

**SECOND EMPLOYMENT AGREEMENT
WITH
CITY MANAGER
AND
CITY OF RANCHO CORDOVA**

This Agreement is entered into this 20th day of December 2004 by and between the City of Rancho Cordova, California and Ted A. Gaebler, an individual.

WHEREAS, the City of Rancho Cordova, hereinafter referred to as "City," requires the services of a City Manager; and

WHEREAS, Ted A. Gaebler, hereinafter referred to as "City Manager," provides the necessary skills and expertise of a City Manager; and

WHEREAS, for the purposes of this Agreement, the Rancho Cordova City Council will be hereinafter referred to as the "City Council," and

WHEREAS, the parties acknowledge that the City Manager is a member of the International City/County Management Association (ICMA) and desire that the City Manager be subject to the ICMA Code of Ethics;

WHEREAS, the City hired the City Manager pursuant to an employment agreement dated September 15, 2003; and

WHEREAS, the City has recently celebrated the first anniversary of the City Manager's employment and completed a performance review of the City Manager; and

WHEREAS, the City now desires to replace the September 15, 2003 agreement with this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions, the parties agree as follows:

I. REPLACEMENT AGREEMENT

The "Employment Agreement with City Manager and City of Rancho Cordova" September 15, 2003 is hereby rescinded in its entirety and replaced with this "Second Employment Agreement with City Manager and City of Rancho Cordova" ("Agreement").

II. COMMITMENTS & UNDERSTANDINGS

A. Duties & Authority

The City Manager shall be the Chief Executive Officer of the City, and shall be responsible to the City Council for the proper administration of all affairs of the City.

The City Manager shall administer and enforce policies established by the City Council and promulgate rules and regulations as necessary to implement City Council policies.

City Manager shall perform all legally permissible and proper duties and functions as the City Council shall from time to time assign. In the course of his duties the City Manager will conform to the ICMA Code of Ethics.

1. To accomplish this, the City Manager shall have the power and shall be required to:
 - (a) Generally attend City Council meetings. The City Manager shall not be excluded from any City Council meeting, unless excused by the City Council in order for the Council to conduct his performance evaluation. The City Manager shall be seated at the City Council dais or with the City Council at all City Council meetings which he attends and shall take part in the discussion of all matters before the City Council.
 - (b) Review all documents prior to agendizing for any special and/or regular meetings of the City Council. The City Manager may make recommendations to the City Council concerning the endorsement of or opposition to any proposed agenda items.

If, in the opinion of the City Manager and the Mayor, an item is inappropriate for consideration or is inadequately prepared, it shall not be agendized but returned immediately to the person who submitted it with the reason for rejection.
 - (c) Appoint, transfer, evaluate, discipline, and dismiss all department heads who shall serve at the pleasure of the City Manager, except as otherwise specifically required by law, City Council policy, and further excluding the City Attorney.
 - (d) Provide management training and develop leadership qualities among department heads and staff as necessary to build a city management team that can plan for and meet future challenges.

- (e) Conduct research in administrative practices so as to bring about greater efficiency and economy in city government. Develop and recommend to the City Council long-range plans to improve city operations and to prepare for future city growth and development.
- (f) Coordinate the work of all appointive City officers, departments, and institutions in such matters, which are the concern and responsibility of the City Council. He may undertake any study or investigation he believes is necessary or desirable and shall make any study or investigation the City Council directs. He shall implement changes, which he believes will result in greater efficiency and economy in the administration of City affairs. To enable the City Manager to carry out such responsibilities, he may require reasonable and appropriate reports from any officer, department head, or institution head.
- (g) Recommend to the City Council from time to time, adoption of such measures as may be deemed necessary or expedient for the health, safety, or welfare of the community or for the improvement of administrative services.
- (h) Consolidate or combine offices, positions, departments, or units under his jurisdiction. The City Manager may be the head of one or more departments.
- (i) Exercise control of city government in extreme emergencies when there is not sufficient opportunity for the City Council to act. In such an instance the City Manager or Mayor shall have the authority to hire necessary extra personnel, purchase necessary supplies and equipment, and take other actions necessary to meet such emergencies.
- (j) The City Manager may perform other functions which may not be formally described in the municipal code, but which are important to the City Council. These may include business development activities with special regional governments, volunteer agencies, Chambers of Commerce, or local service club leadership activities.

2. Disability or inability to perform

In the event the City Manager becomes mentally or physically incapable of performing his functions and duties with reasonable accommodation and it reasonably appears such incapability will last

for more than six (6) months, the City Council may terminate employment of the City Manager; however in such instance, the City Manager shall be entitled to severance pay as provided herein.

B. City Manager Commitments

1. Specific Tasks and Work Plans

City Manager agrees to accomplish specific tasks as specified and described by the City Council from time to time in a timely and professional manner. Such specific tasks shall be discussed with the City Manager and then adopted by motion by the City Council as frequently as the City Council may choose. Such specific tasks and work plans shall then be considered a part of this agreement.

2. Hours of Work

The City Manager is an exempt employee who does not accrue compensatory time off, but is expected to engage in those hours of work which are necessary to fulfill the obligations of his position. The City Manager does not have set hours of work as he is expected to be available at all times.

It is recognized that the City Manager must devote a great deal of his time outside "normal office hours" to the business of the City, and to that end the City Manager's schedule of work each day and week shall vary in accordance with the work required to be performed. The City Manager shall spend sufficient hours on site to perform his duties; however, the City Manager has sole discretion as to his work schedule.

The City Manager shall work a "9/80" type schedule. The City Manager shall not spend more than 16 hours per month (chargeable to the Universal Leave Program, (ULP), if the hours are during "normal office hours") in teaching, consulting, speaking, or other non-City connected business for which compensation is paid, without the expressed prior consent of the City Council.

3. Return on Investment

Each calendar year for the duration of this Agreement, City Manager commits to produce additional revenues, identifiable savings or a combination of both that will be equal to or greater than four (4) times the City's investment in the City Manager. During the annual evaluation by the City Council, the City Manager will present data supporting this commitment and the City Council will be the sole judge of whether or not this commitment has been met.

C. City Commitments

1. City shall provide City Manager with the compensation, incentives and benefits specified in this Agreement.
2. City shall provide City Manager with a private office, secretary, staff, office equipment, supplies and all other facilities and services adequate for the performance of his duties.
3. City shall pay for or provide City Manager reimbursement of actual and reasonable business expenses. The City shall provide the City Manager a City credit card to charge appropriate and lawful business expenses.
4. City agrees to budget for and pay the professional dues and subscriptions on behalf of the City Manager which are necessary for the City Manager's continuation and full participation in national, regional, state, or local associations and organizations necessary and desirable for the good of the City, and for the City Manager's continued professional participation and advancement.
5. City agrees to pay the travel and subsistence expenses of the City Manager, to pursue official and other functions for the City and meetings and occasions to continue the professional development of the City Manager, including, but not limited to, national, regional, state, and local conferences, and governmental groups and committees upon which the City Manager serves as a member.
6. City also agrees to pay as provided for in the annual budget for the travel and subsistence expenses of City Manager for short courses, institutes and seminars that are necessary for the good of the City.
7. City recognizes the desirability of representation in and before local civic and other organizations, and the City Manager is authorized to become a member of civic clubs or organizations, for which the City shall pay membership dues.
8. City shall provide a computer, laptop computer for travel and home use, high-speed internet access, cellular phone, pager, electronic calendar, fax, copy machine and similar devices to the City Manager at the City's expense.

D. City Council Commitments

1. The City Council recognizes that to meet the challenges facing the City they must exercise decisive policy leadership. As one step in

carrying out this leadership responsibility, the City Council commits to spending time each year to work with the City Manager and staff on setting goals and priorities for the city government, and to work on issues that may be inhibiting the maximal achievement of City goals.

2. Except for the purpose of inquiry, the City Council and its members shall deal with the administrative service solely through the City Manager, and neither the City Council nor any member thereof shall give orders to any subordinate of the City Manager either publicly or privately.
3. The City Council agrees none of its individual members will order the appointment or removal of any person to any office or employment.
4. The City Council agrees none of its members will publicly censure or criticize City staff and will instead relay any criticism of a City staff member privately through the City Manager.

E. Mutual Commitments

1. Performance Evaluation

Annual performance evaluations are an important way for the City Council and City Manager to ensure effective communications about expectations and performance.

The City Council recognizes that for the City Manager to respond to their needs and to grow in the performance of his job, he needs to know how the City Council Members think he is performing.

To assure the City Manager gets this feedback, the City Council commits to conduct an evaluation of the City Manager's performance at least once each year. The City Council and the City Manager agree that performance evaluations, for the purpose of mid-course corrections, may occur quarterly or several times during each calendar year. The City Council may use an outside facilitator to assist them in conducting this evaluation.

