



## Staff Report

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**File #:** 18-430

**Version:** 1

**Date:** 11/13/2018

**Item #:** 5.a.

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**TO:** Mayor and City Council

**FROM:** Councilor Tom Andersen, Ward 2

**SUBJECT:**

Motion from Councilor Tom Andersen regarding providing a stipend for members of Council

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

**MOTION:**

I move to direct staff to prepare a resolution for Council's consideration to provide for a stipend for members of Council, in the amount up to \$2,000 a month for councilors, and \$2,500 a month for the Mayor, and that a hearing be scheduled on December 3, 2018 for Council to receive testimony and deliberate on the matter.

**DISCUSSION:**

Section 26 of the Salem City Charter provides that "the Mayor and Councilors shall receive no compensation for their services." However, members of Council may receive a stipend designed to cover costs associated with performing service as a member of Council. Members of Council spend many hours during their respective terms attending meetings, reviewing reports, meeting with staff and constituents, and a variety of other responsibilities. Providing a stipend meant to reimburse members' expenses, and not meant to compensate for time spent attending to member duties, would likely maintain the members' status as volunteers, and would be consistent with the Salem Charter.

Limiting the stipend amount up to \$2,000/month and \$2,500/month would likely meet IRS "economic realities" test for determining whether a payment is deemed a "stipend" or "compensation." In practice, the IRS economic realities test has applied a 20% rule. The rule provides that the U.S. Department of Labor will presume that a fee or stipend is "nominal" as long as it does not exceed 20% of what a public agency would otherwise pay to hire a full-time equivalent to perform the same

services.

Eugene and Beaverton provide significant stipends or compensation to their council members. As of June 2017, Beaverton provides its volunteer councilors with a \$1,600/month stipend and its full-time Mayor a salary plus benefits of \$14,759/month, while Eugene provides its volunteer mayor and council; \$2,014.69/month for the Mayor, and \$1,343.13/month for councilors. With that framework in mind, a monthly stipend of up to \$2,500 a month would likely be consistent with the IRS economic realities test.

Currently, members of Council are eligible for expense reimbursement for City-related and sanctioned activities. The stipend would replace the expense reimbursement, with the possible exception of travel, lodging and attendance at City-sanctioned events outside the Salem area, such as conferences or training activities.

Because this motion would confer a benefit on current members of Council, individual members have an actual conflict of interest when voting on the matter. However, if the stipend would take effect only after the election of each individual member, there would no longer be an actual conflict of interest for members, and they may vote.