



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Toni J. Taber, MMC  
City Clerk

**SUBJECT: SEE BELOW**

**DATE:** June 4, 2025

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**SUBJECT: Pay for Performance**

**Recommendation**

As recommended by the Rules and Open Government Committee on May 14, 2025:

(a) Approve an ordinance amending Title 12 of the San José Municipal Code to add Chapter 12.23 to establish an annual “Pay for Performance” evaluation process for the Mayor and City Councilmembers based on objective performance metrics, where the Council’s collective performance will be evaluated annually, beginning in Fiscal Year 2026-2027, and if the Council attains less than 100 percent of the adopted metrics in full or in part, a proportional salary reduction of up to five percent will be applied for the remainder of that fiscal year.

(b) Agendize one annual City Council Pay for Performance public hearing, starting in fall 2026 and continuing every Fall thereafter, to assess performance on the Council-adopted objective metrics and determine if a proportional salary reduction of up to five percent will be applied for the remainder of that fiscal year.

(c) Given the new approach outlined in the recommendation above, direct the City Attorney and the City Manager to disregard the previous Pay for Performance Direction provided in the FY 2025-2026 March Budget Message related to amending the City Charter.

CEQA: Not a Project, File No. PP17-008, General Procedure and Policy Making resulting in no changes to the physical environment. (Mayor and Foley)

[Rules Committee referral 5/14/2025 - Item C.1]

[RENUMBERED FROM ITEM 3.6 (25-620)]



## Memorandum

**TO:** RULES AND OPEN GOVERNMENT COMMITTEE  
**FROM:** Mayor Matt Mahan  
Vice Mayor Foley  
**SUBJECT:** Pay for Performance  
**DATE:** May 7, 2025

**APPROVED:**

### RECOMMENDATION

1. Direct the City Attorney to draft an ordinance which will require 5% of the Mayor's and all Councilmembers' salaries to be withheld on an annual basis, and subsequently disburse the 5% back to the Mayor and Councilmembers in a manner proportional to the achievement of predetermined objective performance metrics related to the City Council Focus Area Scorecards and Dashboards. The specific performance targets chosen for the coming fiscal year will be developed throughout the budget process—by modifying or replacing the current year's Focus Area Scorecard performance metrics--and finalized by City Council through the adoption of the June Budget Message. Should the Mayor's and Councilmembers' collective performance fall below 100% of the Council-adopted targets, the withheld 5% of their salaries will be proportionately reduced based on the actual achievement of the prioritized targets. The Salary Setting Commission's duties to set base compensation and CPI COLA under City Charter 407 (a) and (c) remain unimpacted by this ordinance and continue to be based on the full base salary for the Mayor and Councilmembers. Any one-time reductions related to actual performance, are not intended to be cumulative. The City Attorney is directed to return to Council with the ordinance by June 2025, concurrent with the June 2025 budget vote.
2. Direct the City Clerk to agendize one annual City Council Pay for Performance public hearing, starting in Fall 2026 and continuing every Fall thereafter, to assess performance on the previous year's targets and determine the disbursement of the withheld 5%.
3. Given the new approach outlined in the two recommendations above, direct the City Attorney and the City Manager to disregard the previous Pay for Performance Direction provided in the FY 2025-2026 March Budget Message related to amending the City Charter.

### OUTCOME

Upon researching various options and restrictions, the City Manager and City Attorney identified an alternative policy pathway of an ordinance instead of a charter amendment that could achieve a similar impact. If approved, this memo will bring performance-based compensation for the Mayor and City Council in alignment with what currently exists for the City Manager, Assistant to the City Manager, Deputy City Managers, Department and office Heads, and Senior Staff through the Management Pay for Performance Program (MPP). This policy pathway helps the City avoid an election cost of approximately \$1 million while still demonstrating to the public that our most senior leaders' compensation is at last partially tied to the achievement of publicly adopted goals.

