

CHARTER AMENDMENTS REGARDING ETHICS AND COMPENSATION FOR ELECTED CITY OFFICERS

August 2018

SDCTA Position: SUPPORT

Rationale for Position:

The current salaries of elected officers for the City of San Diego are not competitive with those of the private sector or with those of other publicly elected officials throughout California, which poses significant cost increases to the public relating to loss of quality management in the public sector. The proposed amendments remove a potential conflict of interest in regard to officials voting on their own salary and streamlines the benefits and privileges elected officers may or may not receive.

Title: Charter Amendments regarding Ethics and Compensation for Elected City Officers

Jurisdiction: City of San Diego

Type: City Charter Amendment

Vote: Simple Majority

Status: On the November 6, 2018 General Election Ballot

Issue: Increasing the compensation of specific publicly elected officials

Description: Approval of this initiative would create a new process for salary setting and implementing accompanying ethics reform provisions for City of San Diego elected officers, including the Mayor, City Attorney, and City Councilmembers.

Fiscal Impact: Limited; SDCTA estimates an increase between \$694,652 and \$777,777

in total fiscal burden from salary raises

Background

In November 1973, voters approved amending the City Charter by adding a section that created a Salary Setting Commission, which would be tasked with creating an ordinance recommending Councilmembers and the Mayor salaries for the subsequent two fiscal years. At the time, the San Diego County Taxpayers Association (SDCTA) endorsed the measure, arguing that San Diego could not continue to attract qualified, competent legislators if it was not willing to compensate them appropriately.

The Salary Setting Commission has recognized the difficult situation of Councilmembers having to vote to approve their own salaries. The Salary Setting Commission recommended increases for Fiscal Years 2005, 2007, 2009, 2011 and 2013, but City Councilmembers rejected those ordinances, presumably out of concern that it would hurt their image among the constituencies that elect them into office. Historically the SDCTA has opposed ballot box budgeting, as budgetary

¹ San Diego County Grand Jury Report. (2015). "Compensation of City of San Diego Elected Officials."



decisions should be left for elected officials, but it can appear inappropriate for publicly elected officials to vote on their own salaries.

Recommendations to not increase the Councilmembers' salaries along with Councilmembers' decision not to accept the recommendations when the Commission recommended increases have resulted in fifteen years of no increase in compensation, where the salaries of the City of San Diego's nine council members and Mayor have not increased since July 1st, 2003. Since that date, the cost of living in San Diego has increased by over 30 percent² as the annual salary of the Mayor and councilmembers have remained at \$100,464 and \$75,386, respectively.³

Moreover, the City of San Diego approved Proposition F in 2004, which shifted the management of day-to-day operations from the City Manager to the City Mayor, effectively expanding the role's executive authority and responsibilities through the "Strong Mayor" form of government. From its inception, the SDCTA has been supportive of the City of San Diego's move to the Strong Mayor form of government. This style of governance in many cases increases accountability and efficiency in local governance, therefore creating a more democratic system by allowing voters to select their chief executive rather than the City Council and bureaucrats in City Hall. The compensation of the Mayor and City Councilmembers, who according to a Grand Jury 2015-2016 study work more than sixty hours a week, 5 do not reflect this increase in responsibilities.

In response to the Grand Jury Report, titled "Compensation of City of San Diego Elected Officials," the City of San Diego established the Council's Charter Review Committee, which held its first meeting on January 15, 2015 and, along the Salary Setting Commission, began vetting the issue of salaries of elected officials later that year. ⁶

Proposal

On July 30, 2018, the City of San Diego City Council voted (7-1) to place a Charter Amendment regarding the ethics and compensation for elected city officers up for the consideration of voters on the November 6, 2018 General Election ballot. The proposed amendments to the City Charter text have been attached to the end of this report. The question to be put before voters is formatted and reads as the following:

⁴ City Charter Article VII, Section 69(g)

² <u>US Department of Labor – Bureau of Labor Statistics. (2018). "Consumer Price Index, San Diego – Second Half</u> 2017."

³ Ihid

⁵ San Diego County Grand Jury Report. (2015). "Compensation of City of San Diego Elected Officials."

