

**CITY OF COSTA MESA AGREEMENT FOR  
THE OFFICE OF CITY MANAGER**

THIS AGREEMENT, made and entered into this \_\_\_\_ day of December, 2025 by and between the CITY OF COSTA MESA, State of California, a Municipal corporation, hereinafter referred to as "the City" and Cecilia Gallardo-Daly, hereinafter referred to as "Employee."

**RECITALS:**

WHEREAS, the City desires to retain the services of Employee as City Manager of the City of Costa Mesa; and

WHEREAS, the City Council of the City of Costa Mesa desires to provide certain benefits, establish certain conditions of employment and to establish working conditions for Employee; and

WHEREAS, Employee desires to provide said services as City Manager to the City under the terms and conditions hereinafter set forth; and

WHEREAS, Employee represents that she is willing and qualified to provide such services to the City;

WHEREFORE, in consideration of the respective mutual covenants and promises hereinafter contained and made subject to all of the terms and conditions hereof, the parties hereto do hereby agree as follows:

**1. DUTIES**

- (a) The City hereby agrees to retain the services of Employee as City Manager to perform the functions and duties specified in Title 2, Chapter IV, Article 2 of the Costa Mesa Municipal Code and to perform other legally permissible and proper duties and functions as designated by the City Council from time to time.
- (b) Employee shall prepare and implement an annual plan of Organizational Goals and Objectives to be discussed with and approved by City Council which will be incorporated into an annual evaluation tool to assess performance.
- (c) Employee may exercise only those powers expressly granted to her as City Manager through the Costa Mesa Municipal Code, any Resolution, or any minute action of the Council.
- (d) Employee will conscientiously and loyally perform all of the duties, expressed or implied, required of her by the terms of this Agreement, the Costa Mesa Municipal Code, and the duties that may be delegated to her by the Council. Employee understands and agrees that she shall:

- (i) Devote her time, ability and attention to matters of City and the City Council of not less than the regular business hours of the City.
- (ii) Perform her duties within the budget adopted by the Council.
- (e) The City Manager will not, without the prior consent of the Council, do or agree to do, any of the following acts:
  - (i) Borrow any amount of money on behalf of the City;
  - (ii) Enter into any contract on behalf of the City in excess of the limits established by ordinance or resolution;
  - (iii) Expend any amount in excess of the amounts budgeted for expenditure by the Council except as permitted within the City's adopted ordinance, resolution or policy regarding the City Manager's budget authority;
  - (iv) Sell any assets of the City except in strict accordance with the City's adopted ordinance, resolution or policy on disposition of surplus property.

## **2. TERMS OF AGREEMENT**

- (a) Employee agrees to remain in the exclusive employment of the City and not to become otherwise employed while this Agreement is in effect, without approval from the City Council. Employee agrees that any other employment engaged in by her shall not interfere with the performance of her duties under this Agreement.
- (b) The term of this Agreement shall commence on December 2, 2025, or such earlier date that Employee and City agree, and remain in effect for a period of three (3) years or until terminated by either party hereto as provided herein.
- (c) This Agreement in its entirety may be renegotiated at any time so long as City and Employee desire and mutually agree to such terms in writing.
- (d) City Manager and the City Council ad hoc committee shall jointly develop performance goals to be used to evaluate the annual performance of the City Manager at the commencement of Employee's term of employment. The Mayor and City Council shall conduct a performance evaluation by July 30, 2026, which is approximately six months after commencement of Employee's term of employment, and annually thereafter by no later than August 1st in each year during the term of this Agreement. The Mayor, City Council and City Manager shall annually develop mutually agreeable performance goals and criteria which the City Council shall use in reviewing Employee's performance in the following year. The Human Resources Manager and the City Attorney shall coordinate to ensure that this review process is initiated each year. The Mayor, City Council and City Manager shall

further establish a relative priority among those various goals and objectives, said goals to be reduced to writing. These objectives shall generally be attainable within the time limitations as specified and the annual operating and capital budgets and appropriations provided, subject to and taking account of unexpected circumstances which may arise during any particular performance period which requires an adjustment to expectations for implementation of goals and objectives and related costs, if any. The failure of the Mayor/City Council to define such goals and performance objectives, and/or to reduce them to writing shall not affect the parties' rights to terminate this Agreement. In the event the performance evaluation results so warrant, there shall be agendaized for discussion as provided for by law any pay or benefit enhancements the Mayor and City Council may feel is warranted. Any revisions to compensation, term or benefits shall be required to be considered and approved only at an open and public meeting. Future annual performance evaluations shall be measured against Employee's achievement of the goals set forth in the previous year's annual performance evaluation. In addition to the required annual performance evaluations, the Mayor and City Council may schedule performance evaluations of Employee as they may deem necessary.

