

1 of 31 DOCUMENTS

The Press Enterprise (Riverside, CA.)

August 4, 2007, Saturday

CITY MANAGERS: HIGH PAY FOR THOSE EXPECTED TO FILL TOWN COFFERS; Up, Up And Away; Indio Executive Sets Gold Standard As Salaries Rise Sharply

BYLINE: NAOMI KRESGE, THE PRESS-ENTERPRISE

SECTION: A SECTION; Pg. A01

LENGTH: 1960 words

Indio shocked cities throughout Inland Southern California two years ago when it raised the standard for city-manager pay by hiring Glenn Southard at \$240,000 a year plus benefits.

Other cities quickly followed, and a salary of more than \$200,000 a year is now common for Inland city managers.

In July, Southard broke another Inland pay ceiling when Indio's City Council agreed to pay him \$300,000 a year, plus an immediate \$30,000 bonus.

"Two years ago that would have been unheard of," said Bill Garrett, executive director for the California City Management Foundation, a professional association where Southard is a trustee. "The numbers are just going nuts."

A Press-Enterprise survey of 32 cities in Riverside and San Bernardino counties showed average pay has doubled in the past decade for city managers, far outpacing the raises given to other city employees. City managers are the behind-the-scenes leaders who supervise day-to-day city business and take orders from elected city councils.

Fifteen surveyed cities paid their managers more than \$200,000 last year. Five years ago, none of them paid as much.

The average full-time Inland city manager made about \$195,000 in 2006, federal W-2 forms show. The tax records included not just base salary but also end-of-year sick and executive leave and vacation payouts that could add tens of thousands of dollars to salaries.

Rapidly rising pay is tied to an expectation that city managers will bring in new development and revenue to offset their salaries, city officials said.

"I haven't cost the city of Indio anything, really. I've brought money in they didn't have," Southard said.

Asked what major projects he had completed since coming to Indio, Southard didn't provide specifics. He said he had paved a significant amount of roads, helped the city become more financially stable, expanded the parks system and sought retail development.

CITY MANAGERS: HIGH PAY FOR THOSE EXPECTED TO FILL TOWN COFFERS; Up, Up And Away; Indio Executive Sets Gold Standard As Salaries Rise Sharply The Press Enterprise (Riverside, CA.) August 4, 2007, Saturday

Union leaders say city workers know and care how much their city managers are paid, and it's difficult for employees to understand why they are asked to accept a 3 percent cost-of-living increase - or no raise at all - from a city manager who just got a double-digit raise, said Tom Ramsey, a supervising labor-relations representative with the San Bernardino Public Employees Association. The union represents more than 15,000 people throughout San Bernardino County.

"I don't want to diminish the responsibility and authority of city managers, but I represent the people who have to get out and work in 116-degree temperatures pouring blacktop," he said.

Unlike compensation for the civil servants they supervise, city managers' pay isn't negotiated by unions or set according to the cost of living. Instead, it's driven by market forces - and the willingness of city councils to pay more is driving it up, said Steven Frates, a senior fellow at the **Rose Institute** of State and Local Government at Claremont McKenna College.

"The city-management business is pretty much straight-up supply and demand," Frates said.

Councils put a high premium on city managers who have proven they can attract the development dollars cities want, Frates said.

One of the longest-serving city managers in the area, former Highland manager Sam Racadio, said salaries have risen so dramatically because some city councils have been willing to get into bidding wars. Racadio was the third highest-paid manager in The Press-Enterprise survey, with \$250,533 in pay, including the value of his car allowance, deferred compensation and leave payouts from his June 2006 retirement.

"Once one or two get a salary increase, that raises the bar for others, and the salaries begin to rise as city councils compare their managers with others in the area," Racadio wrote in an e-mail last week.

Survey Results

California city-manager salaries are the highest in the West, according to a survey conducted last year by the International City/County Management Association. The association's survey found their counterparts in Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Alaska, Hawaii, Oregon and Washington made an average of \$128,883.

