

CITY OF OAKLAND
Public Ethics Commission

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Lily Kimura
Jon Sylvester



Daniel D. Purnell, Executive Director

One Frank Ogawa Plaza, 4th Floor, Oakland, CA 94612 (510) 238-3593 Fax: (510) 238-3315

TO: Public Ethics Commission
FROM: Daniel Purnell
DATE: May 5, 2003

RE: Required Review Of City Council Salaries

I. BACKGROUND

City Charter Section 202(c) requires the Public Ethics Commission to review and adjust the compensation for City Councilmembers in odd-numbered years. The City Charter requires the Commission to fix City Councilmember compensation "at a level not to exceed ten percent (10%) above the base salary, as adjusted." However, no increase in compensation may take effect unless such increase has been approved by a public vote.

The Commission established current City Council salaries in November, 1997, in the annual amount of \$60,000. The previous annual salary amount was \$36,900. The Commission did not take up the issue of City Council salaries in 1999. In 2001, the Commission held several meetings and conducted a formal public hearing before adopting a resolution to increase the base City Council salary by ten percent. The Commission's resolution was considered by the Oakland City Council at its meeting of November 13, 2001. The City Council voted unanimously to place the question of whether to ratify the Commission's action on the March, 2002, ballot. The measure, Measure F, was defeated by a vote margin of 61 to 39 percent.

II. ANALYSIS

1. Current Salary

Members of the Oakland City Council currently receive a \$60,000 annual salary. This amount is funded in approximately equal shares from the general fund and redevelopment agency.

According to a recent survey conducted by the Office of Personnel, the current salary received by Oakland City Councilmembers compares higher than the average for the eight largest cities in California, but below the cities sampled nationally. See Attachments 1A and 1B. Attachment 1A demonstrates that Oakland City Councilmembers earn approximately \$873.00 per month *more* than the average councilmember salaries of the eight largest cities in California. Compared to a nationwide sample of nine cities in Attachment 1B, Oakland City Councilmembers receive approximately \$976.00 *less* than the average monthly salary.

2. Other Benefits

Although the Commission only has authority to set City Council salaries, questions frequently arise over the total compensation package which Oakland City Councilmembers receive. City Councilmembers essentially receive the same benefit package as other permanent employees. The benefit package includes City-paid contributions to PERS, health, dental and vision coverage, and life and disability insurance. According to the Office of Personnel, this benefit package totals approximately 36 percent of the base salary, or an additional \$21,600 per City Councilmember. The final element of compensation is an individual car allowance in the amount of \$550 per month.

According to the Office of Personnel, the City of Oakland benefit package is comparable to or exceeds most other jurisdictions surveyed. Medical and dental plans are reportedly comparable among surveyed cities. About one-half of the surveyed cities provide paid vacations and holidays, as does Oakland. Two-thirds of the surveyed cities provide use of a car or a car allowance and parking. Two-thirds of the surveyed cities provide some type of retirement benefit, although the amounts vary greatly.

3. Adjustments To The Base Salary

Between November, 1997 (when current City Council salaries were established), to July 1, 2003, the City of Oakland will have provided contractual wage increases to City employees totaling 22 percent, as follows:

| | |
|------------|-----------|
| June, 1998 | 3 percent |
| June, 1999 | 3 percent |
| June, 2000 | 4 percent |
| June, 2001 | 3 percent |

| | |
|------------|-----------|
| June, 2002 | 6 percent |
| June, 2003 | 3 percent |

The Consumer Price Index (CPI) for the San Francisco Bay Area has increased about 22 percent for approximately the same period. If an adjustment to City Council salaries were made to reflect either the increases negotiated with City employees since November, 1997, or the change in the CPI for the same period, such adjustments would exceed (and therefore be limited by) the City Charter "cap" of ten percent.

The following is the total dollar cost for every one percent increase in City Council salaries:

| %age Increase To Existing Base Salary | Annual Salary Increase Per Councilmember | Annual Salary Increase For City Council |
|---------------------------------------|--|---|
| 1 percent | \$ 600 | \$4,800.00 |
| 2 percent | \$1200 | \$9,600.00 |
| 3 percent | \$1800 | \$14,400.00 |
| 4 percent | \$2400 | \$19,200.00 |
| 5 percent | \$3000 | \$24,000.00 |
| 6 percent | \$3600 | \$28,800.00 |
| 7 percent | \$4200 | \$33,600.00 |
| 8 percent | \$4800 | \$38,400.00 |
| 9 percent | \$5400 | \$43,200.00 |
| 10 percent | \$6000 | \$48,000.00 |

4. Authority To Adjust City Council Salaries And Procedure For Placing Any Adjustment On The Ballot

The Commission was authorized to establish City Council salaries by a 1996 amendment to the City Charter. After the Commission's decision to establish the current base salary in November, 1997, the City Council/Redevelopment Agency voted to amend the Oakland Salary Ordinance to comply with the Commission's decision. (A written legal opinion from the Oakland City Attorney's Office dated November 18, 1997, advised the City Council that it was "mandated" to amend the Salary Ordinance as a result of the Commission's action.)

In 1998, Oakland voters adopted Measure X which, among its many provisions, amended Section 202(C) to state that "[n]o increase in compensation for Councilmembers shall take effect unless it has been approved by a vote of the people." While the Commission still has the authority to establish and fix City Council salaries, no action to increase salaries "shall take effect" until approved by a public vote. This public vote requirement will automatically "sunset" in November, 2004, unless Oakland voters reaffirm Measure X on the November, 2004, ballot.

There is no express provision under City law that permits the Commission to place a City ballot measure directly before the voters. Measures can be placed before the voters only by initiative or by submission from the City Council. Thus any action by the Commission to adjust City Council salaries must be submitted by the City Council to the voters in order to obtain voter approval. The Office of the City Attorney has previously opined that the City Council has the discretion whether to place any salary increase adopted by the Commission before the voters to obtain voter approval.

The next scheduled election in Oakland is in March, 2004. The Office of the City Clerk is recommending that the City Council adopt any resolutions to place measures on the March, 2004, ballot no later than its regularly scheduled meeting of November 18, 2003.

III. STAFF COMMENT AND RECOMMENDATION

Since the current City Council salaries were established in 1997, there has been no additional adjustment despite a 22 percent rise in the Bay Area cost of living index. Regardless of the arguments in favor or against establishing a \$60,000 annual salary for City Councilmembers, the increase in the cost of living represents a significant erosion from that base amount. On the other hand, Oakland City Council salaries are still competitive with the salaries of California's eight largest cities, although the range in salaries varies greatly between those cities which provide only a stipend for service on the city council (e.g., Sacramento and Santa Ana) and the City of Los Angeles, which pays councilmembers more than twice Oakland's salary but also restricts councilmembers from any additional, outside income.

The above range in city councilmember compensation represents, to some degree, basic policy differences in how elected representatives for large municipal corporations should be regarded and thereby compensated -- as a group of dedicated volunteers, or as professionals whose service on the city council is induced and retained at least in part by the amount of compensation they receive. The Public Ethics Commission's action in 1997 can be viewed as a strong preference for the latter policy approach. Commission staff believes it would be consistent with the Commission's 1997 decision to consider an adjustment to City Council salaries in light of the significant increase in the cost of living.

Commission staff recommends that the Commission receive this report, take public comment, and agendaize this matter for further consideration and action at the June 2, 2003, regular meeting.

Respectfully submitted,

Daniel D. Purnell
Executive Director