The annual review and evaluation shall be in accordance with specific criteria developed jointly by the City Council and the City Manager. Such criteria may be added to or deleted as the City Council may from time to time determine in consultation with the City Manager.

The City Council and the City Manager shall define such goals and performance objectives which they determine necessary for the proper operation of the City for the attainment of the City Council's policy objectives. The City Council and the City Manager shall further establish a relative priority among those various goals and objectives, which shall be reduced to writing and adopted by the Council.

2. City Manager's Mandate

Rancho Cordova is at the forefront of a new era and attitude of city government. Financial constraints and uncertainty demand new thinking about the role and operation of government. The City must be financially strong, yet the City must not be an undue burden on taxpayers. The City cannot provide for every citizen service request; however the City will not ignore legitimate community needs. The City must develop an identity and independence, and yet not contribute to the expensive and senseless duplication of services in the surrounding region. In short, the successful future of the city government demands that the City Manager be aggressive, innovative, and willing to take risks. The City and City Manager's mutual responsibility is to help shape a Rancho Cordova city government capable of meeting those challenges.

The City Manager and the City Council agree that the mandate for this position is to:

- (a) Provide excellent, not mediocre, government services that are:
 - Efficient
 - Effective
 - Well-respected
 - Entrepreneurial
- (b) Not only manage the City, but to fundamentally build how it works.
- (c) Reinvent how both citizens and employees "experience" Rancho Cordova city government by establishing quality interactions between employees, the citizens/ customers, and the City Council, and by building a positive culture in city government.
- (d) Create community and citizen pride in City government
- (e) As time goes by, build a modern paradigm of government by:

- Developing the capacity for intelligent change
- Determining the benchmark agencies by which we can measure our progress
- Creating a city government that has never existed before in California
- Becoming a benchmark for other city governments to emulate

III. REMUNERATION

City agrees to provide the following compensation to the City Manager during the term of the agreement:

A. Compensation & Required Employer Costs

1. Base Salary

City Manager shall be paid a monthly salary as set forth in Exhibit 1 "Salary Range Table" at Range 483 Step B. This constitutes "Base Salary."

Following the annual review of the performance of the City Manager by the City Council as provided herein or on December 15th of each year in the absence of such performance review, City Manager shall be eligible to and shall receive, in the absence of contrary action by the City Council, a full letter step increase in accordance with the schedule in Exhibit 1. This new step on the salary table will then become the "base salary" for the following year.

City Manager shall be paid at the same intervals and in the same manner as regular City employees.

City shall not at any time during the term of this agreement reduce the base salary, compensation or other financial benefits of City Manager, unless as part of a general city management salary reduction, and then in no greater percentage than the average reduction of all department heads. If such a non-uniform reduction occurs, the City Manager may deem such action to be a termination without cause and shall be eligible for severance compensation provided herein.

2. Performance Incentive for Results

To provide an incentive for the City Manager to produce exceptional results for the organization, which go above and beyond the expected fulfillment of the City Manager's job obligations, the City agrees to provide a financial incentive. The City Manager will be eligible for the incentive of up to ten percent (10%) of the City Manager's Base Salary based on an annual performance evaluation, at the sole discretion of the City Council. The incentive may be based, in part, on the accomplishment of specific goals, set by the City Council that are achieved by the City Manager.

The City Council and the City Manager agree that a performance evaluation, for the purpose of mid-course corrections, may occur several times during the year; however, the annual evaluation will be scheduled to occur between early-November and mid-December of each year. By January 31, 2005, and in each subsequent January, the City Manager and the City Council will create Specific Tasks and Outcome Measures, which will provide the basis for determining the performance results incentive.

Since this section is designed to produce an annual incentive, both parties understand that any incentive earned under this section is not to increase Base Salary as defined in this Section, but in whatever years such incentive is earned, it is to be included as "bonus pay for performance" by the City in reporting to the California Public Employees' Retirement System (PERS) for pension credit. Any performance results incentive awarded by the City Council to the City Manager shall be authorized by motion and paid with or before the last payroll check of each calendar year.

3. Additional Employer Costs paid on behalf of City Manager

- (a) PERS (an actuarially-determined variable percentage each year)
- (b) Medicare (1.45% of all wages)
- (c) Unemployment Compensation
- (d) Worker's Compensation