



Agenda Report

20-72

Agenda Date: 1/14/2020

INFORMATIONAL REPORT TO COUNCIL

SUBJECT

Informational Report on Corrections to Santa Clara Weekly's Articles regarding City Management Compensation

DISCUSSION

On Jan. 8, 2020, the Santa Clara Weekly published two articles by Carolyn Schuk about the salaries of new management hires since Deanna J. Santana became City Manager in October 2017.

Unfortunately, Ms. Schuk demonstrates her complete lack of knowledge of public sector compensation and how to analyze data to provide responsible comparisons for the public to have accurate information. Schuk's article not only grossly presents erroneous interpretation of data, but she bases false conclusions on them in order to make her desired "story" work. This report is in response to the two articles and demonstrates how Ms. Schuk got her facts wrong. For example:

- **Ms. Schuk selectively uses data to draw conclusions using an "apples to oranges" comparison to make her wrong findings.** For example, in some cases, she wrongly compares salaries for Assistant Directors to Directors and then draws an inevitable conclusion that a Director would have a greater salary. A more accurate data analysis is to understand an Assistant Director to Assistant Director comparison or Director to Director comparison.
- **Her articles do not take into consideration public sector compensation factors and relies only on one component of compensation, i.e., salary.** A salary-to-salary comparison is inadequate to draw conclusions; a proper comparison provides information on (1) salary, (2) **employer** paid benefits (e.g., medical, pension, other benefits, etc.), and (3) **employee** paid benefits (e.g., medical, pension, other benefits, etc.). The **NET** amount of these costs equal an individual's public sector compensation and should be used for drawing conclusions of comparability—anything less is incomplete and in error. In fact, when you compare the compensation amounts based on an "apples to apples" comparison, the findings are quite different.
- **Ms. Schuk also failed to take into consideration that in Santa Clara all these positions are part of a bargaining group (Unit 9), where increases are awarded as part of a Memorandum of Understanding and not individually by the City Manager.** This is not the case for all management employees in surrounding cities/public agencies and, indeed, plays a role in compensation and benefits. For example, members of this bargaining group receive negotiated cost-of-living adjustments annually outside of the City Manager's authority and merit is awarded for above-standard performance per an approved Memorandum of Understanding (MOU). These are labor laws that Ms. Schuk does not consider when presenting her data of only salary activity in Santa Clara.

THE FACTS

The Silicon Valley is one of the most competitive job markets in the nation and experiencing to major

conditions impacting hiring: (1) an unprecedented low unemployment rate and (2) increasingly high cost of living. These conditions impact many local governments and, like other regional cities, the City of Santa Clara will be holding a study session in early 2020 to discuss options on how we can remain a competitive employer including the review of other local government actions to recruit and retain staff (e.g., signing bonuses, etc.). Already, cities like Mountain View and San Jose have recently held public conversations about the competitive nature of recruiting and retaining public sector employees and Sunnyvale took action in 2017 to change its management compensation to remain competitive. The City Manager's compensation hiring practices are informed by these regional benchmarks and public conversations, not by Schuk's suggestions that the City Manager is hiring past colleagues at top salaries for a personal reason.

Since Ms. Schuk failed to provide accurate compensation comparison information, the attached document includes the complete data on each of the positions identified in the articles, with the accompanying salary and employer- and employee- paid benefits data (Attachment 1). In review of the data, more accurate findings show:

Table 1: Findings of Compensation Comparison

Name	Santa Clara Total Compensation*	Outside Agency Total Compensation*	Differential	Notes
Aracely Azevedo, Assistant Director of Human Resources	\$256,415.79	\$319,430.46	-19.73%	A Santa Clara Assistant Director of HR is paid about 20% less than an Assistant Director of HR who is at mid-point in San Jose when adjusted for employee and employer paid benefits, as noted in Attachment 1.
Craig Mobeck, Director of Public Works	\$336,699.11	\$396,498.58	-15.05%	A Santa Clara Director of PW <i>at top of range</i> is paid about 15% less than a Director of PW who is <i>at mid-point</i> in Sunnyvale when adjusted for employee and employer paid benefits, as noted in Attachment 1.
Manuel Pineda, Chief Electric Utility Officer & Assistant City Manager	\$460,950.66	n/a	92.5% salary savings to the City of Santa Clara	Manuel Pineda holds two positions with the City of Santa Clara (similar to the Palo Alto model previously used), resulting in a savings of about \$426,150 to the City of Santa Clara.
Kenn Lee, Director of Finance	\$350,655.59	\$396,497.03	-11.56%	A Santa Clara Director of Finance is paid about 12% less than a Director of Finance who is <i>at mid-point</i> in Sunnyvale when adjusted for employee and employer paid benefits, as noted in Attachment 1.