⁶ The City of San Diego – Office of the Independent Budget Analyst Report. (2015). "Proposes Response to Grad Jury Report: 'Compensation of City of San Diego Elected Officials.""



MEASURE CHARTER AMENDMENTS REGARDING ETHICS AND COMPENSATION FOR ELECTED CITY OFFICERS: Shall the Charter be amended to: (1) restrict benefits for elected City officers; (2) restrict lobbying and campaign activities of elected City officers; and (3) remove the requirement	YES	
that Councilmembers set their salaries and those of the Mayor and City Attorney, providing instead that their salaries be set as percentages of the salary set by the State of California for Superior Court judges?	NO	

Approval of this initiative would create a new process for salary setting and implement accompanying ethics reform provisions for City of San Diego elected officers. The measure would increase the annual pay of City Councilmembers, the Mayor, and the City Attorney. Salaries for the Mayor and City attorney would be increased in December 2020 to match the salaries of Superior Court judges, who make annually between \$190,000 and \$200,000.⁷ Salaries for Councilmembers would be 75 percent of that amount.

The measure would also eliminate other forms of outside employment compensation, including monthly car allowances, acceptance of fees for speeches, and admission to sports and entertainment events at city-owned venues, as well as ban officials from lobbying for two years after leaving office and city-funded mailings to constituents during election campaign.

Except for the effective date provision, the proposed 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, which was discussed at the Economic Development and Intergovernmental Relations Committee meeting, but not been heard by the City Council.⁸

Fiscal Impact

The measure's fiscal impact is relatively minor given the City's more than \$3 Billion annual budget and the SDCTA estimates and outlines the ranges in percent change in salary once the measure goes into effect in December 10, 2020 in **Figure 1**. The measure would almost double the annual pay of Councilmembers, representing a total fiscal burden of between \$607,680 to \$671,805 in aggregate. The Mayor's salary would increase by approximately 90 to 99 percent. The City Attorney's salary would decrease by 1.6 percent if matched to the lowest paid Superior Court judge, and potentially increase by 3.3%.

SDCTA estimates a salary increase total fiscal burden between \$694,652 and \$777,777.

⁷ <u>California State Controller – Government Compensation in California. (2018). "San Diego C County Superior Court."</u>

⁸ The City of San Diego – Office of the Independent Budget Analyst Report. (2015). "Proposes Response to Grad Jury Report: 'Compensation of City of San Diego Elected Officials.""



Figure 1: Estimated Total Increase in Salaries*

Position	Current Salary	Proposed Salary Range	Percent Change Range	Increase in Salary Range
Councilmember	\$75,386	\$142,906 to \$150,031	89.5% to 99%	\$67,520 to \$74,645
		Cou	ncilmembers Total	\$607,680 to \$671,805
Mayor	\$100,464	\$190,542 to \$200,042	89.6% to 99.1%	\$90,078 to \$99,578
City Attorney	\$193,648	\$190,542 to \$200,042	-1.6% to 3.3%	-\$3,106 to \$6,394
	\$694,652 to \$777,777			

^{*2017} figures, not adjusted for inflation

The measure would also eliminate other forms of outside employment compensation, which may bring additional marginal revenue to the City. If this measure were to pass, for example, the City of San Diego would stop issuing \$800 monthly car allowances to elected officials, which represents an additional \$9,600 to each member's yearly compensation, at an approximate aggregate total of \$105,600 per year. Additionally, members would no longer be able to conduct city-funded mailings during their election campaign. The measure also promotes transparency and accountability by preventing free admission to events in city-owned venues and prohibiting officials from lobbying for two years after leaving office, preventing the governance costs associated with these practices.

The present base salary for elected city officers may discourage highly qualified individuals from running for office. This may pose significant additional cost increases to the public relating to loss of quality management in the public sector to the private sector, as the ratio of public to private sector wages has declined over time. The SDCTA calculated a competition ratio to account for these opportunity costs and to evaluate what is appropriate in terms of salary when compared to what officers could be earning in the private sector. As used, the competition ratio takes the salary of the highest paid CEO in California, assumes the starting wage as that which the City currently pays the elected officer, and calculates the mid-point range to determine how competitive the public salary is in comparison to the potential earnings of a comparable position in the private sector. We must note that these amounts are also difficult to standardize because the public positions are inherently different than those of the private sector. We compare their roles with that of typical CEOs based on the size of the budget that these City officials manage.

