

**EMPLOYMENT AGREEMENT BETWEEN
THE CITY OF PALO ALTO AND EDWARD SHIKADA**

THIS AGREEMENT is between the City of Palo Alto, a California municipal corporation and chartered city ("City") and Edward Shikada, an individual ("Shikada"). It is effective on the latest date next to the signatures on the last page.

This Agreement is entered into on the basis of the following facts, among others:

A. City hired Shikada in April 2015 to be City's Assistant City Manager. Since then, Shikada has also served as City's Utilities General Manager while continuing to serve as Assistant City Manager;

B. City, acting by and through its duly elected City Council, now desires to employ Shikada as its City Manager, effective December 20, 2018 or on the date of retirement of current City Manager James R. Keene, Jr., whichever is sooner, subject to the terms and conditions set forth in this Agreement and in the provisions of the Charter of the City of Palo Alto (the "Charter");

C. The Charter provides, among other things, that the City Manager shall be appointed for an indefinite term by a majority vote of the City Council and that he or she may be removed at the pleasure of the City Council by a two-thirds vote on a resolution passed for that purpose;

D. Shikada desires to be employed by the City of Palo Alto as its City Manager, subject to the terms and conditions set forth in this Agreement and in the Charter;

E. City and Shikada desire to establish specific terms and conditions relating to compensation and benefits, housing assistance, performance evaluations, and related matters;

BASED UPON THE FOREGOING, CITY AND SHIKADA AGREE AS FOLLOWS:

1. Employment Start Date. City hereby appoints and employs Shikada as City Manager, and Shikada hereby accepts the appointment and employment, for an indefinite term that begins on December 20, 2018 or on the date of retirement of current City Manager James R. Keene, Jr., whichever is earlier (the "Employment Start Date"), provided Shikada actually reports for and starts work on that date. If Shikada does not actually report for and start work on or before December 20, 2018, the Employment Start Date will be the date, if any, as otherwise mutually agreed by the parties.

2. Termination of Prior Agreement. Effective on the Employment Start Date, the Employment Agreement between City of Palo Alto and Edward Shikada, initially entered into on October 5, 2015, for the purpose of employing Shikada as Assistant City Manager, as amended in October 2016 for the purpose of employing Shikada as Utilities General Manager (Utilities Director)/Assistant City Manager, is terminated and shall be of no further force or effect.

3. Duties of Manager. Shikada shall perform the duties established for the City Manager by the Charter, Palo Alto Municipal Code, direction of the City Council, or as otherwise provided by law, ordinance, or regulation.

3.1. Full Energy and Skill. Shikada shall devote his full energy, skill, ability, and productive time to the performance of the City Manager's duties. Shikada understands that the Charter requires that the City Manager devote his entire work time to the discharge of the duties of the office.

3.2. No Conflict. Shikada shall not engage in any activity which is actually or potentially in conflict with, inimical to, or which interferes with the performance of Shikada's duties.

3.3. Uncompensated Professional Activities. Shikada may attend and/or participate in uncompensated professional activities, including but not limited to the activities described in subsections 9.3 and 9.4, provided that Shikada's ability to perform the duties described in this Section 3 is not unreasonably compromised or impaired. Shikada shall inform the City Council in writing in advance of absences of more than one day related to such activities.

4. Compensation. Shikada shall be compensated as provided in this Section 4.

4.1. Initial Compensation. Commencing on and continuing from the Employment Start Date, Shikada will receive an initial base annual salary of Three Hundred Fifty-Six Thousand Dollars (\$356,000), prorated and paid on City's normal paydays.

4.2. Salary Adjustments. Not less than once each year, the City Council shall meet for the express purpose of evaluating the performance of Shikada and determining whether to grant him an increase in annual base salary based on performance. The City Council will act in good faith in determining whether to provide an increase based on performance, but the ultimate decision in this regard is within the sole discretion of the City Council. The Council may also adjust Shikada's annual base salary due to labor market and/or internal equity conditions.

