

**AMENDMENT NO. 2 TO
CITY MANAGER EMPLOYMENT AGREEMENT BETWEEN
AARON ADAMS AND CITY OF TEMECULA**

The Employment Agreement ("Agreement") by and between the City Of Temecula, a California Municipal Corporation ("City"), and Aaron Adams, an individual, ("Employee"), made and entered into as of June 1, 2013, as amended by Amendment No. 1, approved February 14, 2017, is hereby further amended as provided in this Amendment No. 2 ("Amendment No. 2"). This Amendment No. 2 is effective July 1, 2017. In consideration of the mutual covenants hereinafter contained the parties agree as follows:

1. **Recitals.** This Agreement is made with respect to the following purposes and facts that each party acknowledges to be true and correct:

A. The Parties previously entered into the Agreement as of June 1, 2013, and Amendment No. 1, approved February 14, 2017.

B. The City and its Management, Confidential and Executive Management Employees, pursuant to the Management Compensation Plan, have initiated a shift in the payment of a portion of the Public Employees' Retirement System (PERS) retirement contributions formerly paid by the City to covered employees implemented with an offsetting change in base salary.

C. The Parties desire to implement a similar 3% shift in retirement plan contributions from the City to Employee with a corresponding salary adjustment.

D. City and Employee desire to further amend the Agreement and Amendment No. 1 according to the terms of this Amendment No. 2, as provided below.

2. **Salary.** Section 4 (Salary), paragraph A of the Agreement, as amended by Amendment No. 1, is further amended to read as follows:

A. "Except as otherwise expressly provided in the Agreement or in Amendment No. 1, effective July 1, 2017 Employee shall receive a base salary of \$231,750.00."

3. **Retirement.** Section 5 (Hours of Work, Retirement, Insurance, Leaves and Holidays), is amended by adding following sentences to the end of Paragraph B:

"Employee shall pay three percent (3%) of the PERS employer contribution beginning July 1, 2017. The City will pay the Member Contribution (EPMC), required by the Public Employees' Retirement System to maintain the current level of benefits and report the value of the Employer Paid Member Contribution as Special Compensation to PERS, The City will pay the cost of this Special Compensation benefit, the "PERS on PERS" cost, to the extent permitted by law. This provision shall not be effective

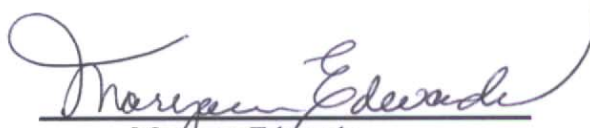
unless and until the City completes all applicable approvals and process required by law.”

4. **Healthcare Insurance.** Pursuant to Paragraph 5.B, unless otherwise expressly provided in the Agreement, as amended, all changes in Executive Management Group healthcare benefits (including cafeteria and Health Flex contributions) are determined by the City Council to apply to Employee.

5. Unless otherwise indicated, this Amendment No. 2 is effective July 1, 2017. Except as expressly modified in this Amendment No. 2, all provisions of the Agreement, as previously amended, shall remain in full force and effect.

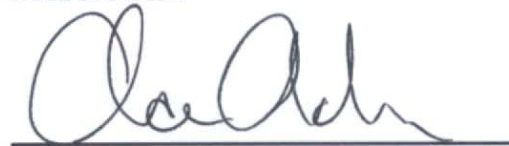
IN WITNESS WHEREOF the parties have executed this Amendment No. 2.

CITY OF TEMECULA



Maryann Edwards
Mayor

EMPLOYEE



Aaron Adams

Attest:



Randi Johl,
City Clerk

Approved As to Form:



Peter M. Thorson
City Attorney

**AMENDMENT NO. 1 TO
CITY MANAGER EMPLOYMENT AGREEMENT BETWEEN
AARON ADAMS AND CITY OF TEMECULA**

The Employment Agreement ("Agreement") by and between the CITY OF TEMECULA, a California Municipal Corporation ("City"), and Aaron Adams, an individual, ("Employee"), made and entered into as of June 1, 2013 is hereby amended as provided in this Amendment No. 1 ("Amendment"). This Amendment is effective July 1, 2017. In consideration of the mutual covenants hereinafter contained the parties agree as follows:

1. **Recitals.** This Agreement is made with respect to the following purposes and facts that each party acknowledges to be true and correct:

A. The Parties previously entered into the Agreement as of June 1, 2013, as cited above.

B. Pursuant to its terms, the Agreement was set to expire on June 30, 2017, unless sooner terminated, as provided in the Agreement, or extended by agreement of the Parties.

