



City of Palo Alto

City Council Staff Report

(ID # 11451)

Report Type: Action Items

Meeting Date: 6/22/2020

Summary Title: Approval of Amended CAO Employment Agreements

Title: Approval of Special Amendments to the Employment Agreements Between the City of Palo Alto and Council Appointed Officers Specifically the City Attorney and the City Manager

From: City Manager

Lead Department: Human Resources

Recommended Motion

Staff recommends that Council consider the following motion:

Approve and Authorize the Mayor to execute the following contract amendments for Council Appointed Officers:

1. Amendment No. Eight to employment agreement between the City of Palo Alto and Molly S. Stump;
2. Amendment No. Two to employment agreement between the City of Palo Alto and Ed Shikada.

Background

The City Council has directed staff through the budget process to seek expense reductions throughout the City. As presented to the City Council during the budget hearings, both City Manager Shikada and City Attorney Stump have proposed amending their employment agreements to reduce costs on the City. These actions align with the City's overall labor strategy which requested employee groups to contribute portions of their compensation to help fill our revenue shortfall. In addressing the COVID-19 global pandemic both the City Manager and the City Attorney proposed taking reductions equal to and well beyond that of any employee group of the City.

Discussion

These amendments capture and allow for the following reductions in compensation during the 2021 fiscal year:

1. 10% Salary Reduction through furloughs (up to 26 furlough days)
2. No base cost of living salary increases
3. One-year freeze on any performance-based salary increases

4. Reduction of \$1,250 in Excess Management Benefit
5. Leave Sharing bank for impacted low-income employees (CM Only)

We are in unprecedented times as we deal with the COVID-19 global health crisis. Its impact on our local economy was felt hard and fast, resulting in precipitous drops in the City's revenue sources. City leadership took steps early to announce they would lead the organization by taking cuts to their own salaries in advance of agreement from any other groups.

Resource Impact

These amended agreements will generate cost savings in FY 2021 of approximately \$106,000. The FY 2021 budget already takes into account these amendments.

The City Manager's donation of 100 hours towards the Leave Sharing Bank is valued at \$17,000 and is not accounted for as a budget reduction because other employees will be able to utilize these hours.

Attachments:

- Amendment No Two to Shikada Employment Agt 6.22.20
- Amendment No Eight to Stump Employment Agt
- [Previous CAO Employment Agreements - Staff Report ID # 10925 \(Click to view\)](#)

AMENDMENT NO. TWO TO EMPLOYMENT AGREEMENT

BETWEEN

THE CITY OF PALO ALTO

AND

Edward Shikada

This AMENDMENT NO. TWO to the EMPLOYMENT AGREEMENT (“Agreement”) is entered into on June 22, 2020 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 8th 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 between the parties for the services of City Manager on or about September 18, 2018; and

WHEREAS, AMENDMENT NO. ONE to the Agreement, attached hereto and incorporated herein as Exhibit “B” was entered between the parties on or about December 16, 2019; and

WHEREAS, the parties wish to amend the Agreement;

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

SECTION 1. Section 4.1 of the Agreement, Initial Compensation, is hereby amended to read as follows:

4.1. ~~Initial~~ Compensation. Commencing on and continuing from the Employment Start Date, Shikada will receive an initial base annual salary of Three Hundred Fifty-Six Thousand Dollars (\$356,000), prorated and paid on City's normal paydays.

For the purposes of addressing the City's financial hardships related to the global pandemic of COVID-19, the City Manager has agreed to take a 10% salary reduction in the form of unpaid furlough days (26 days, 208 hours) between July 1, 2020 and June 30, 2021. Up to 5% of the salary reduction (up to 13 furlough days, 104 hours) may be offset using paid leave such as vacation or management annual leave. Shikada has also agreed not to seek nor accept any performance or cost of living increase through June 30, 2021. The City Manager is further authorized to establish and administer a leave sharing program, within which Shikada shall donate up to 5% of his salary (100 hours) to the extent usable to lessen the burden of compensation reductions on the City's lowest paid employees.

SECTION 2. Section 5 of the agreement, Regular Benefits and Allowances is hereby amended to

read as follows:

5. Regular Benefits and Allowances. Except as otherwise provided in this Agreement, Shikada will be eligible for, and shall receive, all regular benefits (e.g., health insurance, CalPERS contributions paid by City) and vacation, sick leave, and management leave as are generally set forth in the Compensation Plan for Management and Professional Personnel and Council Appointees, as it may be amended or updated from time-to-time by the City Council. Shikada shall comply with all rules and procedures and shall make any and all employee contributions (such as employee contributions towards the City's CalPERS contribution) set forth in the Compensation Plan for Management and Professional Personnel and Council Appointees.

For the purposes of addressing the City's financial hardships related to the global pandemic of COVID-19, the City Manager has agreed to reduce his excess management benefit of \$2,500 as outlined in the Management and Professional compensation plan to \$1,250 for the 2021 calendar year.

SECTION 3. 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

Approved as to form:

Edward Shikada

Attachments:

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

**AMENDMENT NO. EIGHT TO EMPLOYMENT
AGREEMENT BETWEEN THE CITY OF PALO ALTO AND
MOLLY S. STUMP**

This AMENDMENT NO. Eight to the EMPLOYMENT AGREEMENT (“Agreement”) is entered into on June 22, 2020 by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“City”), and MOLLY S. STUMP (“Stump”), an individual, located at 250 Hamilton Avenue 8th Floor, Palo Alto, CA.

RECITALS:

WHEREAS, the original EMPLOYMENT AGREEMENT between the City of Palo Alto and Molly S. Stump., attached hereto and incorporated herein as Exhibit “A” was entered into between the parties for the services of City Attorney on or about April 18, 2011; and

WHEREAS, AMENDMENT NO. ONE to the Agreement, attached hereto and incorporated herein as Exhibit “B” was entered into between the parties on or about March 24, 2014; and

WHEREAS, AMENDMENT NO. TWO to the Agreement, attached hereto and incorporated herein as Exhibit “C” was entered into between the parties on or about December 8, 2014.

WHEREAS, AMENDMENT NO. THREE to the Agreement, attached hereto and incorporated herein as Exhibit “D” was entered into between the parties on or about February 1, 2016.

WHEREAS, AMENDMENT NO. FOUR to the Agreement, attached hereto and incorporated herein as Exhibit “E” was entered into between the parties on or about December 12, 2016.

WHEREAS, AMENDMENT NO. FIVE to the Agreement, attached hereto and incorporated herein as Exhibit “F” was entered into between the parties on or about November 6, 2017.

WHEREAS, AMENDMENT NO. SIX to the Agreement, attached hereto and incorporated herein as Exhibit “G” was entered into between the parties on or about December 17, 2018.

WHEREAS, AMMENDMENT NO. SEVEN to the Agreement, attached hereto and incorporated herein as exhibit “H” was entered into between the parties on or about December 17, 2019.

WHEREAS, the parties wish to amend the Agreement;

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

SECTION 1: Section 3.1 of the Agreement, Compensation, is hereby amended to read as follows:

~~Commencing on and continuing from the pay period including July 1, 2019,~~ Stump's annual base salary shall ~~remain at~~ ~~be increased to~~ Three Hundred Thirteen Thousand Four Hundred and Fourteen and No/100 Dollars (\$313,414), prorated and paid on City's regular paydays. Stump shall be an exempt employee under applicable wage and hour law and her base salary shall be compensation for all hours worked. City agrees that the amount of Stump's base annual salary shall not decrease, except as part of a permanent decrease that is consistent with the Fair Labor Standards Act and that is applicable to either all Council Appointed Officers or all City Executive Staff (which includes all Council Appointed Officers).

For the purposes of addressing the City's financial hardships related to the global pandemic of COVID-19, Stump is authorized to take up to a 10% salary reduction in the form of unpaid furlough days (up to 26 furlough days, 208 hours) between July 1, 2020 and June 30, 2021. Up to 5% of the salary reduction (up to 13 furlough days, 104 hours) may be offset using paid leave such as vacation or management annual leave.

SECTION 2. 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

Approved as to form:

Molly S Stump

Attachments:

- EXHIBIT A: EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP
- EXHIBIT B: AMENDMENT NO. ONE TO EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP
- EXHIBIT C: AMENDMENT NO. TWO TO EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP
- EXHIBIT D: AMENDMENT NO. THREE TO EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP
- EXHIBIT E: AMENDMENT NO. FOUR TO EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP

- EXHIBIT F: AMENDMENT NO. FIVE TO EMPLOYMENT AGREEMENT
BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP
- EXHIBIT G: AMENDMENT NO. SIX TO EMPLOYMENT AGREEMENT
BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP
- EXHIBIT H: AMENDMENT NO. SEVEN TO EMPLOYMENT AGREEMENT
BETWEEN THE CITY OF PALO ALTO AND MOLLY S. STUMP