history and pertinent documents; interviewed Councilmembers and City officials; analyzed City employee salary plans and Council local travel demands; collaborated with the San José State University to conduct a cost-of-living and Council salary survey of 13 comparable U.S. cities; evaluated the compensation of other elected officials in local jurisdictions; and conducted a public hearing on March 16, 2005 to obtain inputs from the community as well as City bargaining units.

This report represents the result of the above efforts and the unanimous recommendation of the CSS Commission on April 20, 2005.

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. It should also be on par with the salaries of City employees or elected officials in other jurisdictions with comparable workloads, responsibilities and obligations. 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.

B. Review of Current Mayor and Council Salaries

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.

- Councilmembers are currently paid less than the salary of an Analyst II (Step 5), a mid-level position in the City. Their workloads and responsibilities, however, are more comparable with those of senior executive positions such as Deputy Directors (annual salary at \$93,163 to \$141,045) and Division Managers (\$94,947 to \$126,110).
- Over the past three years, the total general wage increase for City employees is 12.03% on a weighted basis. (See Attachment A.) In addition, an individual employee may receive Step Increases (usually 5% a year), performance bonus, overtime and/or raises due to position reclassification. In contrast, the salaries of the Mayor and Councilmembers only grew by 6.96% over the three-year period, regardless of how much time they spent in evening meetings and weekend community events.
- The median home price in the local area is over \$630,000, a 20% jump from the February 2004 price. Councilmembers should make a salary that allows them to afford the high cost of housing in the city that they lead and represent.

- Generally, the San José City Council's salary appears to be on par with those in other major cities such as San Diego (1.25 million of population with a Council-Manager form of governance in 2005). A more in-depth analysis, however, shows a different picture. For FY2004, each Council Office in the City of San Diego has an average operating budget of \$927,000 and 9 to 11 authorized positions. In contrast, each Council Office in San José only has a budget of \$205,000 and 4 to 5 staff members. This may mean that our Councilmembers assume heavier workloads with less staffing and less budgetary support.
- Most of the participants at the March 16, 2005 public hearing expressed concerns for the low Council salaries and the probable difficulties in attracting qualified Council candidates.
- All the Councilmembers who participated in our interviews or survey indicated that their workloads and obligations far exceeded their compensation. Nevertheless, they all expressed a strong willingness to endure hardship with the rest of the City organization.

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

The CSS Commission realizes that, under the current budgetary constraints, the City is unlikely to be able to set salaries fully commensurate with the workloads and responsibilities of the City Council. It feels strongly, however, that there should be some increases so that the Mayor and Council salaries would not fall further behind after being frozen for the last two years.

Hence, the Commission recommends raising the Council salaries from \$75,000 to \$84,000 in FY2005-06. The increase would amount to about 4% for each of the past three years, allowing the Council salary to catch up with the increases that other City employees have already received in prior years.

The same rate of increase is also recommended for the Mayor's salary, bringing it from the current \$105,000 to \$117,600 in FY2005-06. Therefore, the total impact for the Mayor and Council salary increases is \$102,600 in FY2005-06, or about 0.0145% of the net General Fund budget.

For FY2006-07, the CSS Commission recommends continuing the 4% increase, bringing the Mayor and Council salaries to \$122,304 and \$87,360, respectively.

By acknowledging a difficult city budget and a lackluster economy, the current recommendation is a compromise. Even with these proposed adjustments, the salaries of the Mayor and City Council still fall significantly below those of City employees and elected officials with comparable workloads and responsibilities. The Commission recommends that the City Council review options to build a sinking fund for attaining a fair and adequate salary level within the next five years.

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.

After being informed of the recent changes in City fuel reimbursement rates and conducting a preliminary analysis of the Council's local travel demands, the CSS Commission recommends adjusting the monthly allowance from \$350 to \$400 through FY2006-07. The total ongoing General Fund impact is \$6,600 a year.

The three reports – *Council and City Employee Pay Analysis*, *Survey of Comparable Cities* and *Travel Demand Analysis* – cited in this memorandum are available in the City Clerk's Office and on the City Clerk web site.

CONCLUSION

The eleven members of the San José City Council provide leadership for the 11th largest city in the United States and have the responsibility for overseeing more than \$2.7 billion in operating and capital budgets. Each Councilmember represents about 93,000 constituents, which is comparable to a medium-size city. If San José wants to continue attracting the best qualified people to represent its populace, it should offer adequate pay and incentives.

It has been over two years since the Mayor and City Council have received any salary increases. This proposal will keep their compensation from falling further behind the salaries of other public-sector employees and elected officials in a similar high cost-of-living environment. If adopted, this proposal will only affect about 0.01% of the City's General Fund budget.

While approving a salary increase during a less-than-ideal economy is a difficult choice, true leadership is marked by the ability to make courageous and sometimes unpopular decisions. The CSS Commission feels that the right choice – and a forward-looking choice – is to pay the Mayor and City Council salaries that will continue to draw the best people to lead San José.

COORDINATION

The CSS Commission appreciates the inputs from Councilmembers, City staff, Civil Service Commission Chairperson Bill Brill and the participants at the March 16 public hearing. It would also like to thank Dr. Terry Christensen and Rhovylynn Cansino from the San José State University for conducting the *Survey of Comparable Cities*, as well as City staff members Norm Sato, Nancy Alford and Ann Stults for their assistance during the meeting process.

Recommended Mayor and Council Salaries for FY2005-06 and FY2006-07

April 26, 2005

Page 5

Respectfully submitted,

Thomas E. Cochran, Chair

Priscilla G. Siersema, Vice Chair

Philip A. Barone, Commission Member

Scarlett Li Lam, Commission Member

Kim Ann Skeen, Commission Member