



THE CITY OF SAN DIEGO

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**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

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**Date Issued:** July 15, 2015

**IBA Report Number:** 15-04 REV

**City Council Meeting Date:** July 28, 2015

**Item Number:** TBD

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## **Proposed Response to Grand Jury Report: “COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS”**

On February 3, 2015 the San Diego County Grand Jury filed a report, directed to the San Diego City Council, entitled “COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS.” This Grand Jury report discusses issues related to current City Charter language which requires Council to approve their own salaries as well as the salary of the Mayor.

The Grand Jury Report included two findings and two recommendations. Per the Grand Jury report, the City Council is required to provide comments to the Presiding Judge of the San Diego Superior Court on each of the findings and recommendations within 90 days, on May 4, 2015. However, the Council President’s office requested and received an extension for such responses to August 6, 2015.

In responding to each Grand Jury finding, the City is required to either (1) agree with the finding or (2) disagree wholly or partially with the finding. Responses to Grand Jury recommendations must indicate that the recommendation (1) has been implemented; (2) has not yet been implemented, but will be in the future; (3) requires further analysis; or (4) will not be implemented because it is not warranted or is not reasonable. Explanations for responses are requested when applicable.

On March 5, 2015 the IBA presented a proposed Grand Jury response to the Charter Review Committee, which forwarded the item to the full City Council without recommendation. The Committee also requested the Salary Setting Commission (SSC) provide input prior to the item being docketed at the full City Council.

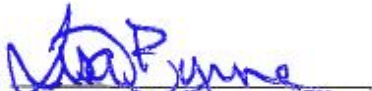
The SSC provided input on recommended responses to the Grand Jury report during their June 22, 2015 meeting, which was conveyed in a July 13, 2015 memorandum from the SSC President


to the City Council. This memo is included in the back-up materials for this item on the City Clerk's website.

At the June 22, 2015 meeting the SSC also discussed recommendations for Charter amendments with respect to salaries of elected officials. The SSC's recommendations are in line with the Grand Jury's recommendations for Charter amendments, which include tying the Mayor and Councilmembers' salaries to an external benchmark, and abolishing the Salary Setting Commission. The SSC's recommended Charter amendments are also included with the above-referenced memorandum from the SSC President.

## NEXT STEPS

The IBA has prepared a revised proposed response to the Grand Jury report (Attachment 1) which reflects previous discussions at the Charter Review Committee and Economic Development and Intergovernmental Relations Committee, as well as the full City Council. It also reflects input from the SSC regarding recommended Charter amendments. (Note that the initial proposed response which was forwarded without recommendation is included as Attachment 2.) We request Council approval of the revised proposed response for submission to the Presiding Judge of the San Diego Superior Court by August 6, 2015.

  
Lisa Byrne  
Fiscal & Policy Analyst

  
APPROVED: Andrea Tevlin  
Independent Budget Analyst

### Attachments:

1. Revised Proposed City Council Response to San Diego County Grand Jury Report Entitled "COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS"
2. Initial Proposed City Council Response to San Diego County Grand Jury Report Entitled "COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS" (submitted to the Charter Review Committee)
3. San Diego County Grand Jury Report entitled "COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS"

**Revised Proposed City Council Response to  
San Diego County Grand Jury Report Entitled  
“COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS”**

Pursuant to California Penal Code section 933(c), the City Council of the City of San Diego provides the following responses to the applicable findings and recommendations included in the above referenced Grand Jury Report:

**FINDINGS**

**Finding 01:** *Salaries of Councilmembers and the Mayor should be tied to an external benchmark.*

**Response: The City Council partially disagrees with the finding.**

Because the Council needs to further vet the issues surrounding compensation of elected officials, it cannot agree to a specific method for salary determination. See the response to Recommendation 15-02.

**Finding 02:** *A Charter Review Committee should be formed by the end of March 2015 in order to meet deadlines for City Council approval for the June 2016 ballot.*

**Response: The City Council disagrees with the finding.**

Although a Charter Review Committee has been formed, Council has not fully vetted the subject of elected officials' salaries. Thus, it would be premature to agree to meeting the ballot deadlines suggested in the Grand Jury report. See the response to Recommendation 15-02.

