

February 6, 2018

To my colleagues on the Riverside City Council,

**Regarding: Mayor Vetoes City Manager's 7-year contract, which if left unchecked will swell to a \$500,000 annual compensation package**

Consistent with the checks and balances provided by Riverside City's Charter, including the authority granted to the Mayor, I exercised the veto power with regard to the formal action of the City Council to renegotiate the City Manager's contract mid-term. My reasons for exercising this power are explained below:

**Bad Timing**

In May of 2015, the City of Riverside entered into a fair employment agreement with Mr. Russo, a five-year contract with a base salary of \$295,000, a 38% increase over his previous employment. Overall, Mr. Russo's total compensation is approximately \$400,000 annually – which is more than the Governor of California.

Since that time, the City Council has taken steps to secure the city's long-term financial future, including substantial belt-tightening, debt reduction, shoring up our reserves, shifting retirement costs to employees, asking voters to approve a 1% sales tax increase, and proposing to raise utility rates. I believe that the City Manager's request to renegotiate his contract mid-term is bad timing and inconsistent with the steps the City Council has taken to protect our fiscal condition. It also sets a bad precedent. The city is in the middle of challenging budget hearings, with department heads being asked to squeeze their budgets because of a potential deficit. And vendors were asked to voluntarily give back 10% of their contracted funding.

Equally important, the City Manager's request is a terrible signal to send our residents, employees, and our local businesses.

**Bad Business**

Upon hire, the City Manager was provided with a base salary of \$295,000, nearly five times the median household income in Riverside. The employment agreement also guaranteed Mr. Russo a 3% annual raise if he received a "satisfactory" performance review. Mr. Russo has now decided that the contract that was negotiated fairly and at arm's length is no longer good enough ... that he deserves more compensation and other perks. It is my strong opinion that it is bad business to renegotiate an employee's contract – any employee's contract – in the middle of its term. I am calling on Mr. Russo to honor his contract with the City of Riverside – to let his "yes" be an actual "yes."



Equally as troubling, Mr. Russo's justification for his requested raise and additional benefits is that he's doing a good job. Didn't we expect him to do a good job when we hired him? Isn't that what we are paying him a generous salary to do? Don't our residents and businesses expect all of us to do a good job without having an expectation of getting increased compensation?

During the last 2½ years, we have asked residents, our employees, vendors and department heads to share in the burden of shoring up the city's finances. Residents voted to approve a 1% sales tax increase to provide for critical public safety services. Many of our employees agreed to skip raises in 2016-2017 and to voluntarily return portions of their raises in subsequent years to offset rising retirement costs. Vendors were asked to voluntarily reduce 10% from existing contracts. Department heads were asked to decrease departmental budgets by 4% over three consecutive years. I am confident that our residents, employees, vendors, and department heads would not have been so willing and eager to make these concessions and do their part to protect the city's financial position had they known that our already well-compensated City Manager would turn around and demand sizable increases to his compensation package half-way through his employment contract.

Yet the City Manager is not willing to do his part. When I learned that some of our least compensated employees agreed to skip raises in 2016-17, I asked the City Manager to make a symbolic good faith gesture and to voluntarily forego his guaranteed 3% raise. He refused. He wasn't interested in leading by example.



## **Bad Policy**

We do not need to look far to find other cities that have faced huge financial crises as a result of high salaries, large pensions, a lack of financial accountability, and an absence of checks and balances. Riversiders can't afford to let our city to go down this path.

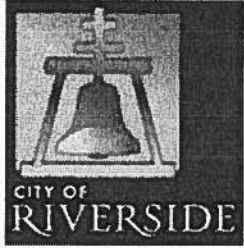
Under the renegotiated contract I have vetoed, the City Manager would receive:

- A 7-year contract, which may be the longest term of any public servant in the state, and that will require the city to provide a one-year severance package, even if the City Manager is terminated for poor performance.
- Guaranteed 3% raises for satisfactory performance over the next 7 years.
- A spot bonus in the amount of \$44,034, under the pretenses of a one-time allocation of 280 hours of vacation time.
- 98 days off annually
- \$6,000 a year for an automobile allowance.
- Free medical, dental, and optical care for himself and his family.
- A 15-year term life insurance policy in the amount of \$700,000.
- A government pension AND matching contributions to a deferred compensation account.

If that were not enough, Mr. Russo is asking the city to provide him with a 15-year, \$675,000 home loan at a drastically reduced interest rate, another form of income.

What will then stop him from renegotiating contracts with his assistant city managers mid-term, and then department heads, and so on? We cannot create a pyramid of wages and benefits that are already unsustainable at their current levels.

It is my strong opinion that a 7-year contract is not in the best interests of the residents and taxpayers. We have a Council-Manager form of government. For a City Manager to have a longer term than a Councilmember is simply bad policy. The Council should not tie the hands of future Councils to come. We should not become a Manager-Council form of government.



## **Bad Message**

Daily, I encounter hard-working Riverside residents and business owners who are struggling to make ends meet. As your Mayor, I do not take lightly my responsibility to advocate on their behalf. Nor do I take lightly my responsibility to ensure that our city and its leaders are good stewards of the public's money. All told, this is bad timing, bad business and bad policy, and it sends a very bad message to our community.

It is for these very reasons that I am calling on our City Manager to honor his existing contract, our City Council to uphold this veto, and our residents to engage with their representatives in support of the veto power. Governmental checks and balances are a cornerstone of our democracy. Let's keep it that way.

Riverside Pride,

A handwritten signature in black ink, appearing to read "Rusty". The signature is stylized with a large, sweeping initial "R" and a long, thin tail stroke.

William R. "Rusty" Bailey, III  
Mayor