Figure 2 provides an overview that compares average wages by role, in other cities, and in the private sector. The Mayor of San Diego is the lowest paid mayor among the eight largest cities in California, also earning less than the mayors of Chula Vista, Inglewood, and San Bernardino. Similarly, San Diego Councilmembers are paid \$62,380 less than the average among California's eight largest cities. The competition ratio for both City Councilmembers and the Mayor demonstrate that their salaries are significantly below the mid-point range at the private sector.



Figure 2: Salary Cross-Sector Comparison in California (2017)

Position	San Diego Current Total Compensation	Average Salary of Incumbents in 8 Largest Cities	Average Salary of CEO	Competition Ratio
Councilmember	\$75,386	\$94,382	\$105,818	0.0014%
Mayor	\$100,464	\$162,844	\$103,818	0.0019%

Sources Referenced: California State Controller, Indeed

Moreover, the current salaries of elected officers have not changed over time to reflect the increased living costs in San Diego over the past decade. Since the Mayor and Council last received a salary increase in 2003, changes in the price level of market basket of consumer goods and services purchase by households has changed an average of 2.5 percent per year. As of 2017, that number has added up to 32.7 percent over thirteen years.⁹

Governance Impact

Currently, the City Charter specifies that a Salary Setting Commission must recommend salary changes, after which Councilmembers must consider and take action on that recommendation. This results in a process that is prone to issues of conflict of interests because Councilmembers are required to vote for their own compensation and that of the Mayor. External benchmarks, such as the proposed salary matching to that of Superior Court judges, may mitigate further. The measure also exercises important democratic principles, as the reforms would be approved at the ballot by voters rather than the council members themselves.

Research also shows that increasing public officials' wages greatly reduces their corruptibility.¹⁰ In this way, the pay-raise complements the addition of Sections 303 and 304 to the City Charter's Article XVI, which eliminate outside compensation and ban inappropriate practices in an effort to promote good governance.

Proponents

Supporters of the amendments, such as the County Grand Jury and the League of Women Voters, have endorsed the measure on the basis that it eliminates conflicts of interest and prevents potential political backlash from elected officers taking action on the recommendations of the salary-setting committee. They also emphasize that current salaries do not capture the cost of living in San Diego, and that the amount of responsibility that elected officers have as they manage a \$3.64 Billion budget should be properly rewarded.

⁹ <u>US Department of Labor – Bureau of Labor Statistics. (2018). "Consumer Price Index, San Diego – Second Half</u> 2017."

¹⁰ R. van Veldhuizen. (2013). "The influences of wages on public officials' corruptibility: A laboratory investigation." Journal of Economic Psychology. Volume 39, Pages 341-356.

¹¹ Garrick, David. (2018). "San Diego council sets up challot measure to double the salary for council, mayor." The San Diego Union Tribune.



Opponents

The City Council has been openly criticized for placing a measure on the ballot that could end up increasing their salaries. However, a 2014-2015 study by the San Diego County Grand Jury suggests that benchmarks, such as the salaries of superior court judges that this measure proposes, would eliminate the need for a Council vote on its own compensation. Furthermore, it is presumed that elected officers did not pursue salary raises out of concern for potential political backlash; that same logic may imply that the measure may increase short-run performance, as every Councilmember would need to be re-elected to benefit from a salary increase under the measure at the time that it goes into effect in December 2020.

Concerned citizens have also suggested that pay raises should be tied to performance and that salaries are already high enough. However, to make pay for performance successful agencies need to make a substantial investment of time, money, and effort, which would likely result in a more expensive alternative. ¹³ Research has shown that a pay for performance system can only be effective if "employees value the pay or recognition that the organization offers in return for high performance; understand what is required of them; believe that they can achieve the desired level of performance; and believe that the organization will actually recognize and reward that performance." ¹⁴

Finally, the opposition may argue that an increase in salaries for elected officials may contribute to the City's unfunded pension liability. However, these are not overly-burdensome, as the State Legislature periodically determines increases for the proposed benchmarks, which are usually based on average wage increases for State employees. The most recent increase went into effect on July 1, 2014.

