



CITY OF SAN JOSE, CALIFORNIA

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CITY COUNCIL SALARY SETTING COMMISSION

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April 26, 2011

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 2011 - 2012
and FY 2012 - 2013

RECOMMENDATION

The Council Salary Setting Commission ("Commission") recommends adoption of an ordinance by the San Jose City Council authorizing the salaries and benefits of the Mayor and City Council for the next two Fiscal Years, the period July 1, 2011 through June 30, 2013, as follows:

1. For the Mayor, reduce the authorized salary as recommended by the Commission for the 2009-2011 period from \$127,000 annually to \$114,000 annually.
2. For each Councilmember, reduce the authorized salary as recommended by the Commission for 2009-2011 from \$90,000 annually to \$81,000 annually.
3. Retain the levels of health, dental, life insurance and other benefits through FY 2012 - 2013 in accordance with the benefits provided to management employees in Unit 99 and salary continuation insurance benefits.
4. For the current Mayor and Councilmembers (meaning those in office as of July 1, 2011), maintain the City's participation and contributions to CalPERS defined benefit or PTC 457 defined contribution plans through their terms of office.
5. For any elected official taking office after July 1, 2011, eliminate the option of participating in the CalPERS defined benefit plan and only permit participation in either the PTC 457 defined contribution retirement plan or any "second-tier" retirement plan equivalent in plan design, benefits, and contribution levels as is established by the City in negotiation with its non-sworn employees and Unit 99 management employees.
6. Reduce the 2009-2011 Commission recommendation of a monthly \$600 vehicle allowance to an allowance of \$350 per month for the Mayor and each member of the City Council.
7. Continue to require Councilmembers to pay \$250 for each unexcused absence at scheduled Council meetings, pursuant to City Charter Section 407.

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 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 very serious, ongoing fiscal challenges, especially the structural financial obligations, and the present and projected state of the City's budget now and in the future.

Taking all of these factors into consideration, the Commission recommends decreasing the current authorized salary and automobile allowance from the level recommended by the Commission in 2009 for the period ending June 30, 2011, for the next two years.

The Commission notes that its 2011 recommendations result in compensation that is close to the actual, current compensation, which the Mayor and City Council receive. The Council imposed on itself a set of voluntary reductions in 2009 and 2010 that are described in detail below. However, the Commission's 2011 recommendations will result in equal pay and benefits for all elected officials and will be more easily administered.

This has been a difficult decision for the Commission. On one hand, the Commission finds that the current salaries and benefits paid to the Mayor and Council are commensurate with the very significant workload and demands placed upon the Mayor and Council. However, the City is in the midst of a very serious, continuing fiscal challenge, and it seems appropriate that the Mayor and Council share the burden of lowered compensation and altered benefits currently being asked of the City's employees. This recommendation is more difficult knowing that it has been historically difficult to maintain the Mayor and Council compensation at a level sufficient to attract the broadest possible pool of candidates for these offices.

BACKGROUND

Section 407 of the San José City Charter requires that the Council Salary Setting Commission, which is appointed by the Civil Service Commission, review and recommend appropriate compensation levels for the Mayor and City Council on a biennial basis. 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." Per the City Charter, the City Council may adopt the recommended salaries or lesser amounts.

Recent Actions regarding Mayor and Council Compensation:

On June 9, 2009, the City Council adopted Ordinance 28589 that set the Mayor's compensation for the 2009-2011 at \$127,000 annually and \$90,000 for each member of the City Council. Subsequently, the Council adopted a voluntary 3.75% salary reduction, which reduced the Mayor's salary to \$122,238 and Council salaries to \$86,625 for Fiscal Year 2009 – 2010.

On April 27, 2010, the City Council adopted Resolution 75361, which implemented an additional 4.75% salary reduction plus changes to benefit plans, which were equivalent to an additional .25%

compensation reduction. This action reduced the Mayor's salary to \$116,432 and each Honorable Councilmember's salary to \$82,510 for FY 2010 – 2011. Subsequently, the Council adopted Ordinance 28589, which reduced each elected official's salary by an additional 5% of total compensation.

Outreach:

Public Meetings: Since January 19, 2011, the Commission has met twelve times 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.