C. The Parties or their representatives have negotiated terms for extension of the Agreement, as set forth in this Amendment.

D. City and Employee desire to amend and extend the Agreement according to the terms of this Amendment, continuing their employment relationship without interruption.

2. **Term.** Section 3 (Term), Paragraphs A and B of the Agreement are amended to read as follows:

A. "The term of the Agreement, originally set for June 1, 2013 to June 30, 2017 is extended to June 30, 2021, unless sooner terminated as provided in Paragraph 6 of the Agreement."

B. "The term of this Agreement may be further extended by mutual agreement of the parties in a written amendment to this Agreement or by a new written agreement, duly adopted by the City Council. Provided this Agreement is still in force, the City Council shall advise Employee on or before December 31, 2020 if the City Council intends to negotiate an extension of this Agreement. Employee shall remind the City Council during the month of November 2020 of the requirement for an indication of its intent. Should the parties decide to negotiate an extension; neither party is required to reach agreement."

3. **Salary.** Section 4 (Salary), paragraphs A and B of the Agreement are amended to read as follows:

A. "Except as otherwise expressly provided in the Agreement or this Amendment, effective July 1, 2017 Employee shall continue to receive his existing salary of \$225,000.00 without change."

B. "Prior to July 1 2019, Employee shall not be entitled to cost of living increases in the salary as may otherwise be provided to general or Executive Management Group employees. On July 1, 2019 and July 1, 2020, Employee shall be entitled a cost of living increase in salary, based on an increase in the 'Cost of Living' as defined in California Government Code § 3511.1, as it currently exists or may be modified in the future. The cost-of-living adjustment will be calculated by comparing the April index number published for the current year (2019 or 2020) to the corresponding index number for April one year earlier (2018 or 2019) in the California Consumer Price Index for Urban Wage Earners and Clerical Workers for Los Angeles/Riverside/Orange County as calculated by the Department of Industrial Relations. Any change to the City Manager's salary in order to comply with this provision shall not be effective until adopted by the City Council during an open session of a duly noticed public meeting and included on a publically available pay schedule. Except as mutually agreed, such increase will be retroactive to the beginning of the fiscal year (July 1, 2019 or July 1, 2020, as applicable)."

4. **Deferred Compensation and Executive Leave.** Section 5 (Hours of Work, Retirement, Insurance, Leaves and Holidays) paragraphs C and E are amended by adding the terms provided below.

The table at the end of Paragraph C is augmented by adding the following additional line:

<u>Effective Date</u>	<u>Annual Employer Contribution</u>	<u>Paid</u>
7/1/17 – 6/30/21	\$18,000.00/year	Prorated Each Pay Period

The following sentences are added to the end of Paragraph E: "Contrary terms notwithstanding, effective July 1, 2017, Employee shall accrue a maximum of 80 hours of Executive Leave for the applicable benefit year (prorated for partial years). All other terms for Executive Leave not inconsistent with this limit will apply to Employee."

5. **Severance.** Section 6 (Termination and Resignation), Paragraph C of the Agreement is amended to read as follows.

C. "In the event Employee is terminated by the City Council, City shall pay Employee a lump sum severance benefit equal to either the number below of his then-monthly salary (salary as of the final day of employment), or such time as is remaining on the term of the Agreement, whichever is less, subject to the provisions of Section 6.C. of the Agreement. City shall also provide to Employee, at no cost to Employee, health benefits provided by Paragraph 5.B. of this Agreement: (1) for the number of months below, (2) the remaining term of this Agreement or (3) until Employee finds other employment, whichever occurs first. Employee shall not be entitled to retirement or leave benefits during this period, or any other benefit not permitted by law. These severance benefits shall not apply if Employee resigns or if this Agreement expires without a written amendment extending it."

