EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, ("Agreement") made and entered into this 2nd day of May, 2012, between the City of South Pasadena, hereinafter referred to as "Employer" and Sergio Gonzalez, hereinafter called "Employee," and collectively called "Parties," both of whom understand as follows:

WITNESSETH

WHEREAS, Employer requires the services of a City Manager;

WHEREAS, Employee has the necessary education, experience, skills, expertise and institutional knowledge to serve as the Employer's City Manager;

WHEREAS, Employee has been employed by Employer for 9 years and served as Assistant City Manager since December 2008;

WHEREAS, Employee has served as Interim City Manager of South Pasadena since November 2011;

WHEREAS, Employer wishes to employ Employee as the City Manager; and

WHEREAS, the City Council and Employee wish to formalize the employment of Employee as City Manager with an employment agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to the Agreement as follows:

Section 1. Powers and Duties of the City Manager. The City Council hereby agrees to employ said Employee as the City Manager of the City of South Pasadena to perform the functions and duties specified in the South Pasadena Municipal Code (Section 2.18-6) and the California Government Code and to perform other legally permissible and proper duties and functions as the City Council shall from time to time assign, subject to this Agreement.

Section 2. Term. The Term of this Agreement shall be for a period of four years commencing May 2, 2012 and ending, unless extended, on May 1, 2016. The Employee serves at the pleasure of the City Council and nothing herein shall be taken to imply or suggest a guaranteed tenure.

Section 3. Compensation

A. The annual salary for the position of City Manager shall initially be One Hundred and Sixty Three Thousand dollars ($163,000).

B. The City Manager shall be paid at the same intervals and in the same manner as regular City employees.

C. The City Manager shall be entitled to all benefits, rights and privileges, including but not limited to CalPERS Retirement, vacation, administrative leave, sick leave and health insurance plan benefits, accorded to non-public safety City Department Directors except as otherwise provided in this Agreement. If there is any conflict between this Agreement and any resolution fixing compensation and benefits for non-public safety City Department Directors or other unclassified employees, this Agreement shall control.

Section 4. Separation.

A. Resignation/Retirement

The City Manager may resign and/or retire at any time and agrees to give the City the following notice of same:

1. At least ninety (90) days advance written notice of the effective date of the City Manager's resignation and /or retirement, until there has been an Assistant City Manager in place for a period of six (6) months, unless the Parties otherwise agree in writing;
2. At least sixty (60) days advance written notice of the effective date of the City Manager's resignation and /or retirement, until there has been an Assistant City Manager in place for a period of twelve (12) months, unless the Parties otherwise agree in writing; and
3. At least thirty (30) days advance written notice of the effective date of the City Manager's resignation and /or retirement, after there has been an Assistant City Manager in place for a period of twelve (12) months, unless the Parties otherwise agree in writing.

B. Termination & Removal

1. Manager is an at-will employee serving at the pleasure of the City Council as provided in Government Code Section 36506.

2. It is understood by the Parties to this agreement that termination and/or removal of the Employee, with or without cause, is subject to the procedures set forth in Section 2.18-8 (Removal procedure) of the South Pasadena Municipal Code and the following provisions to the extent that they are not in conflict with the aforementioned removal procedure.

3. The City Council may remove the City Manager at any time, with or without cause, by a majority vote of its members. Notice of termination shall be provided to the City Manager in writing. Termination as used in this shall also include the request that the City Manager resign, a reduction in salary or other financial benefits of the City Manager (including a general City Management salary reduction), a material reduction in the powers and authority of the City Manager, or the elimination of the City Manager's position. Any such notice of

termination or act constituting termination shall be given at or effectuated at a duly noticed regular meeting of the City Council.

4. Given the at-will nature of the position of City Manager, an important element of the employment agreement pertains to termination. It is in both the City's interest and that of the City Manager that any separation of the City Manager is done in a businesslike manner.

C. Separation without Cause

1. In the event the Employee is terminated by the City Council during such time that the City Manager is willing and able to perform the City Manager's duties under this Agreement, then in that event the City agrees to pay the City Manager a lump sum cash payment equal to six (6) months' base salary then in effect as provided in Section 3 or a lump sum cash payment equal to the remaining term of this Agreement whichever is shorter.

