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N.Y. City, Mayor's
**REPORT OF THE ADVISORY COMMISSION
FOR THE REVIEW OF
COMPENSATION LEVELS OF
ELECTED OFFICIALS**

SEPTEMBER 1991

Introduction

Setting salary levels for elected officials is, in the best of times, a sensitive matter. The current dire fiscal situation confronting the City makes matters even more difficult. The Commission has been given the mandate to objectively reexamine the current compensation of New York City's elected officials and make appropriate recommendations.

The Commission has chosen, as its starting point, to use the same methodology as previous Commissions, i.e., determine what appropriate salaries should be in 1991 based on the changes in various key economic and competitive factors since the last Commission review in 1987. These factors clearly support higher salary rates for the City's elected officials. However, in view of the economic and budget troubles currently facing New York City, the Commission recommends deferring any salary increases at this time, except in the case of the District Attorneys for reasons set forth in the body of the report.

The adoption of a new Charter for the City of New York will involve fundamental changes in the structure of city government. In fact, the job descriptions of some of the elected officials will have to be rewritten to reflect the reallocation of certain responsibilities and accountabilities.

It is the Commission's judgment that these roles will be evolving for a period of time, in particular the balance of powers between the Mayor and the City Council whose respective authorities have been redefined along more traditional executive and legislative lines than in the past. The abolition of the Board of Estimate would seem to have diminished the authority of the City Council President and Borough President positions, while the Comptroller and District Attorney positions were relatively unaffected by the Charter changes, even though the Comptroller was a member of the Board of Estimate.

During its deliberations, the Commission met with individuals who were directly involved with the development of the new Charter and knowledgeable about the impact on the elected officials' responsibilities. We benefitted from their counsel on these matters.

Origin of the Commission

The provisions of Local Law No. 77, passed in 1986, call for the Mayor to appoint an advisory commission for the review of compensation levels of elected officials every four years. Under the terms of this law, the first such Commission was appointed in 1987. The law states, in part, the following:

"The Commission shall study the compensation levels for the mayor, the president of the council, the comptroller, the borough

presidents, the council members and the district attorneys of the five counties within the city and shall recommend changes in those compensation levels, if warranted. In making the recommendations, the commission shall take into consideration the duties and responsibilities of each position, the current salary of the position and the length of time since the last change, any changes in the cost of living, compression of salary levels for other officers and employees of the city, and salaries and salary trends for positions with analogous duties and responsibilities both within government and in the private sector."

The following Commission members for 1991 were appointed by Mayor Dinkins:

Richard R. Shinn

Retired Chairman and Chief Executive Officer
Metropolitan Life Insurance Company

G. G. Michelson

Senior Vice-President

R. H. Macy's

Donald C. Platten

Retired Chairman and Chief Executive Officer
Chemical Bank

It should be noted that Mr. Platten participated in the development of the Commission's report, was in agreement with its content, and reviewed it in its final draft format, but unfortunately passed away prior to its formal submission.

The Commission was ably assisted in its work by a staff consisting of I. Gerald Walker, a Vice-President for Human Resources of MetLife, and John Reynolds, a Compensation expert, also of MetLife.

Effects of the New York City Charter Revision
on Elected Officials

As a result of the revision of the New York City Charter, sweeping structural changes are being implemented within the municipal government. The major impact of the new New York City Charter on levels of compensation for elected officials arises from the elimination of the former Board of Estimate.

While the elimination of the Board of Estimate has had an impact on all of the City's elected officials, except the district attorneys of the five counties, the most significant impact involves the responsibilities and duties of the President of the City Council and the Borough Presidents.

Although the Commission feels that it is too early to quantify precisely the impact of the changes of the various positions, we do feel that the impact of the elimination of the Board of Estimate on the position of President of the City Council and the five Borough President positions should be recognized at this time. The salary relationships among the elected officials should be revisited and reevaluated at the time of the next Commission study in the light of additional experience.

Salary Compression

Typically, the periodic review of salaries in an organization results in salary adjustments approximately every 12 - 18 months. When the salary of the individuals at the top of the organization change only once every 48 months, the inevitable result is a compensation compression problem which works havoc on the internal equity which should be a basic principle of any compensation program.

There is a serious compression problem at the higher levels of New York City government. As an example, the Mayor's salary acts as a cap upon all other salaries in the Mayoral Agencies, making it very difficult to maintain equitable salary relationships. Differences in responsibilities and accountabilities should be reflected by clear distinctions in salary levels. However, the Mayor's salary of \$130,000 is only modestly higher than that of the First Deputy Mayor (\$113,500), the Deputy Mayors (\$112,000), and the Commissioners of the largest Mayoral Agencies (\$110,000).

Corresponding compression problems also exist in the offices of the other elected officials and of the Agency Commissioners where the City's ability to attract and retain needed managerial and technical talent is compromised by the inability to offer competitive salary rates.