The association survey relies on cities to report how much they are paying, said Evelina Moulder, the director of survey research. Only 12 California cities reported paying their city managers more than \$200,000 in the national survey.

The Press-Enterprise survey showed the actual pay of city managers was higher than the national survey reflected.

In addition to total pay for managers, the newspaper reviewed city managers' contracts, employee salary schedules, population data and budget summaries for the budget year that ended June 30. The results were compared with data from five and 10 years ago. The survey did not include deferred compensation, which could add additional tens of thousands of dollars in pay available upon retirement.

Desert Hot Springs did not provide survey data despite repeated requests for public records. The city's former city manager, Jerry Hanson, left his job in 2005 amid community anger that he had been paid almost \$323,000 the previous year when the city gave him an advance on a promised severance payment.

The survey showed Indio's Southard was the top-paid city manager last year among surveyed cities, earning \$298,949. City managers from Indian Wells, Highland, Riverside and Fontana rounded out the top five.

Riverside's manager, Brad Hudson, was hired at a base salary of \$225,000 at about the same time as Southard.

CITY MANAGERS: HIGH PAY FOR THOSE EXPECTED TO FILL TOWN COFFERS; Up, Up And Away; Indio Executive Sets Gold Standard As Salaries Rise Sharply The Press Enterprise (Riverside, CA.) August 4, 2007, Saturday

Hudson did not return three calls for comment.

City manager pay has increased about 53 percent, on average, in the past five years, and has doubled on average in the past decade. By comparison, city maintenance workers saw their pay increase about 32 percent, on average, in the past five years while senior planners saw their pay increase about 26 percent in the same time period.

Small cities appeared just as likely as their larger neighbors to have dramatically increased their executives' pay.

Six of the 10 cities that paid their managers the most have fewer than 100,000 residents. Number two on the list, the wealthy golf-course community of Indian Wells - where the average family makes more than \$119,000 a year and is likely to live behind gates - has only about 5,000 residents.

A Changing Job?

Some experts and top-paid city managers contend the dramatic increase in salaries is the product of a gradual change in a city manager's job responsibilities. City managers in the past spent their time planning for new roads or reviewing financial documents, they said, while today they've added other duties: negotiating with developers or bringing new-car dealerships or hotels to town. They aim to attract business, and with it, more revenue.

The shift began after Prop. 13 in 1978 limited how much municipalities could increase property taxes, Garrett said. Where city managers in the 1950s and 1960s were often engineers, almost every manager today comes from a social science background and has a master's degree in public or business administration, he said.

"I think they're all underpaid," said Fontana City Manager Ken Hunt, who made the fourth-largest salary last year with \$246,390.

Hunt's Fontana City Council raised his base pay on June 20 to \$240,000. But Hunt said that's a fraction of the money flowing to the brokers, bond underwriters and other consultants who work on the public-private partnership deals he helps oversee.

"As a CEO, you're the one truly responsible for making all of that stuff happen. There's a lot of people making a lot of money on the work you're doing," Hunt said.

Southard and Bernheimer made a similar argument, saying chief executives at a similar-size business would make more than city managers.

A Forbes Magazine national survey released in June found that chief executives - of companies as well as in the public and private sector - made an average wage of \$144,600 last year.

Frates, the **Rose Institute** fellow, said how much a private-sector executive could make is irrelevant. Private-sector pay is based in a different market, with different skills and goals, he said, and many city managers wouldn't be good private-sector managers.

"It's a different art form. In a private sector, everybody agrees what the barometer for success is: it's the bottom line," Frates said.

Conversely, he said, many private-sector executives don't have the skills city managers need - like an ability to reassure residents or to take the blame when city councils don't fulfill a promise.

Domino Effect

Every time a council reviews a city manager's salary, they look at what's competitive in the marketplace now, said Indian Wells Mayor Rob Bernheimer, whose city manager made \$269,990 last year, the second-highest pay in the

CITY MANAGERS: HIGH PAY FOR THOSE EXPECTED TO FILL TOWN COFFERS; Up, Up And Away; Indio Executive Sets Gold Standard As Salaries Rise Sharply The Press Enterprise (Riverside, CA.) August 4, 2007, Saturday

survey.

