

**2010
SALARY REVIEW
COMMISSION:
REPORT**

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EXECUTIVE SUMMARY

BACKGROUND

The Salary Review Commission (SRC) is an independent commission charged with reviewing and establishing the salaries of the council president and council members. Its decisions do not require city council review or approval. Specifically, SMC 02.05.040 directs the SRC to base salaries on realistic standards to attract citizens to public service. Any decisions must be filed with the city clerk by May 31 and salary increases are effective the first day of the year following the SRC's decision. Salary decreases are effective at the beginning of the next term in office. The SRC isn't responsible for the mayor's salary

In 2008, the first SRC implemented salary increases for the council president and council members. The council president's salary was increased to \$55,000 from \$40,000 and the council member salary was increased to \$30,000 from \$18,000. The 2008 SRC also recommended that future salary increases keyed to a Cost of Living Adjustment (COLA) based on the Washington state Consumer Price Index (CPI)

CURRENT ECONOMIC CONDITIONS

The economy continues at a slow pace following what is termed the 'Great Recession'. According to the Washington State Economic and Revenue Forecast Council, the state's economy will pick up slowly in the third quarter of 2010 due partially to slow movement with real estate in the commercial market and local and regional banks. Bank lending for the commercial real estate market is lagging. The City estimates a budget shortfall for 2011 of \$10 million dollars and \$2 million of the shortfall is a result of declines in real estate excise taxes. Commercial real estate has a high level of vacancy throughout Spokane in the CBD (Central Business District) and the west areas of the county having the highest vacancy rates. Economic conditions for Spokane aren't expected to improve until the first quarter of 2012¹. Additionally, since Spokane's peak employment in the first quarter of 2008, the city has lost 9,200 jobs. In the first quarter of 2010, Spokane's unemployment rate was 11.2 percent.

FINDINGS

Interviews with Current Council Members

Council Members indicated that duties regularly required more than forty hours per week. Activities consisted of: council meetings; committee meetings; neighborhood meetings; event appearances; reading materials for various boards and commissions; responding to e-mail, phone and written communications; attending meetings with citizens; developing and over-seeing policy projects; and other outreach activities

Interviews with Previous Council Members

Former council members indicated that the job as council member should be part time and that council members could spend an inexhaustible amount of time attending meetings and constituent event requests. They expressed concern that an increased salary could lead to permanent or professional politicians and that the focus from council member could become an exercise in working toward re-election rather than public service

Salary Information

The average monthly salary for councils in Washington State with a population over 84,000 is \$2,479. Spokane city council's salary at \$2,500 per month is .8 percent above the average. The BLS (Bureau of Labor Statistics) estimates that in May 2008 there were 5,760 positions in the Management Occupation category which includes the position of Legislator. The average annual income for this category was \$94,930.

¹ Mayor Mary Verner: 2010 State of the City Address

DETERMINATION

The SRC has determined that salaries should remain at their current level of \$30,000 for council member and \$55,000 for council president. The SRC's decision is based on several factors: current local and national economic conditions; the positive impact the 2008 SRC's recommendation had in attracting citizens to run for a council position; current council salary in comparison to other Washington city council salaries; and an interest in not placing additional burdens on the City's budget that includes a multi-million dollar deficit for 2011.

Mr. Hal Ellis
Commission Chair

Ms. Marianne Guenther
Commission Vice Chair

Mr. Dick Barrett
Commission Member

Ms. Debby Kurbitz
Commission Member

Ms. Erica Lovchik
Commission Member

Received by the City Clerk on May _____, 2010.

City Clerk

CPR _____

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1.0 BACKGROUND

1.1 SMC (Spokane Municipal Code) Requirements of the Salary Review Commission

The Salary Review Commission (SRC) is an independent commission charged with reviewing and establishing the salaries of the council president and council members. Its decisions do not require city council review or approval. Specifically, SMC 02.05.040 directs the SRC to base salaries on realistic standards to attract citizens to public service. Any decisions must be filed with the city clerk by May 31 and salary increases are effective the first day of the year following the SRC's decision. Salary decreases are effective at the beginning of the next term in office. The SRC isn't responsible for the mayor's salary.

