

City of Garden Grove
INTER-DEPARTMENT MEMORANDUM

To: Matthew J. Fertal
Dept: City Manager
Subject: **Approval of Amendment to Employment Agreement with Matthew J. Fertal for Service as City Manager.**

From: John D.R. Clark
Dept: Human Resources
Date: May 13, 2008

OBJECTIVE

To request City Council approval of an amendment to the employment agreement with City Manager Matthew J. Fertal, and authorize the Mayor and City Clerk to execute the agreement.

BACKGROUND

The City Council approved an employment agreement with Matthew J. Fertal on April 13, 2004, coinciding with the retirement of the previous City Manager, George Tindall. Terms of the agreement (attached) included a monthly starting salary to be adjusted in the same manner as those for other City management staff (Article 4), a term of three years, automatically extended in one year increments unless either side gives notice to the other (Article 1), provisions for termination including a 9-month severance in the event of City Council-initiated termination (Article 7), and other provisions typical of these kinds of agreements.

An ad-hoc subcommittee consisting of Mayor Dalton and Council Member Jones has gathered information and formulated a recommendation for modifications to the terms and conditions of the City Manager's employment. Their effort was assisted by the Human Resources Department. The subcommittee's recommendation is contained herein.

DISCUSSION

The starting point for any modification to terms and conditions of employees is a survey of comparable agencies. Garden Grove uses the same ten comparator cities in all surveys: Anaheim, Buena Park, Costa Mesa, Fullerton, Huntington Beach, Irvine, Newport Beach, Orange, Santa Ana, and Westminster. This survey indicates the median salary for city managers, adjusted for PERS employee-share pickup, to be 12.51% above the Garden

Grove salary, adjusted for PERS employee-share pickup. The PERS adjustment refers to the fact that Garden Grove does not pay (i.e., "pick up") the employee's share of PERS, meaning generally our salary ranges have to be adjusted downward by 8% to create an "apples to apples" comparison.

To provide additional context, other cities were surveyed as well. The median for all Orange County cities (32) is about 15% above the adjusted Garden Grove salary. The median for all cities that participate in the California Public Agency Compensation Survey (CalPACS; all cities in Los Angeles County, Orange County, and most in San Diego County, Riverside County, and San Bernardino County) is about 16% above the adjusted Garden Grove salary. Because the Orange county-wide and CalPACS figures are unadjusted, they are likely to be 2-3% lower when adjusted, or approximately the same as the results of the aforementioned survey of our standard ten neighbor cities.

The subcommittee also concluded that encouraging the continued tenure of the City Manager is in the public interest and thus recommends a multi-year contract. The current contract was for three years (originally expiring April 13, 2007), extended in one-year increments thereafter. The subcommittee recommends a four-year contract, which allows the equity increase to be spread out over three years, in recognition of the need to demonstrate fiscal restraint in light of the slowing economy.

Accordingly, the recommendation is for a 3% equity increase to take effect May 3, 2008, an additional 3% to take effect July 1, 2009, and finally, a 4% increase to take effect July 1, 2010. Taken together, these increases will make up 10% of the 12.5% equity gap. To close this final gap, the subcommittee recommends adding one week of vacation to the agreement, equal to about 1.92% of salary

FISCAL IMPACT

Provision of the specified equity increases will result in \$7,484 of additional costs in Fiscal Year 2008-09.

COMMUNITY VISION IMPLEMENTATION

Fairly compensating employees supports the achievement of the City's 2005 - 2010 Strategic Plan goals.

RECOMMENDATION

It is recommended that the City Council:

- Approve the following amendments to the City's employment agreement with Matthew J. Fertal:

1. Amend Section 1.02 to read as follows:

The term of this agreement shall be four (4) years, beginning on May 7, 2008 and terminating on May 6, 2012. The agreement shall thereafter be renewed automatically for succeeding one (1) year terms, unless in any particular rollover succeeding one year term either party gives notice to the other at least sixty (60) days prior to the expiration of said one (1) year term of its intention not to renew.

2. Amend Section 4.01, part (a), to read as follows:

A salary of \$18,620 per month.

3. Add new Section 4.01, part (c), to read as follows:

Effective July 1, 2009, the salary of the City Manager, including any adjustments pursuant to part (b) of this section, shall be increased by 3%. Effective July 1, 2010, the salary of the City Manager, including any adjustments pursuant to part (b) of this section, shall be increased by 4%.

4. Amend Section 5.01 to read as follows:

EMPLOYEE shall be entitled to the same holiday, vacation and sick leave benefits, and other benefits, as the other members of the Central Management unit of the City, except that EMPLOYEE shall receive forty (40) additional hours of vacation.



JOHN D.R. CLARK
Human Resources Director

Attachment: Current employment agreement