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Riverside City Council Clarifies Details of City Manager's Contract Extension

City Council issues list of Frequently Asked Questions to correct misconceptions

RIVERSIDE, Calif. – The Riverside City Council, concerned about misconceptions regarding an extension of City Manager John Russo's contract that was approved last week, issued a list of Frequently Asked Questions today to clarify how the contract extension will – and will not -- affect taxpayers.

1. Q. *What is the status of the Mayor's attempt to veto the 5-2 City Council decision on Feb. 6 to extend the City Manager's contract by five more years?*

A. The City Attorney advised at the Feb. 6 Council meeting that the City charter does not allow the Mayor to veto the City Manager's contract because the charter states that the City Manager serves at the pleasure of the City Council.

The approved contract extension has been executed and be found at:

https://www.riversideca.gov/human/pdf/executiveEmploymentAgreements/City_Manager_Russo.pdf

Video of that meeting can be found at:

http://riversideca.granicus.com/MediaPlayer.php?view_id=2&clip_id=3018

2. Q. *What can the Mayor do now?*

A. The City Attorney has advised that the Mayor's only recourse is to seek a determination from the courts that the City Attorney's opinion is in error and that the Mayor is able to veto a Council vote on a Charter Officer's contract.

3. Q. *What affect does the City Council's vote have on the City Manager's raise this year?*

- A. The City Manager will receive the same 3 percent raise that was included in the original contract. This raise is less than the 4 percent raise most City employees received this year.**
4. *Q. If the Mayor is successful in overturning the Council's decision to extend the City Manager's contract, will that stop the City Manager from getting a raise in 2018?*
- A. No. The City's existing contract with the City Manager provided for the same salary in 2018 – and 2019 – as the contract extension.**
5. *Q. Doesn't the Council's 5-2 vote to extend the City Manager's contract "bind" future Council members?*
- A. No, the City charter clearly states that "the City Manager serves at the pleasure of the City Council." Any future Council could terminate the City Manager's employment at any time. The contract extension handles termination severance pay exactly the same way as the City Manager's prior contract, and in a manner that is comparable to other cities and counties.**
6. *Q. Is it true that the City Manager contract extension requires the City to buy the City Manager a home?*
- A. No.**
7. *Q. Is it true that the City Manager contract extension has the City paying for or subsidizing the City Manager's mortgage?*
- A. No, while many cities do subsidize mortgages or make direct payments to their top executive for housing, the City Manager contract extension in Riverside does not.**
8. *Q. So, please explain how the mortgage provision in the City Manager contract extension works. What does it cost the City?*
- A. The City is providing the City Manager with a 15-year (\$675,000) home loan at an interest rate that is similar to what the City earns in the Local Agency Investment Fund (LAIF). The home loan is an incentive that does not cost the City any money because the City Manager is paying the same interest rate that the City would otherwise receive. Furthermore, it adds value to the City Manager's contract without increasing his pension the way a raise of the same value would. If the City Manager leaves the City prior to the contract expiration or is removed with cause, the principal portion of the loan is due within 180 days. This provides an incentive to stay and live in Riverside.**
9. *Q. I read in an email that the City Manager would get several benefits under the contract extension. Are these benefits in the City Manager contract extension that was approved?*
- A. Yes, however, the benefits are not new. They were provided in the original contract approved three years ago. Blocking the contract extension will not eliminate them. Those benefits are provided to all members of the City's Executive Team under the terms of the "standard benefits package" and have been provided for many years before the incumbent City Manager arrived – even during the Great Recession of 2009-14. (Note: As opposed to earlier City Managers, the incumbent pays his own full employee share of CalPERS, the California Public Employees' Retirement System. This was true under the original contract and remains true in the contract extension.) Some of these referenced benefits include:**

a) a 7-year contract . . . that will require the city to provide a one-year severance package, even if the City Manager is terminated for poor performance? **The City Manager had two years remaining on his contract; the extension is for another five years. A one-year severance package is common among executive employees in California and was included in the City Manager's first contract approved three years ago.**

b) guaranteed 3 percent raises for satisfactory performance over the next 7 years. **The City Manager is eligible to receive a raise each year, provided four members of the City Council vote in favor. The 3 percent raises in 2018 and 2019 are the same raises the City Manager had in his original contract, and future raises would be part of any revised contract, regardless of when it is negotiated.**

c) \$6,000 a year for an automobile allowance. **This is a common practice with city managers in California and was included in the City Manager's original contract; it is not new to the contract extension. Elected officials and department heads in Riverside also receive car allowances. The Mayor's is the same as the City Manager's; City Council members get \$350 per month, ie \$4,200 per year.**

d) free medical, dental and optical care for himself and his family. **Again, this is common for city managers in California and was included in the City Manager's original contract; it is not new to the contract extension. Free or reduced medical, dental and optical care are benefits available to most City employees.**

10. Q. *What about healthcare premiums?*

A. **Both the original City Manager contract and the contract extension provide an amount of money towards family healthcare for the City Manager, as is the case with most City employees. This City Manager benefit was set forth for the position of City Manager in the Executive Benefits Plan long before the current incumbent City Manager started working here, and has never been raised as a problem before now.**

11. Q. *Isn't the City Manager's total compensation higher than other City Managers?*

A. **Transparent California, an independent watchdog group, states that the Riverside City Manager is the 21st highest-paid City Manager in California. Riverside is the 7th-largest Council-Manager city in the state. The City Managers of Ontario, Fontana and Redlands all cost their respective cities more than the current City Manager in Riverside. (Note: a prior Riverside City Manager had a total compensation package of \$446,000 a decade ago, which was a higher cost to the city – during the Great Recession – than the City Manager contract extension will cost in 2018. This comparison is not adjusted for inflation, which would make the earlier expense even greater and the difference between that contract and the current City Manager's contract extension even larger.)**

12. Q. *I heard the City Manager contract extension gives out more vacation. Isn't that going to cost us money?*

A. **The contract extension does give the City Manager more time off, but it costs the taxpayer less money. The City Manager's old contract provided five weeks of vacation and two weeks of administrative leave; all of which could be cashed out. The new contract**

provides for a one-time addition to the vacation bank of 280 hours. This carries a cash value of approximately \$44,000 if those hours were fully cashed out at once.

Beginning in January 2019, the City Manager will be provided six weeks of vacation and three weeks of administrative leave, but will only have the ability to cash out three weeks of vacation a year (down from five). Beginning January 2020, the City Manager will then only have the ability to cash out one week of administrative leave (down from two). Restricting the ability to cash out leave may save the City approximately:

- \$12,800 in FY 2018-19;
- \$19,800 in FY 2019-20;
- \$20,400 in FY 2020-21;
- \$21,000 in FY 2021-22;
- \$21,700 in FY 2022-23; and
- \$22,300 in FY 2023-24

13. Q. *I heard the City Manager is now going to get a 15-year life insurance policy. How much is that going to cost above and beyond the existing contract?*

A. **Nothing. The City provides life insurance to most supervisory or higher employees equal to twice each employee's annual salary, adjusted each January 1. The approved contract extension provides for a flat insurance rate of \$700,000 for 15 years; the City Manager is responsible for all costs remaining on the contract term upon expiration of the contract. While the \$700,000 represents a small increase in insurance coverage through the first 3 years of the contract, it represents a decrease in the insurance coverage over the last four years. Overall, there is no fiscal impact to the City. While such perks have value to the employee, they do not add to the employee's pension cost.**

14. Q. *The email I read said that the City would be matching the City Manager's deferred compensation payments. Is this true?*

A. **No. The City Manager receives the same deferred comp benefit as all other unrepresented employees; a match of up to \$75 per month. This was an existing benefit and does not constitute an increased cost.**

15. Q. *Why is this happening now? Why can't it wait until the end of the five years of the existing contract?*

A. **When the City Manager's original contract was signed in February 2015, the Councilmember in charge of the recruitment process and Mr. Russo agreed to revisit the contract in the spring of 2018; additionally, the current Mayor Pro Tem asked the incumbent City Manager to submit an extension proposal.**

Furthermore, recruiting a top-notch City Manager and an Executive Team doesn't happen overnight. When the former City Manager announced his retirement, it took nearly eight months to conduct a nationwide recruitment, stage interviews, and allow the now-incumbent City Manager time to notify and help transition his previous employers. Councilmembers who voted for the contract extension spoke to the need for stability in

leadership. Neither of the Councilmembers who voted against the contract extension expressed any dissatisfaction with the performance of the City Manager; to the contrary, they joined their colleagues in lauding the excellent teamwork and cohesion of City Staff under the current City Manager. Negotiating a contract extension to keep a successful Executive Team together is a common and prudent practice.

16. Q. *In regards to the statement that, because the City Manager contract extension would provide the City Manager a raise, the City Manager would now give raises to his executives and employees, thereby causing a “pyramid” of uncontrollable expenses, can the City Manager hand out such raises?*

A. **Every employee in the City, except the three charter officers – City Manager, City Attorney and City Clerk – has a salary range. The City Manager does not have the authority to increase the salary ranges. Only the City Council can increase the salary range.**

For 2016-20 Memorandums of Understanding, the salary ranges of all executive staff, other than the City Manager, were tied to the salary increases of the represented employees. The incumbent City Manager voluntarily excluded himself, which is why he is receiving a 3 percent raise this year when most City employees are getting 4 percent. The City Council sets the City Manager’s budget and the overall City budget; the City Manager cannot spend more on salaries than is allocated.