



## City of Palo Alto City Council Staff Report

(ID # 7362)

---

Report Type: Consent Calendar

Meeting Date: 10/4/2016

**Summary Title: Director of Utilities appointment**

**Title: Appointment of Utilities General Manager (Director of Utilities)/  
Assistant City Manager, Approval of Amendment to Employment Agreement  
and Approval of Recommended Staffing Reorganization in the City Manager's  
Office and the Utilities Department**

**From: City Manager**

**Lead Department: Human Resources**

### **Recommended Motion**

Staff recommends that Council consider the following motion:

Move to approve the appointment of Ed Shikada as Utilities General Manager (Director of Utilities)/Assistant City Manager; approve an amendment to his employment agreement; authorize the addition of a Utilities Chief Operating Officer; authorize restructuring of the City Manager's Office and direct the City Manager to return to Council with conforming changes to the Table of Organization.

### **Recommendation**

The City Manager recommends that the City Council:

- 1) Confirm the appointment of Ed Shikada as Utilities General Manager (Director of Utilities)/Assistant City Manager; and
- 2) Approve Amendment 1 to Shikada's employment agreement (Attachment A) to reflect the new position title and an annual salary of \$285,000, which is within the existing range of the Director of Utilities; and
- 3) Authorize the addition of a Utilities Chief Operating Officer with an annual salary range of \$147,347 to \$221,000, and direct the City Manager to return to Council with conforming changes to the Table of Organization; and
- 4) Authorize restructuring of the City Manager's Office staffing to delete one Assistant City Manager and the Economic Development Director and add two Deputy City Managers and two Assistant to the City Manager positions, with salary ranges of \$135,845 to \$203,757 for Deputy City Manager and \$101,547 to

\$152,318 for Assistant to the City Manager, and direct the City Manager to return to Council with conforming changes to the Table of Organization.

### **Executive Summary**

The Palo Alto Municipal Code requires that Council approve the City Manager's appointment of most Department Directors and the Assistant City Manager, approve employment terms and benefits that are not already included in the Compensation Plan for Management/Professional Personnel and to approve changes to titles, salaries and number of positions in the City's Table of Organization.

### **Background**

Upon the retirement of the City's Director of Utilities in December 2015, the City retained the services of two executive recruiting firms and engaged industry experts and stakeholders in the search for a suitable replacement for the Director position. The first national recruitment concluded with an insufficient pool of candidates and a second national recruitment yielded two finalists from out of state. The finalists' potential requirements included, in addition to the City's management benefits package, a salary of \$300,000+, deferred compensation contributions, auto allowance, relocation expenses and ongoing housing assistance. As the City Manager reviewed the potential for an effective match with the City, he turned to interim Director Ed Shikada, to see if he was interested in serving in the position in a permanent capacity. After careful consideration of the finalists' experience, adaptability to the City of Palo Alto and suitability for the position, the City withdrew further consideration of the finalists and the recruitment process was terminated without a selection. Mr. Keene engaged in discussion with Mr. Shikada regarding the permanent position.

### **Discussion**

Mr. Shikada, a highly experienced executive with more than 25 years of government expertise, was hired by the City of Palo Alto as the Assistant City Manager in April 2015 and has served as Interim Director of Utilities since January 2016. With extensive background in transportation, public works and executive management, Mr. Shikada was recruited by Palo Alto after serving as the City Manager of San Jose, the 10<sup>th</sup> largest city in the United States. Mr. Shikada's skills are highly transferrable to the position of Director of Utilities and he has been encouraged to accept this position by Utilities experts in the region.

In conjunction with assuming the role of Utilities General Manager, Mr. Shikada also will continue to function as Assistant City Manager, overseeing specific critical projects throughout the City organization and as available, assisting the City Manager with overall executive oversight at his direction. Mr. Shikada's time will be allocated 75% to Utilities General Manager and 25% to Assistant City Manager.

An amendment to Mr. Shikada's employment agreement (Attachment A) has been prepared to reflect the new position title and an annual salary of \$285,000, which is within the existing range of the Director of Utilities. All other terms and conditions of employment will remain the same.

In tandem with the appointment of Mr. Shikada, the City Manager is initiating some reorganization within the Utilities Department including the addition of a Utilities Chief Operating Officer, to provide greater oversight of department-wide day-to-day operations. (The Utilities Chief Operating Officer may be titled Chief Operating Officer or Assistant General Manager in other Utilities agencies.) Mr. Shikada will use the working title of General Manager to reflect the strategic and executive focus of the role, as well as the enhanced operational management role of the new Chief Operating Officer. Staff will return to Council with conforming amendments to the Table of Organization.

In addition, staff would like to advise the Council of a related action to be taken under the City Manager's authority. An identified priority for the Utilities Department is an update to the department's strategic plan. The current strategic plan was completed in 2011. Given the rapid pace of change within the utility industry and the City of Palo Alto's sustainability and climate action goals, this is an ideal time to review and reestablish the department's strategic priorities and activities. Assistant Director Jane Ratchye will initiate this effort. In addition, as Ms. Ratchye has announced an intention to retire from City service at the end of the fiscal year, an internal recruitment will begin for a successor Assistant Director – Resource Management.

In the City Manager's Office, one Assistant City Manager position has been held vacant since July 2016 and Mr. Shikada's appointment to the Director of Utilities position will result in an additional .75 FTE vacancy. The Economic Development Manager position is also vacant. The three vacant positions provide an opportunity for a restructure of the City Manager's Office to better meet workload demands and to fulfill the priorities of the Council and community. After considering a number of restructure options, the City Manager recommends that the vacancies be replaced with two Deputy City Managers and two Assistant to the City Manager positions. The Deputy City Manager positions are at a lower level than the existing Assistant City Manager vacancies, but at a level that is expected to draw interest and exceptional talent to the City. The Assistant to the City Manager positions are suitable for working on a variety of projects, analysis, policy, public reports and presentations. Staff will return to Council with amendments to the Table of Organization to reflect these changes.

All positions discussed in this report are “at will”, which means the individuals newly appointed or promoted into these positions serve at the pleasure of the City Manager and can be terminated or asked to resign at any time. In addition, all positions discussed in this report will be assigned to the unrepresented Managers and Professionals unit, with terms and conditions of employment established by the Managers and Professionals Compensation Plan. Consultations with the Utilities Managers and Professionals Association of Palo Alto (UMPAPA) may occur as appropriate.

### **Resource Impact**

- Budget implications:
  - 1) On an ongoing basis, Mr. Shikada will serve 75% of his time as General Manager (Director of Utilities) and 25% as Assistant City Manager. His position will be charged to the Enterprise Utility Departmental Funds and General Fund City Manager’s Office accordingly.
  - 2) The addition of a Utilities Chief Operating Officer is anticipated to be offset with vacancy savings by holding authorized positions vacant and vacancy savings from the 25% of the Director of Utilities that is currently budgeted at 100% but will be filled at 75%. A review of the staffing is anticipated to take place with formal adjustments recommended subsequent to this report and following consultations with labor groups, as required.
  - 3) The proposed restructure in the City Manager’s Office from two Assistant City Managers and one Economic Development Manager to two Deputy City Managers and two Assistant to the City Manager positions will result in a net add of 1.25 FTE and a net total compensation cost of approximately \$233,000 on an ongoing basis - for the current Fiscal Year (FY 2017), this amount will be absorbed from vacancy savings. For future fiscal years, the new funding would be included as part of the recommended base budget for Council consideration.

Staff will provide a revised Table of Organization and updated salary schedules to implement changes in titles and salaries for Council adoption on October 24, 2016, or sooner if possible.

### **Policy Implications**

These recommendation is consistent with existing City Policies.

#### **Attachments:**

- Attachment A - Shikada Employment Agmt Amendment One - Oct 2016 final (PDF)
- Attachment B - Shikada Employment Agreement 2015 (PDF)

**AMENDMENT NO. FIVE TO EMPLOYMENT AGREEMENT  
BETWEEN THE CITY OF PALO ALTO AND  
EDWARD SHIKADA**

This Amendment No. ONE to EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND EDWARD SHIKADA ("Agreement") is entered into on October \_\_, 2016, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("City"), and EDWARD SHIKADA ("Shikada"), an individual, located at 250 Hamilton Avenue 7th Floor, Palo Alto, CA.

**RECITALS:**

WHEREAS, the original EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND EDWARD SHIKADA, attached hereto and incorporated herein as Exhibit "A" was entered into between the parties for the services of City Manager on or about October 5, 2015; and

WHEREAS, the parties wish to amend the Agreement to revise SHIKADA's title, duties and compensation to reflect a revised position of Utilities General Manager (Utilities Director)/Assistant City Manager;

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1: Section 1 of the Agreement, Employment, is hereby amended to read as follows:

1. Employment. Shikada has been serving as its Assistant City Manager since June 15, 2015 ("Employment Start Date"). Effective October 24, 2016, the City appoints Shikada as its Utilities General Manager (Utilities Director)/Assistant City Manager. Except as otherwise provided herein, Shikada's employment with the City shall be governed by the City Council-adopted Compensation Plan for Management and Professional Personnel and Council Appointees, as it currently exists and may be changed from time to time.

SECTION 2: Section 2 of the Agreement, Duties of the Assistant Manager, is hereby amended to read as follows:

2. Duties of the Utilities General Manager (Utilities Director)/Assistant City Manager. Shikada will perform the duties of the Utilities General Manager (Utilities Director)/Assistant City Manager in accordance with the City of Palo Alto Charter and City of Palo Alto Municipal Code, by direction given by the City Manager, and as otherwise provided by law, ordinance, or regulation. Shikada agrees to comply with all federal, state and local laws, ordinances, rules and regulations applicable to or associated with these duties.

SECTION 3: Section 3 of the Agreement, Salary, is hereby amended to read as follows:

3.1 Salary. Upon appointment to Utilities General Manager (Utilities Director)/Assistant City Manager, Shikada will receive a base salary within the range for Utilities Director, as provided by the City Council-approved Compensation Plan for Management and Professional and Council Appointees, as it currently exists and may be changed from time to time. Shikada will receive an initial gross base annual salary of two hundred thirty-two thousand, six hundred sixty-eight dollars (\$232,668), beginning on the

Employment Start Date. Commencing on and continuing from the pay period including October 24, 2016, Shikada's annual base salary shall be increased to Two Hundred Eighty Five Thousand and No/100 Dollars (\$285,000), prorated and paid on the City's normal paydays.

3.2 Payroll. Salary is subject to authorized or required deductions and withholdings, prorated and paid on City's regular paydays. Shikada is an exempt employee under applicable wage and hour law and his base annual salary shall be compensation for all hours worked. The City agrees that the amount of Shikada's base annual salary will not decrease, except as part of a permanent decrease that is consistent with the Fair Labor Standards Act.

SECTION 4: Section 7 of the Agreement, Duration of Employment, is hereby amended to read as follows:

7. Duration of Employment. Shikada understands and agrees that he has no constitutionally protected property or other interest in his employment as Utilities General Manager (Utilities Director)/Assistant City Manager. Shikada waives any and all rights, if any, under the Merit System Rules and Regulations, including without limitation, the right to pre-or post-disciplinary due process. Shikada understands and agrees that he works at the will and pleasure of the City Manager and that he may be terminated or asked to resign at any time, with or without cause. Shikada may terminate this agreement (terminating all employment) upon 30 days written notice to the City Manager.

SECTION 5: Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment on the date first above written.

ATTEST:

CITY OF PALO ALTO

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Pat Burt, Mayor

Date: \_\_\_\_\_

APPROVED AS TO FORM:

CITY MANAGER:

\_\_\_\_\_  
City Attorney

\_\_\_\_\_  
James. R. Keene, City Manager

Date: \_\_\_\_\_

SHIKADA:

\_\_\_\_\_  
Edward Shikada

Date: \_\_\_\_\_

**EMPLOYMENT AGREEMENT  
BETWEEN CITY OF PALO ALTO  
AND  
EDWARD SHIKADA**

THIS AGREEMENT is between the City of Palo Alto, a municipal corporation and chartered city ("City") and Edward Shikada ("Shikada"). It is effective on the latest date next to the signatures on the last page.

This Agreement is entered into on the basis of the following facts:

A. City, acting by and through its City Manager, wishes to employ Shikada as its Assistant City Manager, subject to the terms and conditions set forth in this Agreement, the Palo Alto Municipal Code and the Charter of the City of Palo Alto (the "Charter").

B. Under the Charter, the Assistant City Manager is appointed by the City Manager with the approval of the City Council. Notwithstanding any provision of the City of Palo Alto Merit System Rules and Regulations, the Assistant City Manager serves on an at-will basis, with no expectation of continued employment, and with no right to pre-or post-separation due process or appeal.

C. Shikada desires to be employed by the City as its Assistant City Manager, subject to the terms and conditions in this Agreement, the Palo Alto Municipal Code, the Charter, the Palo Alto Merit System Rules and Regulations, and all other applicable laws, resolutions, and policies.

D. The City and Shikada wish to establish specific terms and conditions relating to compensation and benefits and related matters.

BASED UPON THE FOREGOING, THE CITY AND SHIKADA AGREE AS FOLLOWS:

1. Employment. Shikada has been serving as an Interim Assistant City Manager since April 8, 2015. The City appoints Shikada as its Assistant City Manager for an indefinite term to begin on June 15, 2015 ("Employment Start Date"). Except as otherwise provided herein, Shikada's employment with the City shall be governed by the City Council-adopted Compensation Plan for Management and Professional Personnel and Council Appointees, as it currently exists and may be changed from time to time.

2. Duties of the Assistant City Manager. Shikada will perform the duties established for the Assistant City Manager by the Palo Alto City Charter, by the Palo Alto Municipal Code, by direction given by the City Manager, and as otherwise provided by law, ordinance, or regulation. Shikada agrees to comply with all federal, state and local laws, ordinances, rules and regulations applicable to or associated with these duties.

2.1. Full Energy and Skill. Shikada will devote his full energy, skill, ability, and productive time to the performance of his duties.

2.2. No Conflict. Shikada will not engage in any employment, activity, consulting service, or other enterprise, for compensation or otherwise, which is actually or potentially in conflict with or which interferes with the performance of his duties. Shikada acknowledges that he is subject to the various conflict of interest requirements found in the California Government Code and state and local policies and regulations.

2.3 Permission Required For Outside Activities. Shikada will not engage in any employment, activity, consulting service, or other enterprise, for compensation or not, without written permission of the City Manager.

3. Salary. While performing the duties of Assistant City Manager, Shikada will receive a base salary within the range provided in the City Council-approved Compensation Plan for Management and Professional Personnel and Council Appointees, as it currently exists and may be changed from time to time. Shikada will receive an initial gross base annual salary of two hundred thirty-two thousand, six hundred sixty-eight dollars (\$232,668), beginning on the Employment Start Date. This amount is subject to authorized or required deductions and withholding, prorated and paid on City's regular paydays. Shikada is an exempt employee under applicable wage and hour law and his base salary shall be compensation for all hours worked. The City agrees that the amount of Shikada's base annual salary will not decrease, except as part of a permanent decrease that is consistent with the Fair Labor Standards Act.

4. Benefits and Allowances. Shikada will be eligible for, and shall receive, all regular benefits (i.e., health insurance, PERS contributions to the extent paid by the City, etc.) and vacation, sick leave, and management leave, as are generally provided to management employees under the City Council-approved Compensation Plan for Management and Professional Personnel and Council Appointees, as it currently exists and may be changed from time to time.

