

**FIRST AMENDMENT TO RESTATED EMPLOYMENT
AGREEMENT BETWEEN THE CITY OF RANCHO PALOS
VERDES AND CAROLYN R. LEHR**

This agreement is made and entered into between the City of Rancho Palos Verdes ("CITY" or "EMPLOYER") and Carolyn Lehr ("EMPLOYEE"), amending their agreement titled "Fourth Amended and Restated Employment Agreement Between the City of Rancho Palos Verdes and Carolyn R. Lehr" ("AGREEMENT"). This amendment is effective as of September 23, 2011.

WHEREAS, the parties entered into the AGREEMENT, as of July 5, 2011, as an amended and restated employment agreement setting forth the rights and obligations of the parties; and

WHEREAS, the parties agreed in Paragraph D of Section 6 of the AGREEMENT to further amend the AGREEMENT to make the same adjustments to EMPLOYEE's retirement benefits and corresponding compensation as are approved by the City Council for other CITY Employees during fiscal year 2011-2012; and

WHEREAS, following a review of the CITY's pension plan, a majority of the City Council directed that effective with the pay period beginning September 23, 2011, the CITY will discontinue paying the 6.5% employer paid member contribution ("EPMC") for full time employees, including EMPLOYEE, and will increase the applicable salaries and salary ranges for full time employees by 5%, including the salary of EMPLOYEE, as a partial offset for discontinuing the EPMC benefit;

NOW, THEREFORE, the parties hereto agree that:

Section 1. Paragraph A of Section 6, of the Agreement is hereby amended to read as follows:

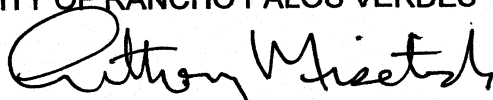
"A. Effective for the pay period beginning September 23, 2011, EMPLOYER agrees to pay EMPLOYEE for her services rendered pursuant hereto, a monthly salary of \$16,671.90, subject to legally permissible or required deductions and withholding, prorated and paid on CITY'S normal paydays. EMPLOYEE'S salary is compensation for all hours worked. EMPLOYEE shall be exempt from the overtime pay provisions of California law, if any, and federal law."

Section 2. Except as expressly amended herein, all of the provisions of the AGREEMENT shall remain in full force and effect.

IN WITNESS WHEREOF, the City Council of the City of Rancho Palos Verdes, California, has caused this first amendment to the AGREEMENT to be signed and executed on its behalf by its Mayor, and duly attested by its City Clerk, and EMPLOYEE has signed and executed this amendment, effective as of the date and year first above written.

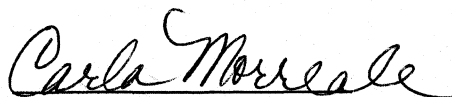
Dated: _____

EMPLOYER
CITY OF RANCHO PALOS VERDES



MAYOR PRO TEM

ATTEST:



CITY CLERK

Dated: _____

EMPLOYEE



CAROLYN R. LEHR

**FOURTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT BETWEEN
THE CITY OF RANCHO PALOS VERDES AND CAROLYN R. LEHR**

This Fourth Amended and Restated Employment Agreement ("Agreement") is made and entered into as of July 5, 2011, by and between the City of Rancho Palos Verdes, a California municipal corporation ("CITY" or "EMPLOYER"), and Carolyn R. Lehr, an individual ("EMPLOYEE"). CITY and EMPLOYEE are referred to collectively as the Parties.

RECITALS

- A. After a formal recruitment and selection process, the City Council of the City of Rancho Palos Verdes ("City Council") appointed EMPLOYEE as City Manager in 2007.
- B. EMPLOYEE has the requisite specialized skills, training, certifications, licenses, and authorizations and is otherwise qualified to serve as City Manager and has been serving as City Manager for City for four years.
- C. Pursuant to Section 7 of the Agreement, the City Council of City conducted a review of Employee's performance at a duly noticed closed session held on June 21, 2011.
- D. The City Council finds that, based on the review of Employee's performance, the City Council desires to increase Employee's annual salary and make other revisions to the Agreement.
- E. CITY and EMPLOYEE wish to enter into an Amended and Restated Employment Agreement that sets forth all of the rights and obligations of the parties and that will supersede all prior negotiations, discussions or agreements.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, CITY and EMPLOYEE agree as follows:

SECTION 1. DUTIES

EMPLOYER hereby agrees to retain the services of EMPLOYEE as City Manager of the City of Rancho Palos Verdes to perform the functions and duties specified in Chapter 2.08 of the Rancho Palos Verdes Municipal Code, and to perform such other legally permissible and proper duties and functions as the COUNCIL shall from time to time assign. EMPLOYEE shall also serve as Executive Director of any authority or agency created by or staffed by EMPLOYER, including the Rancho Palos Verdes Redevelopment Agency and the Rancho Palos Verdes Improvement Authority.

SECTION 2. TERM

A. Unless sooner terminated, as provided in this Agreement, the term of this Agreement shall terminate on June 30, 2014. This paragraph shall not be construed as preventing the parties from amending, extending or modifying the Agreement by a written instrument executed by both of the parties. The question of further extension or non-extension of the term hereof shall be considered by the COUNCIL at the time of the annual evaluation of EMPLOYEE as provided in Section 7 hereof.

B. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the COUNCIL to terminate the services of EMPLOYEE at any time upon ninety (90) days advance written notice, subject only to the provisions set forth in Section 4, paragraphs A and B of this Agreement.

C. EMPLOYEE agrees to remain in the exclusive employment of EMPLOYER until June 30, 2014, and neither to accept other employment nor to become employed by any other employer while employed by EMPLOYER. The prohibition against other employment shall not be construed to prevent occasional teaching, writing, or consulting performed on Employee's time off in accordance with Section 8 of this Agreement.

SECTION 3. SUSPENSION

EMPLOYER may suspend EMPLOYEE in accordance with the provisions of Section 2.08.130 of Chapter 2.08 of Title 2 of the Rancho Palos Verdes Municipal Code.

SECTION 4. TERMINATION AND SEVERANCE PAY

A. Consistent with California Government Code Section 36506, EMPLOYEE is appointed by and serves at the pleasure of the City Council as an at-will employee. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of CITY to terminate this Agreement and the employment of EMPLOYEE, with or without cause. EMPLOYER shall pay EMPLOYEE for all services through the effective date of termination and Employee shall have no right to any additional compensation or payment, except as provided in this Section 4. In the event that EMPLOYEE is terminated by the COUNCIL before expiration of the aforementioned term of employment without cause and at or during such time that EMPLOYEE is willing and able to perform her duties under this Agreement, then in that event, EMPLOYER agrees to pay EMPLOYEE a lump sum cash payment equal to twelve (12) months salary; provided, however, that if at the time of termination of the Agreement, the unexpired term of the Agreement is less than twelve (12) months, then the cash payment shall be equal to Employee's monthly salary at the time of termination multiplied by the number of months of the unexpired term of the Agreement. Also, in

the event EMPLOYEE is covered under EMPLOYER's health plan(s) and in addition to the described lump sum payment, Employer shall provide for continuation of health plans for six months after the date of termination or until EMPLOYEE obtains other employment, whichever occurs first. EMPLOYER, at its option, may provide for health benefit continuation through appropriate EMPLOYER contribution to COBRA coverage or by maintaining EMPLOYEE on EMPLOYER's payroll roster for such insurance benefits only. Only in the event that EMPLOYEE is terminated because of a material breach of this Agreement on her part, or because she has been convicted of a felony or any crime involving moral turpitude during the term hereof, shall EMPLOYER be relieved of the obligation to pay EMPLOYEE the benefits or the severance sum designated in this paragraph.

B. In the event EMPLOYER at any time during the time of this agreement reduces the salary or other financial benefits of EMPLOYEE in a greater percentage than an applicable across the board reduction for all employees of EMPLOYER, or in the event EMPLOYER refuses, following written notice, to comply with any other provision herein benefiting EMPLOYEE, or in the event EMPLOYEE resigns following a suggestion or request by the COUNCIL that she resign, then EMPLOYEE may, at her option, be deemed "terminated" within the meaning and context of the herein severance pay provisions as of the date of such reduction of benefits, refusal to comply with the provisions of this Agreement, or suggestion or request by the COUNCIL to resign.

C. In the event EMPLOYEE voluntarily resigns her position with EMPLOYER, then EMPLOYEE shall give EMPLOYER two (2) months written notice in advance. Additionally, in the event the EMPLOYEE applies for a position elsewhere during the term of her employment hereunder and is included on a list of five or fewer candidates still under consideration on such a list, EMPLOYEE shall promptly give notice thereof to each member of the COUNCIL, which notice shall be confidential insofar as is permitted by applicable law.

