

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
9	01/14/19	Open	Action	01/08/19

Subject: Second Amendment to the Employment Agreement with the General Manager/CEO, Henry Li

ISSUE

Whether or not to amend the Employment Contract between the Sacramento Regional Transit District and General Manager/CEO, Henry Li.

RECOMMENDED ACTION

Adopt Resolution No. 19-01-____, Approving the Second Amendment to the Employment Agreement with Henry Li as SacRT's General Manager/CEO.

FISCAL IMPACT

There is no fiscal impact associated with this action.

DISCUSSION

The Board met in closed session on November 12, 2018 to discuss of Mr. Li's performance and make a determination regarding potential changes to Mr. Li's contract. During the closed session, the Board determined that it would be in the agency's best interest to change the Term provision in Mr. Li's contract to contain an automatic renewal provision. This proposal will provide certainty to local jurisdictions such as Folsom, Citrus Heights and Elk Grove who are currently at various stages of annexing into the District. Each annexation has a number of terms tied to the agreements and this extension will ensure all annexation terms are completed smoothly in next five or more years and to the satisfaction of each jurisdiction. SacRT has undergone a dramatic transformation over the last three years and it is important to keep the momentum going. Mr. Li currently has two and half years on his existing contract and it is proposed that his contract automatically extend to a three year term every year, effective July 1, 2019.

The renewal provision authorizes the annual automatic renewal of Mr. Li's contract for three years. The contract will renew automatically for successive three year terms, but either party has the ability to terminate the renewal provision upon providing the other party with notice, 90-days before the renewal provision is triggered. By way of example, if Mr. Li's contract is extended for three additional years on July 1, 2021, the contract term will be extended to June 30, 2024. If, however, on June 30, 2022, the Board provides Mr. Li with notice that it does not want to extend the term for three additional years, the contract will remain in full force and effect for the time remaining on the three year term extension that began on July 1, 2021 and Mr. Li will continue to serve as General Manager/CEO until June 30, 2024, on which date this contract will end if the Board does not renew at that time.

Approved:

Presented:

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Modifying Mr. Li’s contract to include an automatic renewal provision requires a modification to the compensation provision in Mr. Li’s contract. California Government Code Section 3511.2 prohibits the employment contract of a public agency executive to contain an automatic renewal provision, if it also includes an automatic pay increase provision that authorizes a pay increase that is greater than a cost of living increase based on the California Consumer Price Index for Urban Wage Earners and Clerical Workers. Mr. Li’s current contract authorizes an annual automatic pay increase equal to the pay increase received annually by employees in the Management and Confidential Employee Group (MCEG). The MCEG’s annual pay increase is generally higher than the CPI based cost of living. For instance, in 2018, MCEG employees received a 3% pay increase, but the CPI COLA was 2.0%. In 2019, the CPI COLA is set at 2.8%. Thus, to ensure that Mr. Li’s contract is compliant with the California Government Code, the compensation provision will need to be modified at the same time as the term provision is modified to bring it in line with the requirements of the Government Code. The new compensation provision will limit Mr. Li’s automatic annual pay increases to a cost of living pay increase based on the California Consumer Price Index for Urban Wage Earners and Clerical Workers as calculated by the California Department of Industrial Relations. The provision continues to authorize merit based pay increases and performance incentive payments above the COLA, but requires the Board to make the determination that Mr. Li has earned the additional payments for meeting performance metrics imposed by the Board. Such merit based pay increases and/or performance incentive payments must be determined by the Board after Mr. Li’s annual performance evaluation.

The proposed amendments to Mr. Li’s employment contract are subject to Board approval. Staff recommends that the Board approve the Second Amendment to the Contract between SacRT and Henry Li, modifying the Term provision of Mr. Li’s contract, as well as the Compensation provision to bring it in line with the requirements of California Government Code Section 3511.2.

RESOLUTION NO. 19-01-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

January 14, 2019

**APPROVING THE SECOND AMENDMENT TO THE EMPLOYMENT AGREEMENT
WITH HENRY LI AS SACRT'S GENERAL MANAGER/CEO**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Second Amendment to the Employment Agreement with Henry Li as the
Sacramento Regional Transit District General Manager/CEO is hereby approved.

THAT, the Board Chair is hereby authorized to execute said Second Amendment.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary