

3-8-1982

City Club of Portland Bulletin vol. 63, no. 43 (Special Edition) (1982-3-8)

City Club of Portland (Portland, Or.)

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**City
Club** of Portland
BULLETIN

Portland, Oregon

Vol. 62, No. 43

March 8, 1982

**Printed herein for presentation, discussion and action
on Friday, March 12, 1982:**

**REPORT ON PROCESS FOR
SETTING CITY COUNCIL SALARIES**

The Committee: Bruce Bishop, Emerson Hoogstraat, Cindy Hurd, Patricia L. McDermott,
Jill Roake, and James A. Nelson, Chairman,
For the Majority.

A. M. Burdge, Garry A. Williams, and Randall B. Kester,
For the Minority.

Published March 8, 1982

Vol. 62, No. 43

(Special Edition)

(This report published with the financial assistance of
The Portland City Club Foundation, Inc.)

The City Club of Portland Bulletin (USPS 439-180) is published every week for \$10.00 per year (subscription rate included in annual dues) by the City Club of Portland, 730 S.W. First Ave., Portland, OR 97204. Second-class postage paid at Portland, OR. POSTMASTER: Send address changes to CITY CLUB OF PORTLAND, 730 S.W. First Ave., Portland, OR 97204.

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**REPORT ON PROCESS FOR
SETTING CITY COUNCIL SALARIES**

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Report On
PROCESS FOR SETTING CITY COUNCIL SALARIES

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

A. The Controversy Over Elected Officials' Salaries

In July 1981, the Portland Bureau of Personnel Services proposed that the salaries for elected Portland officials be increased 18.5 percent. The reaction was immediate, both from within the Portland City Council and from the press and public. The day after the proposal became known, the Oregonian editorially urged the Council to "Chop pay hike off at knees." Proponents of the increase argued that Council members' pay had not kept up with inflation or with the salaries paid in other municipalities. Opponents complained that the increase--exceeding twice the rate awarded other city employees--was unconscionable.

But the simmering controversy quickly boiled when the press reported that an advisory committee, formed to study the salary question, had been ignored. The dispute over the amount of the salary increase was overshadowed by a full-blown argument over the process for setting elected officials' pay. Ultimately, many questioned whether elected officials should set their own salaries.

A number of solutions were offered to cool the controversy. Some proposed an independent committee to recommend salary levels. Others suggested that a nonpartisan, independent civic group be asked to intervene. One Commissioner proposed that charter amendments or initiative petitions be prepared for a public referendum. On August 10, 1981, the Board of Governors of the City Club of Portland commissioned a research project to study how elected officials' compensation should be determined.

B. Charge and Scope of Study

The Board of Governors directed the study committee "to examine the process by which salaries for members of the Portland City Council and the Multnomah County Commission are determined, and [to] make appropriate recommendations thereon." In addition, the Board instructed that the committee "not make recommendations on the specific salary amounts that members of the Council and Commission might be paid."

Faced with a December 1981 deadline, your Committee concluded that a study of both the City and the County was too broad for a three month time frame. Instead of requesting postponement of the deadline, we decided to focus our study on the Portland City Council. We recognize that some of our recommendations may be relevant in analyzing how other elected officials' pay should be determined. But because we have not examined other jurisdictions, your Committee makes no recommendations about salary-setting processes other than that for the City Council.

To satisfy its research charge, the Committee reviewed press accounts of the controversy, and listened to a taped recording of a televised "Town Hall" discussion of the matter. We interviewed members of the City

Council and officials of the Bureau of Personnel Services and other persons with an interest in the issue, including professional public-sector compensation consultants. In addition, we studied published materials on municipal government and data regarding various methods of setting salaries in other communities and at other levels of government.

Appendix A lists persons interviewed; Appendix B lists published materials reviewed. The full Committee conducted some of the personal interviews, but due to the time limit, subcommittees were responsible for others. To facilitate the interviews, the Committee developed a questionnaire, a copy of which is reproduced as Appendix C.

II. THE ISSUE AND THE SETTING

A. The 1981 Controversy

The 1981 Portland controversy over elected officials' pay was the result of two volatile issues. First, the proposed increase was more than twice the cost of living increases awarded other city employees. Second, a new addition to the process--one that came to be characterized as the "secret committee"--was instituted to recommend appropriate salary levels. The next three sections, gleaned from newspaper accounts and Committee interviews, describe how these factors influenced the 1981 controversy.

1. The 1981 "Catch-Up"

The City's past practice had been to consider salary increases for City Council members together with salary increases for all other City personnel whose salaries are not set through collective bargaining. In 1981, the City's personnel director decided that City Council salaries warranted separate consideration. He told us this was appropriate for these reasons: (1) over a period of years, the cumulative increases to mayor and Council were less than those to other city employees, indicating that the former had not kept up with inflation; (2) the relatively low salaries of the mayor and Council created a "compression factor," tending to hold down the salaries of top departmental management positions; and (3) salaries of the mayor and Council should be comparable to those paid to public officials outside of Portland. He expressed the view that the same compensation philosophy the city applies to bureau chiefs and other managers should be applied to the Council: salaries should be competitive to attract highly qualified individuals.

Based on these considerations, the director told us he instructed his staff to develop compensation data that could be analyzed in determining an appropriate salary level for the City Council. Although the scope of the Bureau's research was originally national, once the project was under way, it narrowed to the Pacific Northwest. The Bureau completed its study and distributed its findings to the Council and the press. Based on its analysis, the Bureau concluded that the salary for the mayor should be \$60,000, the salary for the commissioners should be \$48,096, and the salary for the auditor should be \$44,076. These recommendations were formalized in a memorandum from the Personnel Director, Jon Stephens, to Mayor Frank Ivancie dated July 14, 1981. A copy of this memorandum, which includes the Bureau's rationale for its proposed raises, is on file at the City Club office.

2. The 1981 "Secret Committee"

Prior to completing his analysis, the personnel director met with a member of his staff and a member of the mayor's staff and discussed the advisability of forming a citizens' committee to review the data that would be forthcoming from the Bureau of Personnel Services.