While there will always be some compression problems in government as there are in the private sector, it is imperative that salary levels established for elected officials maintain an historic competitive relationship with salaries paid to non-elected city employees and in private industry. Additionally, they must be set at a level so as not to act as a barrier to setting effective compensation rates for their subordinates. The most severe compression problems exist in the office of the District Attorneys, where some Assistant District Attorneys are paid the same salary as the District Attorney to whom they report. This is beginning to take its toll in the staffing of the offices, with resignations by some of the most able and successful Assistants to pursue private sector employment. In the view of the Commission, the staffs of the District Attorney Offices are particularly subject to external market factors, as the high starting salaries offered to law school graduates at major law firms are well publicized. This comes at a most inopportune time when the public is demanding better and swifter action in the struggle against crime. In view of this situation, the Commission urges the City to adjust the District Attorney's salary rates immediately with adjustments for the other elected officials to follow at such time as the City's financial situation permits.

Changes in Economic & Competitive Factors

Past Commissions have found it useful to trace the changes in various key economic and competitive factors since the last time elected official salaries were set. The following table shows what the salary of each elected official would have had to be on July 1, 1991, to have kept pace with various indices since July 1, 1987.

(Salaries in Thousands)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>
Mayor	130.0	159.9	158.2	152.1	151.4	150.5
President of City						
Council	105.0	129.2	127.7	122.8	122.3	121.5
Comptroller	105.0	129.2	127.7	122.8	122.3	121.5
Dist. Attorneys of						
the five Counties	97.0	119.3	118.0	113.5	113.0	112.3
Borough Presidents	95.0	116.9	115.5	111.1	110.6	110.0
City Council Members	55.0	67.7	66.9	64.3	64.0	63.7

(1) Salaries proposed in 1987 study and adopted July 1, 1987, based on data as of that date.

- (2) CPI for New York City increased 21.7% between July 1, 1987 and April 1, 1991, but when projected to June 1, 1991, is assumed to be 23%.
- *(3) Average annual base salary increases for New York City private sector executives from January 1988 through May 1991 result in 21.6% increase.
- ** (4) Compound effect of New York City contractual increases from January 1, 1988, through July 1, 1990, for Uniformed Services totals 16.99%.
- ** (5) Effect of New York City Union contractual increases from January 1, 1987 through July 1, 1990, for Civilian employees totals 16.45%.
- ** (6) Effect of New York City Managerial and Executive increases from January 1, 1988, to July 1, 1990, totals 15.76%.

*Data furnished by Towers Perrin.

**Data furnished by Office of the Mayor.

Using this data and information obtained from various other sources, the Commission proposes the following salary changes:

	<u>Current Salary</u>	<u>Recommended Increase</u>	<u>Recommended Salary</u>
Mayor	\$130,000	\$23,000	\$153,000
Comptroller	105,000	17,500	122,500
Pres. of the City Council	105,000	10,000	115,000
District Attorney	97,000	18,000	115,000
Borough Presidents	95,000	10,000	105,000
City Council Members	55,000	10,000	65,000

The Commission feels these salary increases are fully justified. The inherent flaw in the mechanism currently in place to review elected officials' compensation is that it always involves playing "catch-up", with salaries adjusted in an attempt to keep pace with economic and market changes over the previous four years. What might appear on the surface to be sizable increases are actually reasonable adjustments given the four year hiatus between salary changes.

Benchmark Considerations

By almost any measure, the task of governing the City of New York is a daunting one. Its employee population of 243,000 is four times the

employee size of the second and third ranked cities--Chicago and Los Angeles. Its citizen population of 7.3 million is more than twice the population of the second and third ranked cities--again Los Angeles and Chicago. The number and variety of services that New York provides for its citizens are significant, as are the problems inherent in its size such as crime, homelessness, health concerns, etc. New York is a city of such diversity that almost every decision of its chief executive is subject to unending scrutiny and criticism from one camp or another.

While it is true that the city's elected officials hold their offices because they sought them and were aware of the compensation involved, this should not preclude setting salary levels commensurate with their responsibilities and responsive to the salary movements within government and private industry. As has often been pointed out, duties and accountabilities in the private sector comparable to those of the Mayor of New York would command a total compensation package substantially higher than that of the Mayor's \$130,000 salary. If the emphasis in this report is on the Mayor's salary, it is because that salary is key to any movement in the other elected officials' salaries.

A comparison with the salaries paid to the Mayors of some major American cities, as shown on Page 12, supports the conclusion that the salary of New York City's Mayor is low just considering relative size.

The salaries of individuals heading some of the key independent agencies servicing the New York area are set by independent boards or commissions

governing these institutions, but they remain relevant to the Mayor's compensation:

<u>Position</u>	<u>1991 Salary Rate</u>
Chancellor NYC Board of Education	\$195,000
Executive Director, Port Authority of NY & NJ	170,000
Chairman, MTA	150,000
President, MTA	149,500
President, Health & Hospitals Corp.	129,000

The salaries of elected officials in New York State were last changed in 1985. They are:

Governor	\$130,000
Lieutenant Governor	110,000
Comptroller	110,000
Attorney General	110,000
Members of Senate and Assembly	57,500

The following table shows statistics about the total population for some major American cities relative to the salary of its chief official:

<u>City</u>	<u>Population</u>	<u>Chief Official's Salary</u>
New York	7.3 Million	\$130,000
Los Angeles	3.35 Million	152,508 (City Manager) 112,004 (Mayor)
Houston	1.7 Million	130,516
Detroit	1.04 Million	130,000
Dallas	987,000	123,000
San Francisco	732,000	129,000
Atlanta	420,000	100,000

Part-Time - Full TimeOutside Earned Income

The new Charter leaves open to the Commission the option of considering the issue of placing limitations on the outside earned income of City Council Members. The issue arises because the position of City Council Member is not officially designated as "full time", i.e., members can earn income from other occupations, such as that of attorney, as long as no conflict of interest exists between the two occupations. Obviously, there should be no income derived from doing business with the City.

