


Date: May 24, 2023

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](#) which becomes effective July 1, 2023. It is my intent to donate the difference between the CPI amount and the general salary increase other City of Long Beach (City) employees are receiving this year to assist with the City's 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. 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 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 approved for employees during the labor negotiation process. For about 10 years, CPI has averaged 2.1 percent. However, over the past 18 months, the nation has seen an abnormal increase in CPI and overall inflation. Last years' CPI was 6.57 percent, and this year's CPI is 4.96 percent.

Status of Employee Raises

This City was very fortunate to have long-term bargaining contracts in place that were negotiated 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 and 2 percent in this current year, with the majority of employees on average receiving approximately 2 percent. Specific increases by Association are outlined in each Association contract and can be found on the Human Resources [website](#).

Status of Labor Negotiations and Financial Position

The City has completed bargaining with Police, Fire and Lifeguards and is beginning negotiations with all remaining units, whose contracts expire September 30, 2023. The City has been very fortunate to have Long Beach Recovery Act (LB Recovery Act) funding to help the City recover financially and use those one-time funds to prevent significant reduction in services. The City faces an approximate \$6 million shortfall in the Fiscal Year 2024 (FY 24) budget (which could again be covered by Recovery Act dollars to prevent reductions), with a projected structural shortfall in excess of \$14 million in FY 25. Future updates to projections will vary depending on factors such as the actual outcome of negotiations.

Donation to Homelessness Efforts

As the City's designated labor negotiator and chief executive, I do not feel it is appropriate to receive a 4.96 percent CPI increase while most of our employees received 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. The projected annual donation amounts from 2022 and 2023 contract years are \$15,526 cumulatively. This decision was reached after exploring several options to not accept the increase, similar to last year. 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.

If you have any questions, you may contact me directly.

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