**RECOMMENDATIONS**

**Recommendation 15-01:** *Place on the June 2016 or November 2016 ballot a proposed amendment to the City Charter which would:*

*Amend Section 12.1 by linking the salaries of councilmembers to an external benchmark effective July 1, 2017;*

*Amend Section 24.1 by linking the salary of the mayor to an external benchmark effective July 1, 2017;*

*Delete Section 41.1 which would then abolish the City of San Diego Salary Setting Commission effective June 30, 2017.*

**Response: The recommendation requires further analysis.**

See response to Recommendation 15-02.

**Recommendation 15-02:** *Through the newly created Charter Review Committee, fully vet the recommended Salary Setting Amendment proposed here.*

**Response: The recommendation requires further analysis.**

The City Council's Charter Review Committee has been established and held its first meeting in January 2015. The Committee discussed the issue of salaries of elected officials at its March 2015 meeting, at which the Grand Jury presented its report, "Compensation of City of San Diego Elected Officials," and the IBA presented proposed responses to that report. The Committee requested input from the Salary Setting Commission prior to the proposed Grand Jury responses being considered by the full City Council.

The Salary Setting Commission subsequently met on June 22, 2015 and discussed a recommendation regarding elected officials' salaries. The recommendation is in line with the Grand Jury's recommendation for Charter amendments, which include tying the Mayor and Councilmembers' salaries to an external benchmark, and abolishing the Salary Setting Commission. The Commission voted to recommend Charter amendments that would tie the Mayor and City Council's salaries to salaries prescribe by State law for California Superior Court judges, as well as abolish the Salary Setting Commission.

Except for the effective date provision, these Charter amendments recommended by the Salary Setting Commission on June 22, 2015 are the same as those contained in a ballot proposal filed with the City Clerk by the Salary Setting Commission President in May of 2014. This ballot proposal was discussed at the June 2014 Economic Development and Intergovernmental Relations Committee meeting; however, it has not been heard by the City Council.

The Salary Setting Commission has recognized the difficult situation of Councilmembers having to vote to approve their own salaries. The Council has not increased the Mayor or Councilmembers' salaries for 12 years (including FY 2016). In background material provided as part of the submitted ballot proposal discussed above, the Salary Setting Commission "recommend[ed] that this matter go to the ballot with a clear expression to the public that this is a recommendation of the San Diego Salary Setting Commission, not the City Council. It should be clear the City Council is merely advancing *the Commission's recommendation* to the voters."

Because the proposed ballot measure for Charter amendments did not move forward and subsequent discussions have not produced consensus, further dialogue is warranted. The Charter Review Committee will be further vetting the issue of salaries of elected officials in calendar year 2016 when a number of issues related to elected officials are planned to be addressed.

**Initial Proposed City Council Response to  
San Diego County Grand Jury Report Entitled  
“COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS”  
(Presented to the Charter Review Committee March 5, 2015)**

Pursuant to California Penal Code section 933(c), the City Council of the City of San Diego provides the following responses to the applicable findings and recommendations included in the above referenced Grand Jury Report:

**FINDINGS**

**Finding 01:** *Salaries of Councilmembers and the Mayor should be tied to an external benchmark.*

**Response: The City Council partially disagrees with the finding.**

Although the City Council agrees that tying salaries to an external benchmark would be a worthy consideration, Council will vet this approach along with others. See the response to Recommendation 15-02.

**Finding 02:** *A Charter Review Committee should be formed by the end of March 2015 in order to meet deadlines for City Council approval for the June 2016 ballot.*

**Response: The City Council agrees with the finding.**

**RECOMMENDATIONS**

**Recommendation 15-01:** *Place on the June 2016 or November 2016 ballot a proposed amendment to the City Charter which would:*

*Amend Section 12.1 by linking the salaries of councilmembers to an external benchmark effective July 1, 2017;*

*Amend Section 24.1 by linking the salary of the mayor to an external benchmark effective July 1, 2017;*

*Delete Section 41.1 which would then abolish the City of San Diego Salary Setting Commission effective June 30, 2017.*

**Response: The recommendation requires further analysis.**

See response to Recommendation 15-02.

**Recommendation 15-02:** *Through the newly created Charter Review Committee, fully vet the recommended Salary Setting Amendment proposed here.*

**Response: The recommendation requires further analysis.**

The City Council's Charter Review Committee has been established and held its first meeting on January 15, 2015. The Committee will be vetting the issue of salaries of elected officials beginning in the spring of 2015.

# COMPENSATION OF CITY OF SAN DIEGO ELECTED OFFICIALS

## *SUMMARY*

The 2014/2015 San Diego County Grand Jury (Grand Jury) found that the process set forth in the San Diego City Charter for setting the salary for the Mayor and Councilmembers is fundamentally flawed. The charter specifies that a Salary Setting Commission must recommend salary changes. Councilmembers must then accept, reduce, or reject that recommendation. In effect that means Councilmembers are required to vote for their own compensation and that of the Mayor.

The salary for elected officials of many other agencies and cities is determined by external benchmarks. In some cases those salaries are linked to the salaries of state Superior Court Judges.

The effect of this process is that Councilmembers and the Mayor have not received a pay raise since July 1, 2003. The annual salary of the Mayor has been frozen at \$100,464 and those of councilmembers have remained at \$75,386.

In that same period the cost of living has increased by over 25%. The resulting relatively low compensation, as compared with private sector salaries for jobs with similar responsibilities, may discourage qualified individuals from running for public office.

The Grand Jury recommends an amendment to the City Charter by which salaries of the Mayor and Councilmembers are determined by an external benchmark. This would eliminate the need for a Council vote on Mayor and City Council salaries.

A Charter amendment requires a simple majority vote of the city's electorate. The next general election is scheduled in June 2016. Irrespective of the possible need for other amendments to the charter, the Grand Jury recommends that a salary setting amendment be developed and placed on the June 2016 ballot for the City of San Diego.

## *INTRODUCTION*

The Grand Jury investigated the process by which the salaries of some City of San Diego elected officials are determined. The Grand Jury suggests the process creates a conflict of interest by requiring Councilmembers to vote for their own base wages.

The present base salary may discourage uniquely qualified individuals from running for office. There is a perception that persons interested in seeking public office must forego higher salary levels normally found in the private sector in order to serve as an elected

official. This perception holds that public officials serve the “common good” for which there may be much public commendation and relatively little compensation.

The question at hand is whether this viewpoint causes some qualified candidates capable of managing a total budget of \$2.8 billion to avoid public office in San Diego. Qualified individuals with managerial expertise often earn substantially more money in the private sector.

The Grand Jury investigation addressed two questions:

1. Does the City Charter need to be amended to eliminate the need for Councilmembers to vote to accept salary increases?
2. Should the base salaries of the Mayor and Councilmembers be determined by a new salary setting process?

### ***PROCEDURE***

Members of the Grand Jury interviewed:

- Current and former San Diego City elected officials;
- Members of the City of San Diego Salary Setting Commission;
- Representatives of taxpayer advocacy groups.

Members of the Grand Jury reviewed:

- Salaries of elected officials in comparably sized cities;
- Salaries of other elected officials in San Diego County;
- Salaries of officials in selected private sector corporations;
- Salaries of other city employees, such as council and mayoral staff, department directors and the Chief Operating Officer and his deputies;
- The San Diego City Charter;
- Applicable State regulations;
- Applicable City Attorney Memoranda;
- Media coverage of the City of Bell scandal.

### ***DISCUSSION***

**City Charter Requirements:** Prior to the charter amendment establishing the Salary Setting Commission there had been no raise in base salary for Councilmembers and the Mayor from 1957 through 1973. In November 1973 voters approved amending the City Charter by adding Section 41.1, thereby creating a Salary Setting Commission. The commission consists of seven members appointed for a term of four years by the City of San Diego Civil Service Commission. This gives commission members a degree of independence. Members of other boards and commissions are appointed by the Mayor with confirmation by the City Council.



Sections 12.1 and 24.1 of the charter specify that on or before February 15 of each even year the Salary Setting Commission shall recommend the Council enact an ordinance establishing salaries for Councilmembers and the Mayor for the next two fiscal years. Councilmembers may approve the recommended amounts, some lesser amounts, or reject the recommendation entirely.

The Salary Setting Commission recommended increases for Fiscal Years 2005, 2007, 2009, 2011 and 2013. The City Council enacted no salary ordinances in any of those years.

In February 2014 the Salary Setting Commission recommended no increase for the Mayor and City Council for Fiscal Years 2015 and 2016. This would bring to twelve the total number of years with no increase in compensation.