5. Regular Benefits and Allowances. Except as otherwise provided in this Agreement, Shikada will be eligible for, and shall receive, all regular benefits (e.g., health insurance, CalPERS contributions paid by City) and vacation, sick leave, and management leave as are generally set forth in the Compensation Plan for Management and Professional Personnel and Council Appointees, as it may be amended or updated from time-to-time by the City Council. Shikada shall comply with all rules and procedures, and shall make any and all employee contributions (such as employee contributions towards the City's CalPERS contribution) set forth in the Compensation Plan for Management and Professional Personnel and Council Appointees.

6. Additional Benefits and Allowances. In addition to the benefits specified in section 5, Shikada will receive the following additional benefits and allowances.

6.1. 401(a) Defined Contribution Retirement Plan. City will contribute Eighteen Thousand Five Hundred Dollars (\$18,500) annually, prorated and contributed on the City's normal paydays, to a 401(a) retirement plan account established for Shikada.

6.1.1 Shikada will make any additional contributions required under the plan, if any, and may make additional voluntary contributions, if permitted.

6.2. Parking. City shall provide parking at the Civic Center at no cost to Shikada.

6.3. Vacation Accrual Rate. Shikada's vacation accrual rate will be based on the maximum accrual rate as specified in the Compensation Plan for Management and Professional Personnel and Council Appointees, which is currently two hundred (200) hours per year.

7. Housing Assistance. On or about the Employment Start Date, Shikada agrees to reside within the corporate limits of the City.

7.1. Initial Temporary Housing. The parties contemplate that initially, and continuing until a residence is purchased as described in Section 7.2 below, the City will provide assistance for housing in Palo Alto through a monthly cash payment. The City will bear the actual and reasonable monthly rental or lease cost, not to exceed Four Thousand Dollars (\$4,000) per month, for rental housing located within the corporate limits of the City.

7.1.1 Shikada will keep an accurate record of all such expenses and present such records with his request for payment or reimbursement. City will advance any refundable deposits and will be reimbursed for such deposits by Shikada (including interest, if any, paid by the deposit holder) at the time the refund is paid or if the refund is refused by holder, at the time it would otherwise be due.

7.2. Long Term Housing. Within a reasonable period of time as agreed to by the parties, Shikada agrees to make his primary residence within the corporate limits of the City. The amount of the City contribution and any contribution from Shikada, the method of financing, and other elements of a purchase transaction will be determined through good faith negotiations and mutual agreement, and documented in an amendment to this Agreement.

8. Duration of Employment. Shikada understands and agrees that he has no constitutionally protected property or other interest in his employment as City Manager. He understands and agrees that he works at the will and pleasure of the City Council and that he may be terminated or asked to resign at any time, with or without cause, subject only to the requirements of Section 3 of Article IV of the Charter, a copy of which has been provided to Shikada. Shikada understands and agrees that the public hearing accorded to the City Manager upon termination as provided in Section 3 of Article IV of the Charter is not a hearing in which witnesses will be called and examined nor in which the City Manager may formally contest the reasons for termination. The hearing is solely for the purpose of affording the City Manager an opportunity to publicly respond to any reasons given for his termination by the City Council.

8.1. Severance Pay. If Shikada is terminated or asked to resign in lieu of termination, he shall receive a cash payment, or payments (without interest) at intervals specified by Shikada, equivalent to the sum of his then-current monthly salary multiplied by twelve (12) and the cash value, as reasonably determined by City, of his monthly non-salary benefits multiplied by twelve (12). The monthly non-salary benefits shall be those specified in sections 5 and 6. All normal withholdings as required by law shall be made with respect to any amounts paid under this section.

8.2. Non-Payment of Severance Under Certain Conditions. If Shikada were to be terminated after conviction of a felony, he would not be eligible for severance pay.

9. Payment of Expenses of Employment. City shall pay the following usual and customary employment expenses:

9.1. The cost of any fidelity or other bonds required by law for the City Manager.

9.2. The cost to defend and indemnify Shikada to the full extent of the law as provided by the California Government Claims Act (Government Code § 810 et seq.).

9.3. Reasonable dues for Shikada's membership in professional organizations associated with the office of City Manager. City will allow Shikada reasonable time away from the City to attend the meetings and annual conferences of such organizations and will pay the cost of such attendance in accord with applicable City policies and procedures. The organizations and activities include but are not limited to the International City/County Management Association, League of California Cities, Alliance for Innovation and California City Management Foundation.

