



Board Report

File #: 14-417, **Version:** 1

- a. Adopt a Resolution Ratifying Amendments Nos. 1, 2 and 3 and all compensation made pursuant to such Amendments to the Employment Agreement for Chief Medical Officer, Dr. Gary Gray.
- b. Authorize the Chief Executive Officer for Natividad Medical Center to execute Amendment. 4 to the Employment Agreement for the Chief Medical Officer, Dr. Gary Grey, to raise the base salary by 3.5% to \$331,166, for a total maximum annual contract amount of \$430,516 (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 Amendments Nos. 1, 2 and 3 and all compensation made pursuant to such Amendments to the Employment Agreement for Chief Medical Officer, Dr. Gary Gray.
- B. Authorize the Chief Executive Officer for Natividad Medical Center to execute Amendment No. 4 to the Employment Agreement for the Chief Medical Officer, Dr. Gary Gray, to raise the base salary by 3.5% to \$331,166, for a total maximum annual contract amount of \$430,516 (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 among other things, hiring procedures and the decision on promotions, but did not include authority to enter into employment contracts.

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 required 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 April 28, 2009, the Chief Executive Officer (“CEO”), Harry Weis, of Natividad Medical Center (“NMC”) obtained Board of Supervisors approval to sign an employment contract with a new Chief Medical Officer at NMC. The Board Order states that the NMC CEO is authorized, “to sign an employment agreement with a new Hospital Chief Medical Officer at Natividad Medical Center.”

On June 2, 2009, the CEO of NMC signed an employment agreement for a new Chief Medical Officer, Dr. Gary Gray (“CMO”), for a salary of \$290,000 plus a potential bonus of \$87,000, for a total value of \$377,000. The term of employment began May 18, 2009. 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. The Agreement was reviewed as to form and legality by the Office of County Counsel and reviewed for fiscal provisions by the Office of Auditor-Controller. The Board of Supervisors approved the agreement on April 28, 2009.

On or about May 8, 2010 the employment agreement for the CMO was amended to raise the salary to \$298,700, plus a potential bonus of \$89,610, for a total value of \$388,310.

On or about July 1, 2011 the employment agreement for the CMO was amended to raise the salary to \$310,648, plus a potential bonus of \$93,194, for a total value of \$403,842.

On or about April 20, 2013 the employment agreement for the CMO was amended to raise the salary to \$319,967, plus a potential bonus of \$95,990, for a total value of \$415,957.

In November 2013 the NMC CEO was asked to implement a 3.5% wage increase swap out with the CMO to ensure this employee was paying the full 7% employee contribution to CalPERS. The NMC CEO now seeks Board of Supervisors authorization to execute Amendment No. 4 to provide for a 3.5% salary increase to the employment agreement for the CMO to raise the salary to \$331,166 plus a potential bonus of \$99,350, for a total value of \$430,516 which was included in the Fiscal Year 2014 budget. This Amendment No. 4 was recently reviewed and approved by the Office of County Counsel as to legality and form. Amendment No. 4 will accomplish the 3.5% wage increase swap out to ensure the CMO is contributing 7% to CalPERS. The original Employment Agreement and all four Amendments are attached as Exhibit A.

Amendment Nos. 1, 2, 3, and 4 were reviewed as to form and legality by the Office of County Counsel and reviewed for fiscal provisions by the Office of Auditor-Controller. Board of Supervisors approval was not previously obtained on any of the Amendments.

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

OTHER AGENCY INVOLVEMENT:

The Auditor Controller's Office reviewed and approved the fiscal provisions of the Employment Agreement in 2009 and Amendment Nos. 1, 2 and 3, in 2010, 2011 and 2013 respectively. The Office of County Counsel reviewed and approved as to form and legality the original employment Agreement and Amendment Nos. 1, 2, 3 and 4.

FINANCING:

The cost of the original CMO Employment Agreement was included in the Fiscal Year 2009 and FY 2010 budgets. The cost of this agreement is \$290,000 plus a potential bonus of \$87,000, for a total value of \$377,000. The new base salary pursuant to Amendment No. 1 is \$298,700 plus a potential bonus of \$89,610, for a total value of \$388,310, which was included in the FY 2010 and FY 2011 budgets. The new base salary pursuant to Amendment No. 2 is \$310,648 plus a potential bonus of \$93,194, for a total value of \$403,842, which was included in the FY 2012 budget. The new base salary pursuant to Amendment No. 3 is \$319,967 plus a potential bonus of \$95,990, for a total value of \$415,957, which was included in the FY 2013 and FY 2014 budgets. The new base salary pursuant to Amendment No. 4 is \$331,166 plus a potential bonus of \$99,350, for a total value of \$430,516, which was included in the FY 2014 budget. 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

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Title: Deputy County Counsel

Date: April 23, 2014

Attachments: Employment Agreement (previously approved by the BoS) and Amendments 1, 2, 3 & 4 for CMO, Dr. Gary Gray; and Resolution

Attachments are not on file with the Clerk of the Board