**Charter versus General Law Cities:** The California Constitution and the California Government Code both distinguish between Charter and General Law Cities. Charter Cities are governed by their unique charter which serves as a constitution for that city. The charter may specify whether the jobs of the mayor and councilmembers are considered full time or part time.

San Diego City Charter Section 12 (j) specifies that City councilmembers are full time officials. Section 24 contains the same specification for the Mayor.

A charter city may establish the salary of the mayor and councilmembers, per California Constitution article XI, §5(b). There are eighty-six charter cities in California including most of the largest cities in the state.

In the four hundred eighty-six General Law cities in California, elected officials have no executive power. The City Manager has the authority over day-to-day operations. Mayors are typically members of a five person city council and perform mostly ceremonial functions. In 1984, in accordance with California Government Code § 36516, these cities use a salary ceiling based on city population. Increases cannot exceed 5% per year.

**City of Bell:** The City of Bell is in Los Angeles County. It has a population of about 38,000. In a 2005 special election residents of the City of Bell approved a City Charter that exempted the City Council from the salary limitations imposed on General Law cities. The approved charter imposed no restrictions on salaries and did not establish a mechanism for adjusting salaries.

Though job descriptions and responsibilities were not changed, by 2010 the base salaries, stipends and benefits for the Mayor and three of the other four Councilmembers had increased to almost \$100,000 per council member. The Council also approved significant increases in base salaries and benefits for other city officials, including the Deputy City

Manager and Police Chief. The Council approved a salary in excess of \$700,000 a year for the City Manager. The equivalent position in the City of Los Angeles pays about half that amount.

The Grand Jury does not suggest this would happen in the City of San Diego. Rather, we are citing the City of Bell experience as an extreme example of the inherent conflict of interest that occurs when legislators vote for their own salary. Seeing that conflict, San Diego Councilmembers have been reluctant to accept the recommendations of the Salary Setting Commission.

**Budget Balancing:** From Fiscal Year (FY) 2007 through Fiscal Year 2012 the Mayor and City Council of San Diego faced major budget deficits. The projected deficit for FY 2011 was \$179 million and for FY 2012 it was \$73 million.

To balance the budget, the Mayor enacted and the Council approved significant service reductions that included but were not limited to:

1. Eliminating about 150 sworn officer positions from the Police Department's budget and laying off civilian employees;
2. Eliminating about 50 sworn firefighter positions;
3. Reducing hours of libraries and recreation centers and eliminating programs in the Park and Recreation Department;
4. Reducing funding for street and sidewalk repairs;
5. Approving 6% across-the-board reductions in total compensation for all City employees, including employees of affiliated agencies, such as the San Diego Data Processing Corporation and the Centre City Development Corporation.

The projection for FY 2018 and FY 2019 indicates an improving financial condition for the City. The five-year financial outlook for FY 2016-2020 projects a surplus of General Fund revenue over expenses of \$109.5 million for FY 2018. For FY 2019 the projected surplus is \$132 million, and for FY 2020 the projected surplus is \$164.1 million. After four priority initiatives are funded, there still remain projected surpluses of \$25.8 million, \$37.8 million, and \$61.8 million for fiscal years 2018, 2019 and 2020 respectively.

**Salary Comparisons:** The following is presented to support a new salary setting process for the Mayor and City Council:

1. Per data obtained by Grand Jury correspondence in September 2014, the Mayor of San Diego is the lowest paid mayor among the eight largest cities in California, including the three with the Council/Manager form of government. All but Los

Angeles have a smaller population and all but Los Angeles and the City/County of San Francisco have smaller budgets.

2. Per data obtained by Grand Jury correspondence in September 2014, San Diego City Councilmembers are paid \$108,000 less than their counterparts in Los Angeles, \$35,000 less than San Francisco Supervisors, and about \$5,000 less than San Jose Councilmembers.
3. Per data obtained from the City of San Diego Salary Setting Commission in August 2014, seventy nonprofit agencies in San Diego County have chief executives earning \$200,000 or more. Only two of these agencies have more employees and only one takes in more revenue than the City. One of these nonprofit executives works for a City affiliated corporation and earns five times more than a Councilmember.
4. Per data obtained from the City of San Diego Salary Setting Commission in August 2014, all of the one hundred highest paid chief executives in private industry in San Diego County have base compensation of at least \$50,000 more than the Mayor and at least double the salary of Councilmembers.
5. Per data obtained from the State of California Controller's website, at least fifteen chief executives of Special Districts (Water Districts, Transportation Districts, etc.) in California make triple to quadruple what the Mayor is paid.
6. Per data obtained by Grand Jury correspondence in October 2014, eight of the City's top managers earn at least twice as much as the Mayor; thirty-eight unclassified employees earn at least twice as much as a City Councilmember.