If EMPLOYEE terminates this Agreement (thereby terminating EMPLOYEE's Employment), EMPLOYEE shall not be entitled to any severance.

SECTION 5. DISABILITY

If EMPLOYEE is permanently disabled or is otherwise unable to perform her duties because of sickness, accident, injury, mental incapacity or health for a period of four successive weeks beyond any accrued sick leave, EMPLOYER shall have the option to terminate this agreement, subject to the severance pay requirements of Section 4, paragraph A. However, EMPLOYEE shall be compensated for any accrued vacation, holiday, and other accrued benefits, if any, in accordance with EMPLOYER's personnel rules, which are applicable to management employees and in effect at the time of such termination.

SECTION 6. SALARY

A. Effective July 5, 2011, EMPLOYER agrees to pay EMPLOYEE for her services rendered pursuant hereto, a monthly salary of \$15,878, subject to legally permissible or required deductions and withholding prorated and paid on CITY'S normal paydays. EMPLOYEE'S salary is compensation for all hours worked. EMPLOYEE shall be exempt from the overtime pay provisions of California law, if any, and federal law.

B. In recognition of accomplishments and excellent performance, merit increases may be granted to EMPLOYEE by COUNCIL. EMPLOYER agrees that EMPLOYEE'S salary shall be reviewed at the same time that EMPLOYEE'S performance is reviewed pursuant to Section 7.

C. In connection with the performance evaluation pursuant to Section 7, COUNCIL may consider a bonus, incentive award or performance pay for achievement of goals and objectives during the prior year. The decision to grant a bonus, incentive award or performance pay shall be in sole and absolute discretion of COUNCIL.

D. EMPLOYEE agrees that COUNCIL may further amend this Agreement during fiscal year 2011-2012, for the sole purpose of making the same adjustments to EMPLOYEE'S retirement benefits and corresponding compensation that COUNCIL approves for all other City employees during fiscal year 2011-2012, if any.

SECTION 7. PERFORMANCE EVALUATION

A. Annually, the COUNCIL and EMPLOYEE shall define the goals and objectives that they determine appropriate for the proper operation of the City and to attain the COUNCIL'S policy objectives. The COUNCIL and EMPLOYEE shall jointly establish the relative priorities among the various goals and objectives and shall reduce such prioritized goals and objectives to writing. The goals and objectives shall generally be obtainable within the specified time limitations and within the annual operating and capital budgets and appropriations provided. Concurrently with the establishment of the goals and objectives for the City, the COUNCIL and EMPLOYEE shall establish the performance goals for EMPLOYEE and any specific criteria that shall be used to evaluate EMPLOYEE'S performance. Said criteria may be added to or deleted from as the COUNCIL may from time to time determine after consultation with EMPLOYEE.

B. The COUNCIL shall review and evaluate the performance of EMPLOYEE at least once annually, on or before May 31st of each year, or as soon thereafter as can be reasonably be scheduled by the COUNCIL and EMPLOYEE. EMPLOYEE recognizes that as City Manager, she shall remind COUNCIL of the obligation to conduct the review of EMPLOYEE'S performance. The parties agree that the COUNCIL'S failure to carry out the provisions of this Section 7 shall not be deemed a breach of this Agreement.

C. Such evaluation shall be discussed with EMPLOYEE, and an opportunity shall be provided to EMPLOYEE to respond to any aspect of said evaluation. It is the intention of COUNCIL that so long as authorized by Section 54957 of the California Government Code, or any other statutory provision, such performance evaluation shall be conducted in closed session.

SECTION 8. OUTSIDE ACTIVITIES

EMPLOYEE shall not spend more than an average of six hours per week in teaching, counseling or other non-Employer related business without the prior approval of the COUNCIL.

SECTION 9. AUTOMOBILE

EMPLOYEE shall provide and have at her disposal for use for City business a clean, presentable and well-maintained automobile. EMPLOYEE shall be responsible for all costs of maintenance and operation of said vehicle. During the term of this Agreement, EMPLOYEE shall secure and maintain, at EMPLOYEE'S expense, automobile insurance in accordance with the requirements of Rancho Palos Verdes Administrative Instruction No. 8-02, and the minimum insurance requirements established by State law, whichever is greater, and shall provide satisfactory evidence of such automobile insurance to EMPLOYER. EMPLOYER shall pay to EMPLOYEE the amount of \$500.00 per month to compensate EMPLOYEE for the use of EMPLOYEE's automobile for City business.

SECTION 10. BENEFITS GENERALLY

A. Except as specifically provided otherwise in this Agreement, EMPLOYEE shall receive all employment benefits that have been approved by COUNCIL for other management employees, as set forth in the City's Management Employee Personnel Rules and Resolution No. 97-93, as they now exist and from time to time may be amended by COUNCIL.

The provisions of this Section 10 exclude any adjustments to EMPLOYEE'S salary; such increases, if any, shall be determined by the COUNCIL, in its sole discretion, in accordance with the provisions of paragraph B of Section 6.

B. EMPLOYEE shall accrue vacation leave at the rate of ten hours per month. The vacation leave granted to EMPLOYEE may be used by EMPLOYEE at her discretion, considering always the best interests of the City. EMPLOYEE shall notify the Mayor when vacation leave in excess of three concurrent days is to be taken. If not used, said vacation leave shall continue to accrue, except that such entitlement shall not accrue beyond the maximum limits established for other management employees, unless specifically authorized by the COUNCIL. Upon termination of EMPLOYEE's employment under this Agreement, EMPLOYER shall pay EMPLOYEE, at the rate of

compensation then being earned by EMPLOYEE, for all accrued and unused vacation leave entitlement in accordance with the then current policy established for other management employees.

C. CITY recognizes that EMPLOYEE may incur certain expenses of a non-personal and job related nature. CITY agrees to reimburse or to pay such business expenses, which are incurred and submitted according to CITY's normal expense reimbursement procedures. To be eligible for reimbursement, all expenses must be supported by documentation meeting CITY's normal requirements and must be submitted within time limits established by CITY.

D. Bonding. CITY shall bear the full costs of any fidelity or other bonds required of EMPLOYEE (if any) under any law or ordinance by virtue of her employment as City Manager.

E. EMPLOYEE may participate in the deferred compensation plan(s) to which City employees may contribute in the same manner as other City employees. In addition to any EMPLOYEE contributions, EMPLOYER will make a monthly EMPLOYER contribution of \$1,250 prorated and paid on CITY'S normal paydays and prorated for any partial months of employment. In the event employer contributions will cause employee to exceed the contribution limit set by federal law for any applicable employer sponsored plan, EMPLOYER's contribution under this Employment Agreement will be limited to the amount that will bring total contributions to the federal contribution limit. EMPLOYER's contributions under this Paragraph E will commence as of March 16, 2010.

F. EMPLOYEE is granted 80 hours of administrative leave for each City fiscal year that EMPLOYEE is employed by EMPLOYER. EMPLOYEE shall consider the workload and obligations of the City Manager's Department and the best interests of the City when EMPLOYEE schedules her administrative leave. Like other City employees, EMPLOYEE's administrative leave may not be accumulated or carried over to the next fiscal year. Upon termination of EMPLOYEE's employment, EMPLOYEE shall not be granted and, accordingly is not entitled to be paid for, unused administrative leave. Administrative leave may be used for medical appointments, disability leave and leaves provided pursuant to the federal and California family and medical leave statutes.

SECTION 11. DUES AND SUBSCRIPTIONS

EMPLOYER agrees to budget and pay for the professional dues and subscriptions of EMPLOYEE necessary for her continuation and full participation in national, regional, state and local associations and organizations necessary and desirable for her continued professional participation, growth and advancement, including the acceptance and performance of duties related to such associations and organizations and for the good of EMPLOYER.

SECTION 12. PROFESSIONAL DEVELOPMENT

EMPLOYER hereby agrees to budget for and pay the travel and subsistence expenses in accordance with the COUNCIL-approved travel policy, as contained in the Administrative Manual, for professional and official travel and meetings and occasions adequate to continue the professional development of EMPLOYEE and to adequately pursue necessary official duties and other functions for EMPLOYER.

SECTION 13. INDEMNIFICATION

Except as otherwise permitted, provided, limited or required by law, including, without limitation, California Government Code Sections 825, 995, and 995.2 through 995.8, the CITY will defend and pay any costs and judgments assessed against EMPLOYEE arising out of an act or omission by EMPLOYEE occurring in the course and scope of EMPLOYEE's performance of her duties under this Agreement.