2. In addition, the City shall extend to the City Manager the right to continue health insurance as may be required by and pursuant to the terms and conditions of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). In the event that the City pays a six (6) months severance to Employee pursuant to Section 4(C)(1) above, City agrees to pay the Employee's COBRA coverage for six months, or until Employee either secures full-time employment or obtains other health insurance, whichever of these three events first occurs. The City Manager shall notify the City within five days of securing new full-time employment or insurance.

3. All payments required under Sections 4(C) (1) and (2) above are subject to and shall be interpreted to comply with the limitations set forth in Government Code Section 53260.

D. Separation for Cause

1. Notwithstanding the provisions of Section 4.C, the City Manager may be terminated for cause. As used in this section, "cause" shall mean only one or more the following:

   i. Conviction of a felony;

   ii. Continued abuse of non-prescription drugs or alcohol that materially affects the performance of the Manager's duties; or

   iii. Repeated and protracted unexcused absences from the City Manager's office and duties.

2. In the event the City Council terminates the City Manager for cause, then the City may terminate this Agreement immediately, and the City

Manager shall be entitled to only the compensation accrued up to the date of termination, payments required by Section 4.E below, and such other termination benefits and payments as may be required by law. The City Manager shall not be entitled to severance pay. Said termination shall be subject to the removal procedures set forth in Section 2.18-8 of the South Pasadena Municipal Code.

3. In the event the City terminates the City Manager for cause, the City and the City Manager agree that neither Party shall make any written or oral statements to members of the public or the press concerning the City Manager's termination except in the form of a joint press release which is mutually agreeable to both Parties. The joint press release shall not contain any text or information that would be disparaging to either Party. Provided, however, that either Party may verbally repeat the substance of any such press release in response to inquiries by members of the press or public.

E. Payment for Unused Leave Balance

1. On separation from City employment, the City Manager shall be paid for all unused accrued leave allowances provided in Section 3C, and/or the City Manager may apply the leave time to service credit for retirement purposes if permitted by CalPERS. Accumulated leave balances shall be paid at the City Manager's monthly salary rate at the effective date of separation.

2. In the event the City Manager dies while employed by the City under this Agreement, the City Manager's beneficiaries or those entitled to the City Manager's estate, shall be entitled to the City Manager's earned salary, and any in-lieu payments for accrued benefits, including compensation for the value of all accrued leave balances.

Section 5. Automobile. Employer shall provide Employee with a City vehicle for both business use and for incidental personal use of Employee. Employer shall pay all liability, property damage, and comprehensive insurance coverage, and for the operation (including all fuels and lubricants), maintenance and repair of the vehicle.

Section 6. Hours of Work. It is recognized that the City Manager position is an exempt full-time position, however Employee is expected to engage in those hours of work that are necessary to fulfill the obligations of the City Manager position. It is anticipated that Employee will devote a great deal of time outside the City's normal office hours to the business of City and to that end Employee's schedule of work each day and week shall vary in accordance with the work required to be performed. The Employee will spend sufficient hours on site to perform the City Manager duties and it is also anticipated that the Employee will perform some of his City Manager duties off site.

Section 7. Professional Development. Employer agrees to budget for and to pay the professional dues, subscriptions, travel and subsistence expenses of Employee

for professional participation in appropriate organizations such as but not limited to the League of California Cities, International City County Management Association, and San Gabriel Valley City Managers' Association.

Section 8. General Expenses. Employer will provide all equipment necessary for the completion of the Employee's duties. This equipment shall include, but not be limited to, cellular phone, computers and other electronic devices deemed appropriate by the Employee. Employer acknowledges and approves incidental personal use by Employee during the term of this agreement. In addition, Employer shall bear full cost of any fidelity or other bonds required of the Employee under any law or ordinance. Finally, Employer shall budget an additional $1,000 annually for membership fees and dues for Employee to serve in local clubs and/or organizations that serve the City of South Pasadena.

Section 9. Performance Evaluation. The City Council shall review and evaluate the performance of Employee annually on the anniversary of this Agreement. As part of this annual performance evaluation, the City Council and Employee shall jointly define such goals and performance objectives that they determine necessary for the proper operation of the City of South Pasadena, and in the attainment of the City Council's policy objectives and shall further establish a relative priority among those various goals and objectives.

Section 10. Indemnification. Employer shall defend, save harmless, and indemnify Employee against any non-intentional tort, professional liability claim or demand or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of Employee's duties as City Manager. Employer will compromise and settle any such claim or suit and the amount of any settlement or judgment rendered thereon. Said indemnification shall extend beyond termination of employment, and the otherwise expiration of this Agreement, to provide full and complete protection to Employee, by the City of South Pasadena, as described herein, for any acts undertaken or committed in his capacity as City Manager, regardless of whether the notice of filing of a lawsuit for such tort, claim, demand, or other legal action occurs during or following Employee's employment with Employer except as may be limited by the laws of the State of California or Federal Law.

