



Legislation Details (With Board Report)

File #: 14-416 **Name:** CFO Contract
Type: General Agenda Item **Status:** Scheduled PM
File created: 4/28/2014 **In control:** Board of Supervisors
On agenda: 5/6/2014 **Final action:**

Title: a. Adopt a Resolution ratifying the Employment Agreement for Chief Financial Officer Daniel Leon and Amendments No. 1 and 2; and
b. Authorize the Chief Executive Officer for Natividad Medical Center to execute Amendment No. 3 to the Employment Agreement for Chief Financial Officer, Daniel Leon to raise the salary by 3.5% to \$273,186, for a total maximum annual contract amount of \$355,142 (including potential 30% incentive bonus if awarded); of which the employee will contribute 7% to CalPERS.

Sponsors:

Indexes:

Code sections:

Attachments: 1. CFO ATT Contract - Leon, 2. CFO ATT Amend Contract 1 - Leon, 3. CFO ATT Amend Contract 2 - Leon, 4. CFO ATT Amend Contract 3 - Leon, 5. CFO FINAL Resolution - Leon, 6. 22. 14-416 Removed via A-C

Date	Ver.	Action By	Action	Result
5/6/2014	1	Board of Supervisors	continued	

a. Adopt a Resolution ratifying the Employment Agreement for Chief Financial Officer Daniel Leon and Amendments No. 1 and 2; and
b. Authorize the Chief Executive Officer for Natividad Medical Center to execute Amendment No. 3 to the Employment Agreement for Chief Financial Officer, Daniel Leon to raise the salary by 3.5% to \$273,186, for a total maximum annual contract amount of \$355,142 (including potential 30% incentive bonus if awarded); of which the employee will contribute 7% to CalPERS.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- A. Adopt a Resolution ratifying the Employment Agreement for Chief Financial Officer Daniel Leon and Amendments No. 1 and 2.
- B. Authorize the Chief Executive Officer for Natividad Medical Center to execute Amendment No. 3 to the Employment Agreement for Chief Financial Officer, Daniel Leon to raise the salary by 3.5% to \$273,186, for a total maximum annual contract amount of \$355,142 (including potential 30% incentive bonus if awarded); of which the employee will contribute 7% to CalPERS.

SUMMARY/DISCUSSION:

On or about October of 2007 a Memorandum of Understanding (“MOU”) was entered into by the Board of Supervisors and Natividad Medical Center (“NMC”) delegating authority for Human Resource functions. This

delegation included hiring procedures and the decision on promotions, to name a few, but did not include authority to enter into contracts. Also on or about October of 2007 an MOU was entered into by the Board of Supervisors and NMC delegating certain contractual authority. However, the Board of Supervisors specifically reserved certain authority thereby requiring NMC return to the board for approval on items such as approval of annual operating budgets and approval for all contracts for services greater than \$100,000.

On December 30, 2010, the CEO of Natividad Medical Center (“NMC”), Harry Weis (“CEO”), signed an employment agreement for Chief Financial Officer, Daniel Leon, (“CFO”) for a base salary of \$250,000, plus a potential bonus of \$75,000, for a total value of \$325,000 (including potential 30% incentive bonus if awarded). The term of employment began February 1, 2011. The contract states that agreement may be renewed from time to time, if the parties mutually agree to do so, until terminated pursuant to the agreement. NMC did not obtain Board of Supervisors approval to sign an employment contract with the new Hospital Chief Financial Officer as required.

On February 11, 2012 the employment agreement for the CFO was amended to raise the base salary to \$257,504, plus a potential bonus of \$77,251, for a total value of \$334,755 (including potential 30% incentive bonus if awarded).

On or about May 18, 2013 the employment agreement for the CFO was amended to raise the salary to \$263,948, plus a potential bonus of \$79,184, for a total value of \$343,132 (including potential 30% incentive bonus if awarded).

In November 2013 the NMC CEO was asked to implement a 3.5% wage increase swap out with the CFO to ensure this employee was paying the full 7% of the employee contribution to CalPERS. The NMC CEO now seeks Board of Supervisors authorization to execute Amendment No. 3 to provide for a 3.5% salary increase to the employment agreement for the CFO to raise the salary to \$273,187.00, for a total maximum annual contract amount of \$355,142 (including potential 30% incentive bonus if awarded), which was included in the FY 2014 budget. This amendment No. 3 was recently approved as to legality and form by the Office of County Counsel and will accomplish the 3.5% wage increase swap out to ensure the CFO is contributing 7% to CalPERS. The original Agreement and all three Amendments are attached as Exhibit A.

Amendment Nos. 1, 2, and 3 were reviewed as to form and legality by the Office of County Counsel and Amendment No. 1 only was reviewed for fiscal provisions by the Office of Auditor-Controller. Board of Supervisors approval was not previously obtained for any of the Amendments, nor as stated above, for the original Agreement.

NMC CEO and the NMC HR Administrator understand that all future amendments to the CFO’s employment agreement, including wage increases, will be brought before the Board of Supervisors for approval.

OTHER AGENCY INVOLVEMENT:

The Office of the Auditor Controller reviewed and approved as to fiscal provisions the Employment Agreement in 2011 and Amendment No. 1 in 2012, but has not approved Amendments 2 or 3. The Office of County Counsel reviewed and approved as to legality and form the Employment Agreement in 2011 and Amendment No. 1 in 2012 and recently approved Amendments 2 and 3.

FINANCING:

The cost of ratifying the original CFO Employment Agreement is \$250,000, plus a potential bonus of \$75,000, for a total value of \$325,000 (including potential 30% incentive bonus if awarded) and was included in the Fiscal Year 2011 budget. The cost of Amendment No. 1 is \$257,504 plus a potential bonus of \$77,251, for a total value of \$334,755 (including potential 30% incentive bonus if awarded) and was included in the Fiscal Year 2012 budget. The cost of Amendment No. 2 is \$263,948, plus a potential bonus of \$79,184, for a total value of \$343,132 (including potential 30% incentive bonus if awarded) and was included in the Fiscal Year 2013 budget. The cost of Amendment is No. 3 is \$273,187 for a total maximum annual contract amount of \$355,142 (including potential 30% incentive bonus if awarded) and is included in the Fiscal Year 2014 budget. At this time, Natividad seeks to ratify the Employment Agreement and Amendments 1 and 2 and to receive authorization to execute Amendment No. 3. Natividad Medical Center is experiencing a small loss in the current FY year to date and if this continues it could have an impact on the General Fund.

Harry Weis

Chief Executive Officer

Prepared by: AKB/akb

(831) 755-5363

Title: Deputy County Counsel

Date: April 23, 2014

Attachments: Employment Agreement and Amendments 1, 2 and 3 for CFO Daniel Leon; and Resolution.

Attachments are not on file with the Clerk of the Board