1.2 Previous Commission Determination

In 2008, the first SRC implemented salary increases for the council president and council members. The council president salary was increased to \$55,000 from \$40,000 and the council member salary was increased to \$30,000 from \$18,000. These decisions were predicated on thorough and formal research and several factors including: public policy value in an elected body that is able to effectively represent the citizens of Spokane; a formal review of Council Member and council president salary, job requirements, duties, expectations, time demands, and workload; council president salary reflecting higher demands and responsibilities relative to that of council member; council member salary should reflect demands placed on them by districts, neighborhoods, and other constituent requests; lack of an increase in Council Member salaries since 1991; lack of an increase in Council President salary since 2001; public policy value in salaries discouraging career politicians; and other related considerations.

The 2008 SRC also recommended that the council consider developing job descriptions for council member and council president and encouraged the continuation of term limits to discourage the creation of career council member positions. The 2008 SRC also recommended that future salary increases keyed to a Cost of Living Adjustment (COLA) based on the Washington state Consumer Price Index (CPI). The 2008 SRC also recommended that the council add an additional, full time research analyst.

2.0 CURRENT STATE

The current national, statewide, and local economic conditions drive discussions around salary. Because of the extreme downturn in the economy, the SRC requested information about economic indicators.

2.1 Broad Economic Conditions

Nationally, economists expect² unemployment to remain around 9.7 percent until the end of the year; consumer confidence to remain weak; weakness in housing recovery; and worries about commercial real estate.

The state of Washington is in the process of emerging from the "Great Recession". The Washington State Economic and Revenue Forecast Council predicts³ that the state's economy will pick up sometime in the third quarter of 2010 and that the recovery will be slow. There are headwinds in the form of slow movement with real estate in the commercial market and local and regional banks. Adding to concerns is that bank lending for the commercial real estate market is still lagging and credit conditions for small businesses is tight. Pluses for Washington are that personal income growth is expected to be better than the nation's; state revenue growth relative to income is starting to turn around; and large banks are able to extend credit.

² GFOA Economic Indicators 032510: Z:\Council\babcock\Salary_Review_Commission_2010\GFOA_ECONOMIC_INDICATORS_032510.docx

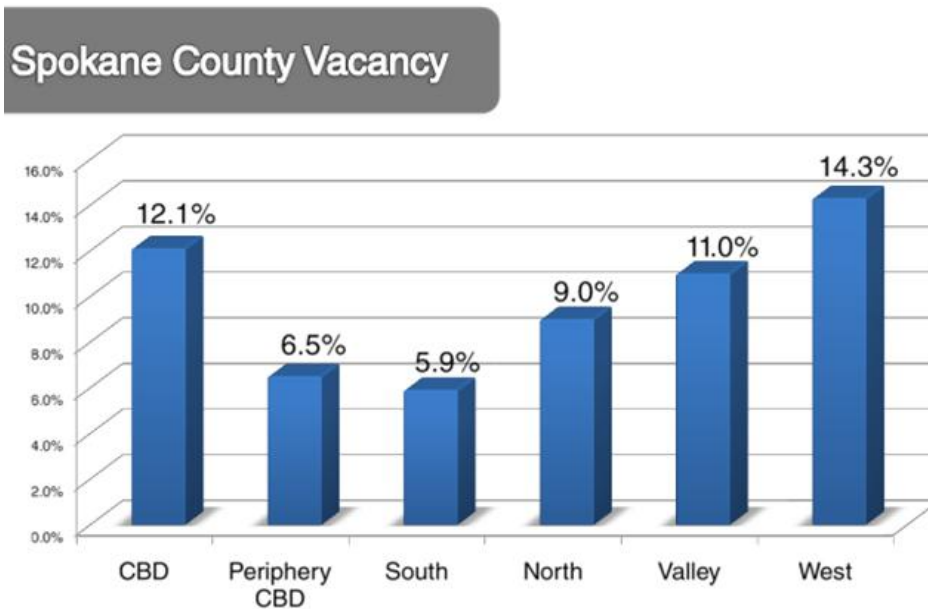
³ <http://www.erfc.wa.gov/presentations/documents/MunicipalTreas20100415.pdf>

2.2 City of Spokane Economic Conditions

The City's estimated budget shortfall for 2011 is \$10 million dollars and Spokane Mayor Mary Verner reported in her 2010 State of the City Address that \$2 million of the shortfall is a result of declines in Real Estate Excise Taxes (REET). A REET is a tax on the sale of real estate. There is no other source of replacement funding for a REET. To address the budget shortfall, the City will implement a three-percent across the board cut to save \$3.5 million. Mayor Verner has said she won't seek new taxes as an option to address the remaining \$6.5 million deficit⁴ and that the impact will likely be service reductions and program cuts.

