



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Staff Report
November 23, 2010

**Honorable Mayor and
Members of the City Council**

Title: Report Back: Update on Transparency of City Compensation Information

Location/Council District: Citywide

Recommendation: Update and discussion

Contact: Mark Prestwich, Special Projects Manager, (916) 808-5380
Geri Hamby, Human Resources Director, (916) 808-7173

Presenter: Mark Prestwich, Special Projects Manager, (916) 808-5380

Department: City Manager's Office

Division: Not applicable

Organization No: 02001011

Description/Analysis

Issue: In September, 2010, Mayor Johnson requested the City Manager provide a report back to the City Council on best practices, activities and recommendations to ensure transparency in the wake of the July, 2010 City of Bell, California salary scandal. Specifically, Major Johnson requested:

- An update on the City's response to this issue;
- Recommendations to further improve the City's transparency on salary and total compensation;
- Survey of other cities actions related to this issue; and
- Key activities occurring at the state level.

This report also includes related background information useful in providing a comprehensive report back on City salary policies for staff, Mayor/Council members and members of City Boards and Commissions.

Policy Considerations: Providing transparent and accessible public information is of critical importance for the City Council and the employees of the City.

Environmental Considerations: This does not constitute a "project" and therefore is

exempt from the California Environmental Quality Act (CEQA) according to Section 15061(b)(3) and 15378(b)(2) of the CEQA Guidelines.

Commission/Committee Action: Not applicable

Sustainability Considerations: Not applicable

Rationale for Recommendation: Not applicable

Financial Considerations: Not applicable

Emerging Small Business Development (ESBD): Not applicable

Respectfully Submitted by: M. Prestwich
Mark Prestwich, Special Projects Manager

Recommendation Approved:

 for Gus Vina
Gus Vina, City Manager

APPROVED AS TO FORM:
 Amanda S. Salbott
CITY ATTORNEY

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Background

In September, 2010, Mayor Johnson requested the City Manager provide a report back to the City Council on best practices, activities and recommendations to ensure transparency in the wake of the July, 2010 City of Bell compensation scandal. Excessive compensation and alleged misappropriation of funds by officials in Bell led to the arrest of eight Bell elected and appointed officials. In light of the controversy in the City of Bell, there has been heightened public interest in government employee salaries and compensation.

Mayor Johnson's request included the following:

- An update on the City's response to this issue;
- Recommendations to further improve the City's transparency on salary and total compensation;
- Survey of other cities actions related to this issue; and
- Key activities occurring at the state level.

This report includes related background information useful in providing a comprehensive report back on City salary policies for staff, Mayor/Council members and members of City Boards and Commissions.

City of Sacramento Activities

City of Sacramento Compensation Practices

Like many other cities, Sacramento's website (www.cityofsacramento.org) has long provided the salary ranges and job descriptions for all city positions, along with the City's labor agreements. Specific salary information on the City Council, Charter Officers, Assistant City Managers and Department Directors was posted on the City's website shortly after the Bell scandal.

City of Sacramento salaries are based on an annual salary survey conducted with local and regional jurisdictions. The local jurisdictions used are Sacramento County, State of California, West Sacramento, Woodland, Roseville, Folsom, Elk Grove, Citrus Heights, Davis, Stockton, Vallejo, and Modesto. Regional jurisdictions include Anaheim, Fresno, Long Beach, Oakland, San Francisco, and Santa Ana.

The survey results are found by comparing the City's base compensation with those of local, regional, and national employers in relevant labor markets. The City's Department of Human Resources analyzes the variance between the survey data and control point of current salaries in the City. If the variance of a benchmark classification is within +/-5% of the control point, it is considered at market; and no salary range adjustment is made. If the variance is 5% or greater, a new control point is recommended to the City Manager and the salary range adjusted. The updated salary schedule is presented to and approved by the City Council annually.

Compensation Commission

Compensation for the Mayor, members of the City Council, and public members of City Boards and Commissions is set by the City's Compensation Commission, as approved by voters in November 2002. Public members of City Boards and Commissions receive varying compensation levels depending on the body; typically, compensation ranges from \$50 to \$100 per meeting. The Compensation Commission is required to meet at least once per year. No adjustments to compensation levels were recommended by the Compensation Commission during their October 2010 meeting.

Recommendations to Further Improve Transparency of City Compensation Information

To further improve transparency, staff has created a specific webpage for compensation related information and provided a direct link from the City's homepage. Compensation information provided includes the following:

- Mayor and Council Salaries
- Charter Officer, Assistant City Manager & Department Director Salaries
- Bargaining Unit Labor Agreements/Unrepresented Employees Resolution
- Compensation Commission Information
- Civil Service Board Rules
- City Employee Salaries (via direct link to State Controller's website)

Actions of Other Cities

After the Bell scandal, California cities including Sacramento responded to a State Controller directive to provide compensation information for all employees. Further, California cities including Sacramento responded to a League of California Cities compensation survey of California city managers. More than 90 percent of cities responded to the survey; survey data may be accessed via the League's website (www.cacities.org).