After completing his analysis in May 1981, the personnel director organized a citizens' committee whose members had professional backgrounds in compensation. The personnel director asked the committee to review his staff's data and to recommend appropriate salary adjustments. The committee was given three weeks to complete its task with staff support. When the committee members were unable to reach a consensus, in part because of the deadline set for them, and in part because of differences of opinion, the director decided to present his staff's recommendations to the Council without the committee's advice. During Council consideration of the Bureau's draft ordinance, one member of the committee testified on her role in reviewing the proposed salaries for the Personnel Bureau. Several Council members expressed surprise at this testimony because they had no knowledge of the committee. Because its existence was not acknowledged in the Bureau's report, and because the personnel director, apparently at the request of committee members, declined to divulge the names of two of the members, newspaper accounts soon labeled the committee "secret."

3. The 1981 Controversy's Outcome

On Friday, July 25, 1981, the Bureau of Personnel Services submitted its draft ordinance recommending increases of 18.5 percent for elected city officials. The coverage given the recommendation in the news media was extensive and generally critical. The City Council reacted. Instead of approving the 18.5 percent raise for itself, the City Council voted (on July 29, 1981) to accept a 9 percent raise and to consider the remaining 9.5 percent increase a month later. Despite this action the issue did not disappear.

In the week following the Council action, the mayor proposed that the 9 percent increase be rescinded and that a citizens review committee be created to recommend what increases the mayor and commissioners should receive. Under council rules of procedure, however, an immediate rescission of the increase would have required unanimous approval from the City Council. An immediate reversal was not possible because two commissioners were absent.

On August 12, 1981, the Council considered a range of options in an attempt to resolve the controversy. Ultimately, it agreed to keep the 9 percent increase, and rejected the mayor's proposal. The Council also rejected a commissioner's proposal that would have put a lid on the increases City Council members could approve during their term of office and would have incorporated such limits into the City Charter following a May 1982 referendum. When it acted, the City Council was aware that the Board of Governors of the City Club of Portland had decided to study the process for setting public officials' compensation. This decision, coupled with the Council's action on August 12, appeared to quiet the controversy.

B. Portland City Government

Portland is governed by a commission whose five members exercise both administrative and legislative authority over the city's affairs. The existing commission structure was adopted by Portland voters in 1913 during a national era of municipal reform. Under this system, the mayor and the commissioners are elected citywide for staggered four-year terms. As the Council, they set city policy, enact municipal ordinances, and adopt the city budget. Individually, each exercises administrative control over departments of city government under his or her jurisdiction. While the mayor acts as the "leader" of the City, makes administrative assignments, and can veto budget items, the City has no chief executive officer with complete administrative authority over city government.

C. Setting Officials' Pay in Portland

1. A Legal Context

When the 1913 commission form was adopted, the Portland Charter fixed the salary of the mayor at \$6,000 and the salary of the commissioners at \$5,000. Because the amounts were specified in the charter, any changes required approval by the electorate. For 33 years, no Council even proposed an increase in its compensation for voter action.

In 1946, the voters defeated a proposal to increase the mayor's pay to \$10,000 and the commissioners' pay to \$7,500. In 1950, an election was held to amend the charter and to increase the City Council's pay to \$10,000 for the mayor and \$8,500 for the commissioners. The proposal failed again. Another referendum in 1952 proposed smaller increases and set a two-term limit for City Council members. Still, the people rejected any increase.

In November 1952, a new tactic emerged. Instead of proposing an increase in salary amounts, the ballot measure proposed that the salaries of the mayor and commissioners be fixed in the same manner used for all other city employees, i.e., by the City Council. By and large, this measure drew little public attention while the voters and other civic interests, including the City Club,* concentrated on a number of other charter amendments presented on the same ballot. The measure passed 101,838, yes, to 73,544, no.

2. A Financial Context

While the 1981 controversy had great emotional impact and attracted widespread public comment, the actual amounts involved are not major factors in the City's finances. In 1981-82, city government will operate with an annual budget of \$147 million in general funds and of \$491 million in all funds. Against this backdrop, the salaries for the City Council are less than two-tenths of 1 percent of the general fund budget; even the budgets for the complete operation of the mayor's and commissioners' offices are only approximately 1.5 percent of the general

*The minutes of the Board of Governors of the City Club for March 10, 1952 show that the Board voted not to study this and several other general election measures.

fund budget. Similarly, compensation for the City Council is less than three-tenths of 1 percent of the amount the City spends each year for salaries and fringe benefits of all full-time and part-time city employees.

As full-time legislators and administrators, the mayor and commissioners receive salaries of \$55,183 and \$44,233, respectively. These salaries are exclusive of fringe benefits and other perquisites (see Table 2). As of July 1, 1981, when the city's current fiscal year began, the mayor and commissioners earned \$50,627 and \$40,580, respectively. Table 1 sets out the salaries of those city employees who earned more than the commissioners on July 1, 1981.

Two months into the fiscal year, the Council increased its pay by 9 percent to keep pace with other city employees. With the increase approved in August 1981, the mayor became the highest-paid city employee in Portland, while the commissioners collectively ranked thirteenth among city employees. Had the full 18.5 percent raise proposed for the mayor and commissioners taken effect, the mayor (at \$60,000 per year) would have received nearly 13 percent more in salary than the next highest-paid employee; the commissioners (at \$48,089 per year) would have ranked seventh.

Table 1*

PORTLAND CITY EMPLOYEES SALARIES
EXCEEDING SALARY OF CITY COMMISSIONERS
July 1, 1981

Police Chief	\$53,206
Fire Chief	\$53,206
Mayor	\$50,627
Water Bureau Administrator	\$50,627
City Attorney	\$50,294
Planning and Development Director	\$50,294
Assistant Fire Chief, Executive Officer	\$46,821
Assistant Fire Chief, Prevention	\$46,301
Assistant Fire Chief	\$46,301
Deputy Police Chief	\$46,301
Personnel Director	\$45,822
City Planning Director	\$44,512
Chief Deputy City Attorney	\$44,034
General Services Director	\$44,034
Director of Fiscal Administration	\$44,034
City Parks and Recreation Director	\$44,034
Chief Engineer, Water Bureau	\$43,410
Police Commander	\$43,264
Computer Services Director	\$42,285
City Traffic Engineer	\$42,245
Human Resources Executive Director	\$41,995
Commissioners	\$40,580

*Source: Department of Finance and Administration, Bureau of Personnel Services, "Compensation Plan," July 1981.