5. Additional Benefits and Allowances. In addition to the benefits specified in section 4, Shikada will receive the following additional benefits and allowances:

5.1. Vacation Accrual. In recognition of his prior public service, Shikada will be credited with vacation leave at a rate of 200 hours annually, prorated and credited according to City's normal procedures. Effective at the start of Shikada's second year of service and thereafter, Shikada will be credited with vacation leave at the rate applicable to an employee with nineteen or more years of continuous service, currently a rate of 200 hours per year, prorated and credited according to City's normal procedures. The maximum vacation leave balance allowed for Shikada is six hundred (600) hours.

5.2. Severance. If Shikada is terminated or asked to resign he shall, upon execution of a release of all claims against the City, be eligible for a severance payment equivalent to twelve (12) weeks of salary and benefits. No severance shall be paid if Shikada is terminated for serious misconduct involving abuse of his office or position, including but not limited to waste, fraud, violation of the law under color of authority, misappropriation of public resources, violence, harassment or discrimination. If Shikada is later convicted of a crime involving such



abuse of his position he shall fully reimburse the City as set forth in Government Code section 53243.3.

6. Additional Expenses of Employment. The City shall pay the cost of any fidelity or other bonds required by law for the Assistant City Manager.

7. Duration of Employment. Shikada understands and agrees that he has no constitutionally protected property or other interest in his employment as Assistant City Manager. Shikada waives any and all rights, if any, under the Merit System Rules and Regulations, including without limitation, the right to pre-or post-disciplinary due process. Shikada understands and agrees that he works at the will and pleasure of the City Manager and that he may be terminated or asked to resign at any time, with or without cause. Shikada may terminate this agreement (terminating all employment) upon 30 days written notice to the City Manager.

8. Miscellaneous.

8.1. Notices. Notices given under this Agreement shall be in writing and shall be either: a) served personally; or b) sent by facsimile (provided a hard copy is mailed within one (1) business day); or c) delivered by first-class United States mail, certified, with postage prepaid and a return receipt requested; or d) sent by Federal Express, or some equivalent private mail delivery service. Notices shall be deemed received at the earlier of actual receipt or three (3) days following deposit in the United States mail, postage prepaid. Notices shall be directed to the addresses shown below, provided that a party may change such party's address for notice by giving written notice to the other party in accordance with this subsection.

CITY: Attn: City Manager  
250 Hamilton Avenue Palo Alto, CA 94301  
Phone: (650) 329-2226  
Fax: (650) 328-3631

SHIKADA: Edward Shikada  
250 Hamilton Avenue Palo Alto, CA 94301  
Phone: (650) 329-2146  
Fax: (650) 328 -3631

8.2. Entire Agreement/ Amendment. This Agreement constitutes the entire understanding and agreement between the parties as to those matters contained in it, and supersedes any and all prior or contemporaneous agreements, representations and understandings of the parties. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties and attached hereto.

8.3. Applicable Law and Venue. This Agreement shall be interpreted according to the laws of the State of California. Venue of any action regarding this Agreement shall be in the proper court in Santa Clara County.

8.4. Severability. In the event any portion of this Agreement is declared void, such portion shall be severed from this Agreement and the remaining provisions shall remain in effect, unless the result of such severance would be to substantially alter this Agreement or the obligations of the parties, in which case this Agreement shall be immediately terminated.

8.5. Waiver. Any failure of a party to insist upon strict compliance with any term, undertaking, or condition of this Agreement shall not be deemed to be a waiver of such term, undertaking, or condition. To be effective, a waiver must be in writing, signed and dated by the parties.

8.6. Representation by Counsel. Shikada and the City acknowledge that they each did, or had the opportunity to, consult with legal counsel of their respective choices with respect to the matters that are the subject of this Agreement prior to executing it.

8.7. Section Headings. The headings on each of the sections and subsections of this Agreement are for the convenience of the parties only and do not limit or expand the contents of any such section or subsection.

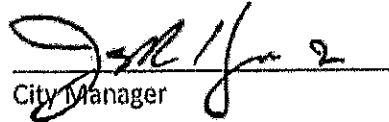
SHIKADA



Edward Shikada

Date: 10/5/15

CITY OF PALO ALTO



City Manager

Date: 10.5.15

APPROVED AS TO FORM:



Deputy City Attorney