Public Hearings: The Commission conducted public hearings at 5 different locations throughout the City on March 7, 15, 19, 21, and 29 to obtain public input in accordance with the City Charter. Discussing the compensation of elected officials is a controversial topic, particularly in tough economic times. During the course of its hearings, the Commission heard testimony from 15 residents, all of whom favored continued reduction of the Council's current salary and benefits. The general sentiment expressed by the residents who spoke at the hearings was that the compensation for the Mayor and City Council should continue to be reduced from the 2009-2011 Commission recommendations in light of the current economic situation and the City's ongoing budget deficits. As expressed to and interpreted by the Commission, the general public sentiment is that the compensation and benefits provided to the Mayor and Council should continue to be reduced at least in the same manner and by the same percentages as the Council is asking of City employees. The Commission appreciates the residents' participation and has carefully considered these opinions.

All Councilmembers who testified before the Commission commented on the extensive commitment by San Jose's Mayor and Council attending many evening and weekend meetings and events in fulfilling their job duties, often working 60-hours or more per week. 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 significant automobile travel.

Councilmembers and recent candidates 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. Current Councilmembers also commented that the reduced salaries have had an impact on their personal financial situations.

Public Survey: Lastly, the Commission distributed an informal public survey via the City's web site to gather public input on the level of compensation for the Mayor and City Council. Seven Hundred Thirteen (713) San Jose residents responded to the survey. The Commission expresses its appreciation to those residents who took the time to voice their opinion and to the various media outlets for publicizing the survey. A summary of the survey results is included in Attachment A.

Survey of Comparable Jurisdictions: The Commission, through the Office of the City Clerk, conducted a survey of the largest California cities (those with a population of 100,000+) and the largest

California counties. In the interpretation of the Commission, this data indicated a trend among some California cities and counties toward freezing or reducing elected officials compensation, responding to the level of financial crisis being sustained by the particular city or county. A summary of the survey results is included in Attachment B.

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 authorized compensation. It should also take into consideration the salaries of elected officials in other jurisdictions with comparable workloads, responsibilities, and obligations. Overall, compensation is one of several significant factors in encouraging qualified candidates for the Mayor and Council positions.

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 in FY 2010 – 2011 of approximately \$2.7 billion. Based on the 2010 Census, each Councilmember represents approximately 95,000 constituents, which is comparable to a medium-size city in California, and the Mayor represents nearly one million residents. The Commission believes that the salary and benefits should be adequate and fair for current members of the City Council given overall economic conditions, but also such that the City will reasonably attempt to continue to attract qualified persons to represent its citizens.

In addition, the Commission notes the following factors that influenced the Commission in making its recommendations for the 2011 – 2013 period:

- For the tenth consecutive year, the City faces a General Fund shortfall and has embraced the goal of solving the City's structural budget deficit. The Council has adopted a goal of a ten percent (10%) reduction in total compensation for all City employees, plus the rollback of a previously negotiated 2% increase given to two bargaining units in FY 2010-11. In addition, the Council has directed the implementation of a second-tier retirement system for future employees and the reduction of retirement benefits for current employees and retirees.
- According to the residents who testified before the Commission, the Mayor, and Councilmembers reducing their compensation and benefits is a necessary example to set for employees and the community, in light of the reductions in compensation and benefits being sought from City employees.

The Commission believes that the scope of responsibility of the San Jose Mayor and Councilmembers has grown over the years. In fact, it is extremely difficult to compare the duties of elected officials between jurisdictions. The services provided, size, and scope of the organization, responsibilities, and community expectations vary greatly. The Commission suggests that factors such as the following should be considered in establishing the salaries of San Jose's Mayor and Council:

- 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 elected officials among California's largest cities and counties, some of whom may be part-time. Each community is unique with elected officials performing distinct tasks within differing governmental structures amidst varying expectations.
- The frequency of the City Council meetings, Council committees, and assignments to represent the City on various county, regional, and state boards adds a level of complexity to the duties of San Jose's leaders, which are demanded by few other positions.
- 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 generally to those of California County Boards of Supervisors, rather than other California cities.

C. Basis for reduced salaries and benefits for the Mayor and Council

The City Charter requires the Commission to recommend salaries, and permits the Commission to recommend benefits, which are appropriate given the level of authority and accountability held by the Mayor and Council. The Commission acknowledges that the City continues to deal with very serious budget issues in the midst of significant economic challenges and has concluded that a reduction in the Mayor and Council salaries and benefits is appropriate at this time.