9.4. The cost of attending other conferences or events (i.e. retirement dinners, out of town meetings, etc.) necessary to the proper discharge of his duties.

10. Miscellaneous.

10.1. Notices. Notices given under this Agreement shall be in writing and shall be either:

- a. Served personally; or
- b. Delivered by first-class United States mail, certified, with postage prepaid and a return receipt requested; or
- c. Sent by Federal Express, or some equivalent private mail delivery service.

Notices shall be deemed received at the earlier of actual receipt or three (3) days following deposit in the United States mail, postage prepaid. Notices shall be directed to the addresses shown below, provided that a party may change such party's address for notice by giving written notice to the other party in accordance with this subsection.

CITY:
Attn: Mayor City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301
Phone: (650) 329-2226

SHIKADA:
Edward Shikada
c/o 250 Hamilton Avenue
Palo Alto, CA 94301
Phone: (650) 329-2563

10.2. Entire Agreement/Amendment. This Agreement constitutes the entire understanding and agreement between the parties as to those matters contained in it, and supersedes any and all prior or contemporaneous agreements, representations and understandings of the parties. This Agreement may be amended at any time by mutual agreement of the parties. Any such amendment must be in writing, dated, approved in the same manner as the original Agreement, and signed by the parties and attached hereto.

10.3. Attorney's Fees. If any legal action or proceeding is brought to enforce or interpret this Agreement, the prevailing party as determined by the court shall be entitled to recover from the other party all reasonable costs and attorney's fees, including such fees and costs as may be incurred in enforcing any judgment or order entered in any such action.

10.3.1 Alternate Dispute Resolution. Nothing in this subsection shall be read to prevent the parties from agreeing to some alternative method of dispute resolution.

10.4. Severability. In the event any portion of this Agreement is declared void or unenforceable, such portion shall be severed from this Agreement and the remaining provisions shall remain in effect, unless the result of such severance would be to substantially alter this Agreement or the obligations of the parties, in which case this Agreement shall be immediately terminated.

10.5. Waiver. Any failure of a party to insist upon strict compliance with any term, undertaking, or condition of this Agreement shall not be deemed to be a waiver of such term, undertaking, or condition. To be effective, a waiver must be in writing, signed and dated by the parties.

10.6. Employee's Independent Review. Employee acknowledges that he has had the opportunity and has conducted an independent review of the financial, tax and legal effect of this Agreement. Employee acknowledges that he has made an independent judgment upon the financial, tax and legal effects of this Agreement and has not relied upon any representation of City, its officers, agents or employees other than those expressly set forth in this Agreement.

10.7. Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Shikada and City agree that venue for any dispute shall be in Santa Clara County, California.

10.8. Section Headings. The headings on each of the sections and subsections of this Agreement are for the convenience of the parties only and do not limit or expand the contents of any such section or subsection.

Dated: _____

CITY OF PALO ALTO

By *Liz Kniss*
Liz Kniss, Mayor

Attest

Beth Ann

City Clerk

Dated: 9/18/18

Edward Shikada

By *Ed Shikada*
Edward Shikada
Dated: 9/11/2018

Approved as to Form:

Molly Stump
City Attorney
Dated: 9/17/2018

**AMENDMENT ONE TO EMPLOYMENT AGREEMENT
BETWEEN THE CITY OF PALO ALTO AND
EDWARD SHIKADA**

This AMENDMENT ONE to the EMPLOYMENT AGREEMENT ("Agreement") between the CITY OF PALO ALTO, a California municipal corporation and chartered city ("City") and EDWARD SHIKADA, an individual ("Shikada") (together "the parties") is entered into and shall be effective on the latest date next to the signatures on the last page.