<u>Termination Date</u>	<u>Severance Benefit</u>	<u>Health Benefits</u>
7/1/17 – 6/30/19	Nine (9) Months of Employees then-monthly salary	(1) Nine (9) months, (2) the remaining term of this Agreement or (3) until Employee finds other employment, whichever occurs first.
7/1/19 – 6/30/21	Twelve (12) Months of Employee's then-monthly salary or such time as is remaining on the term of the Agreement.	(1) Twelve (12) months, (2) the remaining term of this Agreement or (3) until Employee finds other employment, whichever occurs first.

6. Unless otherwise indicated, this Amendment is effective July 1, 2017. Except as expressly modified in this Amendment, all provisions of the Agreement shall remain in full force and effect.

[Signature on Next Page.]

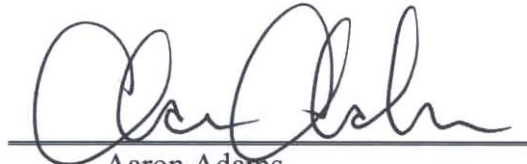
IN WITNESS WHEREOF the parties have executed this Amendment as of the day and year first above written.

CITY OF TEMECULA



Maryann Edwards
Mayor

EMPLOYEE



Aaron Adams

Attest:



Randi Johl,
City Clerk

Approved As to Form:



Peter M. Thorson
City Attorney

**CITY MANAGER EMPLOYMENT AGREEMENT BETWEEN
AARON ADAMS AND CITY OF TEMECULA**

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of June 1, 2013, by and between the CITY OF TEMECULA, a California Municipal Corporation ("City"), and Aaron Adams, an individual, ("Employee"). In consideration of the mutual covenants hereinafter contained the parties agree as follows:

1. **Recitals.** This Agreement is made with respect to the following purposes and facts that each party acknowledges to be true and correct:

A. Employee is currently employed by City as its Interim City Manager and previously served City as its Executive Director of Community Services.

B. City desires to engage and retain the services of Employee, and Employee desires to accept employment as the regular City Manager of the City of Temecula.

C. The City Council desires to encourage the highest standards of fidelity and public service on the part of Employee.

D. The Parties desire to provide a reasonable degree of employment security during the term of this Agreement, while providing a just means for terminating Employee's services, should cause exist.

E. The parties further desire to establish certain benefits and certain conditions of Employee's employment.

2. **Duties.** City agrees to employ Employee as City Manager of City to perform the functions and duties specified in the Temecula Municipal Code and the California Government Code and to perform such other legally permissible and proper duties and functions as may be assigned from time to time. At the option of City, Employee shall also serve as Executive Director of or a representative to any authority or agency created by or staffed by City. Employee shall not consult or engage in other non-City connected business or consulting without the prior knowledge and express written approval of the City Council; provided however, Employee shall be permitted to instruct, write, teach and lecture on Employee's time off.

3. **Term.**

A. The term of this Agreement shall commence on June 1, 2013 and shall terminate on June 30, 2017, unless sooner terminated as provided in Paragraph 6 of this Agreement.

B. The term of this Agreement may be extended by mutual agreement of the parties in a written amendment to this Agreement or by a new written agreement, duly adopted by the City Council. Provided this Agreement is still in force, the City Council shall advise Employee on or before December 31, 2016 if the City Council intends to negotiate an extension of this Agreement. Employee shall remind the City Council during the month of November

2016 of the requirement for an indication of its intent. Should the parties decide to negotiate an extension, neither party is required to reach agreement.

4. Salary.

A. Effective as of June 1, 2013, City shall pay Employee an annual salary as reflected in the table below. The parties acknowledge that Employee's salary at the inception of this Agreement continues his existing salary without change. The annual salary will be prorated and paid on City's normal paydays, subject to legally permissible or required withholding. Employee's salary is compensation for all hours worked and for all services under this Agreement, including those as an Executive Director or involving any other position, office or appointment associated with the City.