### **3. TERMINATION**

- (a) This Agreement may be terminated by the City Council for cause or misconduct by Employee. After giving notice to Employee that this Agreement is terminated for cause or misconduct, the City shall have no obligation to continue the employment of Employee or to provide compensation or benefits, including severance. For purposes of termination, "cause" is defined as willful breach of duty by Employee in the course of employment or habitual neglect of duty by Employee in the course of employment or continued incapacity of Employee to perform the duties of employment as City Manager. Cause may also include Employee being charged with, or entering a guilty plea or plea of nolo contendere to, or being convicted of, an offense which is a felony or crime of moral turpitude in the State of California; Employee's willful misconduct or gross negligence; or Employee's act of material dishonesty with or theft from the City.
- (b) This Agreement may be terminated by the City Council without cause at any time. If Employee is terminated by the City Council without cause, then Employee is entitled to one year's Base Salary as severance pay. In no event, however, shall Employee ever receive more than eighteen (18) months' severance pay as provided by state law. Employee shall also be entitled to payout of any unused accrued vacation leave at termination. The City will only provide Employee with the severance payment if Employee (1) continues to maintain the confidentiality of City's information, and the circumstances of Employee's separation from City, and (2) complies with her obligations under this Agreement.
- (c) In the event the Agreement is terminated by the City Council without cause, Employee will receive severance pay in a lump sum on the next regularly scheduled pay day after termination or in increments as may be determined by Employee which is convenient

to Employer, until all severance pay has been provided. Employee shall not be entitled to revert to her former position of Assistant City Manager should the City Council terminate this Agreement with or without cause.

- (d) Employee may voluntarily terminate this Agreement at any time upon thirty (30) days' written notice to the City Council and shall not be entitled to any severance pay or benefits upon such voluntary termination. City Council maintains discretion to accept Employee's resignation immediately and forego the notice period. Nothing in this section entitles Employee to 30 days' pay in lieu of notice.
- (e) Nothing in this Agreement shall prevent, limit, or otherwise interfere with the right of City Council to terminate the services of Employee at any time, at the sole discretion of City Council, in accordance with the Costa Mesa Municipal Code, as the same may be amended from time to time, and in accord with the provisions contained herein; provided, however, that in no event may Employee be terminated within ninety (90) days after any municipal election for the selection or recall of one or more of the members of the City Council.

#### **4. COMPENSATION**

- (a) Employee shall receive, as starting salary for her performance of the duties of City Manager, the sum of \$320,000.00 per year, subject to future adjustments which may be approved by the Mayor and City Council following performance evaluations of Employee as provided for in section 2(d) above. City shall adjust Employee's salary automatically to ensure that it is a minimum ten percent (10%) higher than the highest paid executive team member below City Manager in rank.

#### **5. EMPLOYEE BENEFITS**

- (a) Except as otherwise provided herein, Employee shall be granted the same package of benefits as is being provided to City's Executive Management employees on the effective date of this Agreement. All future changes to the package of benefits provided to City's Executive Management employees shall apply to the level of benefits for Employee unless the Parties agree otherwise. All such benefits, and the benefits described hereunder shall be deemed "fringe benefits" herein. This includes the City's continued participation and contributions of City obligations to the Public Employees Retirement System (PERS), group health, dental and related insurance programs (family coverage) in accordance with the PERS contract with City. The Employee shall be enrolled in the CalPERS 2% at 62 PEPPRA retirement plan, and shall pay the employee contribution percentage provided for in the current salary resolution, as same may be amended from time to time in the future.
- (b) Deferred Compensation. Employee has a 401(a) defined contribution plan account established by the City, which is subject to the contribution limits set

forth in Internal Revenue Code section 415(c)(1)(A), as adjusted for inflation. Beginning in calendar year 2026, and each calendar year thereafter, the City shall contribute Fifty Thousand Dollars (\$50,000) to the Employee's 401(a) plan on a pre-tax basis, paid in equal bi-weekly installments (the "401(a) Contribution"). Beginning in 2027, and each calendar year thereafter, the 401(a) Contribution to be made by the City shall increase by Five Thousand Dollars (\$5,000) per calendar year, subject to the maximum contribution limits allowed by federal law. Employee shall be immediately vested in all City contributions to the 401(a) plan. Employee shall not be entitled to receive the 401(a) contributions provided under the Executive Compensation and Salary Schedule Resolution. All City contributions to the Employee's 401(a) plan shall cease immediately upon the Employee's separation from City employment.

Under federal law, there is an annual maximum contribution which may be made to an employee's 401(a) defined contribution plan account. If any contribution pursuant to this Agreement would exceed the maximum contributions allowable by law, the City will be excused from and will stop making payments towards Employee's 401(a) account for the remainder of the calendar year and shall owe no further amount or additional compensation to Employee in connection with this benefit.