This AMENDMENT ONE is entered into on the basis of the following facts, among others:

- A. City and Shikada entered into the original Agreement, dated September 18, 2018, and attached hereto and incorporated herein as Exhibit "A," to provide for Shikada's employment as City Manager;
- B. Shikada agreed to and has made his primary residence within the corporate limits of City;
- C. In the Agreement, the parties contemplated that Shikada initially would obtain rental housing, and at a later date would obtain long term housing;
- D. With respect to a purchase of housing, the parties committed to engage in good faith negotiations regarding contributions from each party, the method of financing, and other elements of a purchase transaction, and agreed to document those arrangements in an amendment to the Agreement;
- E. City and Shikada now desire and have mutually agreed to enter into this Amendment One to provide for contribution amounts, methods of financing and other terms to support purchase of a home in Palo Alto to serve as Shikada's primary long-term residence;

BASED ON THE FOREGOING, CITY AND SHIKADA AGREE AS FOLLOWS:

SECTION 1: Section 7.2 of the Agreement, Long Term Housing, is hereby amended to read as follows:

7.2 Long Term Housing: Home Purchase and Method of Financing

7.2.1 Time of Purchase. Shikada shall purchase a home to serve as his primary residence within the corporate limits of City within a reasonable time after the approval of this Amendment One (the "Property"). The parties anticipate this will occur within one year but acknowledge that market conditions or other circumstances may make a longer period reasonable.

7.2.2 Purchase Price. For the purpose of this Agreement, the purchase

price of the Property shall include the price of the Property plus any real estate broker's fees payable by buyer, closing costs, title insurance and related fees normally attributable to a buyer in Santa Clara County ("Purchase Price").

7.2.3 Termination of Temporary Rental Assistance. Temporary rental assistance shall terminate no later than 60 days after close of escrow for the Property.

7.2.4 Manager's Contribution Toward Purchase Price. Shikada shall make a contribution toward the purchase price of the Property ("Manager's Contribution") constituting no less than 25% of the Purchase Price. Shikada may contribute his personal funds toward part or all of the Manager's Contribution.

7.2.4.1 City Loan. The City will provide to Shikada a loan (the "City Loan"), secured by a note and first deed of trust on Shikada's Equity Ownership Interest in the Property, in an amount as determined by Shikada but not to exceed One Million Dollars (\$1,000,000). All proceeds from the City Loan must be used to fund the Purchase Price of the Property, either as the Manager's Contribution or the Excess Contribution to the Purchase Price. Proceeds from the City Loan may not be used for any other purpose. The City Loan will be fully amortized over a maximum term of 30 years, but the term may be shorter at Shikada's request, and may be paid in advance of the loan schedule without penalty. The City Loan will be immediately due on sale. The interest on the City Loan will be adjusted annually on July 1 as follows:

From the date of execution of the note, the rate will be equal to the lower of 4.5% or the sum of City's portfolio rate, which is defined as the annual rate of return on investment funds of City during the most recent fiscal year, plus one quarter percent (1/4% or 0.25%) as calculated annually by City's Director of Administrative Services.

7.2.5 City Contribution Toward Purchase Price. In addition to the Manager's Contribution (consisting of Shikada's personal funds, if any, and the City Loan provided to Shikada), City will contribute an additional amount, not to exceed Three Million Dollars (\$3,000,000), toward the Purchase Price of the Property ("City Contribution").

Up to a maximum Purchase Price of Four Million Dollars (\$4,000,000), the City Contribution will be made in a ratio of not more than three (3) to one (1), as compared to the Manager's Contribution. Stated differently, the City Contribution will be not more than 75% and the Manager's Contribution (including the sum of Shikada's personal funds and the City Loan) will be not less than 25% of the purchase price.

The sum of the City Contribution and the City Loan will not exceed Four Million Dollars (\$4,000,000).

7.2.6 Purchase Price Over Four Million (\$4,000,000). All costs above Four Million Dollars (\$4,000,000) (the "Excess Contribution") will be paid by Shikada, either

using Shikada's personal funds or the City Loan, provided that the City Loan shall not exceed One Million Dollars (\$1,000,000).

7.2.7 Equity Ownership Interests. If City participates in the purchase of the Property, the City and Shikada's proportional ownership interests will be shown on the deed as the ratio of (a) the Manager's Contribution plus the Excess Contribution, if any, to the Purchase Price, and (b) the City Contribution to the Purchase Price. For example:

- a. If the purchase price is Three Million Dollars (\$3,000,000) and Shikada elects to contribute the minimum 25% of the Purchase Price, the Manager's Contribution will be Seven Hundred Fifty Thousand Dollars (\$750,000), all or part of which Shikada may pay with personal funds with the balance paid through the City Loan; and the City's Contribution will be Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000). Under this scenario, the equity ownership in the Property will be 25% for Shikada ($\$750,000/\$3,000,000 = 25\%$) and 75% for City ($\$2,250,000/\$3,000,000 = 75\%$).
- b. If the purchase price is Four Million Five Hundred Thousand (\$4,500,000), the Manager's Contribution will be One Million Dollars (\$1,000,000), all or part of which Shikada may pay with personal funds with the balance paid through the City Loan; the Excess Contribution will be Five Hundred Thousand Dollars (\$500,000), all of which will be paid by Shikada using personal funds; and the City Contribution will be Three Million Dollars (\$3,000,000). Under this scenario, the equity ownership in the Property will be 33.3% for Shikada ($[\$500,000+\$1,000,000]/\$4,500,000 = 33.3\%$) and 66.7% for City ($\$3,000,000/\$4,500,000 = 66.7\%$).

7.2.8 Equity Ownership Interests Not A Partnership. City and Shikada agree to share the equity interest in the Property in order to consummate transactions contemplated in this Agreement related to assisting Shikada with purchasing a home within Palo Alto corporate limits. Nothing herein shall be construed as creating a partnership or other joint venture between Shikada and the City. The parties agree that they are not partners and did not intend by entering into this Agreement to form a partnership, or otherwise to have the relationship of partners to one another.

7.2.9 Title Held As Tenants-In-Common. The Property will be held by Shikada and City as tenants-in-common, with Shikada and City owning proportional undivided interests, as determined under subsection 7.2.7, above. Shikada will have the exclusive right to occupy the Property and will not rent, lease or transfer any interest to a third party without the written consent of City, which may be withheld in City's sole discretion. Neither party may sell its interest in the Property separate from the other and agrees to cooperate in the sale of its interest in the Property, as provided in section 7.2.15, below.

7.2.10 Execution of Documents. City and Shikada will cooperate in the preparation and execution of all title documents, notes, deeds of trust, escrow instructions, agreements and other documents reasonably necessary to conform the purchase of the Property to the provisions of this subsection 7.2, in a form mutually agreed to by Shikada and the City Attorney. The deed will reflect the terms and conditions of this subsection 7.2. At the option of City, the documents may also include a tenancy in common agreement supplementing the terms of this subsection 7.2 and a recorded power of attorney in favor of City to facilitate the sale of Shikada's interest under the circumstances provided in section 7.2.15 in the event Shikada is unable or unwilling to cooperate in the sale.

7.2.11 No additional mortgages or liens. Except for the first deed of trust referred to above, Shikada shall not cause any lien or mortgage to be recorded against the Property except as expressly authorized in writing by the City Council. The City Council shall not unreasonably withhold permission for refinancing or equity loans that do not in any way impair City's security interest or Equity Ownership Interest in the Property.

7.2.12 Property Taxes, Insurance, and other Charges and Fees.

7.2.12.1 Property Taxes. Shikada and City will pay the property taxes assessed on that party's Equity Ownership Interest, as determined by subsection 7.2.7 above. If the Property is only assessed taxes on Shikada's Equity Ownership Interest, Shikada will pay those taxes in full without reimbursement from City.

7.2.12.2 Insurance. If City participates in the purchase of the Property and for as long as City has a security interest or Equity Ownership Interest in the Property, Shikada shall obtain and maintain in force at all times comprehensive homeowner's insurance (HO-3) coverage, including earthquake and, if applicable due to location, flood coverage. All such insurance will state the respective interests of the parties as determined by subsection 7.2.7 above and provide that the proceeds of any such insurance shall be paid to the parties according to their respective interests. Shikada will pay for all insurance on the Property without reimbursement from City, except that City shall pay the cost of comprehensive homeowner's insurance coverage including earthquake and flood insurance proportionate to the City's Equity Ownership Interest in the Property, as determined by subsection 7.2.7 above.

7.2.12.3 Other Charges or Fees. If City participates in the purchase of the Property and there are charges or fees, such as Homeowner Association (HOA) fees, for the management and upkeep of the purchased Property and central amenities, Shikada will ensure all charges and fees are paid timely and shall remain in good standing with the HOA or other entity assessing charges or fees. The City shall pay, directly to the HOA or other entity assessing charges or fees, the cost of charges and fees proportionate to the City's Equity Ownership Interest in the Property, as determined by subsection 7.2.7 above, provided however that Shikada will be solely responsible for any charges or fees that are specific to the unit, such as trash and utilities..

7.2.13 Occupancy and Maintenance. Shikada will reside at the Property from the time of purchase and initial occupancy and will continue to occupy the Property at all times as his principal residence during the term of the Agreement. Shikada will maintain the Property in good condition and in compliance with all applicable codes. Shikada shall be solely responsible for all maintenance and repair costs, including deductibles and repair and restoration of uninsured losses.

7.2.14 Capital Improvements. Shikada may, at his sole expense, make such improvements to the Property as he deems beneficial, provided such improvements do not cause the value of the Property to decline. For purposes of this Agreement, a capital improvement is the addition of a permanent structural improvement or restoration of some aspect of the Property that either increases the Property's resale value or increases its useful life. With the advance written approval of City, the actual documented cost of each capital improvement with a cost in excess of Fifteen Thousand Dollars (\$15,000) may be treated as an addition to the Manager's Contribution and used to reallocate Equity Ownership Interests at the time of sale, as provided in subsections 7.2.7 and 7.2.15, below, in such amount(s) as the parties may mutually agree. City's approval, when sought for a capital improvement that will result in the reallocation of Equity Ownership Interests, must be obtained in writing prior to the initiation of the capital improvement and may be withheld in City's sole and absolute discretion.

7.2.15 Sale. The sale of the Property will occur on the happening of one of the following:

- a. At the option of Shikada, subject to the provisions of subsections 7.2.17;
- b. The passing of 18 months following the termination of the employment of Shikada as City Manager, for any reason, whether voluntary or involuntary;
- c. At the option of City, upon the occurrence of any default by Shikada with respect to any of the terms of any transaction document related to purchase, financing or holding of the Property, including this Agreement;
- d. Should Shikada permanently move out of the Property or cease to use the Property as his primary residence; and
- e. Upon mutual agreement of the parties.

The sale of the Property shall be brokered by a qualified licensed real estate agent with at least two years of fulltime experience in the sale of residential real estate in Santa Clara County. Shikada shall select the agent from a list of three agents provided by City.

Notwithstanding the above, one party may purchase the Property by purchasing all of the interests of the other as provided in subsection 7.2.17.

7.2.16 Proceeds On Sale. Upon sale of the Property, the proceeds of sale shall be divided between the parties as follows:

- a. The costs of sale, including, but not limited to escrow fees, real estate broker's fees, and related expenses shall first be deducted from the gross sales price to reach a net sales price ("Net Sales Price");
- b. Shikada's share will be equal to his Equity Ownership Interest, determined by subsection 7.2.7 and, if applicable, subsection 7.2.14, above, multiplied by the Net Sales Price. City's share will be equal to City's Equity Ownership Interest, determined by subsection 7.2.7 and, if applicable, subsection 7.2.14, above, multiplied by the Net Sales Price;
- c. The outstanding balance of the City Loan, together with any accrued, but unpaid, interest and all other amounts shall be deducted from Shikada's share and paid to City under the terms of the City Loan, and Shikada shall receive the remainder; and
- d. City shall be paid the City's share, calculated as set forth in clause (b) above, plus the outstanding balance of the City Loan as provided in clause (c) above. Funds received from Shikada according to the terms of the City Loan are independent of City's share and shall not be credited toward or deducted from the City's share.

7.2.17 One Party's Right to Purchase the Interest of the Other Party. If one party determines to purchase the other party's Equity Ownership Interest, the value of the Property will be determined by an appraisal. Except as otherwise provided in this subsection, City shall pay for the appraisal. Appraisal shall be conducted by a qualified real estate appraiser acceptable to both parties. If the parties are unable to agree on an appraiser, each party may hire and pay for its own appraiser. The value of the Property will be the average of the two appraisals.

7.2.17.1 City Right. If Shikada determines to put the Property up for sale, either while he is still employed or after his employment is terminated, City shall have the right to purchase Shikada's Equity Ownership Interest rather than have the Property sold and the proceeds divided as provided in subsection 7.2.16, above. After the value of the Property is determined by appraisal as provided in this subsection 7.2.17, City may purchase Shikada's Equity Ownership Interest in the Property, the value of which shall be calculated using the formula set forth in subsection 7.2.16. As provided in subsection 7.2.16(c), the outstanding balance of the City Loan, together with any accrued, but unpaid, interest and all other amounts shall be deducted from Shikada's share and paid to City under the terms of the City Loan, and Shikada shall receive the remainder.

7.2.17.2 Shikada's Right to Purchase the City's Entire Interest in the Property. At any time while still employed by the City in good standing, Shikada may purchase the Property by paying to City its Equity Ownership Interest as calculated under subsection 7.2.16 and paying any other amounts outstanding, as provided in subsection

7.2.16(c) (including the outstanding balance on the loan, interest and other amounts). The value of the Property shall be determined by appraisal as provided in subsection 7.2.17 above.

7.2.17.3 Shikada's One-Time Right to Purchase a Portion of City's Interest in the Property. Shikada has a one-time option to purchase a portion of the City's Equity Ownership Interest in the Property. Shikada may determine the percentage of the City's Equity Ownership Interest that he will purchase. Shikada need not repay the City Loan in order to exercise his option to purchase a portion of the City's Equity Ownership Interest under this subsection. If payment is received by the City on or before 365 days from the date of close of escrow of the original purchase of the Property, the purchase of equity will be executed at the original sale price; no appraisal will be conducted. If payment is received by the City more than 365 days after the close of escrow of the original purchase of the Property, the purchase of the City's Equity Ownership Interest shall be valued at the current Property value as determined by appraisal as provided in subsection 7.2.17, above, except that the appraisal shall be at Shikada's expense, using an appraiser acceptable to both parties. If the parties are unable to agree on an appraiser, each party may hire and pay for its own appraiser. The value of the Property will be the average of the two appraisals.

SECTION 2. Except as herein modified, all other provisions of the Agreement, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment One on the date shown below.

ATTEST:

DocuSigned by:
Beth Minor

27523117DA804D7...

CITY OF PALO ALTO

DocuSigned by:
Eric Filseth

Mayor 64244717295F422...

Dated: 12/25/2019

APPROVED AS TO FORM:

DocuSigned by:
Molly Stump

City Attorney 39A473B653574A9...

EDWARD SHIKADA

DocuSigned by:
Ed Shikada

F2DCA19CCC8D4F9...

Dated: 12/23/2019

Attachments:

EXHIBIT A: EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND EDWARD SHIKADA, dated September 18, 2018

**AMENDMENT TWO TO EMPLOYMENT AGREEMENT
BETWEEN THE CITY OF PALO ALTO AND
EDWARD SHIKADA**

This AMENDMENT NO. TWO to the EMPLOYMENT AGREEMENT (“Agreement”) is entered into on June 22, 2020 by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“City”), and Edward Shikada (“Shikada”), an individual, located at 250 Hamilton Avenue 8th Floor, Palo Alto, CA.

RECITALS:

WHEREAS, the original EMPLOYMENT AGREEMENT between the City of Palo Alto and Edward Shikada., attached hereto and incorporated herein as Exhibit “A” was entered between the parties for the services of City Manager on or about September 18, 2018; and

WHEREAS, AMENDMENT NO. ONE to the Agreement, attached hereto and incorporated herein as Exhibit “B” was entered between the parties on or about December 16, 2019; and

WHEREAS, the parties wish to amend the Agreement;

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section 4.1 of the Agreement, Initial Compensation, is hereby amended to read as follows:

4.1. Compensation. Commencing on and continuing from the Employment Start Date, Shikada will receive an initial base annual salary of Three Hundred Fifty-Six Thousand Dollars (\$356,000), prorated and paid on City's normal paydays.