<u>Effective Date</u>	<u>Annual Salary</u>	<u>Monthly Equivalent</u>
6/1/13 – 10/31/13	\$192,000.00	\$16,000.00
11/1/13 – 4/30/14	\$200,000.00	\$16,666.67
5/1/14 – 4/30/15	\$210,000.00	\$17,500.00
5/1/15 – 4/30/16	\$215,000.00	\$17,916.67
5/1/16 – 6/30/17	\$225,000.00	\$18,750.00

B. Employee shall not be entitled to cost of living increases in the salary as may otherwise be provided to general or Executive Management Group employees.

C. Other provisions of this section notwithstanding and consistent with the City's Classification and Compensation plan, the Employee, as City Manager, shall be the highest paid employee of the City. Any change to the City Manager's salary in order to comply with this provision shall not be effective until adopted by the City Council during an open session of a duly noticed public meeting and included on a publically available pay schedule. Except as mutually agreed, such increase will be retroactive to the date of the increase for the next highest paid employee that required action under this Paragraph C.

5. Hours of Work, Retirement, Insurance, Leaves, and Holidays.

A. Employee's duties may involve expenditures of time in excess of eight (8) hours per day, forty (40) hours per week, and may also include time outside normal office hours such as attendance at City Council and other meetings. Employee's salary is compensation for all hours worked and Employee shall be exempt from paid overtime compensation.

B. Employee shall be entitled to such retirement, insurance and other fringe benefits as are provided in the benefits package for employees in the Executive Management Group, except as otherwise provided in this Agreement. Such fringe benefits shall be subject to the terms and conditions of the applicable plan, policy or other controlling documents and shall

be paid on the same basis as paid for employees in the Executive Management Group. Except as otherwise required by law or by contract with any benefit provider, changes in such benefits shall not apply to Employee, unless and until so determined by action of the City Council.

C. In addition to base salary and other benefits, City shall make an employer contribution as provided in the table below to an Internal Revenue Code section 457(b) or 401(a) plan maintained by City. In the event more than one plan is available, the plan to which contributions are made will be determined by Employee to the maximum extent permitted by law. Employer contributions will be prorated and paid each pay period and will also be prorated for partial years. Employee will not be eligible for employer contributions if he resigns or is terminated prior to the commencement of contributions, as listed below and Employee is not eligible for pro-rated contributions following termination.

<u>Effective Date</u>	<u>Annual Employer Contribution</u>	<u>Paid</u>
6/1/13 – 6/30/14	\$0	\$0
7/1/14 – 6/30/15	\$0	\$0
7/1/15 – 6/30/16	\$6,000.00	Prorated Each Pay Period
7/1/16 – 6/30/17	\$11,000.00	Prorated Each Pay Period

D. Employee shall be entitled to Comprehensive Annual Leave on the same terms, conditions, limitations, and restrictions as apply to employees in the Executive Management Group. Contrary terms notwithstanding, Employee's maximum accumulation shall be 800 hours of unused Comprehensive Annual Leave and Employee may cash out accumulated unused Comprehensive Annual Leave of not more than 250 hours annually at the same time as other employees. Once Employee reaches the maximum accumulation limit, Employee will stop earning additional Comprehensive Annual Leave until his balance falls below the limit.

E. Employee shall be entitled to such paid holidays and leaves as are provided to employees in the Executive Management Group.

F. This Agreement is intended to continue the employment of Employee without interruption. Employee's seniority, employment anniversary date and accumulated leaves shall remain in effect and shall not be terminated or modified by this Agreement notwithstanding the provisions of Paragraph 13.A. of this Agreement.

6. Termination and Resignation.

A. Employee is an at-will employee serving at the pleasure of the City Council, subject to the terms of this Agreement. City Council may terminate this Agreement and the employment of Employee at any time without notice and with or without cause. Termination shall require the affirmative votes of three Council Members.