Table I shows the salaries of the mayors and councilmembers in the eight largest cities in California by population, as determined by Grand Jury correspondence with each of the cities in September 2014.

TABLE I

CITY	POPULATION	PROCESS	MAYOR SALARY	COUNCIL-MEMBER SALARY	TOTAL BUDGET	MEDIAN FAMILY INCOME
Los Angeles	3,884,307	Salary of 15 Councilmembers is that of Sup. Court Judges; Mayor 30% more	\$235,679	\$184,000	\$8.1 Billion	\$49,745
San Diego	1,345,895	9 councilmembers vote on their own and Mayor's salary but cannot exceed salary recommended by salary setting commission	\$100,464	\$75,386	\$2.8 Billion	\$62,395
San Jose	1,000,536	Mayor and 10 councilmembers vote on own salary but cannot exceed salary recommended by salary setting commission.	\$104,999	\$80,999	\$2.9 Billion	\$80,090
San Francisco	837,442	City/County salary of Mayor and 11 supervisors set by Civil Service Commission	\$285,319	\$110,858	(City & county) \$8.582 Billion	\$73,802
Fresno	515,609	Mayor and 7 councilmembers salary set by ordinance	\$130,000	\$65,000	\$995.4 Million	\$38,386
Sacramento	475,122	Mayor and 8 councilmembers have their salaries set by a citizens' commission, chaired by a retired judge	\$117,861	\$62,032	\$872 Million	\$64,513
Long Beach	470,292	Mayors salary automatically indexed to CPI annually; 9 councilmembers paid 25% of mayor	\$136,150	\$34,041	\$3 Billion	\$47,837
Oakland	406,253	Salary of Mayor set by Council indexed to average salary of officials in six other cities; salary of council set by public ethics commission, according to CPI	\$183,395	\$81,550	\$1 Billion	\$59,511

The City of San Jose is closest to the City of San Diego in terms of population, budget and Mayor/Council salaries. The Mayor and Councilmember salaries in San Jose are substantially unchanged since FY 2005.

Table II compares the current salaries of elected officials in the same eight major cities with what their jobs paid in fiscal year 2006. Over the last ten years the average wage increased by about 20% although there was wide divergence from the average with respect to mayoral salaries. San Diego is the only city where neither the Mayor nor Councilmembers received an increase. Data was obtained by Grand Jury correspondence with each city in September 2014.

TABLE II

CITY	FY2015 Salary Mayor	FY 2006 Salary Mayor	% Increase Mayor	FY 2015 Salary Council- member	FY 2006 Salary Council- member	% Increase Council- member
Los Angeles	\$235,679	\$193,908	22%	\$184,000	\$149,160	23%
San Diego	\$100,464	\$100,464	0%	\$75,386	\$75,386	0%
San Jose	\$104,999	\$105,019	0%	\$80,999	\$75,094	13%
San Francisco	\$285,319	\$179,140	59%	\$110,858	\$90,740	22%
Fresno	\$130,000	\$99,360	31%	\$65,000	\$44,511	46%
Sacramento	\$117,861	\$100,776	17%	\$62,032	\$53,040	17%
Long Beach	\$136,150	\$111,326	22%	\$34,041	\$27,832	26%
Oakland	\$183,395	\$183,295	0%	\$81,550	\$66,896	22%
Average Increase			20.1%			21.9%

**Strong Mayor, Strong Council:** Proposition F in November 2004 added Article XV (Sections 250 through 295) to the City Charter, transforming the governance of the City of San Diego from Council-City Manager to Mayor-Council. This type of city management is often called the “Strong Mayor” form of government.

Article XV moved the duties and responsibilities of the City Manager to the Mayor, conferring more executive authority, duties and responsibility on the Mayor. These duties include but are not limited to:

1. Supervising the annual preparation of the City’s budget;

2. Hiring and firing a Chief Operating Officer, Police and Fire Chiefs, and other department directors;
3. Managing the day-to-day operations of the City;
4. Exercising veto power over proposed legislation (newly added to Charter).