¹² Garrick, David. (2018). "San Diego council sets up challot measure to double the salary for council, mayor." The San Diego Union Tribune.

¹³ U.S. Merit Systems Protection Board. (2006). "Designing an Effective Pay for Performance Compensation System." A Report to the President and the Congress of the United States.

¹⁴ Ibid.



APPENDIX: Measure Text and Proposed Amendments, as they appear on the City Ordinance

-MEASURE-

ARTICLE III

LEGISLATIVE POWER

Section 11.1: Legislative Power — Nondelegable (*Last amended 11-04-1980*)

The same prohibition against delegation of the legislative power which is imposed on the State Legislature by Article XI, Section 11a of the Constitution of the State of California shall applyies to the City Council of The City of San Diego, so that its members shall must not delegate legislative power or responsibility which they were elected to exercise in the adoption of any ordinance or resolution which raises or spends public monies, including but not limited to the City's annual budget ordinance or any part thereof, and the annual ordinance setting compensation for City employees, or any ordinance or resolution setting public policy, except where authorized by this Charter.

The City Council shall must annually adopt an ordinance establishing salaries for all City employees, except the City's elective officers. The City Council shall adopt this ordinance not later than May 30 of each year after considering all relevant evidence, including but not limited to the needs of the citizens residents of the City of San Diego for municipal services, the ability of the citizens residents to pay for those services, local economic conditions and other relevant factors as the City Council deems appropriate. The City Council shall must give priority in the funding of municipal services to the need of the citizens residents for police protection in considering adoption of this salary ordinance and the annual budget ordinance, and must comply with any collective bargaining laws binding on the City as a public agency employer.

The prohibition imposed by this section against unlawful delegation of the legislative responsibility to set compensation for City employees shall extends to any scheme or formula which seeks to fix the compensation of City of San Diego employees, except City elective officers, at the level of compensation paid to employees of any other public agency whose governing board is not elected by and not accountable to the people of the City of San Diego. This prohibition shall also extends to any scheme or formula which seeks to fix, establish, or adjust the compensation of City of San Diego employees, except City elective officers, at the level of the largest cities in California or the State of California.

City elective officers will receive annual salaries based on the salary paid to Superior Court judges by the State of California. The Chief Financial Officer is responsible for determining the State salary of Superior Court judges and for setting and adjusting the salaries of the City Councilmembers, Mayor, and City Attorney, as provided in sections 12.1, 24.1, and 40, respectively.



Section 12.1: Councilmanie Salaries (Effective 12-07-1973)

On or before February 15 of every even year, the Salary Setting Commission shall recommend to the Council the enactment of an ordinance establishing the salary of City of San Diego City Charter Article III Page 4 of 7 members of the Council for the period commencing July 1 of that even year and ending two years thereafter. The Council may adopt the salaries by ordinance as recommended by the Commission, or in some lesser amount, but in no event may it increase the amount. The ordinance shall be subject to the referendum provisions of this Charter and upon the filing of a sufficient petition, the ordinance shall not become effective and shall be repealed by the Council or shall forthwith be submitted to a vote of the people at the next general statewide election. Effective December 10, 2020, the salary paid to City Councilmembers will be 60 percent of the salary prescribed by law and as adjusted by law for judges of the Superior Court for the State of California. Effective December 10, 2022, the salary paid to City Councilmembers will be 75 percent of the salary prescribed by law and as adjusted by law for judges of the Superior Court for the State of California.