B. In the event Employee is terminated by the City Council, City shall pay Employee a lump sum severance benefit equal to six (6) months of his then-monthly salary (as of the final day of employment), or such time as is remaining on the term of this Agreement, whichever is less, subject to the provisions of Section 6.C. of this Agreement. City shall also provide to Employee, at no cost to Employee, health benefits provided by Paragraph 5.B. of this Agreement: (1) for six (6) months, (2) the remaining term of this Agreement or (3) until Employee finds other employment, whichever occurs first. Employee shall not be entitled to retirement or leave benefits during this period, or any other benefit not permitted by law. These severance benefits shall not apply if Employee resigns or if this Agreement expires without a written amendment extending it.

C. City shall not be obligated to provide the severance benefits designated in Paragraphs 6.A. and 6.B in the event that: (1) Employee is terminated because of his conviction of a felony or the filing of a criminal charge against him alleging a felony which subsequently results in his conviction of a felony (including a plea of nolo contendere thereto); or (2) Employee has engaged in corrupt or willful misconduct in office, including any illegal act involving personal gain. In the event Employee is terminated by City following the filing of felony charge or charges, Employee shall be entitled to such severance benefits commencing at the time a final judgment is rendered or disposition of the charges is made establishing that Employee did not commit the acts for which he was charged unless it is otherwise established that Employee has engaged in corrupt or willful misconduct in office, including any illegal act involving personal gain.

D. Upon termination, separation, or expiration of Employee's employment as City Manager, City shall pay to Employee the lump sum cash equivalent of all of the remaining leaves to which Employee is entitled under this Agreement.

E. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of Employee to resign at any time from his position with City, subject only to Employee providing sixty (60) days prior written notice to the City or such shorter period as approved in writing by the City Council.

F. Notwithstanding the above, it is also understood and agreed that Employee shall be retained a minimum of six (6) months following any municipal election at which a new councilmember is elected to the Council, thereby allowing the new City Council adequate time to assess the Employee's performance. If Employee is terminated at the end of this six month period following such an election, the provisions of this Section shall apply to such action.

G. Any other term of this Agreement notwithstanding, the maximum severance and health benefits that Employee may receive under this Agreement as a result of termination shall not exceed the limitations provided in Government Code §§ 53260-53264. Further, in the event Employee is convicted of a crime involving an abuse of office or position, Employee shall reimburse the City for any paid leave or cash settlement (including severance), as provided by Government Code Sections 53243 - 53243.4.

7. **Performance Evaluation.**

A. The City Council shall review and evaluate the performance of Employee approximately six (6) months after commencement of this Agreement (approximately November 2013) and annually thereafter (approximately June 2014 and each year thereafter). Said review and evaluation shall be in accordance with specific criteria developed jointly by the City Council and Employee. Said criteria may be added to or deleted from as the City Council may from time to time determine after consultation with Employee. The Mayor shall provide Employee with a summary written statement of the findings of the City Council and provide an adequate opportunity for Employee to discuss his evaluation with the City Council. Employee will request and schedule such reviews, as appropriate pursuant to City agenda procedures or as otherwise directed by City Council. Nothing in this paragraph is intended to limit additional interim evaluations or review or to limit the normal communications process between the City Council and Employee.

B. Annually, the City Council and Employee shall define such goals and performance objectives which they determine necessary for the proper operation of the City and in the attainment of the City Council's policy objectives, and shall further establish a relative priority among those various goals and objectives, said goals and objectives to be reduced to writing. They shall generally be attainable within the time limitations as specified and the annual operating and capital budget appropriations provided.

8. **Automobile.** Employee's duties require that he shall have the exclusive and unrestricted use of a vehicle at all times during his employment with the City. In lieu of providing Employee with a City vehicle for his exclusive use, City shall provide an automobile allowance of five hundred dollars (\$500.00) each month and shall reimburse Employee for mileage, only for attendance at required meetings outside of City limits, at the mileage rate allowed by the Internal Revenue Service for mileage reimbursement. In the event Employee must travel to meetings in inclement weather, unusual road conditions, or for the transport of larger groups of individuals in the course of his City duties, Employee shall be allowed business related use of a City fleet vehicle. No mileage reimbursement will be granted for Employee's use of City fleet vehicles.