As a result of the change to the Strong Mayor form of governance the City Council's role expanded. There is increased activity of Council Committees and more proposed legislative items are being referred to committees.

The number of Council Committees has expanded from five to seven. An Audit Committee was added in 2008 and an Infrastructure Committee in 2013. A separate Economic Development Committee was established in 2012 which, in 2014, became the current Economic Development and Intergovernmental Relations Committee.

In addition, Proposition F (2004) created the position of City Council President, who is elected from among the Councilmembers. The President's responsibilities include serving as chair for Council meetings and managing the process of putting items on the agenda.

Among the expanded duties of the City Council are:

1. Approval of the Mayor's proposed budget with the ability to add or delete budgetary items based on budget reviews with each department and public input;
2. Ongoing budget monitoring with the ability to add or delete items once at mid-year;
3. Spearheading the need for new regulations, taking public testimony and brokering compromises (if necessary) on various issues;
4. Monitoring infrastructure needs and funding priorities; improving the process for getting infrastructure contracts approved;
5. Monitoring the creation and implementation of the five-year plans for the Fire and Rescue Department and the Police Department;
6. Actively advocating for public/private partnerships;
7. Approving (or denying) major development projects and setting the conditions for approval where indicated; hearing appeals of decisions by the City Planning Commission; and hearing appeals on decisions of the Historical Resources Board;
8. Overseeing the wind-down of the Redevelopment Agency; approving related activities by Civic San Diego and the San Diego Housing Commission.

Based on the Grand Jury's observation and witness testimony, the typical work week of a City Councilmember exceeds sixty hours, consisting of but not limited to:

1. Meetings of the full City Council;
2. Council Committee meetings;
3. Preparation for agenda items;

4. Briefings with Council and/or Department staff;
5. Attendance at events in the Community;
6. Meetings with constituents, both at City Hall and in the community; and
7. Meetings with lobbyists.

The Grand Jury finds that the following facts merit consideration due to:

1. Expanded duties and responsibilities under the Strong Mayor form of government;
2. The fact the Mayor and Councilmembers have had no cost of living increase since 2003;
3. The fact they receive substantially lower salaries than their top management; and
4. The fact they receive lower compensation for the same or similar positions in cities of lesser size.

Increasing the compensation may result in the recruitment of additional qualified candidates with demonstrated executive ability for the Offices of the Mayor and City Council.

**Benchmarking:** The one common thread in all the testimony the Grand Jury heard on this subject was that Councilmembers should not be voting on their own salaries. The majority of those who testified also opined that salaries were too low. Most believe that, if left unchanged, governance of the City would eventually be left to either wealthy people or those with relatively limited experience.

Even witnesses who opposed any increase in compensation agreed that the City Charter should be amended to remove Councilmembers from the process. Some external benchmark should be found. The two most common external benchmarks adopted by other California Cities are:

1. Linkage to salaries of Superior Court Judges, with increases based on the average wage increase for state employees, as approved by the State legislature;
2. Linkage to a commonly used Cost of Living Adjustment (COLA), such as the Consumer Price Index published by the Federal Bureau of Labor Standards.

The City Council considered variants of both these options in the 2008-2009 time frames but ultimately voted against any salary increase on March 30, 2009. The Grand Jury is neither recommending any specific process nor that any specific salary amount be adopted. We do, however, offer variations of the two scenarios mentioned above as illustrations of what could be done.

**Option 1: Linkage to the Salary of Superior Court Judges**

The current salary of a Superior Court Judge is \$184,000 per year. Two of the large government agencies the Grand Jury looked at currently use this benchmark:

1. The City of Los Angeles: City Councilmembers (15) receive 100% of a Superior Court Judge's base salary, per City Charter.
2. The County of San Diego: Members of the Board of Supervisors (5) receive 80% of a Superior Court Judge's base salary, per County Charter.

Increases for these benchmarks are determined periodically by the State Legislature and are usually based on average wage increases for State employees. The most recent increase went into effect on July 1, 2014.

