



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 21-506

Meeting Date: 12/7/2021

TITLE:

AMENDMENT TO EMPLOYMENT AGREEMENT FOR THE CITY MANAGER

DEPARTMENT: CITY MANAGER'S OFFICE- HUMAN RESOURCES DIVISION

PRESENTED BY: KASAMA LEE, HUMAN RESOURCES MANAGER

CONTACT INFORMATION: KASAMA LEE, HUMAN RESOURCES MANAGER (714) 754-5169

RECOMMENDATION:

City Council consider the Third Amendment to Agreement for the Office of the City Manager. Staff respectfully recommends that the City Council:

1. Approve the Third Amendment to Agreement for the Office of the City Manager (Attachment I)
2. Adopt Resolution 2021-XX (Attachment II) which revises the Executive Compensation Plan and Executive Salary Schedule.

BACKGROUND:

The City Council entered into an employment agreement with Lori Ann Farrell Harrison as City Manager effective May 7, 2019. The Council approved Amendment No. 1 to the City Manager Employment Agreement on June 26, 2020 to take a temporary pay reduction due to the COVID-19 Global Pandemic and prolonged state of emergency. The City Council approved Amendment No. 2 to the City Agreement for the Office of the City Manager to end the five percent (5%) furlough and to provide a one-time reimbursement for the value of the pay reduction.

The City Council conducted a formal performance evaluation of Mrs. Farrell Harrison in November 2021. During the completion of the performance evaluation process, the City Council also considered a market survey of City Manager salaries in Orange County and the competitive market for quality municipal leadership and determined that Mrs. Farrell Harrison's current compensation is well below the relevant market.

Mrs. Farrell Harrison received a positive evaluation and the City Council directed staff to prepare an amendment to her employment agreement to include adjustments to the City Manager's compensation and benefits for consideration and discussion in open session. Mrs. Farrell Harrison is in agreement with the terms of the proposed amendment, subject to the approval of the City Council.

ANALYSIS:

The City Council's evaluations of Mrs. Farrell Harrison confirmed her superior performance across the full breadth of City operations. Some of her accomplishments include:

- Building a strong City Manager and City Council Relationship
- Improving staff performance, culture of excellence and productivity
- Initiating best practices for citywide vision and strategic planning
- Creating a more transparent and proactive culture with labor
- Decisive decision-making
- Emphasizing emergency management and disaster preparedness
- Enhancing communication with residents, business and key relationships
- Embracing social equality
- Emphasizing reduction of homelessness and increased housing
- Successful and Transparent Financial Management

In recognition of this ongoing performance, and her strong leadership and commitment to the organization and community, the City Council will consider the Third Amendment to Agreement for the Office of the City Manager. This Amendment includes the following adjustments to compensation and benefits:

- Increase in base salary from \$260,000 to \$300,000 annually, representing a 15% increase in base salary.
- Three (3%) annual step increases effective the payroll period that includes January 1, 2023, January 1, 2024 and January 1, 2025 based on satisfactory performance for the evaluation period.
- Maximum annual contribution (including catch-up contributions) to employee's 457 deferred compensation account. Currently, this amount is \$19,500, plus a catch up provision of \$6,500 if over 50 years old.
- Option for use of a City vehicle in lieu of a \$575 monthly automobile allowance.

ALTERNATIVES:

The Council may choose to modify any of the terms or conditions in the Third Amendment to Agreement to the Office of City Manager. However, any modifications should be reviewed with Mrs.

Farrell Harrison prior to taking formal action.

FISCAL REVIEW:

The cost of the proposed adjustments to the City Manager's compensation and benefits is \$35,000 for FY 2021-22 and will be absorbed in the City Manager's FY 2021-2022 budget with the full annual cost budgeted in the upcoming FY 2022-23 budget.

LEGAL REVIEW:

The City Attorney's Office has reviewed this staff report and prepared Resolution 2021-XX and Third Amendment to the Employment Agreement and approved them as to form.

CONCLUSION:

Mrs. Farrell Harrison's performance supports the City's Strategic Plan Goals and Objectives of a City government that has a superior workforce, is financially sound, improves the quality of life and is responsive to community needs. The proposed amendment to the employment agreement supports the City's Strategic Plan Goals to recruit and retain high quality staff. For these reasons, staff is recommending that the City Council:

1. Approve the Third Amendment to Agreement for the Office of the City Manager (Attachment I)
2. Adopt Resolution 2021-XX (Attachment II) which revises the Executive Compensation Plan and Executive Salary Schedule.