



**DATE:** November 27, 2018

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

**SUBJECT:** Adoption of a Resolution Approving an Extension and Modification to Employment Agreement with the City Manager and Authorizing the Mayor to Execute the Agreement

### **RECOMMENDATION**

That the City Council adopts the attached Resolution authorizing an extension and modification to the employment agreement between the City of Hayward and the City Manager, Kelly McAdoo, and authorizing the Mayor to execute the agreement on behalf of the City Council.

### **SUMMARY**

If the attached Resolution is approved, the employment agreement between the City of Hayward and the City Manager will be extended to June 30, 2023. The proposed terms for the contract include salary adjustments totaling 18% over the agreement: market equity adjustments of seven percent (7%) effective January 1, 2019 and January 1, 2020 for a total of 14% and cost of living adjustments (COLA) of two percent (2%) effective January 1, 2020 and an additional two percent (2%) effective July 1, 2020, for a total of four percent (4%). The severance package for the City Manager has been changed from three (3) months to six (6) months.

### **BACKGROUND/DISCUSSION**

In June 2018, the City Council extended the City Manager's employment agreement through November 30, 2018 to allow time for the negotiation of terms for a five-year agreement. Each year, the Council reviews the performance of the City Manager. The Council reviewed the City Manager's performance in April 2018. In evaluating performance, the Council considers whether or not the City Manager met or exceeded the Council's expectations and goals and how well she advanced the Council Priorities. The discussions focused on whether or not the City Manager met the established goals, her performance over the last year, and how well she advanced the Council priorities.

Some of the accomplishments under Kelly's direction and leadership this performance period included:

- Made organization more nimble through lean innovation, empathy, and other strategic initiatives.
- Facilitated Fiscal Sustainability Discussions, introduced new plug and play budget model, and developed five-year fiscal sustainability strategy in partnership with the City Council.
- Negotiated with Chabot-Las Positas Community College District and secured \$20 million contribution for the new Fire Training Center.
- Negotiated purchase agreements for some of the former CalTrans Route 238 properties that resolved long standing issues.
- Improved relations with City's labor groups resulting in negotiated agreements with all groups and settlement of outstanding labor issues.

Based on the outcome of the performance evaluation and the Council's determination that the City Manager met and/or exceeded the Council's expectations and goals, the Council has expressed a desire to extend the term of employment with the City Manager.

The Council recognizes that having a multi-year contract with the City Manager strengthens the organization and is in the best interest of the City of Hayward, its employees, and the community because stability in leadership allows for long-term planning and enhanced ability to implement strategies. Moreover, accepting a multi-year agreement demonstrates the City Manager's commitment to the City of Hayward, its employees, and the community, which fosters essential relationships with internal and external customers and stakeholders. The proposed agreement is for a five-year extension covering the period of December 1, 2018 through June 30, 2023, with provisions for salary adjustments, a total compensation market survey, and a revised severance package from three months to six months. The Council will continue to evaluate performance annually.

Currently, the City Manager is one of the lowest paid City Managers in the Bay Area. She ranks second to last and is more than 15% below the middle of the survey market when compared to the ten agencies identified as comparable to Hayward by a compensation consultant: Alameda, Berkeley, Daly City, Fremont, Richmond, San Leandro, San Mateo, Santa Clara, Palo Alto, and Vallejo. The Council has consistently maintained that all employees should be compensated in an equitable manner and that they should contribute toward the cost of their benefits in order to preserve the quality and level of the benefits provided, address the City's structural deficit, provide long-term financial stability, and maintain services to the Hayward taxpayers and community.

Recently negotiated agreements with the City's largest employee groups include salary adjustments consisting of both COLAs and market equity adjustments for employees up to a combined total maximum of 15% in some cases. On balance, these agreements result in a General Fund savings of approximately \$4 million over a five-year period. The City Manager's agreement is consistent with the labor contracts for other employees and consists of delayed salary adjustments and continued contributions toward benefits including an additional 5% toward the City's share of PERS retirement costs (for a total of 13% employee paid contributions), shared cost for dental and vision (50% towards

premiums), and 20% towards medical insurance premiums. In determining compensation for the contract period, the Council factored in performance, the salary survey, and the City's fiscal sustainability. The negotiated agreement includes cost of living adjustments of 2% effective January 1, 2020 and 2% effective July 1, 2020 as well as market equity adjustments of 7% effective January 1, 2019 and 7% effective January 1, 2020. There will be a total compensation survey conducted during 2021. The survey will be one of multiple factors that will be used to inform the Council in determining whether or not they wish to negotiate any salary adjustments for the remainder of the agreement.

## **FISCAL IMPACT**

The approximate cost of the proposed changes to the employment agreement over the five-year agreement period is \$145,454 as detailed below:

Period	Base Salary	Total Proposed Compensation (salary and benefits)	Budget Model – Total Compensation*	Difference
FY 2019	\$271,227.04	\$ 371,627	\$ 366,495	\$ 5,133
FY 2020	\$295,637.47	\$ 409,431	\$ 382,751	\$ 26,680
FY 2021	\$301,550.22	\$ 442,911	\$ 397,998	\$ 44,913
FY 2022	\$301,550.22	\$ 449,978	\$ 411,947	\$ 38,032
FY 2023	\$301,550.22	\$ 455,793	\$ 425,096	\$ 30,697
Total		\$ 2,129,741	\$ 1,984,287	\$ 145,454

\*This column projects annual salary increases of 2% and other benefit cost increases, but does not include equity adjustments.

Future updates to the General Fund Budget Model will include these changes.

## **NEXT STEPS**

Human Resources staff will work with the City Attorney's office to execute the employment agreement.

*Prepared by:* Nina S. Collins, Director of Human Resources

Approved by:




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Barbara Halliday, Mayor