ARTICLE IV

THE MAYOR

Section 24.1: Mayor's Salary (Last Amended 12-07-1973)

On or before February 15 of every even year, the Salary Setting Commission shall recommend to the Council the enactment of an ordinance establishing the Mayor's salary for the period commencing July 1 of that even year and ending two years thereafter. The Council shall adopt the salary by ordinance, as recommended by the Commission, or in some lesser amount, but in no event may it increase the amount. The ordinance shall be subject to the referendum provisions of this Charter and upon the filing of a sufficient petition, the ordinance shall not become effective and shall be repealed by the Council or shall forthwith be submitted to a vote of the people at the next general statewide election. Effective December 10, 2020, the salary paid to the Mayor will be equal to the salary prescribed by law and as adjusted by law for judges of the Superior Court for the State of California.

ARTICLE V

EXECUTIVE AND ADMINISTRATIVE SERVICE

Section 40: City Attorney (Last amended 12-19-2016)

A City Attorney shall be elected for a term of four (4) years in the manner prescribed by Section 10 of this Charter. The City Attorney shall hold office for the term prescribed from and after 10 a.m. on the tenth day of December next succeeding the election and until a successor is elected and qualified. If the tenth day of December falls on a weekend or holiday, the term shall begin at 10 a.m. on the next calendar day that is not a weekend or a holiday.



No person shall serve more than two (2) consecutive four-year terms as City Attorney. If for any reason a person serves a partial term as City Attorney in excess of two (2) years, that partial term shall be considered a full term for purposes of this term limit provision.

The City Attorney shall be the chief legal adviser of, and attorney for the City and all Departments and offices thereof in matters relating to their official powers and duties, except in the case of the Ethics Commission, which shall have its own legal counsel independent of the City Attorney. The attorney and his or her deputies shall devote their full time to the duties of the office and shall not engage in private legal practice during the term for which they are employed by the City, except to carry to a conclusion any matters for which they have been retained prior to taking office. The City Attorney must be licensed to practice law in the State of California and must have been so licensed for at least ten years at the time he or she submits nominating petitions.

The City Attorney shall appoint such deputies, assistants, and employees to serve him or her, as may be provided by ordinance of the Council, but all appointments of subordinates other than deputies and assistants shall be subject to the Civil Service provisions of this Charter. The City Attorney may appoint no more than six Assistant City Attorneys and four other assistants, who shall serve at the pleasure of the City Attorney and may be removed by the City Attorney at any time.

No Deputy City Attorney, who has served continuously as a Deputy City Attorney in the Office of the City Attorney for one year or more shall be terminated or suspended without good cause, except that any Deputy City Attorney may be subject to layoff due to lack of work or insufficient appropriation to meet the salary requirements necessary to maintain existing personnel in the Office of the City Attorney.

To ensure that Deputy City Attorneys conduct their legal work with the highest level of integrity, honesty, and professionalism, good cause for purposes of termination or suspension includes, but is not limited to, failure to comply with the California Rules of Professional Conduct.

It shall be the City Attorney's duty, either personally or by such assistants as he or she may designate, to perform all services incident to the legal department; to give advice in writing when so requested, to the Council, its Committees, the Manager, the Commissions, or Directors of any department, but all such advice shall be in writing with the citation of authorities in support of the conclusions expressed in said written opinions; to prosecute or defend, as the case may be, all suits or cases to which the City may be a party; to prosecute for all offenses against the ordinances of the City and for such offenses against the laws of the State as may be required of the City Attorney by law; to prepare in writing all ordinances, resolutions, contracts, bonds, or other instruments in which the City is concerned, and to endorse on each approval of the form or correctness thereof; to preserve in the City Attorney's office a docket of all cases in which the City is interested in any of the courts and keep a record of all proceedings of said cases; to preserve in the City Attorney's office copies of all written opinions he or she has furnished to the Council, Manager, Commission, or any officer. Such docket, copies and papers shall be the property of the City, and the City Attorney shall, on retiring from office, deliver the same,



together with all books, accounts, vouchers, and necessary information, to his or her successor in office.

The City Attorney shall have charge and custody of all legal papers, books, and dockets belonging to the City pertaining to his office, and, upon a receipt therefor, may demand and receive from any officer of the City any book, paper, documents, or evidence necessary to be used in any suit, or required for the purpose of the office.

The City Attorney shall apply, upon order of the Council, in the name of the City, to a court of competent jurisdiction for an order or injunction to restrain the misapplication of funds of the City or the abuse of corporate powers, or the execution or performance of any contract made in behalf of the City which may be in contravention of the law or ordinances governing it, or which was procured by fraud or corruption.

The City Attorney shall apply, upon order of the Council, to a court of competent jurisdiction for a writ of mandamus to compel the performance of duties of any officer or commission which fails to perform any duty expressly enjoined by law or ordinance.

The City Attorney shall perform such other duties of a legal nature as the Council may by ordinance require or as are provided by the Constitution and general laws of the State.

The Council shall have authority to employ additional competent technical legal attorneys to investigate or prosecute matters connected with the departments of the City when such assistance or advice is necessary in connection therewith. The Council shall provide sufficient funds in the annual appropriation ordinance for such purposes and shall charge such additional legal service against the appropriation of the respective Departments.

Effective December 10, 2020, the salary paid to the City Attorney will be equal to the salary prescribed by law and as adjusted by law for judges of the Superior Court for the State of California. The salary of the City Attorney shall be fixed by the Council and set forth in the annual appropriation ordinance, provided that the salary of the City Attorney may not be decreased during a term of office. , but in no event shall said salary be less than \$15,000.00 per vear.

Whenever a vacancy exists in the office of the City Attorney, an Assistant City Attorney, previously designated by the City Attorney to fulfill duties in the event of a vacancy and whose name has been recorded with the City Clerk as the Interim City Attorney in the event of a vacancy, shall fulfill the duties of the City Attorney as the Interim City Attorney until a replacement can be appointed or elected as provided by this Charter. The Interim City Attorney shall have the full authority of the Office.



Section 41.1: Salary Setting Commission (Last amended 12-07-1973)

There is hereby created a Salary Setting Commission consisting of seven members who shall be appointed by the Civil Service Commission for a term of four years. The first members shall be appointed for a term commencing January 1, 1974. Initially, the Commissioners shall be appointed in a manner so that three are appointed for two-year terms and four are appointed for four-year terms. The Salary Setting Commission shall recommend to the Council the enactment of an ordinance establishing salaries for the Mayor and Council as provided by this Charter. The Council shall provide the funds necessary to enable the Commission to perform its duties. The Civil Service Commission in its appointments shall take into consideration sex, race and geographical area so that the membership of such Commission shall reflect the entire community.

ARTICLE XVI

ELECTIVE OFFICERS

Section 303: Restrictions on Compensation and Benefits for Elective Officers

All elective officers for the City, defined in this section as the City Councilmembers, Mayor, and City Attorney, must adhere to the restrictions on compensation and benefits set forth in this section. This section is not intended to conflict with any provisions in federal or state law, except, however, where the restrictions on compensation are greater in this section than what is authorized under federal or state law, the greater restriction controls the compensation received by an elective officer.

- (a) Elective officers are prohibited from accepting honoraria, as that term is defined by State law,
- (b) Effective December 10, 2020, elective officers are prohibited from receiving a regularly paid car allowance as a form of additional compensation, except they may be reimbursed for actual miles driven in a personal vehicle while on City business, in accordance with reimbursement policies that comply with federal tax laws and regulations in effect at the time of the request for reimbursement.
- (c) Elective officers are prohibited from attending any sports or entertainment event in a venue owned, partially or in whole, by the City unless the officer has paid fair market value for admission, seats, or other accommodations. Elective officers are prohibited from giving away any City-held ticket, unless the recipient pays the face value of the ticket to the City. Any seats or similar amenities or services owned or controlled by the City, in part or in whole, within any sports or entertainment venue, must be marketed to the public at fair market value with all revenues received to be directed to the City Treasurer.



Section 304: Restrictions on Lobbying and Campaigning for Elective Officers

(a) Elective officers are prohibited from lobbying the City for a two-year period after leaving office.

(b) Elective officers are prohibited from using taxpayer-funded mass form constituent paper mailings during the 75 days before an election in which that officer is running, for reelection or for a different City elective position. Elective officers are also prohibited from using mass form constituent paper mailings to publish information about any City employee who works for the elective officer and who is seeking City elective office during the 75 days before the election in which the employee is seeking office.

-END OF MEASURE-