SECTION 14. OTHER TERMS AND CONDITIONS OF EMPLOYMENT

The COUNCIL, in consultation with EMPLOYEE, shall fix any other terms and conditions of employment as it may determine from time to time to be appropriate, relating to the performance of EMPLOYEE, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Agreement, City ordinances or any other law.

SECTION 15. NOTICES

Any notice to City under this Agreement shall be given in writing to City, either by personal service or by registered or certified mail, postage prepaid, addressed to the City Clerk at the address listed below. A courtesy copy shall be given to the City Attorney in a like manner. Any such notice to Employee shall be given in a like manner and, if mailed, shall be addressed to Employee at her home address then shown in City's files. EMPLOYEE's current address is set forth below. For the purpose of determining compliance with any time limit in this Agreement, a notice shall be deemed to have been duly given (a) on the date of delivery, if served personally on the party to whom notice is to be given, or (b) on the third calendar day after mailing, if mailed to the party to whom the notice is to be given in the manner provided in this section.

EMPLOYER: Mayor and City Council
City of Rancho Palos Verdes
30940 Hawthorne Boulevard
Rancho Palos Verdes, CA 90275

EMPLOYEE: Carolyn R. Lehr
34 Via Del Cielo
Rancho Palos Verdes, California 90275

SECTION 16. GENERAL PROVISIONS

A. This Agreement contains the entire agreement between the parties and supersedes all prior oral and written agreements, understandings, commitments, and practices between the parties concerning EMPLOYEE's employment with CITY. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or written, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding on either party.

B. No amendments to this Agreement may be made except in writing, signed and dated by CITY and EMPLOYEE.

C. This Agreement shall be binding on and inure to the benefit of the heirs at law and executors of EMPLOYEE.

D. This Agreement shall become effective commencing the 5th day of July, 2011.

E. Notwithstanding anything in this agreement to the contrary, unless EMPLOYEE agrees otherwise or unless notice of termination has been given prior to any City Council election, EMPLOYEE shall be retained for a minimum of three months following any such election in order to provide the new council members an opportunity to work with and observe EMPLOYEE's performance under this Agreement.

F. If any provision of this Agreement, or portion thereof, is held invalid or unenforceable, the remainder of this Agreement, or portion thereof, shall be deemed severable and shall remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.

G. This Agreement sets forth the final, complete and exclusive agreement between EMPLOYER and EMPLOYEE relating to the employment of Employee as City Manager by CITY. Any prior discussions or representations by or between the parties are merged into and rendered null and void by this Agreement. The foregoing notwithstanding, EMPLOYEE acknowledges that, except as expressly provided in this Agreement, her employment is subject to City's generally applicable rules and policies pertaining to employment matters, such as those addressing equal employment opportunity, sexual harassment and violence in the workplace.

H. This Agreement is made and entered into in the State of California and shall in all respects be interpreted, enforced and governed under the substantive laws of the State of California, without giving effect to conflict of laws principles. Any legal action to enforce the provisions of this Agreement shall be filed in any court of competent jurisdiction in Los Angeles County.

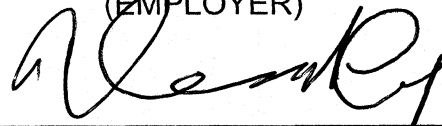
I. None of the Parties hereto shall be deemed to be the drafter of this Agreement. The terms of this Agreement shall not be interpreted or construed in favor of, or against, any Party hereto. Should any provision of this Agreement be found to be ambiguous in any way, such ambiguity shall not be resolved by construing this Agreement in favor of or against any Party herein, but rather by construing the terms of this Agreement as a whole according to their fair meaning.

J. EMPLOYEE acknowledges that she has had the opportunity and has conducted an independent review of the financial and legal effects of this Agreement. EMPLOYEE acknowledges that she has made an independent judgment upon the financial 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.

IN WITNESS WHEREOF, the City Council of the City of Rancho Palos Verdes, California, has caused this Agreement to be signed and executed on its behalf by its Mayor, and duly attested by its City Clerk, and EMPLOYEE has signed and executed this Agreement, as of the date and year first above written.

Dated: July 19, 2011

CITY OF RANCHO PALOS VERDES
(EMPLOYER)



MAYOR

ATTEST:

Carla Morreale
CITY CLERK

APPROVED AS TO FORM:

[Signature]
CITY ATTORNEY

Dated: 7-5-11

EMPLOYEE

Carolyn R Lehr
CAROLYN R LEHR