The League's City Manager's Department also developed Compensation Guidelines (see Attachment 2) to assist cities and managers in negotiating contracts. The guidelines identify the most critical financial, ethical, and other dimensions of the contract negotiation and approval process. The League Board of Directors approved these Guidelines on September 17, 2010.

In the course of preparing this report back, staff also evaluated the transparency of information provided on the websites of the largest 10 cities in California and 10 Sacramento region cities (see Figure 1 below). While most city websites contain varying levels of compensation-related information, very few today provide a direct link to this information from their homepage.

Today, the City of Sacramento and the City of San Jose are the only cities among the State's 10 largest in population to provide direct links on their website homepages to employee compensation information. The City of Fresno has provided city compensation data via a link on their Personnel Services Department webpage and adopted a resolution formalizing their policy to be transparent and accountable. It is important to note,

websites routinely update their “hot topics” and may have provided some form of direct link access to compensation information shortly after the Bell scandal.

Figure 1. Compensation Transparency Survey

	Website Includes:	
	Employee Salary Information, Job Descriptions, and MOUs	Direct Link on Homepage to Compensation Information
10 Largest CA Cities		
Los Angeles	X	
San Diego	X	
San Jose	X	X
San Francisco	X	
Fresno	X	
Long Beach	X	
Sacramento	X	X
Oakland	X	
Santa Ana	X	
Anaheim	X	

	Website Includes:	
	Employee Salary Information, Job Descriptions, and MOUs	Direct Link on Homepage to Compensation Information
Regional Cities		
Citrus Heights	X	
Davis	X	
Elk Grove	X	
Folsom	X	
Rancho Cordova	X	
Rocklin	X	
Roseville	X	
Sacramento	X	X
West Sacramento	X	
Woodland	X	X

Key Activities at the State Level

Following the Bell scandal, state legislators introduced several Bell-related bills for consideration. Two bills, AB 194 and AB 827, were eventually approved and passed to Governor Arnold Schwarzenegger for signature. However, the Governor vetoed both bills asserting they did not go far enough. A summary of the legislative proposals and veto messages is included in Attachment 3 to this report.

Other State officials also took action as a result of the Bell scandal. Attorney General Edmund G. Brown, Jr. filed suit against the Bell officials charging fraud, civil conspiracy, waste of public funds, and breach of fiduciary responsibility, and demanded they return hundreds of thousands of dollars in unwarranted salaries. State Controller John Chiang audited Bell's finances and issued new requirements for all California cities, counties and special districts to provide wage and compensation information. Controller Chiang has since posted this information on his "Local Government Compensation Reporting" website which covers elected officials as well as public employees. Information posted for each position includes:

- Minimum and maximum salary ranges;
- Actual wages paid;
- The applicable retirement formula;
- Any contributions by the employer to the employee's share of pension costs;
- Any contributions by the employer to the employee's deferred compensation plan; and
- Any employer payments for the employee's health, vision and dental premium benefits.

Approved September 17, 2010

The League of California Cities City Manager Compensation Guidelines

Overview

Under the council-manager form of city government prevalent in California the city council is responsible for the legislative function of the city, including establishing policies, passing local ordinances, approving the budget, and setting the overall goals and vision for the city. City managers are the chief executive officers of the city and are responsible to the council and the residents for the effective and efficient delivery of city services and the implementation of all council policies and goals. It is a partnership that requires the involvement and commitment of both the council and the manager.

In today's highly complex society city managers are required to be experienced and knowledgeable in public safety, budgeting, legislative affairs, human resources, organizational development, community and economic development, public works, community services and cultural activities. City managers are expected to use their skills and abilities to support the city council and to ensure city residents receive quality and efficient city services. It is vital that they maintain the trust of their city councils and the citizens they serve. City managers serve at the pleasure of the city council and operate under a code of ethics through their professional organization (ICMA) that governs their conduct and ensures the highest level of integrity.

The standard practice for establishing the compensation of city managers should be reasonably based upon market conditions, transparent, and tied to experience and salaries at comparable agencies. Compensation should be based on the city manager's job requirements, the complexity of both the make-up of the city organization and community, the leadership needed, labor market conditions, and the organization's ability to pay. In addition to these factors, there are ethical considerations about what is just and fair. The salaries public employees receive impact public perception and trust.

The following guidelines are a combination of best practices and provisions of state law. They are intended to guide city councils in negotiating a city manager's compensation package and/or contracts, but they should not be interpreted as requirements that must be precisely followed. They may also be used by city councils or city managers seeking to renew or amend current contracts. These guidelines support city councils in exercising reasonable judgment in determining at a local level the most appropriate terms of employment for the city manager.

Compensation Guidelines for City Managers

A starting point in any *salary negotiation* should be to:

- Determine the requirements of the job and the experience needed to successfully perform the job duties.
- Examine market conditions to learn what comparable public sector executives earn. A best practice would be to gather information using pre-determined comparable benchmark cities/agencies.
- Understand the services provided by the City along with the nature of the current issues in the City organization and in the community, and then compare these with the City Manager's expertise and proven ability to resolve those issues. City Manager's compensation should be set in relation to other top managers in the organization recognizing the highest level of responsibility and accountability of the position.
- Identify the City's current financial position, its ability to pay, and the existing policies toward compensation relative to market conditions.