2.3 Economic Indicators for Spokane

Commercial real estate has a high level of vacancy throughout Spokane with the CBD (Central Business District) and the west areas of the county with the highest vacancy rates.

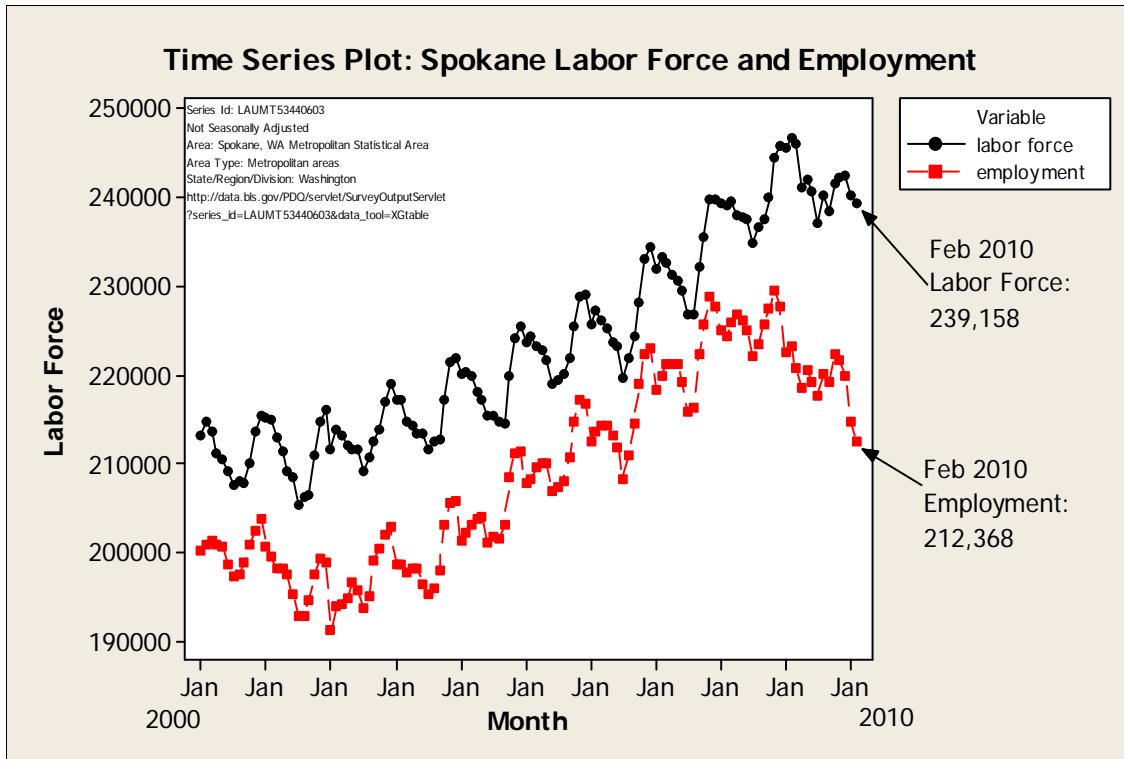


Source: <http://www.scribd.com/doc/27523967/Mike-King-Spokane-Kootenai-County-Retail-Presentation>

The CBD (Central Business District) is the downtown area and city health is often gauged by the vibrancy and number of businesses in its downtown core.

Spokane's economy has suffered through the recession and struggled with employment. The graph below illustrates the widening gap between the total Spokane labor force and the level of unemployment.