9. **Memberships.** City agrees to pay Employee's membership dues in the International City/County Management Association and Employee shall have a reasonable right to attend meetings of such Association and of the League of California Cities at City expense.

10. **General Expenses.** City recognizes that certain extraordinary expenses of a non-personal and job affiliated nature may be incurred by Employee. City agrees to reimburse Employee for reasonable expenses which are submitted according to City's normal procedures, or such other procedure as may be designated by the City Council, and which are supported by expense receipts, statements or personal affidavits, and an audit thereof in like manner as other demands against the City. To be eligible for reimbursement, all expenses must be submitted by the last day of the month following the month in which they are incurred.

11. **Bonds.** City shall bear the full cost of any fidelity or other bonds required of Employee under any law, City ordinance or resolution by virtue of his employment with the City.

12. **Other Terms and Conditions of Employment.** The City may, from time to time, fix other terms and conditions of employment relating to the performance of Employee, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Agreement, Temecula Municipal Code, or other applicable law.

13. **General Provisions.**

A. This Agreement contains the entire understanding between the parties relating to the obligations and benefits of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, including all prior employment agreements, are merged into this Agreement and shall be of no further force or effect. No amendments to this Agreement may be made except by a writing signed and dated by City and Employee.

B. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

C. Employee acknowledges that he has had the opportunity and has conducted an independent review of the financial, tax and legal effects of this Agreement. Employee acknowledges that he has made an independent judgment upon the financial and legal effects of this Agreement and has not relied upon any representation of City, its officers, agents or employees other than those expressly set forth in this Agreement.

D. Pursuant to Government Code Section 53245, Employee may file with the City a designation of a person who, notwithstanding any other provision of law, shall, on the death of Employee, be entitled to receive all warrants or checks that would have been payable to Employee had he survived. Employee may change the designation from time to time. Any person so designated shall claim such warrants or checks from the City. On sufficient proof of identity, the City shall deliver the warrants or checks to the claimant. A person who receives a warrant or check pursuant to this section is entitled to negotiate it as if he or she were the payee.

E. All notices pertaining to this Agreement shall be sent to:

EMPLOYEE: Aaron Adams
At the most recent address on file in Employee's personnel
file held by City's Human Resources Department

CITY: City Clerk
City of Temecula
41000 Main Street
P.O. Box 9033
Temecula, California 92589-9033

Such notice shall be deemed made when personally delivered, transmitted by facsimile or, when mailed, 48 hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

F. If any provision or portion hereof contained in this Agreement is held to be unconstitutional, invalid or unenforceable, the remainder of this Agreement or portion thereof shall be deemed severable and shall not be affected and shall remain in full force and effect.

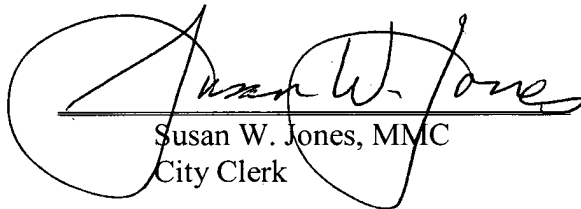
G. To the extent the terms of this Agreement provide for payments or actions beyond the term of the Agreement, then such terms shall survive the expiration of the term of the Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

CITY OF TEMECULA


Michael S. Naggar
Mayor

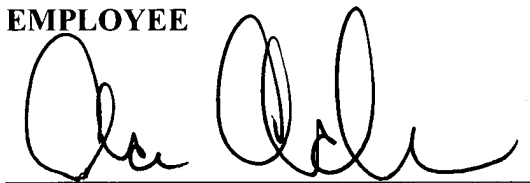
Attest:


Susan W. Jones, MMC
City Clerk

Approved As to Form:


Peter M. Thorson
City Attorney

EMPLOYEE


Aaron Adams