



CITY OF MENIFEE

SUBJECT: Amendment to Employment Agreement Between the City of Menifee and City Manager Armando G. Villa

MEETING DATE: August 21, 2024

TO: Mayor and City Council

PREPARED BY: Jeffrey T. Melching, City Attorney

REVIEWED BY: Bryan Jones, Assistant City Manager

APPROVED BY: Bryan Jones, Assistant City Manager

RECOMMENDED ACTION

1. Approve the Fourth Amendment to the Employment Agreement between the City of Menifee and City Manager Armando G. Villa.

DISCUSSION

On December 6, 2017, the City and Armando G. Villa entered into an Employment Agreement, pursuant to which Mr. Villa was hired as the City Manager of the City of Menifee. The Employment Agreement was amended on three subsequent occasions, on June 20, 2018, August 21, 2019, and February 16, 2022.

Among other things, the Employment Agreement provides for periodic performance evaluations of the City Manager, during which potential modifications to the Employment Agreement can be discussed. On August 7, 2024, the City Council conducted a performance evaluation of the City Manager. In connection with that evaluation, the City Manager prepared the "City of Menifee Annual Report for 2023 ("Annual Performance Report"). The Annual Performance Report highlights some of the City's most relevant and important accomplishments during 2023. It is designed to improve disclosure, reporting, and transparency by identifying overall completed projects and operational and administrative innovations. It is part and parcel of the City's efforts to foster a strategic thinking culture that focuses on implementing the City Council's vision for the City. It also aligns with the City's award-winning fiscal year budgets and capital improvement program. A copy of the report is attached.

Through the evaluation process, the City and the City Manager identified three modifications to the existing Employment Agreement. First, the duration of the agreement would be extended by three years, so that there are approximately five years left on the term. The end date for the Employment Agreement would move from December 31, 2026 to December 31, 2029.

Second, the Employment Agreement has been modified to reflect a five percent merit increase in the City Manager's compensation. This type of increase is specifically contemplated in the Employment Agreement, which states "if, during any performance evaluation, a majority of the Council deems Manager to have successfully performed up to the date of such review, the Council may in its sole discretion grant Manager an increase in base salary based upon, among other factors, merit, performance, goals established by the Council, and consistency with the City's compensation policy in effect at the time of said increase." Consistent with that provision, the increase reflects the increase in overall job responsibilities for the City Manager, the expanding size of the City and its corresponding operations, and the City Council's satisfaction with the City Manager's performance in leading the organization and pursuing and achieving the City's strategic objectives. The amount of the increase is consistent with merit increases available to other City employees outlined in the salary schedule as 'merit step increases' for each classification.

Third, the Employment Agreement has been modified to reflect an additional 80 hours per year of administrative leave. This change recognizes the significant after hours – nights and weekends – demands on the City Manager, and provides offsetting leave to compensate for those demands.

Government Code section 54953(c)(2) contains specific disclosure requirements with regard to executive compensation and benefits. That statute states in relevant part: "Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or compensation paid in the form of fringe benefits of a local agency executive ... during the open meeting in which the final action is to be taken." (Emphasis added.) To comply with Section 54953(c)(2), the key terms of Mr. Villa's employment agreement are summarized below and will be orally summarized in open session at the August 21, 2024, City Council meeting.

1. **Contract Duration:** Under the Fourth Amendment to the Employment Agreement, the expiration date for Mr. Villa's employment would be extended to December 31, 2029. The contract remains terminable by the City, with or without cause at any time, subject to severance pay obligations outlined below. The contract may not be terminated within a period of six months after any general municipal election at which any new member of the City Council is elected. The contract is terminable by Mr. Villa on six weeks' notice.
2. **Compensation.** Mr. Villa's current salary is \$307,008 per year. The Fourth Amendment to Employment Agreement proposes an increase to the base salary by five percent to \$322,358 per year. In addition, Mr. Villa would remain entitled to cost of living adjustments that are otherwise made available to the City's Management team.
3. **Retirement Benefits.** The Fourth Amendment to Employment Agreement proposes no revisions to this term.
4. **Medical/Dental/Vision/Insurance Benefits.** The Fourth Amendment to Employment Agreement proposes no revisions to this term.

5. **Personal, Sick, and Administrative Leave.** The Fourth Amendment to Employment Agreement proposes to increase the annual administrative leave allowance from 80 hours to 160 hours.
6. **Severance Pay.** The Fourth Amendment to Employment Agreement proposes no revisions to this term.
7. **Other Benefits.** The existing Employment Agreement allows Mr. Villa to receive all benefits otherwise available to the City's Management team.
8. **Annual Reviews.** The Fourth Amendment to Employment Agreement proposes no revisions to this term.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

The Fourth Amendment to the Employment Agreement with the City Manager would result in an increase in annual base salary costs to the City of \$15,350. The increase in base salary would also increase all percentage-based benefits and taxes (e.g. Medicare, PERS Retirement, etc.) by a total of \$4,488. The increase to the annual administrative leave allowance from 80 hours to 160 hours would be an annual cost of \$12,398. The total cost of \$32,237 in compensation and benefits would be expensed to the General Fund within the City Executive Office budget (1100-CEO-CEOA) for fiscal year 2024/2025.

ATTACHMENTS

1. 2023 Annual Performance Report
2. Amendment No. 4
3. Original Employment Agreement
4. Amendment No. 1
5. Amendment No. 2
6. Amendment No. 3