



CITY OF
**PALO
ALTO**

City Council Staff Report

From: Council Appointed Officers Committee

Report Type: ACTION ITEMS

Lead Department: Human Resources

Meeting Date: December 9, 2024

Report #:2411-3794

TITLE

Approval of Amendments to the Employment Agreements between the City of Palo Alto and Council Appointed Officers, specifically the City Manager, City Attorney, and City Clerk. CEQA Status - Not a Project

RECOMMENDATION

Staff recommends that the City Council approve and authorize the Mayor to execute the following contract amendments for Council Appointed Officers:

1. Amendment No. 12 to Employment Agreement between the City of Palo Alto and Molly S. Stump (Attachment A);
2. Amendment No. 6 to Employment Agreement between the City of Palo Alto and Ed Shikada (Attachment B); and
3. Amendment No. 1 to Employment Agreement between the City of Palo Alto and Mahealani Ah Yun (Attachment C).

BACKGROUND/DISCUSSION

The City Council has completed annual merit reviews for Council Appointed Officers (CAOs): City Attorney Molly S. Stump, City Manager Ed Shikada, City Clerk Mahealani Ah Yun for the prior fiscal year's performance (FY 2024).

Staff has been directed by City Council to bring forward amendments to employment agreements to implement merit- based increases to the CAO's annual salaries, effective July 1, 2024, as follows:

- City Attorney Molly S. Stump, merit increase of 6% of which 1% will be added to annual compensation and 5% towards a 401(a) defined contribution retirement plan. Stump's new annual salary will be \$365,266 and new annual contribution to 401(a) \$33,082. (Attachment A)

- City Manager Ed Shikada, merit increase of 6% of which 3% will be added to annual compensation and 3% towards a 401(a) defined contribution retirement plan. Shikada's new annual salary will be \$422,803 and new annual contribution to 401(a) \$30,815. (Attachment B)
- City Clerk Mahealani Ah Yun, merit and market-based adjustment to median of the market at \$192,500 (Attachment C).

As appointed officers of the Council, the City Attorney, City Manager, and City Clerk are employed under employment agreements specifying that performance and salary are evaluated annually. CAO's do not receive regular cost of living adjustments which are applied to other employee groups (Mgmt, SEIU, IAFF, PAPOA, etc.), all compensation is outlined by Council and approved during annual evaluations. The following paragraph is the specific provision in the City Manager's employment agreement that addresses salary adjustments; the City Attorney and City Clerk's employment agreements contain similar provisions.

Salary Adjustments. Not less than once each year, the City Council shall meet for the express purpose of evaluating the performance of Shikada and determining whether to grant him an increase in annual base salary based on performance. The City Council will act in good faith in determining whether to provide an increase based on performance, but the ultimate decision in this regard is within the sole discretion of the City Council. The Council may also adjust Shikada's annual base salary due to labor market and/or internal equity conditions.

For the FY 2024 performance evaluation period, City Council completed evaluations for the City Attorney, City Manager, and City Clerk. Council completed the evaluations with the assistance of an outside consultant. The consultant, a professional with the firm MRG, facilitates CAO evaluations with many agencies throughout California. The process includes surveys, 1-1 interviews, and facilitated closed session discussions as appropriate under the Brown Act. At the conclusion of the CAO evaluation process, Council directed staff to prepare amendments reflecting the increases outlined above, amendments are attached to this staff report as exhibits.

FISCAL/RESOURCE IMPACT

The additional cost for CAO salary increases of approximately \$73,800 for the CAO positions is expected to be funded in the respective departmental FY 2025 Adopted Budgets. These adjustments are slightly higher than unrepresented management professional citywide average wage increase assumptions; however, staff anticipates the respective departments to absorb these costs. Staff will monitor these departments in FY 2025 and bring forward budget adjustments if necessary, and these changes will be incorporated as ongoing changes in the development of the FY 2026 annual budget.

STAKEHOLDER ENGAGEMENT

Employment agreements of local public agency executives are required to be voted on in open session when changes in salary or benefits are proposed to provide transparency for stakeholders.

ENVIRONMENTAL REVIEW

Council action on this item is not a project as defined by the California Environmental Quality Act (CEQA) in that the amendments to the employment agreements are personnel-related actions. CEQA Guidelines Section 15378(b)(2).

ATTACHMENTS

Attachment A: Amendment No. 12 to the Employment Agreement between the City of Palo Alto and Molly Stump

Attachment B: Amendment No. 6 to the Employment Agreement between the City of Palo Alto and Edward Shikada

Attachment C: Amendment No. 1 to the Employment Agreement between the City of Palo Alto and Mahealani Ah Yun

APPROVED BY:

Sandra Blanch, Human Resources Director