- (c) In lieu of mileage reimbursement, City agrees to provide Employee with the full time use of an automobile owned or leased by the City, with all costs of operation paid for by the City, including maintenance, repair and insurance. All costs associated with an automobile (whether acquired or leased) shall be included in Manager's annual budget which is approved by the City Council. Employee may use the vehicle for all business and personal purposes as Employee may choose, provided, however, that Employee shall not take the City's vehicle out of the State of California. Employee shall be responsible for any federal or state taxes which may be attributable to personal use of the vehicle. In no event may persons not employed by the City be permitted habitual use of such vehicle. Should the initial term of this Agreement be extended, Employee may replace the vehicle at the time of such extension.
- (d) Employee has been employed by the City since December 12, 2023. Employee shall not have a break in employment service and all of Employee's accrued leave and other benefit balances shall carry over as agreed, and Employee's leave and benefit balances shall continue to accrue under the terms of applicable City policies and at the same rate as Executive Management employees of the City are provided pursuant to the City's current salary resolution. Employee shall continue to accrue vacation leave at the rate of a 15+ year employee of the City. Vacation time accrual is capped at 320 hours. Employee shall also be entitled to holidays, Leave Without Pay and Bereavement Leave on the same basis as Executive Management employees of City are receiving. Any future change to the holiday or leave benefits provided to City's Executive Management employees shall apply to the level of

holiday or leave benefits for Employee unless the Parties so agree.

- (e) Pursuant to the current Executive Compensation and Salary Schedule Resolution, Employee shall be credited with forty (40) hours executive leave per year automatically, commencing January 1, 2026. The Mayor and City Council may exercise their discretion to award Employee an additional sixty (60) hours of executive leave each year of Employee's employment, consistent with the terms of the Executive Compensation and Salary Schedule Resolution. Executive Leave will not accrue from calendar year to calendar year and must be used each calendar year or no additional entitlement of paid Executive Leave shall arise or occur. There is no right to cash out any unused Executive Leave otherwise.
- (f) City shall bear the full cost of any fidelity or other bonds required of Employee relating to her service as City Manager under any law or ordinance.

## **6. PROFESSIONAL DEVELOPMENT.**

- (a) The City acknowledges its interest in the continuing professional development of the City Manager and agrees to budget and pay professional dues and subscriptions on behalf of Employee which are reasonably necessary for Employee's continued participation in national, regional, state or local associations and organizations necessary and desirable for Employee's continued professional participation, growth, and advancement or for the good of City including the International City/County Management Association and League of California Cities. Furthermore, City shall budget and pay for the professional dues and subscriptions to such additional organizations as approved by the City Council.
- (b) City agrees to budget and pay the travel and subsistence expenses of Employee for official travel, meetings, and occasions reasonably adequate to continue the professional development of Employee and reasonably pursued necessary official and other functions for City, such as the annual conference of the International City/County Management Association, the League of California Cities, and other such national, regional, state and local government groups and committees of which Employee serves as a member, as approved by City Council.
- (c) City agrees to annually budget and pay for participation in training programs, institutes, conferences, conventions and similar gatherings that support leadership development and the advancement of Employer and Employee's mutually agreed upon goals, and which are related to Employee's duties or Employer's operations. With the prior consent of the Council, the City agrees to allow Manager to attend and participate in such other professional associations and conferences as may be mutually agreeable to both parties. The City acknowledges the right of Manager to engage in other professional activities as long as they do not interfere or conflict with Manager's duties as City Manager.
- (d) Employee shall be subject to the City's Travel and Meeting Reimbursement Policy.

## **7. INDEMNIFICATION**

Subject to the provisions of Section 11 hereof, City shall defend, save harmless, and indemnify Employee against any claim for negligent tort or omissions, professional liability claim or demand, or other legal action, whether groundless or otherwise, arising out of an alleged negligent act or omission occurring in the performance of her duties as Employee in accordance with the provisions of California Government Code section 825. Said indemnification shall extend beyond termination of employment to provide full and complete protection to Employee by City for any acts undertaken or committed in her capacity as Employee, regardless of whether the notice of filing of a lawsuit for such tort, claim, demand, or other legal action occurs during or following employment with City.

## **8. DISPUTE RESOLUTION**

All claims, disputes and other matters in controversy (each a “Dispute”) arising, directly or indirectly out of or related to this Agreement, or the breach thereof, whether contractual or non-contractual, and whether during the Term or after the termination of this Agreement, shall be resolved exclusively according to the procedures set forth in this Section.

