

A Report to Georgetown City Council By the Council Compensation Committee

The Council Compensation Committee was charged as per the City Charter with reviewing "the salaries of the Mayor and Council members, and making recommendations regarding those salaries" (Sec. 2.15 Home Rule Charter). The committee believes that appropriate compensation is an important aspect of council service. However, we are also unanimous in our belief that council service should be driven by a sense of public service, not an expectation that full compensation for either time or trouble can or should be expected.

In making our recommendations, we have reviewed the current compensation system, looked at the history of Council compensation in Georgetown, and examined comparative compensation data from other cities in the area. We have also asked the city attorney, the tax accountant for city's accounting firm, and the city manager to review our proposals from a legal, finance, and operational (respectively) point of view.

In order to avoid some of the ambiguity that we found in the current compensation plan, we will use some key terminology as defined below.

- A) "Compensation" designates any payment to a council member by the city. This is a broad term that encompasses both salary and expenses.
- B) "Salary" is the term used for payment for services rendered.
- C) "Supplemental compensation" refers to payments by the city to council members for lost income and/or documented expenses.
- D) "Lost income" refers to wages, salary, billable hours or business income that a person does not received because of time spent during normal working hours on city business.
- E) "Wages" refers to hourly pay, salary, billable hours or income from a business that is one's primary livelihood.
- F) "Expenses" refers to documented out of pocket payments for activities connected with service on the Council.

Our review of the recommendations – and the Council's action – from 2008 did not question the total maximum amounts that were recommended: \$300 as a base salary for all council members (\$450 for the Mayor), and an additional, optional \$800. Our first recommendation will be that the \$300/\$450 monthly salaries be continued, and that an optional supplemental compensation in an amount up to \$800 be continued. The former should be clearly identified as a salary for services performed and be paid automatically to all members of council and the mayor.

This salary payment conforms to previous payment programs for Council. The committee finds that the other portion of current council compensation, \$800/month, is not clearly defined in the previous recommendations. We believe its use should be

clarified and modified. We are in no way questioning the honesty or integrity of the process as it has been applied the past two years. Our point is that the current system can lead to differing plausible interpretations. In going forward a clearer understanding of this supplemental compensation payment is needed so that everyone is operating in the same manner. We believe this will maintain equity in reporting within the city's operations and help provide the citizens with the transparency they deserve.

There is a persistent ambiguity embedded in the description of this supplemental compensation. The broad justification for this payment centers on the importance of opening service on council to a broader spectrum of citizens. The payment was described in 2008 as a "personal expense compensation" to "partially offset the economic loss they incur." But is this because of lost income, payment for out of pocket expenses, or a little of both? A second issue the committee felt it needed to address was the lack of transparency involved in these \$800 payments. No reporting or documentation is required for these payments, yet these payments are meant to be in response to specific economic losses that result from service on Council. We believe that the citizens have a right to know what specific kinds of economic losses are being supported by city tax dollars and how those losses are calculated. We also affirm the importance of council members following the same rules as other city employees when it comes to reimbursement for expenses.

An alternative to having differing interpretations of the 2008 recommendations, and as a way to deal with the issue, the committee considered simply eliminating the supplemental compensation payment. However, we decided against this approach because of the 2008 committee's overarching rationale for providing this option – that it encourages broader participation in council service because it eliminates, or at least partially mitigates, the loss of income that may deter some citizens from considering service. The 2008 recommendations stated "The City Council should strive to have members representing the full spectrum of citizens of Georgetown, and candidates for these offices should not be unduly inhibited from serving by the expenses of the office or by the financial sacrifices they make while performing city duties." Our recommendations are designed to maintain this important objective.

We also considered whether or not the supplemental compensation could simply be folded into the \$300/\$450 salary. That would eliminate paperwork and be straightforward. We cannot recommend this approach because it does not address the goal of increasing participation, and it ignores the question of accountability and the need for transparency. In addition it would place Georgetown's salaries for council service well beyond the range of similar cities.

The following recommendations are designed to establish a system for council compensation, which clearly identifies two different types of compensation available to council members and the mayor and differentiates between how they should be treated.

As mentioned above, our first recommendation is that the \$300 a month payment to council members (\$450 to the mayor) be continued, and that it be clearly identified as a

salary for services rendered. Until 2008, this payment was consistently identified as "salary" or "compensation." These terms are reasonably clear. However, "base operational expense" is not clear. We recommend that the \$300/\$450 payment be clearly identified as salary for services rendered. If a council member wishes to pay some out of pocket expenses out of his/her salary, he or she is free to do so. That decision is strictly between that person and the IRS. Council should not cloud the matter by inferring that this payment is somehow for unspecified expenses. It is simply a salary for serving.

Second, we recommend that the \$800 monthly supplemental compensation remain as an optional payment, but that \$800 be a cap on monthly payments not an automatic amount. We have already alluded to the fact that the committee is pleased with and supports the effort in the 2008 committee's report to provide a financial basis that encourages council membership for the full spectrum of our citizens. This payment recognizes that some individuals may be reluctant to run for a council seat because they would lose wages when called on to carry out council business during their normal working hours. However, the committee finds that the phrase used to describe this possibility, "economic loss," does not make this apparent.

Hence, our third recommendation is that council members may be compensated up to an additional \$800 a month for two distinct forms of financial loss: loss of income because of engagement in city business during normal working hours; and out of pocket expenses incurred as a result of carrying out one's responsibility as an elected official. Adopting this recommendation will affirm the appropriateness of opening potential council service to a larger group of our citizens, commit to transparency for the voters in this area of council policy decision making, make the payment of expenses accountable, and affirm that council follows the same reporting and documentation rules as other city employees.


We did consider restricting this supplemental compensation only to pay for lost income. That could have been the intent in the 2008 recommendation, but we are not sure. We decided not to restrict the use in this way, however, and to include reimbursement for out of pocket expenses as part of supplemental compensation. We believe that a council member who does incur expenses in the process of serving on council should be able to be at least partially reimbursed for those expenses without adverse tax consequences. IRS regulations allow deductions for business expenses only to the extent to which those expenses exceed 2% of one's adjusted gross income.

Fourth, since the supplemental compensation is a variable amount depending on expenses and time spent on city affairs, requests for reimbursement are to be made on a monthly basis. For expenses the documentation requirements will be the same as for other city employees. Since a council member and the mayor are ultimately responsible to the citizens, his/her signature on an appropriately documented expense reimbursement request is sufficient authorization for payment. Compensation for lost wages will be based on a simple, signed written request identifying the number of workday hours spent on city business and the reimbursement rate appropriate for the requestor. This reimbursement along with the base salary is subject to federal income tax.

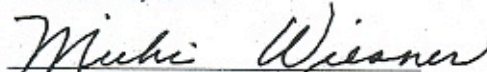
Fifth and finally we have heard, although in an informal way, that there may be council members who are interested in shielding some of their compensation from federal income tax by utilizing various city benefit programs. The committee has no objections to exploring this alternative in the future but does not recommend such action at this time. Any such future study, however, should start with the recognition that a council member's participation in any benefit program should not increase direct costs to the city.

Even without council benefits becoming an added cost to the city, however, benefit extension is a complex issue. It should be deferred until an adequate study can be done of comparable policies in other similar cities and until the city's (and the nation's) economic climate is more fully recovered. It also would require a careful educational program for the city's citizens because it would be natural for a benefits extension to be viewed as the extension of an entitlement that could be regarded with suspicion by some voters.

Respectfully submitted,


Will Moore


Ben Oliver, Chair


Micki Wiesner

April 5, 2010