



## STAFF REPORT

**MEETING DATE:** August 28, 2024

**PRESENTER:** John Jansons, City Manager

**SUBJECT:** Consideration of Increase in City Council Compensation (JAJ)

**RECOMMENDATION:** That City Council consider increasing the compensation for the Mayor and Council Members as authorized by Government Code Section 36516 with possible direction to staff to prepare an ordinance increasing the compensation within, or up to, allowable limits set forth by Government Code Section 36516.

**BACKGROUND:**

In June 2023 the state legislature passed Senate Bill 329, which becomes effective on January 1, 2024. Senate Bill 329 (SB 329) amended Section 36516 of the Government Code. Government Code Section 36516 of the current Government Code now allows for Council compensation for a city with a population under 35,000, such as Kerman, to be set in an amount up to \$950 per month.

Prior law set the maximum council compensation for a city with a population under 35,000 at \$300/month. The City's current ordinance complied with the prior maximum of \$300/month. Pursuant to Kerman Municipal Code (KMC) Chapter 2.40 and more specifically, KMC Section 2.40.010 -City Council,

*"Commencing with and effective upon any person beginning a new term as a city council member after the general election in November, 2008, the salary of each city council member shall be one hundred twenty-five dollars per meeting.*

*No compensation will be awarded for a meeting to any council member who fails to attend that meeting, regardless of the reason, and the compensation paid to any council member for his or her duties as a council member and as a member of the Kerman redevelopment agency shall not exceed three hundred dollars per month in the aggregate.*

*In the year prior to a general election for the election of members of the city council, the city manager shall ask the city council to consider whether the compensation of the council, redevelopment agency members, and planning commissioners should be changed, with any such changed to become effective upon the commencement of new terms of any of said officers (Ord. 08-01 § 1, 2008: Ord. 92-11 §1, 1992: Ord. 79-6 §3, 1979)."*

With two regularly scheduled Council meetings per month, City Council members typically receive compensation of \$250 per month. Any additional “Special Meetings” of the Council in the same month and throughout the year, are inclusive of the \$300 maximum aggregate per KMC Section 2.40.010.

At the request of Council, due to their interest in SB 395, the City Attorney provided Council a memo on June 28, 2024 outlining SB 329 and its amendment of Government Code section 36516. (**Attachment ‘A’**). On August 14, 2024, the Council requested that this matter be placed on a future agenda for consideration and potential direction.

A change in City Council compensation requires amendment of KMC Section 2.40.010 by Ordinance. If Council decides to provide direction to prepare an ordinance to increase Council compensation, it is recommended the direction be provided at this evening’s meeting to meet the statutory time requirements. Any direction should include (i) amount of increase for Council Members and Mayor and (ii) reasons for the increase so that we can transform same to findings as required by SB 329.

#### **DISCUSSION:**

It should be noted that the \$950.00 amount is the maximum that can be set upon adoption of the ordinance, and that, as explained below, periodic increases beyond these base amounts are permitted. SB 329 states two reasons for the increase. First, “[t]he compensation schedule for general law cities has not been adjusted since 1984, meaning that city council compensation has not kept pace with inflation.” (SB 329 § 1(a).) Second, “[a]llowing cities to adjust their compensation for inflation since 1984 may help city councils become more diverse because increased compensation can help individuals from across different income levels receive sufficient income from their service to help ensure that they can continue to serve the public and support their families.” (SB 329 § 1(b).)

Section 36516 also includes a formula for increasing councilmember compensation following the original adoption of an ordinance, which formula was amended by SB 329. The increases may not exceed the greater of the following:

- The increase cannot exceed 5% for each calendar year;
- The increase cannot exceed the amount of inflation since January 1, 2024, based on the California Consumer Price Index. The inflation-based increase is capped at 10% for each calendar year. [This alternative was added by SB 329.]

This means the Council can increase compensation annually either a fixed CPI amount, not to exceed 5% per year; or, by up to 10%, depending on CPI. The advantage of the fixed amount is that the increase is not dependent on actual CPI for each year, so if the CPI is low or negative, the compensation would increase by the fixed percentage regardless. The advantage of the CPI-up-to 10% increase is that in times like the last couple of years where inflation is so high, Council compensation increases would more closely match cost of living increases.

If the Council were to adopt an increase in compensation, the entire Council would become eligible for the salary increase by virtue of one or more Council members beginning a new term of office, following the November 5, 2024 election, but no earlier per Gov't Code § 36516.5. The increased compensation would not apply before then.

**Other Considerations:**

- An elected mayor may by Ordinance or ballot measure be provided with additional compensation. Gov't Code § 36516.1.
- Council may increase compensation by amounts lower than those provided for in the statute.
- The enacting Ordinance cannot provide for automatic increases.
- The increases are not compounded year-to-year but rather are based on the amount of compensation as adopted by the most recent ordinance.
- All increases must be adopted by Ordinance.
- Benefits are not included in the definition of compensation.
- Any or all of the compensation may be waived by a council member at any time.
- SB 329 adds the following requirements to the adoption of or amendment to an Ordinance.
  - These would apply for any Ordinance adopted after January 1, 2024.
  - Any proposed Ordinance, including findings justifying the need for increased compensation, must be presented at the first meeting – typically, legislative actions do not require findings, so it is noteworthy that Council compensation increases do.
  - The adoption of the Ordinance can take place at the second meeting, which must be held at least seven days after the first meeting -- this differs from the typical five-day waiting period between the introduction and adoption of an ordinance.

**Timeline:**

To adopt such a change, Council should consider amendments to KMC Section 2.40.010 at this meeting to allow for Introduction and First Reading of a proposed Ordinance on September 11, 2024, with Second Reading and possible adoption on September 25, 2024 and an Effective Date of October 25, 2024 prior to the new terms of office following the November 5, 2024 election.

**FISCAL IMPACT:**

The table below provides a scenario of the potential fiscal impact(s) of increases to City Council stipends.

	Monthly Amount	Annual Salary Amount	Benefits/Employer Cost	Cost per Person	Total Council
Current/Budgeted	\$250	\$3,000	\$367	\$3,367	\$16,835
100% Increase- Double the Current Amount	\$500	\$6,000	\$734	\$6,734	\$33,670
Maximum allowable per Gov't Code § 36516.	\$950	\$11,400	\$1,394	\$12,794	\$63,970

Any increases that may be enacted will be included in, and accounted for, in the Mid-Year Budget revision in March of 2025 within the City Council Compensation Account - City General Fund.

**ATTACHMENTS:**

- A. Memorandum from City Attorney