- (a) Informal Resolution Process. Neither Party shall commence an arbitration proceeding pursuant to the provisions of Subsection (b) below unless such Party shall first give a written notice (a “Dispute Notice”) to the other Party setting forth the nature of the Dispute. The Parties shall attempt in good faith to resolve the Dispute through a meet and confer process, which shall include a face-to-face meeting to be held within thirty (30) days following Delivery of the Dispute Notice. If the Dispute has not been resolved within sixty (60) days after delivery of the Dispute Notice, then the Dispute shall be determined by arbitration in accordance with the provisions of Subsection (b).
- (b) Formal Resolution Process. Any Dispute that is not settled as provided in subsection (a) above shall be resolved by arbitration before a single arbitrator appointed by JAMS Orange County. Subject to repayment through the prevailing party process described below, City shall pay the fees charged by JAMS Orange County for the arbitration. The determination of the arbitrator shall be final and absolute. The arbitrator shall be governed by the duly promulgated rules and regulations of JAMS Orange County or its successor then in effect, and the pertinent provisions of the laws of California. The decision of the arbitrator may be entered as a final judgment in any court of competent jurisdiction. The prevailing party in any such arbitration shall also be entitled to recover reasonable attorneys’, paralegals’, and experts’ fees and costs of suit (including the amount of fees paid to JAMS Orange County for the arbitration) in addition to any other relief awarded such prevailing party.

## **9. NOTICES**

Any notices to be given hereunder by either party to the other shall be in writing and may be transmitted by personal delivery or by mail, postage prepaid. Mailed notices shall be addressed to the parties as follows:

If sent by Employee to City:

City Clerk  
City of Costa Mesa  
77 Fair Dr.  
Costa Mesa, CA 92626

If sent to Employee by City:

Cecilia Gallardo-Daly  
Address on File with Human  
Resources Manager

Notices delivered personally shall be deemed communicated as of the date of actual receipt; mailed notices shall be deemed communicated as of the date of postmark.

#### **10. ATTORNEYS' FEES**

In the event any legal proceeding is instituted to enforce any term or provision of the Agreement, the prevailing party in said legal proceeding shall be entitled to recover reasonable attorneys' fees and costs from the opposing party in an amount determined by the Court to be reasonable.

#### **11. REIMBURSEMENT TO CITY REQUIRED**

Notwithstanding the foregoing, the following provisions requiring reimbursement for certain compensation and/or indemnification provided to Employee by the City apply:

(a) Paid Leave:

Pursuant to Government Code section 53243, in the event that Employee is convicted of a crime involving the abuse of her office or position, as defined by Government Code section 53243.4, with the City, any paid leave or salary provided by the City for the time period in which the Employee is under investigation for such crimes shall be fully reimbursed by Employee to the City.

(b) Legal Defense:

Pursuant to Government Code section 53243.1, in the event that Employee is convicted of a crime involving abuse of her office or position, as defined by Government Code section 53243.4, Employee shall fully reimburse the City for all the costs of her legal criminal defense if a defense has been provided at City expense.

(c) Severance:

Pursuant to Government Code section 53243.2, in the event that Employee is convicted of a crime involving abuse of her office or position, as defined by Government Code section 53243.4, Employee shall fully reimburse the City for any cash settlement, including but not limited to severance pay, paid to Employee related to her termination under this Agreement.



## **12. ENTIRE AGREEMENT**

This Agreement supersedes any and all other agreements whether oral or written, between the parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect to said matter, and each party to this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that any other agreement or modification of this Agreement shall be effective only if executed in writing and signed by both City and Employee.

## **13. VALIDITY**

The validity in whole or in part of any provision of this Agreement shall not void or affect the validity of any of the other provisions of this Agreement.

## **14. AGREEMENT VOLUNTARY AND KNOWING**

Employee agrees and acknowledges that she has had an opportunity to consult legal counsel of her own choosing in regard to this Agreement, that she has read and understands this Agreement, that she is fully aware of its legal effect, and that she has entered into it freely and voluntarily and based on her own judgment and not on any representation or promises other than those contained in this Agreement. Employee agrees that this Agreement should be interpreted as if mutually prepared and without the same being construed for or against any party.

## **15. GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

## **16. EFFECT OF WAIVER**

The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this Agreement by the other party shall not be deemed a waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement, the date and year first above written.

**CITY OF COSTA MESA:**

**EMPLOYEE:**

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JOHN STEPHENS, MAYOR

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CECILIA GALLARDO-DALY

**ATTEST:**

CITY CLERK, CITY OF COSTA MESA  
A Municipal Corporation of the State of California

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BRENDA GREEN  
CITY CLERK, CITY OF COSTA MESA

**APPROVED AS TO FORM:**

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KIMBERLY HALL BARLOW  
CITY ATTORNEY