- The individual's credentials, experience and expertise may be used as factors to set salary.
- In areas where cost of living is high and the Council wants the manager to reside in the city, salary negotiations may take into account this unique situation. In addition, other unique and special circumstances may be taken into consideration, such as difficult recruitment markets and the particularly challenging needs of the public agency.

Compensation changes:

- Benefits and salary increases should be comparable to those that city managers receive within the designated benchmark cities or regional market area.
 - For cities that provide across-the-board cost of living adjustments (COLAs) a consistent and pre-determined measure for establishing the annual COLA should be followed. Many organizations use a local CPI for a specific timeframe along with expected salary increases of their benchmark agencies.
 - Annual increases should be consistent with those being made available to other employees within the organization.
 - Provisions regarding consideration of periodic merit adjustments or pay for performance should be pre-determined.
- City managers should avoid taking steps regarding their own pension that would serve to solely profit them. Examples include dramatically increasing salary thereby leading to pension spiking. Recommending or implementing single highest year to determine retirement benefits is not recommended.
- City managers should not put their personal compensation interests ahead of the good of the overall organization and that of the citizens.

Transparency:

- City managers should provide their total compensation package to the Council when requesting compensation changes so that the City Council has a comprehensive view of the City Manager's compensation. Issues related to City Manager compensation must be considered and approved in a public meeting.
- The salary plan and salary ranges for city positions, including the City Manager, should be publicly accessible on the agency's website.
- City managers should receive a single salary that recognizes all duties and responsibilities assigned rather than different salaries for different assignments.

General Compensation Practice Guidelines

- Each local government should establish benchmark agencies which are determined using set criteria, which may include, but are not limited to the following:
 - Close geographic proximity
 - Similar with regard to the number and nature of the services provided
 - Similar in employer size/population size
 - Other similar employers in the immediate area
- Each local government should develop appropriate compensation levels that are in line with their labor market. Doing so will enable the city to establish and maintain a reputation as a competitive, fair, and equitable employer as well as a good steward of public funds.
- When considering any salary or benefit changes, the immediate and anticipated long-term financial resources of the organization always should be taken into account.
- Ensure public notice is provided and any adjustment in the terms and conditions of the City Manager's compensation is approved at a regularly scheduled public meeting.

Compensation Related Legislative Proposals

Legislative proposals introduced in the wake of the Bell salary scandal:

- AB 192: Require cities to pay for any higher pension payments that stem from their luring a municipal employee away from another city by offering exorbitant pay.
- AB 194: Cap the maximum salary or compensation that can be used to determine pension benefits for high-paid public employees hired after Jan. 1, 2011.
- AB 827: Target salaries of appointed local government officials by prohibiting automatic salary increases and banning severance payments of greater than 12 months' salary for these non-unionized employees.
- AB 1955: Require charter cities, such as Bell, to be penalized by the state if they pay city council salaries higher than allowed in general-law cities. A 50 percent personal income tax would be applied to excess pay and the city's redevelopment agency would be restricted from approving new plans or issuing new debt.
- AB 2064: Require the Legislature to post on its website the salaries of its elected members and employees. The bill also requires cities, counties, special districts, school districts and joint powers authorities to post the salaries of its elected officials and key employees.
- SB 501: Require officials of cities, counties, special districts, school districts and joint powers agencies to file an annual statement that discloses their compensation to the public.

Two of the above bills were approved and passed to the Governor but vetoed because the Governor believed they did not go far enough. The Governor's veto messages are included below.

Veto Messages

AB 194 (Torrico) VETOED DATE: September 30, 2010

To the Members of the California State Assembly:

I am returning Assembly Bill 194 without my signature.

The bill limits the salary that retirement benefits are based on for individuals, prospectively after January 1, 2011, to 125% of the Governor's salary, as specified.

The current compensation limit imposed by the federal government to determine public employee retirement benefits is \$245,000. Currently, this bill would cap the compensation counted towards retirement at \$217,483. While this two tiered cap

that would be created by this bill would make a very small dent in the pension problem California faces, it cannot be considered real pension reform. I am still hopeful that the Legislature will pass an acceptable bill that addresses the real cost issues that have driven up the liability in public pension systems.

For these reasons, I am unable to sign this bill.

Sincerely, Arnold Schwarzenegger

AB 827 (DeLaTorre) VETOED DATE: September 30, 2010

To the Members of the California State Assembly:

I am returning Assembly Bill 827 without my signature.

The scandal with the City of Bell was a disgraceful use of public funds. I share the public outrage expressed over the abuses attributed to the City of Bells management of employee contracts. Assembly Bill 827 presents good public policy in that it provides transparency with regards to some municipal personnel contracts, but it should be applied to all public employees, including labor union members and state employees. I encourage the Legislature to enact thoughtful and meaningful solutions rather than a rushed proposal that is severely limited in its application.

For this reason I cannot sign this bill.

Sincerely, Arnold Schwarzenegger