



MAYOR REPORT

Meeting Type: City Council
Meeting Date: March 17, 2025
From: Kathleen Walker, City of Sandy Mayor
Subject: City Manager Employment Agreement Update

DECISION TO BE MADE:

Whether to authorize changes to City Manager's Employment Agreement.

BACKGROUND / CONTEXT:

At the November 18, 2024 City Council meeting, the Council reviewed the performance of City Manager Tyler Deems based on a 360-degree evaluation process led by a consultant. We provided feedback to Mr. Deems and discussed next steps. The direction from Council was for the Mayor to coordinate with our HR department head and legal representative to discuss any proposed changes to the City Manager Employment Agreement signed in Oct, 2023.

No changes in salary were requested as part of this effort. Mr. Deems requested three items be considered for revisions:

1) Contact Termination Conditions:

My current term is three years. After reviewing other contracts, I've learned that many other City Managers have either perpetual or evergreen contracts. I've also seen examples of non-renewal triggering severance. I'd like to reopen negotiations to discuss the term of my contract to provide more security for my family and I.

The current agreement has a clause about the term going until Sept 15, 2026. Mr. Deems points out that prior city managers did not have that term and that most city manager agreements are "evergreen" with no termination date. The existing agreement has clauses that allow the City Council to terminate employment with, or without cause. Under the term condition, the City Council could decide not to renew the contract without cause, and not be required to pay severance. If they terminated before that date, without cause, they would be required to pay severance. Under an evergreen clause, the Council may terminate his employment with cause (no severance paid), or without cause (severance paid).

2) Severance:

Current severance package if terminated without cause, is six month's salary, paid equally across six months. Request is for lump sum payment equal to six months of pay, made payable in one lump sum to provide certainty and flexibility for his family.

The current agreement also says that should Mr. Deems become employed elsewhere, the monthly payment would end (before the six-month period). Paying six months up front could result in Mr. Deems becoming employed during that six-month period, although city manager positions within a commuting area are not plentiful, so it would likely take 3-6 months at least, to line up a position.

3) Temporary Compensation:

My initial contract provided some modest additional compensation for my work as the Finance Director. Clearly that recruitment took much longer than expected. Now having a Finance Director hired and on board, I'd like to discuss an extension of this temporary compensation to cover the period January 15, 2024 through November 4, 2024.

Mr. Deems' interim city manager agreement specified payment of \$1,500 a month for additional duties as finance director during the period he was in interim status. That period was from June 1st to September 15th, 2023. His existing employment agreement specifies a payment of \$1,000 a month for these additional finance director duties, not to exceed four months. He was paid for four months between September 16th, 2023 to January 15th, 2024. The 2022 salary for the Finance Director position was \$10,700 a month.

The period of January 15th – August 1st was when Mr. Deems was not only doing his city manager and additional finance director duties, but dealing with the unprecedented police chief hiring issues.

KEY CONSIDERATIONS / ANALYSIS:

Mr. Deems' performance evaluation was almost entirely very positive. An evergreen agreement still allows Council to terminate for cause (at any time). The lump sum severance payment could be authorized, or could be broken into a four-month lump sum, followed by a two-month lump sum if he has not gotten a new position. The additional compensation requested seems modest considering we would have been paying ten times that amount if the position had been filled, thereby saving a considerable amount of money in the budget.

BUDGET IMPACT:

Item #1: Assuming Mr. Deems continues his past performance standard, there would be no financial impact to changing the term from September 2026 to evergreen. **Item #2:** If down the line, he was terminated without cause, the six-month lump sum severance payment would cost \$81,500. It would also likely require the city to identify and pay for an "interim city manager", likely an existing department head. Assuming that person is already on staff, this would lessen the financial impact. It would likely take three to four months to recruit and hire a new city manager. **Item #3:** Paying Mr. Deems \$1,000 a month for the almost 11 months that he performed those additional duties would cost \$11,000 but since we would have been paying \$117,700 for those duties had the position been filled, then the net savings to the city budget is \$106,700.

RECOMMENDATION:

Authorize the Mayor to sign a revised City Manager Employment Agreement that:

1. Modifies the term to be “evergreen” instead of terminating September 15, 2026.
2. Revises severance pay clause to allow a four-month lump sum severance payment if City Manager is terminated “without cause”, followed by a two-month lump sum payment at the end of month four, for month five and six if he has not gotten a new job. No severance would be paid if he is terminated for cause.
3. Revises Temporary Additional Compensation clause to allow the \$1,000 payment to continue to November 4, 2024 due to unprecedented delays in hiring beyond his control.

SUGGESTED MOTION LANGUAGE:

“I move to approve the proposed amendment to the city manager contract with Tyler Deems as presented in the packet, and authorize the Mayor to sign the amendment on behalf of the City.”

LIST OF ATTACHMENTS / EXHIBITS:

- Amendment #1: City Manager Employment Agreement
- Existing City Manager Employment Agreement, October 2023