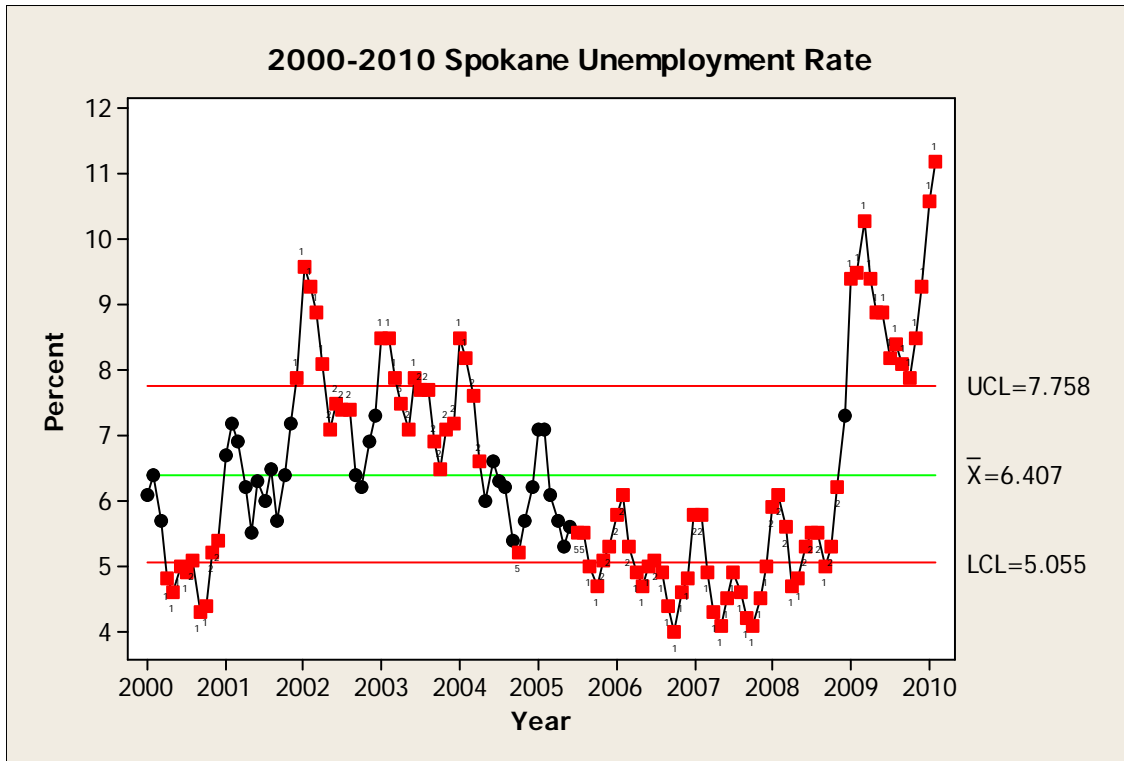
⁴ Spokesman-Review Article, April 9, 2010: Verner taxes not an option



Economic conditions for Spokane aren't expected to improve until the first quarter of 2012⁵. Additionally, since Spokane's peak employment in the first quarter of 2008, the city has lost 9,200 jobs.

The chart below details Spokane's unemployment rate since 2000. The expected range of unemployment is between 7.8 percent and 5.1 percent. In the first quarter of 2010, Spokane's unemployment rate was 11.2 percent and follows an increasing trend.

⁵ Mayor Mary Verner: 2010 State of the City Address



2.4 Salary Data for Councils in Other Washington Cities⁶

The chart below illustrates mayor and council salary data for the ten largest cities in Washington state.

Jurisdiction	Population	Mayor's Compensation	Council members' Compensation
Seattle	592,800	\$13,885/month	\$9,466/month (Mayor-Council)
Spokane	204,400	\$8,834/month	\$ ⁷ 2,500/month (Mayor-Council)
Tacoma	202,700	\$6,807/month	\$3,085/month (Council-Manager)
Vancouver	162,400	\$2,220/month	\$1,781/month (Council-Manager)
Bellevue	119,200	\$1,950/month	\$1,650/month (Council-Manager)
Everett	102,300	\$12,913/month	\$2,190/month (Mayor-Council)
Spokane Valley	88,920	\$975/month	\$750/month (Council-Manager)
Federal Way	88,040	\$1,500/month	\$1,150/month (Mayor-Council)
Kent	86,980	\$8,516/month	\$1,146/month (Mayor-Council)
Yakima	84,300	\$1,375/month	\$1,075/month (Council-Manager)

Salary varies between Mayor-Council form of government cities and Council-Manager form of government cities. A Mayor-Council city, also referred to as a strong mayor city, has an elected official who oversees the city's daily operations and overall policy guidance of the city. A Council-Manager city has a professional, council-appointment official who oversees the daily operations of the city and works at the direction of the council in setting policy goals. The average monthly salary for councils in Washington State with a population over 84,000 is \$2,479. Spokane council salary at \$2,500 per month is .8 percent above the average.

⁶ Source: Association of Washington Cities 2009 Salary and Benefits Survey

⁷ Corrected from the amount reported in the 2009 AWC Salary and Benefits Survey

Mayor-Council Salary: Top Five by Population in Washington State

Jurisdiction	Population	Mayor's Compensation	Council members' Compensation	FOG
Seattle	592,800	\$13,885	\$9,466	MC
Spokane	204,400	\$8,834	\$2,500	MC
Everett	102,300	\$12,913	\$2,190	MC
Federal Way	88,040	\$1,500	\$1,150	MC
Kent	86,980	\$8,516	\$1,146	MC
AVG	214,904	\$9,130	\$3,290	

The chart illustrates the pay difference between the mayor and council member in a Mayor-Council form of government city. The mayor has broad responsibilities related to city operations and overall policy. The mayor's salary reflects these responsibilities in comparison to that of council members who are primarily responsible for enacting and overseeing the city's budget.

Council-Manager Salary: Top Five by Population in Washington State

Jurisdiction	Population	Mayor's Compensation	Council members' Compensation	FOG
Tacoma	202,700	\$6,807	\$3,085	CM
Vancouver	162,400	\$2,220	\$1,781	CM
Bellevue	119,200	\$1,950	\$1,650	CM
Spokane Valley	88,920	\$975	\$750	CM
Yakima	84,300	\$1,375	\$1,075	CM
AVG	131,504	\$2,665	\$1,668	

Council-Manager form of government cities rely on a council-appointed administrator to oversee daily operations of the city. Salaries reflect the expectation in terms of required duties. The contrast in salaries between Mayor-Council and Council-Manager cities is apparent with council members in Mayor-Council cities receiving a salary that is double that of their counterparts in Council-Manager cities.

2.5 Bureau of Labor Statistics Salary Data⁸

Council Members perform duties that require policy analysis skills. To meet their Spokane City Charter mandated responsibility of approving the city budget, Council Members also perform complex budget and financial analysis responsibilities when looking at city programs and activities. Because of this, occupational categories are consulted to determine what the rate is for positions that require these types of skills and abilities. According to the Bureau of Labor Statistics' website:

The Bureau of Labor Statistics (BLS) of the U.S. Department of Labor is the principal Federal agency responsible for measuring labor market activity, working conditions, and price changes in the economy. Our mission is to collect, analyze, and disseminate essential economic information to support public and private decision-making. As an independent statistical agency, BLS serves its diverse user communities by providing products and services that are objective, timely, accurate, and relevant. <http://www.bls.gov/bls/blsmisn.htm>

The Bureau of Labor Statistics (BLS) includes the position of Legislator in its Management Occupations category. For Spokane, the BLS estimates that in May 2008 there were 5,760

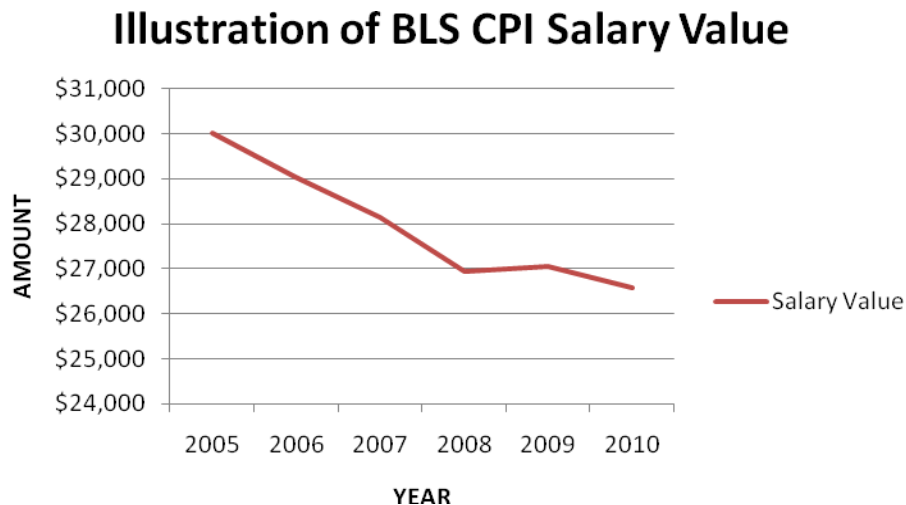
⁸ BLS website May 3, 2010: http://www.bls.gov/oes/2008/may/oes_44060.htm#b11-0000