## **BACKGROUND**

City Council has now established a multi-year commitment to integrate performance management-based compensation. With the adoption of the FY 2023-2024 March Budget Message, Council directed the City Manager to overhaul the Senior Staff Management Performance Program (MPP). The goal of the direction was to ensure that performance pay is aligned specifically to the achievement of the outcomes and performance measures within the Focus Areas. The City Manager responded to this direction via an Informational Memo on November 17, 2023. This informational memo established the MPP Appraisal Framework for Senior Staff, Department and Office Directors, and Assistant and Deputy City Managers. The MPP Appraisal Framework considered aspects such as significant City Council Focus Area Accomplishments, CSA/Department/Office Work Plan Accomplishments, and Leadership Effectiveness when determining compensation adjustments. Each year, the City Manager provides guidelines for the types of salary changes that are typically appropriate for annual appraisal salary changes, corresponding to the overall performance rating.

The FY 2025-2026 March Budget Message (MBM) was approved on March 18th, 2025. The MBM included direction for the City Manager and City Attorney to work together and return to City Council by June 2025 with recommended language for a 2026 Charter amendment that if passed would:

1. Amend the salary setting process for the Mayor and Council by directing the Salary Setting Commission to align any pay raises beyond cost-of-living increases with actual performance relative to the Council's adopted Pay for Performance goals within the Council's Focus Areas, which should be reported to the Commission on an annual basis. Goals and performance each fiscal year will be summarized and reported to the Commission via an annual report prepared by the City Manager and adopted by the Council in an open session.
2. Make clear that any pay raises for Council Appointees and their Senior Staff in excess of cost-of-living increases will be tied to measurable goals that reflect community impact. The Council's adopted Pay for Performance goals within the Focus Areas that impact Council Appointees' and Senior Staff's areas of responsibility should take priority and account for at least a majority of their performance-based raise.

This March Budget Message direction is now superseded by this memo.

## **ANALYSIS**

Authority to set compensation for the Mayor and City Council comes from Section 407 of the City Charter and primarily lies with the Salary Setting Commission. Section 407(a) grants the authority to set

base compensation and Section 407 (c) grants the authority to make Cost of Living adjustments. Section 407 (d) permits Council to voluntarily reduce their own salaries and reads: “The Council may, at any time, by ordinance, reduce the salaries of the members of the Council, including the Mayor. In any salary reducing ordinance adopted hereunder, the salaries for each member of the Council shall be the same, except that the salary of the Mayor may exceed that of the other members of the Council.” This ordinance would not impact 407 (a) and (c), but would utilize 407(d).

The FY 2023-2024 March Budget Message also included direction for the City Manager to specifically experiment and develop ways to establish a public-facing mechanism “to understand on a regular basis how current outcomes compare with our stated goals and evaluate the performance of major services and programs funded to achieve our goals.” This direction evolved into our present-day City Council Focus Area Scorecards and Dashboards which serve as valuable tools in understanding how well we execute city programs and initiatives that are intended to achieve progress on the community’s top priorities. The Council’s key performance metrics that will be tied to compensation should be reflected in the City Council Focus Area Scorecards and Dashboards that are routinely updated and reported to Council.

Setting the upcoming fiscal year’s performance targets through the budget process and finalizing them via the adoption of the June Budget Message will help ensure that the Council is aligning resource allocation with the performance targets we are setting for the Administration on behalf of our community. In the event of unexpected emergency situations, such as a global pandemic, City Council always retains the ability to update its adopted performance measures via a majority vote of the Council. However, the general expectation is that Focus Area performance targets should be set by the Council through the budget setting process, finalized with the passage of the June Budget Message, and consistently measured and reported throughout the following fiscal year.

The City Manager will return to City Council with an unbiased quantitative assessment of actual performance, that shall be calculated by a formula to the proportion of the 5% withheld from the Mayor and Councilmembers in the prior fiscal year. This report shall be reviewed and adopted during the annual City Council Pay for Performance public hearing.

Prior to bringing forward the ordinance, the City Manager and City Attorney are directed to evaluate and resolve any potential challenges related to income reporting and taxation.