TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: CITY MANAGER’S OFFICE CMR: 238:02
DATE: MAY 13, 2002
SUBJECT: APPROVAL OF EMPLOYMENT AGREEMENT WITH DIRECTOR OF ADMINISTRATIVE SERVICES

RECOMMENDATION
It is recommended that the City Council approve the attached employment agreement between the City of Palo Alto and Carl Yeats, Director of Administrative Services.

DISCUSSION
Currently all Department Directors are covered by the City’s Merit System Rules and Regulations. This employment agreement makes the Director of Administrative Services, Carl Yeats, the equivalent of an “at will” employee and therefore exempt from portions of the Merit Rules. This would enable the City Manager to terminate the employment of the Director of Administrative Services without cause. In recognition of Mr. Yeats’ “at will” status, the employment agreement includes a six-month severance provision. The employment agreement and severance allowance also protect the City from employment-related litigation. The City Attorney recommends both the “at will” conversion and litigation protection components of the agreement.

I plan to soon recommend to the City Council that all Executive Managers (i.e., the Department Directors and Assistant City Manager) hired in the future be “at will” employees not covered by the Merit Rules. Likewise, the City Attorney intends to request that all future Senior Assistant City Attorneys, whose hiring is approved by the Council like Department Heads, be hired as “at will” employees. Current Executive Managers will have the opportunity to “opt in” and become “at will” employees with an employment agreement if they so choose. All Council Appointed Officers (CAOs) already serve at the pleasure of the Council as “at will” employees under employment agreements. To implement “at will” employment for Executive Managers, I will soon be submitting an amendment to the Compensation Plan and Merit Rules.
“At will” employment for Executive Managers supports a more performance-based environment. It should be noted that “at will” employment is now the current standard for Executive Managers in local government.

The employment agreement also allows the City to provide a housing loan so that Mr. Yeats can afford to purchase a home. The City recruited Mr. Yeats from Southern California where he served as a City Manager. While housing assistance was available as part of our Management Compensation Program to Mr. Yeats when he was hired in 1998, he was unable to purchase a home in Palo Alto or an adjacent community and has been renting for the past several years. The City has been fortunate that recently hired CAOs and Executives (i.e., City Auditor, Planning and Human Resource Directors) already lived in Palo Alto or neighboring communities and had previously acquired homes when real estate values were not so exorbitant. The details of the housing assistance are included in the following City Manager’s Report (Item 12A on this agenda).

RESOURCE IMPACT
Implementation of this recommendation to make the current Administrative Services Director an “at will” employee does not have any resource impact. The resource implications of the housing assistance are discussed in CMR:247:02.

ATTACHMENTS
1. Employment Agreement
2. Resolution of the City Council of the City of Palo Alto Amending the Compensation Plan for Management and Confidential Personnel and Council Appointed Officers to Amend the Compensation of the Director of Administrative Services, Carl Yeats

FRANK BENEST
City Manager