Maintaining the Public Trust While Making Tough Choices

By Robert J. O'Neill Jr.

ICMA's executive director discusses his organization's guidelines to ensuring fair compensation.

In our quest for better, faster, and cheaper government, it can be easy to lose sight of the fundamental values that underpin our commitment to public service.

Those values — honesty, trust, transparency, integrity, and accountability — were challenged this past year as the Bell, California, salary scandal unfolded and threatened to irreparably tarnish the image of local government and its elected officials and employees, specifically city, town, and county executives.

These fundamental public service values were recently reaffirmed by the International City/County Management Association (ICMA) membership in the form of a set of concrete guidelines that establish a best practice for determining and negotiating compensation for local government executives and staff. The guidelines also clarify the roles and responsibilities of the governing body, the local government executive, and employees.

GUIDING PRINCIPLES

The standard practice for establishing the compensation of local government executives must be fair, reasonable, transparent, and based on comparable regional and national public salaries. When negotiating compensation, local government executives have an ethical responsibility to be clear about what is being requested and to avoid excessive compensation.

Compensation should be based on the position requirements, the complexity of the job within the context of the organization and community, the leadership needed, labor market conditions, cost of living in the community, and the organization's ability to pay.

Elected officials perform a critical governance role by providing oversight of the management of the organization. To that end, they must be engaged in establishing the process for determining the compensation for all executives appointed by the governing body.

GUIDELINES FOR DETERMINING COMPENSATION

During any salary negotiation, elected officials and local government executives should:

1. Determine the job requirements and experience needed to successfully perform them.
2. Examine market conditions to learn what comparable public-sector executives earn. One best practice would be to gather information from predetermined, comparable benchmark local governments or public-sector agencies.

3. Evaluate the individual's qualifications in context. Understand the services provided by the local government, along with the nature of the current issues in the organization and in the community, and then compare these with the individual's expertise and proven ability to resolve those issues.
4. Identify the local government's current financial position, its ability to pay and the existing policies toward compensation relative to market conditions.
5. Factor in the individual's credentials, experience, and expertise.
6. Consider unique and special circumstances such as additional compensation in areas where the cost of living is high and the governing body wants the executive to reside within the community. Other such circumstances may include difficult recruitment markets or the particularly challenging needs of the public agency.
7. Seek legal advice as needed and appropriate when negotiating and finalizing terms and conditions.

ADJUSTMENTS TO COMPENSATION

Increases in salary and benefits should, likewise, be comparable to those that local government executives receive within the designated benchmark or regional market area and should be generally consistent with other employees. Merit adjustments or bonuses should be contingent on performance and the overall financial ability of the local government to afford them. Provisions regarding consideration of periodic merit adjustments in salary should be predetermined.

Executives must recognize and manage conflicts of interest inherent in compensation changes and avoid seeking modifications in salary, pension, and other benefits from which they will be the sole or primary beneficiary, such as dramatic salary increases that lead to pension spiking or a single-highest-year approach to determining retirement benefits.

Public executives should also receive a single salary that recognizes all assigned duties and responsibilities, rather than different salaries for different assignments.

Maintaining public trust and integrity in local government requires effective governance and management of the organization.

SEVERANCE

Severance provisions, as articulated in the employment agreement, must be reasonable and affordable for the community. The cost of a severance package should not be an impediment to fulfilling the governing body's right to terminate an executive's service. It should be consistent, however, with the role and expectations of the position. The ICMA Model Employment Agreement recommends a severance package equal to one year's salary, recognizing that the length of service with an organization may justify higher severance.

TRANSPARENCY

When requesting compensation changes, local government executives should present their total compensation package to the governing body so that each member has a comprehensive view of the entire package. There should also be full disclosure of the potential cost of any benefit changes negotiated during employment.

When the terms and conditions of employment are renegotiated with the employer, or when employment is being terminated, there is a duty to advise the elected officials to seek legal advice. The salary plan and ranges for local government positions, including that of the executive, should be publicly accessible on the agency's Web site.

In summary, maintaining public trust and integrity in local government requires effective governance and management of the organization. Local government executives should not put their personal compensation interests before the good of the overall organization and that of citizens. ICMA encourages all public executives to review and adopt the guidelines discussed above whenever considering compensation for a public-sector position.

ROBERT J. O'NEILL JR. is executive director of the International City/County Management Association.