These days, Bernheimer said, it seems the norm is more than \$200,000.

Murrieta expects to pay that much for its new leader, Mayor Doug McAllister said. In the midst of its second city-manager search in the past five years, the city is paying former Temecula city manager Ron Bradley \$25,000 a month - which would total \$300,000 a year - as an interim until a new full-time manager can be found.

"We are willing to pay what we need to get the right person," McAllister said.

Nowhere in recent years has the domino effect of rising city-manager pay been more clear than in the Coachella Valley, where salaries quickly rose after Indio hired Southard in 2005. Council members and observers said other cities felt they needed to keep up.

Southard was the first in the Coachella Valley to make more than \$200,000 a year in base pay. Last year, six of seven cities surveyed in the valley - not including Desert Hot Springs, which didn't respond - paid their managers more than \$200,000.

"Most of those managers that got raises thanked me," Southard said.

Bernheimer, the Indian Wells mayor, admitted that Southard's salary has had an effect. But he said Indian Wells also wanted to reward City Manager Greg Johnson for keeping the city financially healthy and for running the city like a business.

"At all levels of city compensation, we've gotten rid of the step system for pay and moved to a system based completely on performance, with incentives, reviews, compensation based on performance," Bernheimer said.

Bernheimer said pay wouldn't necessarily continue to rise with Southard's latest raise.

Indio Councilman Mike Wilson, who has clashed with Southard and voted against the raise on July 3, predicted the opposite.

"Quite frankly, our colleagues in other cities aren't happy because they know they'll have to pay more out because Indio has done what it's done again," Wilson said.

* * *

Staff writer Rocky Salmon contributed to this report.

Reach Naomi Kresge at 909-806-3060 or nkresge@PE.com

* * *

WHAT'S A CITY MANAGER?

WHO: The top executive of a city, responsible for overseeing budgets, negotiating with unions and pursuing development deals. Reports to the City Council.

EDUCATION: Usually a master's degree in public administration or business administration. **BENEFITS:** A company car, executive leave, vacation and sick time, plus severance deals increasingly worth 12 months of pay and benefits.

RISKS: Likely to be fired if things go wrong. Average city manager tenure nationwide is seven years, and California city managers reported an average term of 3 1/2 years in a 2003 survey by the California City Management

CITY MANAGERS: HIGH PAY FOR THOSE EXPECTED TO FILL TOWN COFFERS; Up, Up And Away; Indio Executive Sets Gold Standard As Salaries Rise Sharply The Press Enterprise (Riverside, CA.) August 4, 2007, Saturday

Foundation.

SOURCE: CALIFORNIA CITY MANAGEMENT FOUNDATION, INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION

* * *

RISING EXECUTIVE PAY: Inland-area city manager have seen their pay nearly double {SEE MICROFILM OR PDF FOR CHART INFORMATION.}

* * *

RAISE COMPARISONS: In a sampling of Inland city salaries from 2001-06, city employee raises have not kept pace with city manager raises. {SEE MICROFILM OR PDF FOR GRAPHIC INFORMATION.}

LOAD-DATE: August 7, 2007

LANGUAGE: ENGLISH

NOTES: Staff writer Rocky Salmon contributed to this report.

GRAPHIC: (1) ED CRISOSTOMO THE PRESS-ENTERPRISE RIVERSIDE: City Manager Brad Hudson, above, was hired at a base salary of \$225,000 about the same time as Indio's Glenn Southard was hired at \$240,000. Riverside has four times the population of Indio. (2) Glenn Southard (3) John Davidson (4) Jeff Allred (5) ED CRISOSTOMO THE PRESS-ENTERPRISE Each raise received by a city manager has the potential to trigger higher salaries for others as supply and demand kick in. PHOTOS ; CHARTS ; MUGS

PUBLICATION-TYPE: NEWSPAPER