


Date: June 30, 2022

From: Thomas B. Modica, City Manager 

For: Mayor and Members of the City Council

Subject: Donation of City Manager's CPI Increase

The purpose of this memorandum is to inform you of my decision regarding the scheduled Consumer Price Index (CPI) increase specified in the City Manager's employment contract that becomes effective July 1, 2022. It is my intent to donate the difference between the CPI amount and the general salary increase other City employees are receiving this year to assist with the City of Long Beach's (City) efforts to end homelessness. Additional background and reasons for this decision are included below.

Background on CPI and the Manager's Employment Contract

The City Manager's employment contract allows for the salary to be adjusted each year based on the CPI, effective July 1, 2022. This was done to ensure the City Manager's salary remained competitive with other similar positions in the labor market, as in the past it had not been adjusted and was lagging significantly behind other similar positions in California. The voters, through the City Charter, call for annual CPI adjustments to the salaries of the Mayor and City Council, and the other Long Beach appointed and elected officials also receive annual CPI adjustments. Thus, this similar approach was included in the City Manager's employment contract.

CPI Compared to Historical Averages

Historically, CPI has been at or below what the City Council has granted employees during the labor negotiation process. For the past 10 years, CPI has averaged 2.1 percent. Last year, CPI was 1.45 percent. However, this year, the nation has seen an abnormal increase in CPI and overall inflation. As such, this year's CPI is at 6.57 percent.

Status of Employee Raises

This City is very fortunate to have long-term bargaining contracts in place that were negotiated right at the beginning of the pandemic. This has meant employees were able to rely on steady and predictable increases throughout the pandemic, to compensate them for their hard work and provide for their families during very difficult economic times. The City has 12 different labor associations, each with agreements that provide slightly different schedules for salary increases over the multiple years of the contract. Most employees are receiving general salary increases between 1.5 and 3 percent in this current year, with the majority of employees receiving 2 percent this coming October.

Status of Labor Relations and Financial Position

The City is currently engaged with Police, Fire and Lifeguards to discuss the succeeding contract, as the current contract expires in September 30, 2022. The remaining bargaining units have contracts extending through September 30, 2023. The City has been very fortunate to have Long Beach Recovery Act (Recovery Act) dollars to help the City recover financially and use those one-time dollars to prevent significant reduction in services. The City faces a \$12 million shortfall in the Fiscal Year 2023 (FY 23) budget (which could again be covered by Recovery Act dollars to prevent reductions), with a projected structural shortfall in excess of \$29 million in FY 24. While the City's long-term projections do account for a general increase in labor costs, it is not tied specifically to CPI and increases of 6.57 percent would not be financially feasible for the City without significant impacts to services to the community.

Donation to Homelessness Efforts

As the City's designated labor negotiator and chief executive, I do not feel it is appropriate to receive a 6.57 percent CPI increase while most of our employees receive a 2 percent increase this year. I do not feel I should receive that benefit when we are not in the fiscal position to offer similar compensation to the rest of our workforce.

As a result, I will donate any post-tax amount over the 2 percent received by the rest of the organization to the City's non-profit for addressing homelessness. This decision was reached after exploring several options to not accept the increase. Based on the advice of the City Attorney, the best available solution to achieve the goal of not benefiting from the salary increase is to donate in the increase. As the City continues to receive more investment to support community members experiencing homelessness, I'm glad that I can make this donation that will have a direct impact on individuals in our community who need help the most at this time in their lives.

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