Table 2 reports the compensation levels for elected officials after the August 1981 9 percent increase took effect.

Table 2*

CURRENT COMPENSATION LEVELS (FY 81-82)

	<u>Mayor</u>	<u>Commissioner</u>	<u>Auditor</u>
Salary	\$55,183	\$44,233	\$40,537
Annual City Paid Benefits			
Health	1,008	1,008	1,008
Dental	360	360	360
Vision	36	36	36
Life Insurance	355	235	258
Pension	8,277	6,635	6,081
	<u>\$65,219</u>	<u>\$52,507</u>	<u>\$48,280</u>

Other Items:

- Vehicle and travel expenses, including free parking
- No separate accrual for sick leave and vacation (paid time as required) - No deductions for time taken off
- Body guard/driver assigned to mayor
- Deferred compensation program available
- Eight city holidays.

*Source: Compiled by the committee based on data from the Portland Bureau of Personnel Services

3. A Procedural Context

Only the City Charter regulates the method by which the Council sets its salaries. As noted earlier, the Charter permits the Council to set its own salaries. Based on interviews with city officials, however, your Committee understands that the following steps are customarily followed in setting the salaries for elected officials.

Most city employees are represented by one of 14 collective bargaining units. In general, two-year police and fire contracts and two-year contracts for all other represented employees are negotiated in alternate years. When the contracts for represented employees have been settled, their financial terms are incorporated into the city budget for the next fiscal year.

Following completion of the collective bargaining cycle, the Bureau of Personnel Services reviews the compensation for non-represented employees and recommends any adjustments necessary to maintain comparability within the city's compensation plan. Normally, the bureau proposes that non-represented employees receive the same salary increase that represented employees have accepted. Table 3 compares the compensation increases approved for two of the major bargaining units of represented employees with the increases for the mayor and the commissioners between 1973 and 1980.

Table 3*

COMPARATIVE SALARY INCREASES
AWARDED REPRESENTED EMPLOYEES AND ELECTED OFFICIALS
IN THE CITY OF PORTLAND (1973 to 1980)

	<u>Percent of Increase</u>								<u>Cumulative Percentage Increase 1973-80</u>
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980**</u>	
Mayor	6.0	9.0	8.6	6.1	6.5	5.0	7.9	3.3	65.9
Commissioner	8.6	9.0	11.0	6.1	6.5	5.0	7.9	3.3	73.6
Auditor	8.6	9.0	11.0	6.1	6.5	5.0	7.9	3.3	73.6
District Council of Trade Unions	6.4	10.6	11.9	6.3	6.5	7.5	10.0	3.3	82.0
Portland Police Association	6.6	7.2	13.1	8.0	6.5	7.7	9.4	9.3	91.3

* Source: Portland Bureau of Personnel Services

**In 1980, the City started paying most employees' retirement contributions. This action -- the equivalent of at least a 6 percent increase -- explains the difference between the 3.3 percent increase awarded most employees and the 9.3 percent increase awarded the Portland Police Association.

Based on its analysis of compensation for represented and non-represented employees, the Bureau drafts an ordinance to increase the salaries of management and non-represented employees, including the mayor and the commissioners. This ordinance then follows the same procedural path as all other city ordinances.

D. Practices in Other Governments

Your Committee found its analysis of how other cities set compensation for their elected officials difficult for two reasons: (1) Portland's government structure is different from most; and (2) little published information is available about practices of other cities. Portland and Tulsa, Oklahoma are the largest of the 10 cities which continue to operate through the city commission form of government. Most other municipalities operate through a strong mayor-council form or a city manager organization.

While the difference in authority and responsibility between the Portland City Council and other city governments makes it difficult to compare salary levels, basic similarities exist when considering the process for setting compensation. Paid legislators at all levels of government, whether they serve full-time in the U.S. Congress or part-time on their city council, set their own salaries. Though the practice is common, most elected officials probably feel uncomfortable when they fulfill this responsibility. And regardless of the merits of any increase, most citizens probably feel it is unfair when officials grant themselves raises. To offset these feelings, most systems have built-in checks that are designed to prevent excesses. In addition to these safeguards, some jurisdictions have adopted other measures to minimize even the appearance of self-interest when their elected officials set their own pay.

The charter of the City of San Diego, California, provides for an independent salary-setting committee, appointed by the Civil Service Commission, to recommend the biennial compensation to be paid the mayor and City Council. Following a study and a series of public hearings, the committee sends its recommendations to the City Council. The Council may accept these recommendations, or it may approve pay levels below the recommendations. The Council may not exceed the recommended salary ceiling. According to a personnel analyst with the City of San Diego, the Council asks the committee to make new recommendations when the Council believes its compensation should be lower than the committee's initial recommendation.

In the City of Los Angeles, the charter was amended to create a nine-member Official Salaries Authority, appointed by the mayor and City Council. The Authority reviews compensation levels every two years. Except in its first round of recommendations (when the Authority set a one-time "catch-up" increase of 76 percent), the Authority has recommended biennial increases of 10 percent to be awarded in equal annual increments. Each of these adjustments has been accepted by the City Council and mayor without change.

In size and structure, Tulsa most closely approximates the City of Portland and its government. The population in each city is approximately 360,000, and each city operates with a mayor and four commissioners who exercise legislative and executive authority. In Tulsa, the mayor earns \$42,000 per year, and the commissioners earn \$30,000. Unlike Portland, however, Tulsa has an Elected Officials Review Committee established by city ordinance. The committee's membership includes the chairmen of the city's Republican and Democratic parties (the Tulsa City Council is a partisan body), the president of the Tulsa League of Women Voters, the chairman of the Tulsa Civil Service Board, and the Tulsa City personnel director. While the committee's recommendations are only advisory, the administrative assistant to the Tulsa mayor reported to us that the Council has never exceeded the committee's suggested pay levels. All members of the Tulsa City Council serve identical two-year terms. New pay increases cannot take effect until after a new Council takes office. The Tulsa committee recently completed its biennial review of salaries, recommending that the mayor's pay be increased to \$50,000 and the Commissioners' pay be increased to \$32,000.

Instead of using an independent commission, some local governments have retained professional compensation consultants to recommend salaries for elected officials. In Portland, this practice has been used in the past to determine compensation levels for non-represented personnel, but not for elected officials. These consultants typically analyze internal pay practices of the local government and compare these practices to those of other comparable entities. In doing so, they consider the responsibilities inherent in the position, the extent of authority exercised by the position, and the relationship to non-elected positions in the jurisdiction. According to telephone interviews by the Committee with several compensation consulting firms, these firms have carried out studies for the Cities of Seattle and Vancouver, Washington; Lane County, Oregon; Whatcom and Pacific Counties, Washington; the Portland Development Commission; and the Port of Portland.

III. ALTERNATIVE METHODS OF SETTING SALARIES

Your Committee discovered only a few methods for setting salaries for elected city officials. Those methods were discussed in the preceding section and are summarized below with the principal arguments for and against each. At this point, we have stated the arguments without indicating any preference of our own.

The methods described below rely on either the people, the Council, an outside authority to set salaries, or upon a fixed indicator. If the Council fixes its salaries, it can also do so with the effective date delayed, with citizen involvement, or with outside technical advice. If an outside authority fixes salaries, the process can involve an independent commission with sole authority to decide, with authority to recommend, or with authority to set maximum ceilings.

A. Salaries Established by Vote of the People

From 1913 to 1952, the Portland City Charter set specific salaries for the mayor and members of the Council. In order to change those amounts, the charter had to be amended by a vote of the people.

1. Arguments For

- a) It is desirable to reserve to the people the right to set the salaries for their elected officials.
- b) This method keeps Council members responsive to the electorate, which is in the public interest.
- c) At a time when the cost of government is under severe public scrutiny, salary levels should not be easily changed.

2. Arguments Against

- a) Historically voters have not been inclined to increase salaries regardless of merit.
- b) Voters will be unlikely to approve salaries high enough to attract and keep qualified officials.
- c) Voters are not likely to be well-informed on the factors that should determine salary levels.
- d) Because an initiative or referendum can reverse any action of the City Council, the voters retain ultimate control over Council salaries without the protection provided by this method.
- e) This method adds to the cost of government by adding to the cost of elections.

B. Salaries Set by the Council Itself

This method has been used in Portland since the 1952 charter revision authorized the Council "To establish and regulate the fees and compensation of all officers of the city...."

1. Arguments For

- a) The Council should remain politically accountable to the public as they are if they set their own salaries.
- b) The system has worked satisfactorily since 1952. The difficulties in 1981 do not show that the system is bad, only that it was poorly handled.

- c) The Council should control the entire budget process. Setting salary levels is part of this.
- d) It is not likely that the Council will abuse this privilege because its actions are always subject to public scrutiny and its members are subject to recall.
- e) The Council has at its disposal data collecting services within city government and may use outside advice if it so desires.

2. Arguments Against

- a) The Council should not have to take the political "heat" involved in setting its own salary.
- b) Because of the political sensitivity of Council salaries, there tends to be too much Council time and effort devoted to this issue.
- c) Because of different opinions on balancing their compensation against the political consequence of any increases, it may be difficult for the Council to reach a consensus on an appropriate salary level.
- d) There is an inherent conflict of interest whenever elected officials set their own salaries. This conflict can have very serious fiscal implications. For example, if the Council establishes excessive salaries for itself, it may find it more difficult to resist salary demands by city government employees.

C. Salaries Set by Council, but Effective at a Subsequent Term

The National Municipal League has proposed a Model City Charter provision:

"Section 2.02. Compensation; Expenses.

The council may determine the annual salary of councilmen by ordinance, but no ordinance increasing such salary shall become effective until the date of commencement of the terms of councilmen elected at the next regular election, provided that such election follows the adoption of such ordinance by at least six months."

Arguments for and against this alternative are essentially the same as those for Method B, above, plus the following:

1. Argument For

For Council members whose terms of office expire before the effective date of a salary change, the appearance of self-interest may be reduced.

2. Arguments Against

- a) If an increase is deserved, present Council members should not be denied it.
- b) Because Portland City Council members serve staggered terms, some members could receive the higher salary before they had won re-election. If, on the other hand, the Model City Charter provision were changed to prohibit any salary increase for a member during the term of office, some Council members would make less than others for a period of time. The first result would defeat the purpose of the provision, and the second would be inequitable.

- c) Council members not facing re-election could avoid the immediate political repercussions of their decision, while other members might have to face voter dissatisfaction much sooner. Thus any political "heat" for a salary decision would be directed unequally, and perhaps unfairly, at different Council members.

D. Salaries Set by Council, with Advisory Committee

One variation of the method in which the Council sets its own salaries could include an advisory committee to recommend Council salaries. The Council would then set its own salaries, relying on the committee recommendations to the extent it might choose. The committee could be appointed either by ordinance or by executive action. It would likely have staff assistance. It could hold hearings and make studies. It could retain professional consultants. Its processes and recommendations would be subject to public scrutiny. Since the committee would be created and appointed by the Council, it should be distinguished from the "independent" commission discussed under Method F (following).

1. Arguments For

- a) This method would retain the ultimate authority and responsibility in the Council. But it would also give the Council the benefit of outside advice.
- b) Since the committee structure would be formalized by Council action, it could avoid the problems encountered in 1981 with the "secret committee."
- c) By holding hearings, making studies, and retaining and reviewing the work of outside consultants, the committee would free the Council for other work.
- d) It is likely that such a committee would be more objective than the Council.

2. Arguments Against

- a) Use of a Council-created committee would be a needless exercise. The result would be the same if the Council acted on its own.
- b) The Council might appoint Committee members who would serve the interests of the Council, not the interests of the public.
- c) A committee would divert public attention from the fact that the Council retained ultimate authority and responsibility to establish salary levels.
- d) Even if the committee members served without pay, a committee would result in more bureaucracy and expense.
- e) Members of the committee would not necessarily have expertise in compensation matters.
- f) If the committee's recommendations were not acceptable to the Council, the inherent problem of the Council being motivated by self-interest would be aggravated.

E. Salaries Set by Council - With Report from Independent Compensation Consultant

Part of the problem in 1981 was that several Council members did not believe their salaries were fair, but did not know what a fair salary base should be. To help overcome this, the Council would use an independent compensation consultant to analyze technical data and statistical

information and to recommend an appropriate salary based on job content and responsibility.

1. Arguments For

- a) This method would give the Council the benefit of technical compensation expertise while retaining the ultimate authority and responsibility in the Council.
- b) Compensation consultants can provide the Council useful data which is not customarily available.
- c) Because consultants would be used only for their technical skills as compensation analysts, and because they would be outside city government, the appearance of an "inside job", as in 1981 when the Bureau of Personnel Services gathered and analyzed the data, would be reduced.

2. Arguments Against

- a) Outside consultants are expensive and their services would only duplicate what city staff can do more cheaply.
- b) Because the Council would select the consultant, the appearance that the study was an "inside job" would still exist.
- c) It is just as likely that the consultant's conclusions would be tailored to the perceived wishes of the Council, as it is that the city staff's conclusions would be.

F. Salaries Established by an Independent Commission

The following alternatives utilize an independent commission during some part of the salary-setting process. Although there are minor differences, they are presented together to avoid repetition of many of the arguments.

Under all variations, the Committee has assumed that the members of any commission would be independent of the Council. They could be persons acting ex officio, as for example, the chairman of the Tax Supervising and Conservation Commission; or they could be appointed by such designated officers. We have also assumed that neither the persons designated nor their appointees would be associated with or otherwise responsible to the mayor or members of the Council. Each of the alternatives would require an amendment to the City Charter, because the commission would actually fix the salaries, not merely advise the Council. Each might also require an amendment to state law if a state officer was designated to serve on the committee.

Alternative 1. By an independent commission having power to act.

Under this alternative a commission would determine and fix the actual salaries of the mayor and Council.

Alternative 2. By an independent commission setting salary levels that would be effective unless Council decides otherwise.

This is similar to the federal system, under which a salary commission makes recommendations to the President, who in turn makes recommendations to the Congress. Those recommendations become effective unless the Congress disapproves or establishes other rates of pay. The salary

of the President himself is not subject to this process (2 USC Sections 351-361). If this variation were applied to Portland city government, an independent commission would make recommendations to the mayor, who could include them in his annual budget recommendations to Council. Unless Council acted, the salary recommendations would take effect. Unlike the federal situation, however, the mayor's salary would probably be included in the commission's recommendation.

Alternative 3. By an independent commission setting maximum salary limits and the Council adopting amounts within those limits.

The City-County Consolidation Charter, which failed adoption in 1974, embodied this variation. It contained the following provision:

Section 8.25 Compensation.

- "(2) (a) Not later than January 15, 1975, and every three years thereafter, a public salary review board shall be appointed, one member each by the Presiding Judge of the Circuit Court in the city-county, the Chairman of the Tax Supervising and Conservation Commission, and the President of Portland State University, for three year terms.
- (b) The board so appointed shall, not later than March 31 of each year, recommend to the mayor and council salaries to be paid the mayor and councillors during the next fiscal year. Salaries shall not exceed the amount so recommended.
- (c) The members of the board shall serve without pay."
(emphasis added)

1. Arguments For

Any Alternative:

- a) An independent commission would insulate the salary setting function from direct political influence.
- b) Political pressure on the Council would be lessened if not eliminated.
- c) If the commission could fix the actual salary, the Council could avoid the time, effort, and politics involved when the council sets its own salaries.
- d) An independent commission would remove the public perception that "the fox is guarding the henhouse." Whether a commission reached any different or better determination than the Council is irrelevant -- the public would be confident that the Council was not setting its own salary.

If Alternative 2 is used:

- e) This method provides the guidance and advice of an independent commission, but places upon the Council the ultimate accountability and authority for setting salaries.

If Alternative 3 is used:

- f) This alternative also provides independent guidance, while preserving some accountability and authority within the Council.

- g) The Council would be prevented from "going wild" with salary increases.

2. Arguments Against

Any Alternative:

- a) The independent commission would not be directly accountable to the public.
- b) Salaries of public officials are necessarily a political question and cannot be taken out of the political arena. Use of a commission would not remove the political pressure, but just change its focus.
- c) Commission expertise in compensation matters would not be guaranteed.
- d) An independent commission would impose additional red tape and costs on government.
- e) The Council would still be held politically accountable, even if it had no control over the process or the result.
- f) Persons named to an independent commission by virtue of holding specified positions may not be willing to serve, or may be unable to serve unless their job descriptions are altered to include this task.
- g) There is no guarantee that persons named to the commission by charter or by ordinance would be truly independent of the Council.

If Alternative 2 is used:

- h) Recommendations for legislation should require a recorded vote; adoption of recommendations by silent approval is inappropriate.

G. Salaries Set Or Determined by a Fixed Indicator

Under this alternative, the salaries of Council members would be tied to the salary of a specified state office holder, such as a district court judge. A variation would tie any increase to a stated inflation index or to the percentage increase given other city employees.

1. Arguments For

- a) Use of a fixed indicator would insulate the salary setting function from political pressures.
- b) A fixed indicator would relieve the Council of the time, effort, and political in-fighting involved when the Council sets its own salaries.
- c) Creation of a fixed indicator would remove any public apprehension about the Council setting its own salaries.

2. Arguments Against:

- a) The Council would still be held politically accountable, even if it had no control over its salaries.
- b) Salaries of the Council should be based on its own duties and responsibilities, rather than those of some other officeholder.

- c) By equating salaries to that of some other specified officeholder, there is no assurance that the legislature would provide appropriate salary adjustments for the designated office. City Council salaries should not be subject to the actions of the legislature.
- d) Duties and responsibilities change over time, as do appropriate salaries. By specifying a designated officeholder, there is no reason to expect that responsibilities would change in the same direction or magnitude for the Council as for such officeholder.
- e) Use of a stated inflation index provides no means by which a reasonable salary may first be determined or later adjusted.
- f) An increase based upon a percentage increase negotiated for other city employees may influence the Council to be too lenient with employee demands in the negotiation process.

IV. DISCUSSION AND CONCLUSIONS OF FULL COMMITTEE

As the recent controversy in Portland demonstrates, elected officials' compensation can be a volatile issue. While most people would agree that such compensation should be fair, what is considered "fair" may vary widely. Some people may judge a salary's fairness by comparing it with their own; others may be influenced by their opinion of the office or officeholder.

Your Committee realized early in its study that it could neither skirt the "fairness" issue altogether nor resolve it to the satisfaction of all interests. The Committee reached this conclusion after deliberations about the fundamental issues involved in setting public officials' pay and about our personal beliefs concerning these issues. Ultimately, we recognized that whatever the process or the amount, public officials' pay will be fixed in a political environment. And whether the decision rests with the officials themselves, with the electorate, or with a separate entity, political implications neither can nor should be avoided. Your Committee was also mindful of the fact that the Council salaries comprise only a small portion of the total City budget and that any process for setting salaries should not be so expensive as to be critically disproportionate to the results achieved. For this reason, your Committee set for itself the goal of proposing solutions that appear politically feasible and that, in practice, should yield reasonably fair results with a minimum of added expense.

Council salaries should not be so low that they attract only those with independent means or those whose competence is commensurate with the low pay. Neither should they be so high that they are perceived as excessive in comparison with similar jobs, or as substantially above levels which the responsibilities warrant.

A basic premise of your Committee is that Oregonians historically have expected accountability from public officials. Therefore we unanimously conclude that the Portland City Council must remain accountable for setting its salaries and that the process must be publicly visible. Your Committee believes that the Council must remain responsible for its decisions, even if it is uncomfortable for its members to take the political heat that results. If the increases are unreasonably high, they will bring criticism from the press and the public, and will encourage labor leaders to use such increases as examples of what is possible for union members at the next bargaining session. We believe the Council

must determine its salary after each Council member has considered whether his or her choice is reasonable, and has weighed the political impact of his or her vote. The Council is the only entity that can make this determination.

Portland has used the present procedure since the 1952 charter amendment without fanfare until the summer of 1981. Even the problems that surfaced in 1981, your Committee believes, did not expose any structural defect, but instead reflected insensitivity to the effects a major catch-up increase would have without adequate preparation, publicity, and public involvement. To us, the fact that the proposed 1981 salary increase received the notoriety it did is evidence that the present process works and that questioned increases will be publicly scrutinized and criticized. Based on the relative lack of public interest in salary increases in previous years, it seems likely to your Committee that had both the 18.5 percent catch-up adjustment and the secret committee not surfaced simultaneously, little attention would have been paid to the matter. Whatever the outcome without the presence of both factors, we are convinced that the clamor would have been far less pronounced.

Your Committee believes that a return to a vote of the people is undesirable because voters probably could not be adequately informed, elections would be expensive, and voters have been generally negative to increases, deserved or not. As a safeguard against excessive salaries, the voters can always exercise their rights of initiative, referendum, and recall.

Your Committee is persuaded that an independent commission or authority with power to set salaries under any of the alternatives discussed is neither advisable nor practical. Although little information was available to your Committee regarding the effectiveness of such a commission in other cities, no information was available regarding any such system's superiority over Portland's present process. To experiment with an independent commission without at least some evidence of its superiority would be irresponsible and expensive to the public. A commission would be directly accountable neither to the public nor to the Council. It would not insulate the salary-setting process from political pressure if salaries were perceived by the public as excessive. In your Committee's opinion, an independent commission would create only an illusion of independence while adding an additional cost and layer of government without any appreciable benefit. Moreover, by setting a salary over which the Council has no control, the independent commission would remove from the Council some leverage in salary negotiations with other city employees.

Your Committee also agrees that setting salaries by a fixed indicator is unacceptable. Whether the salary is tied to a consumer price index, a percentage increase, or a salary set for another officeholder, this alternative is inflexible and unrealistic. It does not consider the reasonableness of the salary or allow for adjustments based upon shifts in responsibilities. Although the process is simple and automatic, the fairness of the compensation is never considered or assured.

To overcome the difficulties encountered in 1981, your Committee believes it is important that citizens witness the salary setting process. Although voters are unlikely to have much knowledge of compensation mat-

ters, exposing the process to them deflects the suspicion that the Council is trying to hide its actions. For this reason, your Committee believes that future adjustments in Council salaries should be fixed by a non-emergency ordinance which contains no other subject. In the past, Council salaries have been considered along with other non-represented employees in an omnibus ordinance. The public must perceive the Council as being frank and open on this issue. This would be accomplished through a separate ordinance.

Your Committee further believes that the present salary setting process should not be amended to make salaries effective at the time of the next election, as suggested by the National Municipal League. The staggered terms of Portland City Council members make this suggestion either unworkable or grossly unfair. If a salary increase is warranted, it should become effective promptly.

In interviews with your Committee, each Council member seemed willing to accept some responsibility and to take some political heat for decisions about his or her salary. But, Council members also told your Committee they have been frustrated by not knowing what is fair for their jobs.

Your Committee believes that the Council should have formalized, well-publicized guidance to provide an objective evaluation of what salary Council members deserve. Once that has been determined, the Council can decide what it can accept politically.

