

Capitola City Council

Agenda Report



Meeting: July 25, 2024

From: Finance Department

Subject: Ordinance Amending Capitola Municipal Code Section 2.04.275

Recommended Action: Introduce, by title only, waiving further reading of the text, an ordinance amending Capitola Municipal Code Section 2.04.274 to adjust Council Member compensation to provide an adjusted salary of \$950.00 per month for members of the City Council, to be effective upon the start of new terms of office following the November 2024 General Municipal Election; as recommended by the Capitola Finance Advisory Committee.

Background: California Government Code Section 36516 allows the City Council to increase its compensation by an amount equal to 5 percent for each calendar year from the operative date of the last adjustment, provided that the City Council approves the increase by Ordinance and the increase does not go into effect until after the next General Municipal Election when new terms of office begin. For purposes of Government Code Section 36516, the operative date of the last salary adjustment was December 2022.

City Council Member salaries were initially established at \$75 per month by Ordinance No. 283, adopted on February 14, 1966. Salaries were subsequently increased by the following ordinances:

Year	Ordinance No.	Salary
1977	418	\$150
1991	716	\$300
2006	901	\$500
2019	1032	\$600
2022	1054	\$660

Ordinance No. 901 also added section 2.04.275 to the Capitola Municipal Code, which allowed City Council salaries to be payable in the same manner as employees. On September 12, 2019, the City Council adopted Ordinance No. 1032 adjusting salaries to \$600 per month and requested that the Finance Advisory Committee review City Council compensation each election year.

Discussion: On June 29, 2023, Governor Newsom signed into law Senate Bill 329 (SB 329) which increases the maximum amount of salary that council members may receive. This legislation was intended to increase the compensation schedule for council members in general law cities, which have not kept pace with inflation. SB 329 allows cities to increase the compensation to adjust for inflation in order to help keep city councils more diverse by allowing people from across different income levels to serve the public and support their families.

Currently, Government Code section 36516 authorizes a city council to enact an ordinance to provide each member of the city council a salary, with a maximum limit based upon the population

of the city in accordance with a specific schedule. Any increases in salary are also limited and cannot exceed 5% for each calendar year from the operative date of the last adjustment of the salary which is in effect when the increase is enacted.

SB 329 amended Government Code section 36516 to increase the maximum amount of salaries identified in the schedule. In cities with up to 35,000 in population, the maximum salary for each council member has been increased from \$300 per month, which was established in 1984, to \$950 per month. SB 329 also authorizes the salary of council members to be increased beyond the specified maximum to an amount not exceeding the greater of **either** 5% for each calendar year from the operative date of the last adjustment of the salary **or** an amount equal to inflation since January 1, 2024, based on the California Consumer Price Index (Not to exceed 10% per calendar year).

No ordinance can be enacted or amended to provide automatic future increases in salary and the electors can consider the question of whether city council members should receive a salary and the amount of the salary may be submitted to the electors. Any retirement, health and welfare, federal social security benefits, or reimbursement for actual and necessary expenses are not included for purposes of determining salary under Govt. Code 36516.

SB 329 requires that an ordinance to increase council member compensation be considered in an open session with at least two regular meetings. The ordinance must include findings demonstrating the need for increased compensation and there must be at least seven days between the introduction and adoption of the ordinance.

SB 329 went into effect on January 1, 2024. However, it is important to note that pursuant to Government Code section 36516.5, any increase to city council salaries may take effect only when at least one member of the council commences a new term.

At the Finance Advisory Committee (FAC) meeting on May 21st, the FAC discussed City Council compensation. That discussion included a review of the compensation history listed above in comparison to inflation, as well as reviewing the requirements of serving on the City Council.

Following the discussion, the FAC unanimously approved recommending an increase to Council Member compensation to \$950.00 per month. Additionally, the FAC recommended Council Member compensation continue to be reviewed by the FAC as part of the budget review process each year, with potential adjustments every two years to consider more frequent cost of living adjustments. FAC members Mayor Kristen Brown and Vice Mayor Yvette Brooks abstained from voting on the recommendation.

Fiscal Impact: Increasing Council Member salaries to \$950 per month will have a fiscal impact of approximately \$18,000 annually. The impact in FY 2024-25 would be approximately half of the annual impact and can be accommodated within the Adopted FY 2024-25 Budget.

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Gautho, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager