

HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement"), between the Heritage Ranch Community Services District ("District"), through its Board of Directors, and John D'Ornellas ("Manager"), shall be effective on July 1, 2014.

ARTICLE I - TERM OF EMPLOYMENT

Section 1.01 Grant and Acceptance of Employment/Term. The District hereby employs Manager under the terms and conditions stated in this Agreement, and Manager hereby accepts such employment beginning on July 1, 2014, and continuing for a period of three (3) years, ending July 1, 2017, unless otherwise terminated prior thereto as provided in this Agreement ("Initial Term").

Section 1.02 Extension of Term. The Board of Directors shall have the option to extend the term of this Agreement for one (1) additional year by providing Manager with written notice of its intent to extend the Agreement for a one (1) year term. The Board of Directors shall have the absolute and sole discretion to decide whether to extend this Agreement. The Board of Directors will notify Manager of its decision to extend or not to extend the term of this Agreement no later than April 1, 2017. Should the Board of Directors fail to notify Manager by April 1, 2017, of its decision, this Agreement shall automatically extend for an additional one (1) year term only, to July 1, 2018. There will be no automatic extensions of this Agreement other than the one-time possibility described in this Section 1.02. Any agreement to extend the term of this Agreement, or to modify it in any way, shall not be effective unless in writing and signed by both parties.

ARTICLE II - DUTIES OF MANAGER

Section 2.01 General Duties. Subject to Section 2.02 below, Manager is employed as the Manager to perform all duties related to management of the District and District's employees consistent with the job description of the Manager of the District, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference, and such other duties as the Board of Directors may direct.

Section 2.02 Scope of Employment. Manager shall devote his full time, attention and ability to the business of the District during the term of this Agreement. During the term of this Agreement, Manager shall not engage in any conduct or other employment or business that would unreasonably interfere with his responsibilities and duties to District or that would reflect unfavorably upon the interests of the District. Manager shall perform all services, acts or things necessary or advisable to manage and conduct the business of District, subject always to the policies set by the Board.

Section 2.03 Work Schedule. Manager's work schedule (and working time) shall generally conform to that of other employees of the District; however, it is recognized by both parties that Manager's work schedule will be somewhat variable and may not always conform to a standard 40-hour workweek. Manager shall be required to work such additional hours as may be necessary for the performance of all of the duties of the Manager including, but not limited to, responding to emergencies and attending regular meetings of the Board and its committees and such other meetings held outside of the District's regular hours of business as shall be helpful to conduct District business. Manager shall receive a forty (40) hour credit annually as Administrative Leave in lieu of overtime compensation. Administration Leave shall not accrue from year to year and shall be forfeited at the end of any eligibility year in which it is not taken. Upon separation from employment with the District for any reason, Manager shall not be entitled to be compensated for any accrued but unused Administrative Leave.

Section 2.04 Professional Development. District agrees to budget the professional dues and subscriptions of the Manager within the budgeted amount approved by the District for his continued participation in national, regional, state, and local associations and organizations necessary and desirable for his continued professional participation, growth and advancement, as they may benefit the District. District hereby agrees to budget the travel and related expenses of Manager within the budget amount approved by the District for professional and official travel, meetings and occasions adequate to pursue necessary official functions for District, including, but not limited to, the California Special Districts Association, the American Waterworks Association, and such other national, regional, state, and local governmental groups and committees on which Manager may serve as a member, as approved by the Board. District also agrees to budget within the budget amount approved by the District, the travel, materials, and related expenses of Manager for short courses, institutes, and seminars that are necessary for his professional development, and for the good of the District.

Section 2.05 Rules and Regulations. At all times during employment with the District, Manager shall strictly adhere to and obey all the policies, rules and regulations now in effect or as subsequently adopted governing the conduct of employees of District. Additionally, Manager shall act in a prudent, responsible and ethical manner as to matters not the subject of the District's rules and regulations so as to not bring discredit or disrepute to the District, the Board of Directors or the position of Manager.

Section 2.06 Change Duties. District shall have the right at any time during the term of this Agreement to assign managerial or supervisory duties to Manager different from the duties originally assigned and specified above, and may amend Exhibit A attached hereto. Any changes in the Manager's duties shall be consistent with the duties and responsibilities of the highest appointive position in the District.

Section 2.07 Performance. Manager agrees to loyally and conscientiously perform all of the duties and obligations either expressly or implicitly required of the Manager by the terms of this Agreement. Manager agrees to comply with and submit to the directions, instructions and control of the District Board in the performance of the stated and implicit duties under this Agreement.

### ARTICLE III - COMPENSATION OF MANAGER

Section 3.01 Base Salary. District shall provide to Manager a base salary at the annual rate of One Hundred and Thirty-Six Thousand Six Hundred Dollars (\$136,600.00) (the “Base Salary”) payable in increments according to District's periodic payroll disbursement policy.

Section 3.02 Annual Review. During the term of this Agreement, the Board of Directors shall review the goals and objectives accomplished by Manager during the preceding year (the “Manager’s Annual Review”). The Manager’s Annual review will occur once for each year of this Agreement, on or near the anniversary date of this Agreement.

Section 3.03 Annual Salary Adjustments. Each year of this Agreement the Board shall provide Manager with a minimum salary adjustment of a 3% increase in Base Salary providing the Manager received a favorable performance review by a majority of the Board. The Board shall have the discretion to provide an adjustment above this amount based on the results of the annual review based on the performance of the Manager. The increase in Base Salary granted by the Board under this Section 3.03 shall be effective on the anniversary date of this agreement.

Section 3.04 Other Adjustments - Discretionary Salary Adjustments. In addition to the annual salary adjustment and based upon the results of the Manager’s Annual Review, or any other factors the Board deems relevant (including a salary survey of comparable Districts or governmental entities), the Board may, in its sole discretion, provide Manager with an increase in Base Salary, a bonus or an increase in other benefits (as such benefits are provided for in Article 4 of this Agreement, hereinafter, “Benefits”) received by Manager under this Agreement. Any increase in Base Salary granted by the Board under this Section 3.04 shall be effective on the anniversary date of this agreement or effective date of Board action whichever is earlier. Any bonus granted will be paid within a reasonable time after the Board’s decision to grant such a bonus. If the Board votes to increase Benefits paid on behalf of the Manager, the increase will be effective on the anniversary date or within a reasonable time after the Board grants such increase. Nothing in this Agreement shall preclude the Board from adjusting Manager's Base Salary or other Benefits more frequently than provided in Section 3.03, so long as such adjustment is specifically approved with regard to Manager, and this Agreement is amended in writing based on such approval.

### ARTICLE IV - BENEFITS

The Benefits provided below are all of the employee benefits to be given to Manager and are in lieu of benefits provided to other employees under the District Employee Personnel Policies, any collective bargaining agreement, any then current memorandum of understanding or other agreement except as specifically provided herein.

Section 4.01 Vacation. Manager shall earn 7.53 hours of paid vacation leave during each bi-weekly pay period with the District. Manager is encouraged to use all accrued vacation benefits each year. If, at any time, Manager's earned but unused vacation hours reach three hundred twenty

(320) hours, Manager will not accrue any additional vacation time. If Manager later uses enough benefits to fall below the maximum, Manager will begin to earn benefits again until the maximum is once more reached. Upon separation from employment with the District for any reason, Manager shall be entitled to be compensated for accrued but unused vacation leave.

Section 4.02 Sick Leave. Manager shall accrue one day (eight (8) hours) of paid sick leave for each month of employment with the District. Sick leave usage by the Manager shall be governed by the same general requirements as those approved by the Board for other District employees. Upon separation from employment with the District for any reason, Manager shall be entitled to receive payment at a rate of fifty percent (50%) of the Manager's total accrued sick leave, not to exceed sixty (65) days [520 hours]. Such reimbursement shall be at the Manager's salary rate at the time of separation or if retiring, the Manager may elect to transfer the entire sick leave balance, one hundred percent (100%), to his CalPERS retirement account under the provisions of the sick leave credit contract provisions.

Section 4.03 Holidays. Paid holidays for Manager shall be the same as those approved by the Board for other employees of the District.

Section 4.04 Pension Contribution. District shall contribute a percentage of Manager's salary to the District employees' pension plan currently in effect or any successor plan as may become effective during the term of this Agreement. The amount contributed will be at the same percentage rate as contributed for other District employees during the term of this Agreement, and Manager will participate in the plan to the same extent as available to other District employees.

Section 4.05 Health Plans. District shall provide Manager with the same health plan as is currently available to other District employees or any successor health plan as may become effective during the term of this Agreement. District shall provide Manager with the same dental and vision plan as is currently available to other District employees or any successor dental and vision plan as may become effective during the term of this Agreement.

Section 4.06 Car Allowance. District agrees to provide Manager with a car allowance in the amount of Two Hundred and Fifty Dollars and 00/100 (\$250.00) per month during the term of this Agreement. Except as provided below, this car allowance is provided in lieu of mileage reimbursement otherwise described in District policies. Manager shall be reimbursed for mileage in accordance with District policy for all miles traveled outside San Luis Obispo County for District business. Manager also shall be reimbursed if required to rent a vehicle for District business after having traveled to such area via alternative transportation, such as by bus, airplane or train.

Section 4.07 Cell Phone Allowance. District agrees to provide Manager with the same cell phone monthly allowance as is currently available to other District operations employees or any successor cell phone allowance plan as may become effective during the term of this Agreement. The July 1, 2014 amount of the District's cell phone allowance is Forty Dollars and 00/100 (\$40.00) per month. This cell phone allowance is provided in lieu of providing the Manager with a District

cell phone and is intended to allow telephone contact with the Manager during off duty hours when not at home.

Section 4.08 Other Benefits. Nothing in this Agreement shall preclude the Board from providing to Manager additional leave time or benefits; provided, the granting of such additional leave time or benefits is specifically approved with regard to Manager and this Agreement is amended in writing based on such approval. The Board agrees that if a life and/or disability insurance program is offered through the District to all District employees, consideration will be given for District contribution on Manager's behalf for his benefits.

## ARTICLE V - TERMINATION OF EMPLOYMENT

In addition to the expiration of this Agreement pursuant to Article I above, this Agreement may be terminated as follows:

Section 5.01 Immediate Termination: The acts listed on Exhibit "B", attached hereto and made a part hereof by reference, shall be considered cause for immediate termination of this Agreement. Such termination may take effect only after the District, upon affirmative vote of at least three members of the Board at a regular or special meeting thereof, determine that the Manager has performed one of the listed acts leading to cause for immediate termination. Manager shall be given prior notice of the Board meeting, at least twenty four (24) hours in advance, and shall have the right to attend the Board meeting with a representative of his choice. Thereafter, Manager shall have the right to a hearing before the Board to reconsider the decision to terminate, and the Manager shall be given opportunity to be heard concerning an explanation and/or defense. Any request for a reconsideration hearing must be filed in writing at the District office within five days after the Board's initial decision to terminate. The Board's hearing on reconsideration will be held within 30 days after filing the request, unless the parties agree otherwise. Manager shall have the right, at his option, to a public hearing or a closed session hearing before the Board. If the Agreement is terminated pursuant to this paragraph, Manager shall be entitled to thirty (30) days severance pay and payment of accrued benefits.

Section 5.02 Termination with Cause after Notice: The following shall be the method for termination for causes other than those listed in Exhibit "B". If Manager materially breaches this Agreement or neglects or otherwise fails to perform the duties which he is required to perform under the terms of this Agreement, the District may, at its option, upon affirmative vote of at least three members of the Board at a regular meeting thereof, terminate this Agreement for cause; provided, however, that the District shall give prior written notice to Manager, stating the intent of the Board to terminate this Agreement for cause, containing an explicit statement of the alleged grounds for said termination. The termination shall not take effect until at least thirty days after Manager has received the notice of intent to terminate this Agreement. During this thirty-day period, Manager shall be given reasonable opportunity to be heard before the Board concerning an explanation and/or defense. Manager shall have the right, at his option, to a public hearing or a closed session hearing before the Board. Manager shall also have the right to be represented by legal counsel during such hearing and/or such other proceedings provided for in this Agreement concerning termination. If the

Agreement is terminated pursuant to this paragraph, Manager shall be entitled to thirty (30) days severance pay and payment of accrued benefits.

Section 5.03 Termination Without Cause. The District may terminate Manager at any time without cause and with or without advance notice to Manager; upon affirmative vote of at least three members of the Board at a regular meeting thereof. If the District elects to terminate Manager without cause and pursuant to the conditions of the preceding sentence, the District shall pay Manager all compensation due and owing through the last day he actually worked, and the severance amount provided in Section 5.06 below.

Section 5.04 Termination By Disability. The Parties acknowledge and agree that during his employment with the District, Manager occupies a crucial and indispensable administrative position. Accordingly, the Parties agree that if by reason of disability the District may, to the extent permitted by and in accordance with the law, terminate this Agreement upon thirty (30) days advance written notice to Manager. For the purposes of this section, disability shall be defined as Manager's inability to carry out his material duties under this Agreement for more than three (3) months in any twelve (12) consecutive month period due to mental or physical illness or injury. Termination for disability is subject to payment of accrued benefit as provided in this agreements.

Section 5.05 Voluntary Termination. Manager may terminate this Agreement at any time by giving at least thirty (30) days prior written notice to the District. Payment of accrued benefit as provided in this Agreements shall be due or payable in the event of the voluntary termination of Manager.

Section 5.06 Severance. If, during the term of this Agreement, Manager's employment is terminated by District without cause as provided in Section 5.03, the District shall pay to Manager in a lump sum at termination (less all applicable taxes, withholdings and payroll deductions) an amount equal to what would have been Manager's Base Salary [i.e., no Benefits] for one year, together with any vacation leave amounts accrued through the actual date of termination only, and any unused sick leave per Section 4.02, above. If there is less than twelve (12) months remaining in the term of this Agreement then severance shall be a lump sum at termination (less all applicable taxes, withholdings and payroll deductions) an amount equal to what would have been Manager's Base Salary only [i.e., no Benefits] for the remaining months of the agreement. As a prior condition to Manager receiving any severance payment hereunder, Manager and the District shall execute a full mutual release of known and unknown claims against each other, their successors, affiliates, employees, agents, advisors and representatives, in mutually agreeable form.

Section 5.07 Termination Obligations. Manager agrees that all property including, without limitation, whether tangible or intangible, equipment, confidential or proprietary information, documents, records, notes, contracts, and computer-generated materials furnished to or prepared by Manager incident to his employment belongs to District and shall be returned promptly to District upon termination of Manager's employment. Manager's obligations under this Section 5.07 shall survive the termination of his employment and the expiration of this Agreement. Within a reasonable time after his termination, District agrees to provide Manager with a full and complete copy of Manager's personnel file.

Section 5.08 Suspension. The District may, in its sole discretion, suspend Manager from duties, with pay, as necessary to conduct any investigation regarding Manager's service to District or any of Manager's other obligations under this Agreement.

Section 5.09 Death of Manager. If Manager dies prior to the expiration of the term of employment, any monies that may be due to Manager from District under this Agreement shall be paid to Manager's executors, administrators, heirs, personal representatives, successors or assigns.

## ARTICLE VI - GENERAL PROVISIONS

Section 6.01 Notices. Any notices to be given hereunder by either party to the other may be effected either by personal delivery in writing or by mail, registered or certified, postage prepaid with return receipt requested. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of forty-eight (48) hours after mailing.

Section 6.02 Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Manager by District and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. The terms of the District Personnel Policies shall not be deemed to be part of this Agreement except as specifically stated in this Agreement. Any modification of this Agreement will be effective only if it is in writing and signed by both parties.

Section 6.03 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

Section 6.04 Material Provisions. The parties agree that each provision of this Agreement is a material provision and that failure of any party to perform any one provision hereof shall be the basis for voiding the entire Agreement at the option of the other party, or for pursuing an action at law for such breach. Any party may waive or excuse the failure of the other party to perform any provision of this Agreement; provided, however, that any such waivers shall not preclude the enforcement of this Agreement upon any subsequent breach, whether or not similar in character to any waived breach.

Section 6.05 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California. All actions or proceedings arising directly or indirectly from this Agreement shall be litigated only in state or federal courts for the County of San Luis Obispo, State of California, and Manager, as part of the consideration for the execution of this Agreement, hereby consents to the jurisdiction of any local, state or federal court situated within or for the County of San Luis Obispo, State of California.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Bill Barker, President

MANAGER

Date: \_\_\_\_\_

By: \_\_\_\_\_  
John D'Ornellas

## **EXHIBIT "B"**

### **Causes for Immediate Termination**

1. Gross insubordination; i.e. refusal to follow directions or obey legitimate orders of the Board.
2. Physical violence, threats, abusive or vulgar language intimidation or coercion directed toward any employee, customer, visitor or guest of the Heritage Ranch Community Services District.
3. Intoxication while on the job, including being under the influence of narcotics, marijuana, or other illegal substances.
4. Willful abuse of the facilities or properties of the District.
5. Falsification of time records or other records.
6. Unauthorized removal, damage, use or possession of District's records or information.
7. Conviction of felony.
8. Theft of District Property.