Your Committee believes that determining appropriate compensation will require a credible and impartial study. Factors such as job and fiscal responsibility, accountability, and external comparability must be considered in such a study. Your Committee is aware of two options for performance of that technical analysis: the City Bureau of Personnel Services or an independent management consulting firm. The City Bureau of Personnel Services could be perceived as influenced by the Council, or as biased in its recommendations. Furthermore, the Bureau is not accustomed to regularly evaluating the salaries of elected officials. For these reasons, your Committee favors the use of an outside consultant.

In your Committee's opinion, the Council should pick the firm through an open, competitive process. The Council should define the scope and purpose of the study to enable interested consultants to present proposals to the Council on how they would carry out the assignment. Once hired, management consulting firms should be required to do the analysis quickly, based on data provided both from the City government and from outside sources.

In sum, your Committee believes that the ultimate responsibility for setting salaries must rest with the Council, but that the Council should employ a professional compensation consultant for technical guidance. However, members of your Committee cannot agree whether our recommendation should also call for an annual, obligatory citizens advisory committee, selected by open nominations (the minority position), or should simply suggest to Council that if, in any year, it believes the advantages of an advisory committee outweigh the disadvantages, it should appoint such a committee (the majority position).

V. MAJORITY CONCLUSIONS

The Majority of your Committee believes that the major value of an independent commission or an advisory committee lies in the perceived impartiality of that body, and in its insulation from political considerations. However, we can conceive of no technique for establishing and using a body that would, in the final analysis, accomplish these objectives. In fact, the Majority believes that it is impossible to remove political factors affecting salaries under any known alternative. We cannot envision any process that would guarantee that a citizens' body would ignore the political ramifications of setting council salaries too high or too low. The Majority feels that such evaluation must be made only by the Council because Council members are ultimately accountable to the public for their decisions. To give the Council information which has been critiqued and analyzed by each committee member through their own set of references and perspectives would, we believe, unavoidably bias the information that ultimately goes to the Council.

In addition, any committee may be perceived by the public to be simply a whitewash; an avenue for the council to avoid taking the direct responsibility itself. Such a perception would defeat the purpose for which the committee was intended.

Even if the Council desired the assistance of an advisory committee, the Majority believes that the method suggested by the Minority would be unproductive and possibly harmful. The creation of such a committee every year is unnecessary and time consuming. The open nominating process suggested by the Minority places the City Council in the position of rejecting publicly announced nominees. This would focus greater attention on the nominating process than it deserves and would possibly subject the Council to undue criticism for failing to select certain nominees. The Majority believes that the potential conflict within the Council that could arise from consideration of such a publicized slate and the improbability of unanimity over the final selection would merely add to the problem. The Majority is also concerned that the Council might be pressed politically to select certain nominees for reasons unrelated to the salary issue or the expertise needed to evaluate the data.

Your Committee's research for this study indicates to the Majority that the technical question of the appropriate salary to pay the City Council is complex. Any advisory committee that is called upon to review the technical data available should be hand-picked by the Council for its expertise and not for its political acceptability.

VI. MAJORITY RECOMMENDATIONS

Based on the previous discussion, a Majority of your Committee makes the following recommendations:

1. The City Council should retain the authority and responsibility for establishing the salaries of the mayor and the Council, as now provided in the Portland City Charter.
2. The Council is urged to adopt an ordinance providing for the hiring of an independent management consultant whenever the Council wishes

to consider a salary increase but at least once every five years. The consultant would be retained by the Council through the normal selection process and would have the responsibility of evaluating the functions and responsibilities of the mayor and Council, and recommending salary levels. The report of the consultant would be presented at an open meeting of the Council.

3. If the Council believes that a citizens advisory committee would also be a helpful tool in the evaluation process, it may appoint one. A Majority of your Committee believes that only the Council can clearly evaluate whether such a committee would truly be of value, after having considered both the advantages and disadvantages of such a committee.
4. Salaries for the mayor and Council should be fixed by separate ordinance, which should contain no other subject and which should not be considered as an emergency ordinance.

Respectfully submitted,

Bruce Bishop
Emerson Hoogstraat
Cindy Hurd
Patricia L. McDermott
Jill Roake
James A. Nelson, Chairman
FOR THE MAJORITY

VII. MINORITY CONCLUSIONS

A Minority of the Committee, while agreeing with the Majority's conclusion that the Council should retain ultimate authority and responsibility for setting the salaries of mayor and Council and that the Council should retain an independent consultant, also believes that it would be useful to require a citizens advisory committee to make recommendations to the Council.

Such a committee would be appointed by the Council (there seems to be no other practical way to select its members), and the Council would be free to accept or reject its recommendations. Because the Council would make the final decision, the committee would not dilute the Council's political accountability, but the Council would have the benefit of outside advice to the extent that it desires. As a matter of practical politics, the Council would probably utilize the committee's recommendations, because to ignore them would invite public criticism.

We recognize that the Council can always ask for outside advice if it desires, but we think the Majority recommendations do not go far enough in merely suggesting to the Council that it might wish to appoint a citizens advisory committee. We think the Council should, by ordinance, establish such a committee, provide for a method of appointment and outline its scope and function. This would bring the process out in the open and perhaps avoid or minimize the problems which accompanied the "secret committee" in 1981.

We also recognize that the Council might choose members of the committee who would reflect its own views, and that members of the committee might be chosen to achieve a pre-determined result. To some extent this could be minimized by requiring the appointments to be made from a list of nominations submitted by the public. But even if the committee were merely an arm of the Council, the result would be no worse than if the Council acted without the advice of a committee, and it might be better.

A citizen's advisory committee would not be another, costly layer of government. Its members would serve without pay, except for expenses, and the staff work could probably be performed by the City's present Personnel Bureau without hiring additional personnel. By holding public hearings, directing staff studies and periodically retaining professional consultants, the committee would relieve the Council of some time and effort that would otherwise be required of the Council itself. Of course, when the salary ordinance is finally submitted (and we agree with the Majority that it should be a separate, non-emergency ordinance), there would be a public hearing before the Council, at which time the recommendations of the advisory committee would receive public scrutiny.

The Minority agrees that a truly independent commission (if that were possible to accomplish) would have the advantages of perceived impartiality and insulation from political considerations. However, if such an "independent" commission were to have the powers set forth under Method F, above (1 - power to act; 2 - effective unless Council acts otherwise; or 3 - setting maximums), this would detract from the Council's authority and responsibility, which we agree should be retained. We therefore believe that an advisory committee, such as set forth under Method D, above, would be the best method of combining outside advice with ultimate Council responsibility.

The Minority believes that a plan such as outlined under Method D, above, should be adopted. We therefore respectfully dissent from recommendations No. 2 and 3 of the Majority report, and in lieu thereof we submit the following:

VIII. MINORITY RECOMMENDATIONS

1. The Council should, by ordinance, adopt procedures for periodically reviewing the salaries of Mayor and Council, with the assistance of independent professional consultants and with provision for public participation in the process.
2. Without attempting to cover all the details of such procedures, they should include at least the following:
 - (a) At the beginning of each fiscal year the Council should appoint a citizens advisory committee, whose function should be to review and recommend salaries for the Mayor and Council for the next fiscal year.
 - (b) The citizens advisory committee should consist of not less than five nor more than nine persons, and it should be broadly representative of the various interests of the community. The Council should establish and announce the date on which appointments to the committee are to be made, which should be at least sixty

days thereafter; and during the next thirty days nominations for the committee may be submitted by any citizen, group or organization. At least thirty days prior to the date of appointment the list of nominees shall be closed, and the list shall be announced and publicized during the ensuing period. Appointments to the committee should be made from the list of nominees, at a regular meeting of the City Council held on the announced date, unless an emergency requires that it be postponed.

- (c) At the time of making appointments to the citizens advisory committee, the Council should also appoint one or more alternates who may attend and participate in committee proceedings, but without vote unless appointed to fill a vacancy. In the event of a vacancy on the committee, the Council should appoint a person to fill the vacancy from among such alternates. If none of the alternates is available, the Council may make an appointment to fill the vacancy from the original list of nominees.
- (d) Members of the citizens advisory committee should serve without compensation, but should be reimbursed for expenses necessarily incurred in performance of their duties. A majority of the committee should be authorized to act on behalf of the committee.
- (e) The citizens advisory committee may utilize the services of the City's Personnel Bureau or it could employ such staff and professional consultants as it deems necessary, subject to the availability of funds.
- (f) At least once every five years the committee should have a comprehensive review and analysis of the reasonableness of the salaries of the mayor and Council, prepared by an independent professional consultant, and the Council shall appropriate funds sufficient to permit such study to be made.
- (g) Prior to the presentation or adoption of the city Budget for each fiscal year, the citizens advisory committee should recommend salaries for the mayor and Council for such fiscal year.

Respectfully submitted,

A. M. Burdge
Randall B. Kester
Garry A. Williams
FOR THE MINORITY

Approved by the Research Board on February 3, 1982 for transmittal to the Board of Governors. Received by the Board of Governors on February 15, 1982 and ordered published and distributed to the membership for consideration and action on March 12, 1982.

Appendix A
PERSONS INTERVIEWED

Ronald C. Cease, Ph.D., Dean of Public Administration, Portland State University
 Don Clark, County Executive, Multnomah County
 Cheryl Fisher, Personnel Analyst, San Diego, California
 Sam Gillespie, President, Local 189, District Council of Trade Unions
 Jon Hunstock, Clackamas County Deputy Director of Civil Service
 Frank Ivancie, Mayor, City of Portland
 Vance Jacobsen, Donworth Taylor, Inc., Seattle, WA
 Charles Jordan, Commissioner, City of Portland
 Mike Lindberg, Commissioner, City of Portland
 Peter Morris, Towers, Peron, Foster and Crosby, Seattle
 Ross Neely, Trustee, Portland Police Association
 Stan Peters, President, Portland Police Association
 Chuck Root, Personnel Consultant, Local Government Personnel Institute
 Mildred Schwab, Commissioner, City of Portland
 Richard Sondriette, Administrative Assistant to Mayor, Tulsa, Oklahoma
 Jon Stephens, Director, Portland Bureau of Personnel Services
 Margaret Strahan, Commissioner, City of Portland
 Patricia Tryon, Member, Evaluation Committee for Elected Officials Compensation
 Norm Willis, Willis and Associates, Seattle

Appendix B
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Appendix C
CITY COUNCIL SALARY PROCESS STUDY QUESTIONNAIRE

The City Club Study Committee has been reviewing 5 methods which have been brought to their attention for establishing the salary of City Council members. They are:

- a) Salaries established by a vote of the people (the old method).
- b) Salaries set by the City Council (the present method).
- c) Salaries set by the City Council to be effective at a subsequent term of office.
- d) Salaries set by an independent commission, either established by charter or established by the City Council.
- e) A maximum salary established by a commission as in (d) above, which maximum salary may either be accepted by the Council or rejected in favor of a lower salary.

- 1) Which of the above methods do you prefer and why?
- 2) Is there another method which should be considered? Please explain.
- 3) Do you favor a preliminary study by an advisory committee?

The following questions may or may not have been touched upon in your answers to the above questions, however, we would appreciate your response to the following questions to the extent that they have not been answered.

- 1) Is the attached diagram a fair representation of the current schedule for determination of Council salary increases?
- 2) If your answer to question (1) is 'no', please explain.
- 3) What is your opinion of the present process?
- 4) Does the present process need to be changed? If so, how?
- 5) Please list the factors which you believe should be considered in determining the salaries of Council members. Without limiting your consideration of the factors you consider important, the following are merely examples of what the Committee is looking for:
 - a) Should the private sector compensation philosophy play any part in such considerations?
 - b) Should comparable salaries be considered such that a comparison might be made between elected and non-elected officials' salaries, or comparable salaries of elected officials in other governmental units such as comparable cities?

The Study Committee solicits any other remarks you feel might be helpful.

Appendix C, Committee Questionnaire, Continued

Diagram of Present Schedule for Determining Portland
City Council Salary Adjustments