Cynthia Bojorquez, Assistant City Manager	\$426,149.95	\$440,239.94	-3.20%	A Santa Clara Assistant City Manager at <i>top of range</i> is paid about 3% less than an Assistant City Manager who <i>is at mid-point</i> in Sunnyvale when adjusted for employee and employer paid benefits, as noted in Attachment 1.
Walter Rossmann, Chief Operating Officer	\$400,948.01	n/a		Received a 13.5% increase when promoted which is well within standard promotional increase and reflects the complexity of the COO position's oversight of four lines of business.
Ruben Torres	\$452,188.07	\$329,076.87	37.41%	Ruben Torres received the same the same salary as the former Fire Chief to address internal equity against Fire Deputy Chiefs, etc. His compensation award also acknowledges his tenure as Chief in two other complex agencies. A Fire Chief should not be paid less than his direct reports and, indeed, that would be a highly unusual action to establish as a recruitment practice and likely not draw the needed talent that the Fire Department requires.

*Note: Total compensation is comprised of the net amount of salary, employee paid benefits, and employer paid benefits. At the time of issuing this report, City staff was still awaiting data from Manhattan Beach.

When evaluating Attachment 1, here is a brief summary of observations:

- The referenced employees at Santa Clara's "top of range" compensation still make less than San Jose and Sunnyvale employees who are at "mid-point of range."
- Santa Clara is unique in that it requires employees to pay: Social Security at 6.45% of salary, CalPERS contribution at 8-10% of salary, full family medical coverage, and other employee funded benefits (e.g., deferred compensation portion). In other surrounding cities, the employee does not pay the Social Security contribution, employer pays a portion of CalPERS contribution, and full family medical coverage is partially or fully funded by the employer. This means that to be competitive, an employment offer must first adjust salary for about 15-20% of employee paid costs that are not placed on employees in other agencies, and then make a competitive offer to recruit an employee. Otherwise, it would be difficult to recruit employees and require them to take pay cuts to join Santa Clara.
- City of Santa Clara employees pay approximately four times more in medical insurance costs for family coverage while other agencies pay the full cost of family medical coverage.
- Several of the new hires were promoted to higher senior-level positions, which naturally would provide a higher salary range than previous positions (a promotional increase is generally between 5-15%).
- One employee now holds two positions (which is modeled after the Palo Alto position) - Chief Electric Utility Office and Assistant City Manager, **resulting in a cost-savings to the City of**

several hundred thousand dollars which was selectively not addressed by Ms. Schuk.

- While the City of Santa Clara provides a higher base salary, when compared to the total compensation package of employee- and employer- paid benefits, employees fair close or below when compared to other agencies. This is because of the difference between employer paid benefits and employee paid benefits.

Last, City Managers are often acknowledged for their ability to hire and assemble strong teams, and this is often a factor explored by any City Council hiring a City Manager. City Manager Santana has over 26 years of experience at four cities in the Bay Area (two large California cities), while being very active and respected in the public administration profession, and it is inevitable that she would have a large network of professional colleagues in the local area. Further, City Manager Santana is highly connected with hundreds of professionals through her engagement in regional projects, mentoring up-and-coming public sector employees, networking locally with others in the field, and collaborating with representatives from other government agencies. Her professional activity and accomplishments have led to several distinguished designations, to name a few:

- VIP Woman of the Year, National Association of Professional Women;
- San Francisco Business Times Most Influential Woman in Business Award;
- Silicon Valley Tribute to Women Award: Honoring Silicon Valley's Executive Women; and
- Congressional Recognition as Powerful Women of the Bay Area Award.

There is no doubt that with her work experience and professional designations that she has built a broad network in the profession. Having a strong management team in place benefits the community at large, and it is no secret that the City of Santa Clara's executive team is known throughout the region as "The A Team" with recent unprecedented City accomplishments over the last two years, such as:

- Santa Clara made SmartAsset's Top 10 list for Safety City in America, coming in at #6 for the first time;
- ChamberofCommerce.org also recognized Santa Clara as California's most livable city in 2019; and
- Featured as the cover story for Business View Magazine reaching over close to a one million subscribers.

By attracting and retaining top tier talent, the City administration can continue to deliver the high quality of services the community expects while planning for future growth and opportunities. It is unfortunate that Ms. Schuk did not take the time to fully understand public sector compensation to report responsibly to the public. Indeed, when a deeper analysis is provided, it shows that Santa Clara is working hard to recruit and retain talented employees while staying sufficiently competitive, given the full compensation picture.

ATTACHMENT

1. Total Compensation Comparison Chart