Table III indicates what the Mayor's salary would be if benchmarked to a certain percentage of that of a Superior Court Judge with the corresponding salary for Councilmembers, if based on 75% of the Mayor's salary:

TABLE III

<u>Percentage</u>	<u>Mayor Salary</u>	<u>Council Salary (75% of Mayor)</u>
100%	\$184,000	\$138,000
90%	\$165,600	\$124,200
80%	\$147,200	\$110,400
70%	\$128,800	\$96,600
60%	\$110,400	\$82,800
Current	\$100,464	\$75,386

This benchmarking approach allows for more than one possibility:

1. The percentage of the Mayors Salary for Councilmembers could be raised or lowered.
2. The salaries for Councilmembers could be benchmarked to those of Superior Court Judges with the Mayor receiving a certain percentage above the Council.

Most importantly, if voters approve the recommended Charter amendment, Councilmembers would no longer be put in the uncomfortable position of having to vote on their own salary increases. The amount of those raises would be established by an act of the State Legislature.

### **Option 2: Linkage to the Consumer Price Index**

The Consumer Price Index (CPI) is determined by tracking price changes of consumer goods and services in a given market over a period of time. It is based on data compiled by the Bureau of Labor Statistics of the United States Department of Labor. The CPI is used by many public and private agencies to determine cost of living adjustments for their beneficiaries or employees. The City of Long Beach uses the CPI to determine the amount of raises for its Mayor and Councilmembers.

The CPI for the San Diego Urban Area is published semi-annually for the periods ending December 31 and June 30. Adding the CPI percentage increases (and one decrease in



2009), as of June 30 each year since 2004 we arrive at how much the cost of living has increased since the Mayor and Council last received a salary increase. That figure is 27.1 %, an average of 2.5% per year over eleven years.

Since the proposed charter amendments would not go into effect until FY 2018 at the earliest, we have added another 7.5% representing the anticipated average CPI increase of 2.5% for 2015, 2016 and 2017. The total of 34.6% could be applied to the current salary to establish a base salary effective July 1, 2017 for future cost of living increases.

Using this option, the base salaries compute as follows:

Mayor: \$100,464 x 1.346 = \$135,225

Council: \$75,386 x 1.346 = \$101,696

Many variations of this option are also possible. For example, Councilmembers could index Council salaries by a fewer number of years, say the most recent five years. They could adopt no proposed increase to current salaries and apply the CPI on a go-forward basis.

If this option, or something similar, were adopted the charter amendment could be worded to have the salaries indexed annually on the certification of the CPI by the Controller or Chief Financial Officer. Under this option the salary adjustments would be determined by the Bureau of Labor Statistics and would no longer require a vote of the Council.

The Grand Jury suggests that these and/or other options be discussed in open session and fully vetted. The desired outcome would be a proposed amendment to the City Charter.

**City Attorney and City Auditor:** The Grand Jury considered whether the salaries of the City Attorney, an elected official, and the City Auditor, who is appointed to a term of ten years by contract, should be subject to the same external benchmark as the Mayor and City Council. Both have the need to be independent of the Mayor and Council. There is the possibility of that independence being compromised if they are dependent on the Council for their salaries.

The salary of the City Attorney is fixed by the City Council. It cannot be decreased during a term of office and cannot be less than \$15,000 per year. The current salary for the City Attorney is \$193,648. The annual compensation of the City Auditor is based on the recommendation of the Audit Committee to the City Council, which is charged with approving it. The Audit Committee is composed of two Councilmembers and three public members appointed by the Council. The annual compensation for the City Auditor is \$168,000.

Our investigation of this issue was inconclusive. Some witnesses said the current process works well; some testified that both their salaries should be subject to an external

benchmark. Some proposed to change the process for one or the other, but not both. Some major cities in California have appointed City Attorneys. Others have elected City Auditors.

Accordingly, the Grand Jury decided not to pursue this issue. However, it is worth exploring by a City Council Committee or Charter Review Committee.

**Charter Review Committee:** The City Attorney in a memo to the Mayor and the City Council dated October 22, 2013 stated “The City Charter has provisions that are ambiguous, outdated and incomplete.” He also wrote that “key governance provisions are not addressed.” Among other things, he recommended the formation of a Charter Review Commission. Several Councilmembers agreed with him at a public meeting of a City Council Committee.

Most recently, the City Attorney in a report to the City Council dated February 5, 2014, identified 53 (out of 295) sections of the City Charter that were in need of deletion or revision. He also mentioned the option of a Charter Review Commission. This would provide a means of soliciting public input and making recommendations to the Mayor and City Council on what to put on the ballot.