Section 11. Conflict of Interest Prohibition. It is further understood and agreed that because of the duties of Employee within and on behalf of the City of South Pasadena and its citizenry, Employee shall not, during the term of this Agreement, individually, as a partner, joint venture, officer or shareholder, invest or participate in any business venture conducting business in the corporate limits of the City of South Pasadena, except for stock ownership in any company whose capital stock is publically held and regularly traded, without prior approval of the City Council. For and during the term of this Agreement, Employee further agrees, except for a personal residence or residential property acquired or held for future use as his personal residence, not to invest in any other real estate or property improvements within the corporate limits of the City of South Pasadena, without the prior consent of the City Council.

Section 12. General Provisions.

A. The text herein shall constitute the entire Agreement between the parties.

B. This Agreement shall be binding upon and inure to the benefit of the heirs at law and executors of the Employee.

C. This Agreement shall become effective upon adoption and approval by the City Council of the City of South Pasadena.

D. If any provisions, or any portion thereof, contained in this Agreement is held unconstitutional, invalid, or unenforceable, the remainder of this Agreement, or portion thereof, shall not be affected and shall remain in full force and effect.

IN WITNESS THEREOF, the City of South Pasadena has caused this Agreement to be signed and executed in its behalf by its Mayor and duly attested by its City Clerk, and Employee has signed and executed this Agreement, both in duplicate, the day and year first written above.

"Employer"

CITY OF SOUTH PASADENA

By:_____
Michael A. Cacciotti, Mayor

ATTEST:

By:_____
Sally Kilby, City Clerk

APPROVED AS TO FORM:

By:_____
Richard L. Adams II, City Attorney

"Employee"

_____
Sergio Gonzalez

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT, ("Amendment") made and entered into this 3rd day of July, 2013, between the City of South Pasadena, hereinafter referred to as "Employer" and Sergio Gonzalez, hereinafter called "Employee," and collectively called "Parties," both of whom understand as follows:

WITNESSETH

WHEREAS, Employer and Employee entered into an Employment Agreement ("Agreement") on May 2, 2013 for the services of Employee as City Manager;

WHEREAS, Employer and Employee conducted and completed the first annual performance evaluation of Employee; and

WHEREAS, the City Council and Employee wish to amend the Agreement with Employee, to provide for a four percent (4%) increase in annual salary, a two year extension to the agreement, an agreement renegotiation period and a car allowance.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to the following amendments to the Agreement:

Section A. Section 1 (Powers and Duties of the City Manager) of the Agreement is hereby amended to read as follows:

> Section 1. Powers and Duties of the City Manager. The City Council hereby agrees to employ said Employee as the City Manager of the City of South Pasadena to perform the functions and duties specified in the South Pasadena Municipal Code (Section 2.18-6) and the California Government Code and to perform other legally permissible and proper duties and functions as the City Council shall from time to time assign, subject to this Agreement. Such duties and functions shall include but not limited to serving as the Executive Director of the Successor Agency to the Redevelopment Agency, to the Public Finance Authority and to the Housing Authority, and as Emergency Operations Director.

Section B. Section 2 (Term) of the Agreement is hereby amended to read as follows:

> Section 2. Term. The initial four year Term of this Agreement which commenced on May 2, 2012 shall be extended for an additional two year period terminating, unless further extended, on May 1, 2018. In addition to any other negotiations that may occur during the term of the Agreement, Employer agrees to commence renegotiation of the Agreement no later than nine (9) months prior to its termination date. The Employee serves at the pleasure of the City Council and nothing herein shall be taken to imply or suggest a guaranteed tenure.

Section C. Subsection "A" of Section 3 (Compensation) of the Agreement is hereby amended to read as follows:

A. The annual salary for the position of City Manager shall be One Hundred and Sixty Nine Thousand, Five Hundred and Twenty dollars ($169,520).

Section D. Section 5 (Automobile) of the Agreement is hereby amended to read as follows:

Section 5. Automobile. As additional compensation, Employer shall provide Employee with a car allowance in the amount of $400.00 per month on the condition that Employee purchases or leases a fuel efficient hybrid, plug in hybrid electric vehicle (PHEV), all electric, compressed natural gas (CNG), hydrogen fuel cell, or other low-emission/alternative fuel vehicle.