It should be noted here that, in most cases, the Council Member's base salary of \$55,000 is supplemented by annual stipends received for chairing various Council committees or for Council leadership positions. The stipends range from a high of \$35,000 (Speaker of the City Council) to a low of \$2,500, with most of them falling in the \$5,000 - \$15,000 range. The practice of annual stipends for exercising this additional responsibility is consistent with the practice of the New York State Senate and Assembly.

There are currently no restrictions on the amount of outside income which can be earned. Each Council Member is required to make an annual financial disclosure report which places his or her outside income in broad bands, e.g., \$1,000 - \$5,000, \$5,000 - \$25,000, \$25,000 - \$60,000, etc. This income can represent many forms such as realized investment gains, earned income, loans in favor, or gifts and honoraria.

During the course of its deliberations, the Commission received both verbal and written testimony on the pros and cons of limitations on outside income. For many Council Members, the designation of their position as part-time is belied by the extra hours spent during evenings and week-ends attending to community affairs. The question was also raised to what extent will enacting earnings limitations preclude highly qualified candidates from even considering running for a Council post. On the other hand, is part-time status consistent with the expanded responsibilities of the Council under the revised Charter and with the full-time status of all of the other elected officials in the City?

There are significant issues at stake here, and it is our conclusion that they deserve broader review than this Commission is able to provide and involve factors other than compensation considerations. While the full time/part time and outside income questions are relevant to the Commission's charge to determine appropriate compensation levels, they also fall somewhat outside of its direct purview and would be more appropriately and effectively addressed by a specially appointed commission able to provide them a full airing.

Public Hearings

A Public Hearing on Elected Officials' salaries was held on May 1, 1991, during which testimony was received from 12 individuals including council members, district attorneys, a community board district manager

and representatives from the New York Public Interest Research Group and Common Cause. In addition, written testimony was submitted by Council Speaker Peter Vallone and Queens Borough President Claire Shulman. Some of those who spoke to the Commission also submitted written testimony.

The five Council Members who spoke voiced their support for higher salaries for City Council Members. They cited the more significant responsibilities they are assuming as a result of the changes in the City Charter. On the question of making the position full time, there was general consensus that the position makes such demands on its members' time and efforts that it is, in effect, full time already. Councilman Michaels and Councilwoman Greitzer, however, did feel that some constraints on outside income were appropriate.

While the Council Members felt strongly that a higher salary was appropriate for their responsibilities, they were unanimous in agreeing that any changes should be deferred until the City's fiscal condition allowed them.

Both Mr. Russianoff of the New York Public Interest Research Group and Mr. Palmer of Common Cause strongly urged full time status for Council Members and restrictions on outside income. Their argument was that, while currently the City Council Member position is the only one of the elected official jobs not officially designated as full time, their significantly increased responsibilities under the new Charter require

their full time attention. As for restrictions on outside income, such restrictions would be consistent with practices presently in place on the national and many local levels and are necessary to avoid any appearance of impropriety.

Louis Watkins, District Manager of Community Board No. 3 in Brooklyn, addressed the Commission concerning how recent city cutbacks have made his position as a city managerial employee more difficult. He also spoke in support of appropriate compensation for City Council Members, citing the considerable time they devote to local community concerns over and above their City Hall responsibilities.

The District Attorneys of New York, Kings, Bronx and Richmond counties spoke before the Commission. It was pointed out that, because they are eligible for salary increases only every four years, they have lost the salary parity they once enjoyed with the position of Deputy Mayor, which is eligible for annual increases. They also indicated that salary compression is a particularly sensitive point in their offices since negative comparisons with salaries paid to attorneys in private practice have been causing excessive turnover at a time when public safety is being heavily emphasized as a major concern of the administration.

Conclusion

The charge of the Commission was to review changes in the pertinent economic and competitive data for the City's elected officials since their salaries were last changed in 1987. Although the Commission finds that the 1991 data clearly supports the salary increases it is proposing, it is aware that the current fiscal climate precludes their implementation at this time. However, the Commission does encourage consideration be given to implementation of the proposed increases for the District Attorneys immediately.

It is rarely a popular move to propose raises for elected officials. However, the responsibilities involved in these positions are significant, and this fact should be recognized. It is difficult to maintain a competitive salary posture when salary rates are raised only once over a four year period, and serious compression problems emerge at the top levels of the Mayoral Agencies.

The Commission urges approval and implementation of the proposed salary increases at the appropriate time.