The Grand Jury notes that the City Attorney has included the recommendations contained in two recent Grand Jury reports in his summary of potential Charter revisions. These recommendations deal with the process for selection of members of the Redistricting Commission and the process for removal of elected officials.<sup>1</sup>

The City’s response to both of those reports was that a Charter amendment would be required and that it would be more economical if all Charter amendments were added to the ballot at the same time. Accordingly, it would be appropriate that the members of the Charter Review Committee be chosen in sufficient time to get the salary setting recommendation, along with other suggested amendments, on the June 2016 ballot.

Based on recent history the deadline for Council action to place an item on the June ballot occurs in late February. A Charter Review Committee would need about nine months to a year (based on the Charter Review of 2007) to vet all 53 revisions identified by the City Attorney and other proposed revisions.

At the November 19, 2014 meeting of the City Council’s Economic Development and Inter-governmental Relations Committee, the committee discussed a proposal to establish

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<sup>1</sup> 2011/2012 San Diego County Grand Jury Report *City of San Diego 2010 Redistricting Commission* <http://www.sandiegocounty.gov/content/dam/sdc/grandjury/reports/2011-2012/RedistrictingReport.pdf> and 2013/2014 San Diego County Grand Jury report *Updating San Diego’s City Charter* <http://www.sandiegocounty.gov/content/dam/sdc/grandjury/reports/2013-2014/UpdatingSanDiegoCityCharterReport.pdf>

a Special Issues Committee on Charter Reform. The proposed committee would begin at the earliest feasible time and end on June 30, 2016. It would make prioritized recommendations to the full Council for its vote to place on the ballot for either June 2016 or November 2016. The proposed committee would consist of four voting Councilmembers and representatives from the Offices of the Mayor, City Attorney, Independent Budget Analyst, City Clerk and Legislative Affairs.

The proposed Charter Review Committee was approved unanimously by the full City Council on December 8, 2014. The Grand Jury recommends this committee fully vet linking the salary of the Mayor and Councilmembers to an external benchmark and that it recommend putting the issue on the ballot in 2016.

### ***FACTS AND FINDINGS***

**Fact:** The Salary Setting Commission was established to make biennial recommendations to the City Council on the compensation of the Mayor and City Council.

**Fact:** The City Council has not enacted an ordinance incorporating the Salary Setting Commission's recommendations, or some lesser amount, since 2002.

**Fact:** The duties of the Mayor and, to a lesser extent, those of the City Council, have expanded since 2006, when the current Strong Mayor form of government took effect.

**Fact:** City Councilmembers are reluctant to enact an ordinance raising their own salary.

**Finding 01:** Salaries of Councilmembers and the Mayor should be tied to an external benchmark.

**Fact:** Changing the process for setting the compensation for the Mayor and Councilmembers would require an amendment to the City Charter.

**Fact:** Recognizing the need for multiple changes to the Charter, the City Attorney has recommended the creation of a Charter Review Commission.

**Fact:** A Charter Review Committee has been created.

**Finding 02:** A Charter Review Committee should be formed by the end of March 2015 in order to meet deadlines for City Council approval for the June 2016 ballot.

### ***RECOMMENDATIONS***

**The 2014/2015 San Diego County Grand Jury recommends that the San Diego City Council:**

**15-01: Place on the June 2016 or November 2016 ballot a proposed amendment to the City Charter which would:**

**Amend Section 12.1 by linking the salaries of councilmembers to an external benchmark effective July 1, 2017;**

**Amend Section 24.1 by linking the salary of the mayor to an external benchmark effective July 1, 2017;**

**Delete Section 41.1 which would then abolish the City of San Diego Salary Setting Commission effective June 30, 2017.**

**15-02: Through the newly created Charter Review Committee, fully vet the recommended Salary Setting Amendment proposed here.**

***REQUIREMENTS AND INSTRUCTIONS***

The California Penal Code §933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code §933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

- (a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
  - (1) The respondent agrees with the finding
  - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.
- (b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
  - (1) The recommendation has been implemented, with a summary regarding the implemented action.
  - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
  - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body

of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code §933.05 are required from:

<b><u>Responding Agency</u></b>	<b><u>Recommendations</u></b>	<b><u>Due Date</u></b>
<b>City Council, City of San Diego</b>	<b>15-01 through 15-02</b>	<b>May 4, 2015</b>