positions in the Management Occupation category. The average annual income for this category was \$94,930.

Related to the Management Occupation category is the Business and Financial Operations Occupations BLS category. This category includes positions such as Management, Budget, and Financial Analysts. For Spokane in May 2008, the BLS displays 7,120 people occupying positions in the Business and Financial Operations Occupations category with an average yearly income of \$56,240.

2.6 CPI and Buying Power

The Consumer Price Index takes into account inflationary factors when determining salary buying power. The chart below illustrates how inflation would impact a \$30,000 salary if initiated in 2005 and maintained through 2010. Typically, the rate of decline is steady from year-to-year. However, due to the current economic conditions, the decline in buying power slowed and, from 2008 to 2009, increased slightly. This is not considered a typical condition.



2.7 Summary

Economy

The state's economy will pick up slowly in the third quarter of 2010 due partially to slow movement with real estate in the commercial market and local and regional banks. Bank lending for the commercial real estate market is lagging. The City estimates a budget shortfall for 2011 of \$10 million dollars and \$2 million of the shortfall is a result of declines in real estate excise taxes. Commercial real estate has a high level of vacancy throughout Spokane in the CBD (Central Business District) and the west areas of the county having the highest vacancy rates. Economic conditions for Spokane aren't expected to improve until the first quarter of 2012⁹. Additionally, since Spokane's peak employment in the first quarter of 2008, the city has lost 9,200 jobs. In the first quarter of 2010, Spokane's unemployment rate was 11.2 percent.

Salary Information

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⁹ Mayor Mary Verner: 2010 State of the City Address

3.0 FINDINGS

3.1 Interviews with Current Council Members

The SRC interviewed Council President Joe Shogan and Council Members Nancy McLaughlin, Jon Snyder, and Amber Waldref. The SRC asked council members if the position as council member was either a full time or part time position. Council Members indicated that duties regularly required more than forty hours per week. Activities consisted of: council meetings; committee meetings; neighborhood meetings; event appearances; reading materials for various boards and commissions; responding to e-mail, phone and written communications; attending meetings with citizens; developing and over-seeing policy projects; and other outreach activities.

The SRC also asked council members if the increase in salary made by the 2008 Commission impacted their decision to run or effectiveness in office. It was reported by current members that the increase in salary allowed them run for council and to also focus more on their duties as council members. Two council members left private employment to focus on council duties.

3.2 Interviews with Previous Council Members

The SRC interviewed former Council Members Orville Barnes, Phyllis Holmes, and Rob Higgins. The SRC asked if they felt that the job as council member was either a full time or part time job. Former council members indicated that the job as council member should be part time and that council members could spend an inexhaustible amount of time attending meetings and constituent event requests. They expressed concern that an increased salary could lead to permanent or professional politicians and that the focus from council member could become an exercise in working toward re-election rather than public service. They felt the salary should be kept at a level to prevent encouraging people to run for a high salary.

3.3 Limitations / Restrictions on Salary Review Commission

Per ordinance, SRC recommendations to increase salaries is effective the first day of the year following the SRC's decision. A decision to decrease salaries is effective at the beginning of the term following the end of a councilmember's current term.

4.0 DETERMINATION

4.1 SRC Determination

Following review of current economic conditions and after receiving comment from existing and past councilmembers, the SRC will keep salaries at the current level.

4.2 Justification

The SRC's decision is based on several factors: current local and national economic conditions; the positive impact the 2008 SRC's recommendation had in attracting others to apply; current council salary in comparison to other Washington city council salaries; and an interest in not placing additional burdens on the City's budget that includes a multi-million dollar deficit.