For the purposes of addressing the City’s financial hardships related to the global pandemic of COVID-19, the City Manager has agreed to take a 10% salary reduction in the form of unpaid furlough days (26 days, 208 hours) between July 1, 2020 and June 30, 2021. Up to 5% of the salary reduction (up to 13 furlough days, 104 hours) may be offset using paid leave such as vacation or management annual leave. Shikada has also agreed not to seek nor accept any performance or cost of living increase through June 30, 2021. The City Manager is further authorized to establish and administer a leave sharing program, within which Shikada shall donate up to 5% of his salary (100 hours) to the extent usable to lessen the burden of compensation reductions on the City’s lowest paid employees.

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SECTION 2. Section 5 of the agreement, Regular Benefits and Allowances is hereby amended to read as follows:

5. Regular Benefits and Allowances. Except as otherwise provided in this Agreement, Shikada will be eligible for, and shall receive, all regular benefits (e.g., health insurance, CalPERS contributions paid by City) and vacation, sick leave, and management leave as are generally set forth in the Compensation Plan for Management and Professional Personnel and Council Appointees, as it may be amended or updated from time-to-time by the City Council. Shikada shall comply with all rules and procedures and shall make all employee contributions (such as employee contributions towards the City's CalPERS contribution) set forth in the Compensation Plan for Management and Professional Personnel and Council Appointees.

For the purposes of addressing the City's financial hardships related to the global pandemic of COVID-19, the City Manager has agreed to reduce his excess management benefit of \$2,500 as outlined in the Management and Professional compensation plan to \$1,250 for the 2021 calendar year.

SECTION 3. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment on the date first above written.

Attest:

DocuSigned by:
Beth Minor
7/14/2020
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City of Palo Alto

DocuSigned by:
Adrian Fine
7/14/2020
289F2F8A691E446...

Approved as to form:

DocuSigned by:
Molly Stump
7/7/2020
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Edward Shikada

DocuSigned by:
Ed Shikada
7/7/2020
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Attachments:

EXHIBIT A:EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND EDWARD SHIKADA

EXHIBIT B:AMENDMENT NO. ONE TO EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND EDWARD SHIKADA

AMENDMENT NO. THREE TO EMPLOYMENT AGREEMENT

BETWEEN

THE CITY OF PALO ALTO

AND

Edward Shikada

This AMENDMENT NO. Three to the EMPLOYMENT AGREEMENT (“Agreement”) is entered into on December 13, 2021 by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“City”), and Edward Shikada (“Shikada”), an individual, located at 250 Hamilton Avenue 7th Floor, Palo Alto, CA.

RECITALS:

WHEREAS, the original EMPLOYMENT AGREEMENT between the City of Palo Alto and Edward Shikada., attached hereto and incorporated herein as Exhibit “A” was entered between the parties for the services of City Manager on or about September 18, 2018; and

WHEREAS, AMENDMENT NO. ONE to the Agreement, attached hereto and incorporated herein as Exhibit “B” was entered between the parties on or about December 16, 2019; and

WHEREAS, AMENDMENT NO. TWO to the Agreement, attached hereto and incorporated herein as Exhibit “C” was entered between the parties on or about June 22, 2020; and

WHEREAS, the parties wish to amend the Agreement;

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section 4.1 of the Agreement, Initial Compensation, is hereby amended to read as follows:

4.1. Compensation. Commencing on and continuing from the Employment Start Date, Shikada will receive an initial base annual salary of Three Hundred Fifty-Six Thousand Dollars (\$356,000), prorated and paid on City's normal paydays. At the recommendation of the CAO committee and consistent with annual merit practices, effective the first full pay period following July 1, 2021 Shikada will receive a base annual salary of Three Hundred Sixty-Six thousand Six hundred and Eighty dollars (\$366,680), paid on City's normal paydays.

SECTION 3. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment on the date first above written.

Attest:

DocuSigned by:
Lesley Milton
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City of Palo Alto

DocuSigned by:
Pat Burt
ED9E9CFB89E64FF...

Approved as to form:

DocuSigned by:
Molly Stump
39A473B653574A9...

Edward Shikada

DocuSigned by:
Ed Shikada
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Attachments:

EMPLOYMENT AGREEMENT BETWEEN THE CITY OF PALO ALTO AND EDWARD SHIKADA
AMENDMENT NO. ONE THROUGH NO. TWO