The Commission strongly recommends that the Council adopt a simplified approach to reduce total compensation. The previous Council actions, which reduced salaries by 8.5% plus an additional 5% of total compensation for each official, have resulted in a slightly different total compensation amount for each person. In effect, Councilmembers salaries have been partially set based upon benefits choices, and other variables. This results in a very cumbersome and difficult system to administer. The Commission believes that a simpler approach is to reduce salary and benefits to one level for all Councilmembers – it is more equitable and easier to administer, and will be more clearly understood by the community and potential candidates in the future.

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 (\$7,200 annually). It is apparent that Councilmembers use their personal vehicles

while working and the vehicle allowance is well justified. The Mayor and Councilmembers attend meetings of a variety of county, regional, and state bodies as assigned representatives of the City, as well as attend various civic functions throughout the community. In 2007, the automobile allowance was increased from \$350 to \$600 per month, the first such revision since FY 1986-87.

However, in the current economic conditions of reduced resources, the Commission finds that it is appropriate to reduce the Council's automobile allowance to \$350 per month. The Commission notes that most Councilmembers absorbed the second 5% of total compensation reduction in FY 2010 by reducing their automobile allowance. The Commission considered, but rejected eliminating the allowance and moving to a reimbursement system which would compensate officials for the actual miles driven while performing City business, using the same method and system used by rank-and-file City employees. The Commission believes that a reimbursement system would add paperwork and administrative costs, a change that seems counter-productive when facing limited staff resources.

E. Health and Welfare Benefits:

The Mayor and Councilmembers are eligible for all health and welfare benefits equivalent to the City's management employees, Unit 99. This system seems fair and easy to administer. The City does not need to maintain a separate health and welfare benefits system or structure for the Mayor and Council, and the Mayor and Council are equally affected by any benefits changes. The Commission recommends that this approach remain intact.

F. Retirement Benefits:

Since 1998, the City has maintained a contract with the California Public Employees Retirement System (CalPERS) to provide a defined-benefit pension for its elected officials. Each elected official can elect to participate in the CalPERS defined-benefit pension system or the City's PTC defined contribution plan. The levels of contributions made by the City to fund the Council's retirement plans is vastly different – 15.337% of salary for CalPERS members and 3.75% for PTC members. In each plan, the Mayor or Councilmember individually also make contributions, through payroll deductions, similar to those made by rank-and-file City employees.

The Commission recommends that for the Mayor and Councilmembers in office as of July 1, 2011, the City maintain participation and contributions for the plan that is currently elected by each member of the Council. However, in the event the City Council adopts changes to the retirement benefits for current employees, the Commission recommends that the Council implement the same changes to the plans elected by the Mayor and Council in office as of July 1, 2011.

The Commission also recommends that for the members of the Council who take office after July 1, 2011, the Council eliminate the option of participating in the CalPERS plan and only permit participation in either the City's PTC 457 plan or any "second-tier" retirement plan that may be established by the City in negotiation with its non-sworn employees and its management employees in Unit 99.

The Commission recognizes that this recommendation will require negotiations to amend or terminate the contract with CalPERS. Therefore, the Commission suggests that this be referred to the City Clerk, City Attorney, and City Administration as appropriate to determine how to accomplish the objective and to bring forward specific Council actions necessary to implement the revised plan as soon as practical.


COORDINATION

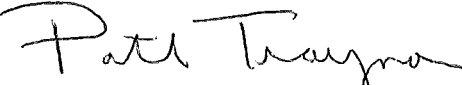
The Commission thanks Mayor Reed and Councilmembers Campos, Constant, Chu, Kalra, Oliverio, and Rocha; Employee Relations Director Alex Gurza; and community participants for their valuable participation and testimony during the Commission's hearings. The Commission further expresses its appreciation 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, City Clerk; Lisa Herrick, Senior Deputy City Attorney; and Deputy City Clerks Rebecca Hall and Tamara Davis for their support and assistance to the Commission fulfilling its role and meeting our charge.

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. It is important that San Jose's elected leaders continue to focus on the people's business and to do so while receiving an appropriate level of compensation and benefits given the City's limited resources. However, at this time, recognizing the ongoing fiscal challenges the City faces now and at least for the two-year time frame of this recommendation, the Commission feels the appropriate course of action is to decrease the Mayor and Council's compensation and benefits as recommended.

By a unanimous vote, on April 26, 2011, the Commission approved submission of this report.


Diane Owen, Chairperson


Patrick Traynor, Vice-Chair


Eileen Consiglio, Commissioner


Joan M. Cooper, Commissioner


George Thibeault, Commissioner