Section E. All other terms, conditions, and provisions of the Agreement, to the extent not modified with this Amendment, shall remain in full force and effect.

IN WITNESS THEREOF, the City of South Pasadena has caused this Agreement to be signed and executed in its behalf by its Mayor and duly attested by its City Clerk, and Employee has signed and executed this Agreement, both in duplicate, the day and year first written above.

"Employer"

CITY OF SOUTH PASADENA

By: Richard D. Schneider, M.D.
Richard D. Schneider, M.D., Mayor

"Employee"

Sergio Gonzalez, City Manager

ATTEST:

By: Sally Kilby
Sally Kilby, City Clerk

APPROVED AS TO FORM:

By:
Richard L. Adams II, City Attorney

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT, ("Amendment") made and entered into this 20th day of August, 2014, between the City of South Pasadena, hereinafter referred to as "Employer" and Sergio Gonzalez, hereinafter called "Employee," and collectively called "Parties," both of whom understand as follows:

WITNESSETH

WHEREAS, Employer and Employee entered into an Employment Agreement ("Agreement") on May 2, 2012 for the services of Employee as City Manager;

WHEREAS, Employer and Employee entered into an Amendment to Employment Agreement on July 3, 2013 after the first annual employment evaluation of Employee;

WHEREAS, Employer and Employee conducted and completed the second annual performance evaluation of Employee; and

WHEREAS, the City Council and Employee wish to amend the Agreement with Employee, to provide for an increase in annual salary, a two year extension to the agreement, and an increase in the severance period for a separation without cause.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to the following amendments to the Agreement:

Section A. Section 2 (Term) of the Agreement is hereby amended to read as follows;

> Section 2. Term. The initial four year Term of this Agreement which commenced on May 2, 2012 shall be extended for an additional two year period terminating, unless further extended, on June 30, 2020. In addition to any other negotiations that may occur during the term of the Agreement, Employer agrees to commence renegotiation of the Agreement no later than nine (9) months prior to its termination date. The Employee serves at the pleasure of the City Council and nothing herein shall be taken to imply or suggest a guaranteed tenure.

Section B. Subsection "A" of Section 3 (Compensation) of the Agreement is hereby amended to read as follows:

> A. The annual salary for the position of City Manager shall be One Hundred and Seventy Five Thousand dollars ($175,000), commencing retroactively on May 1, 2014.

Section C. Paragraph 1 of Subsection C (Separation without Cause) of Section 4 (Separation) of the Agreement is hereby amended to read as follows:

1. In the event the Employee is terminated by the City Council during such time that the City Manager is willing and able to perform the City Manager's duties under this Agreement, then in that event the City agrees to pay the City Manager a lump sum cash payment equal to nine (9) months' base salary then in effect as provided in Section 3 or a lump sum cash payment equal to the remaining term of this Agreement whichever is shorter.

Section D. The Agreement is hereby amended with the addition of a new Section 13 (Reimbursement to City Required) to read as follows:

Section 13. 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:

Paid Leave: Pursuant to Government Code section 53243, in the event that Employee is convicted of a crime involving the abuse of his office or position, as defined by Government Code section 53243.4, with the City, any paid leave 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.

Legal Defense: Pursuant to Government Code section 53243.1, in the event that Employee is convicted of a crime involving abuse of his office or position, as defined by Government Code section 53243.4, Employee shall fully reimburse the City for all the costs of his legal criminal defense.

Severance: Pursuant to Government Code section 53243.2, in the event that Employee is convicted of a crime involving abuse of his 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 his termination under this Agreement.

Section E. All other terms, conditions, and provisions of the Agreement, to the extent not modified with this Amendment, shall remain in full force and effect.

IN WITNESS THEREOF, the City of South Pasadena has caused this Amendment to be signed and executed in its behalf by its Mayor and duly attested by its City Clerk, and Employee has signed and executed this Amendment, both in duplicate, the day and year first written above.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

"Employer"

CITY OF SOUTH PASADENA

By: _____
Marina Khubesrian, M.D., Mayor

"Employee"

_____
Sergio Gonzalez, City Manager

ATTEST:

By: _____
Evelyn G. Zneimer, City Clerk

APPROVED AS TO FORM:

By: _____
Teresa L. Highsmith, City Attorney