

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") dated this 8th day of December, 2014, is entered into between Kathleen E. Hodgson ("Employee"), and the City of Lakewood, Colorado ("City").

1. Nature and Purpose of Agreement.

The City Council of the City has resolved to retain Employee as City Manager of the City and has determined what reasonable total compensation and other employment terms should be for Employee. The City has offered Employee employment for such total compensation and related benefits as discussed below. The City and Employee agree that the terms of this Employment Agreement do not supersede the provisions of the Home Rule Charter, and to the extent they do conflict with the Home Rule Charter, the Home Rule Charter shall prevail. The City and Employee also agree that to the extent this Employment Agreement is in conflict with provisions of the Lakewood Municipal Code, the Employment Agreement shall prevail.

2. Employment.

Employee hereby accepts employment with the City upon the terms and conditions set forth in this Agreement.

3. Employee's Duties.

Employee shall be employed as the City Manager of the City in a full-time capacity. As such, it shall be Employee's responsibility to be the Chief Administrative Officer of the City, as set forth in the Lakewood City Charter. Should the position of City Manager be eliminated from the City's Charter, Employee shall be entitled to Severance compensation, provided in Section 12 of this Agreement.

4. Term.

The term of this Agreement shall commence on, 8th day of December, 2014 and shall be in full force in effect unless terminated by the Employee or the City, unless amended or sooner terminated as provided in this Agreement. This amended Agreement shall supersede and terminate the Employment Agreement dated September 14, 2009.

5. Compensation.

In consideration of Employee's willingness to perform services hereunder and in consideration of the undertakings herein, Employee shall be paid annual base salary in an amount equivalent to her current salary ("Base Salary"). The Base Salary, subject to future adjustments, shall be paid on the regular biweekly payroll cycle until this Agreement shall otherwise terminate or be modified. The City shall contribute on Employee's behalf the full cost of participation in the Lakewood Employees' Money Purchase Pension Plan, as well as the maximum allowable by the IRS to the City of Lakewood Amended and Restated Deferred Compensation Plan, at full cost to the City, and will adjust in accordance with future IRS regulation changes.

Commencing in March 2015, and annually thereafter, as a part of the compensation for Employee, the Base Salary shall automatically increase by the average increase ("Average Increase") for all City employees for each year during the term of this Agreement. In addition to the Average Increase, commencing on March 2016, the Employee shall be eligible for additional automatic increases to the Base Salary based upon a range of objective organizational outcomes ("Additional

Automatic Increase"). Beginning upon the execution of this Agreement, for March 2016, and on an annual basis, as a part of the Council's strategic planning process, the parties shall establish and agree to objective organizational outcomes, for the ensuing year. Examples of objective organizational outcomes will be organized and presented as follows:

1. Operational
 - a. Budget & Finance (Budget Adoption & Audit Completion)
 - b. National and Regional Awards & Recognitions
 - c. Capital Program Completion
 - d. Employee Workforce – Comprehensive Workforce Plan
 - e. Police Department Accreditation

2. Community Relations
 - a. External Board & Commission Participation – Employee & Workforce
 - b. Community Survey (70% Satisfaction or greater)
 - c. Council Member Meeting Attendance – External (DRCOG, CML, NLC)

3. Strategic Planning
 - a. Economic Development Participation (JEDC & West Chamber)
 - b. State Legislation (Positions Taken)
 - c. Comprehensive Plan (Updated)
 - d. Sustainability Plan (Completed)
 - e. Emergency Preparedness (Plan Up To Date)
 - f. Urban Renewal (Budget Adoption & Contract Compliance)
 - g. City Manager Education (40 Hours Training or Development)

Each year, City Council will measure which of the agreed upon objective outcomes have been met, or not met. If one-third or less have been met, Employee's Base Salary will be increased by the Average Increase, plus 0.0%. If greater than one-third of the above have been met, but less than two-thirds, Employee's Base Salary will be increased by the Average Increase, plus 2.0%. If two-thirds or more have been met, Employee's Base Salary will be increased by the Average Increase, plus 3.0%.

On an annual basis, the Employee Relations Department will procure a salary study undertaken by an independent provider, to include the salaries of comparable executives. Based on the findings, Employee's Average Increase plus Additional Automatic Increase, combined, shall be limited to an amount that will not allow the Base Salary to exceed 95% of the highest paid executive in the survey.

6. Annual Review.

The City and Employee agree that subject to the City's Personnel Policy and Section 3.5 of the Lakewood City Charter, the City shall annually review Employee's job performance and determine whether, based upon her performance, an Additional Annual Increase in the Base Salary, as set forth herein, are appropriate.

7. Residency.

The City and Employee acknowledge that pursuant to Section 3.1 of the Lakewood City Charter Employee is obligated to reside within the corporate boundaries of the City.

8. Facilities.

The City shall furnish office facilities and assistance for Employee as the City deems appropriate for the performance of Employee's duties.

9. Benefits.

Except as provided for herein, Employee shall receive all of the same fringe benefits, as may be provided by the City for executive level employees, pursuant to Title 4 of the Lakewood Municipal Code. In addition to the benefits set forth in said Title 4, and in recognition of the long-standing tenure with the City, the maximum accrual limits of vacation time and sick leave time will not apply to Employee. This annual vacation leave and sick leave is to be used as she sees fit. Employee shall convert 120 hours of unused sick leave time and may convert up to 80 hours of vacation leave time to cash, each calendar year.

In lieu of provisions of the Lakewood Municipal Code pertaining to an automobile allowance, the City agrees to pay to the Employee, during the term of this Agreement and in addition to other salary and benefits herein provided, a reduced sum equivalent to the amount of car allowance in the September 14, 2009 Agreement, payable monthly, as a vehicle allowance to be used to purchase, lease, or own, operate, insure, and maintain a vehicle. The monthly allowance shall not be increased, unless authorized by the City Council.

Upon Retirement, Employee may participate in the City's medical and dental benefits plan, at the same rates and benefits as a Department Director. Employee shall pay her portion of medical and dental benefits as paid by then Department Directors.

10. Expenses.

Employee may be required as a condition of employment to incur reasonable and necessary expenses in connection with her duties hereunder. Employee shall be reimbursed by the City in accordance with the City's expense reimbursement policy; provided, however, before payment shall be made to Employee, all requests for reimbursement shall be reviewed by and shall not be paid unless approved by the Mayor.

11. Resignation by Employee.

In the event that the Employee voluntarily resigns her position with the City, the Employee shall provide a minimum of 60 days' notice unless the parties agree otherwise. In the event that the Employee voluntarily resigns her position with the City, she shall not be entitled to any Severance benefits under this Agreement.

12. Termination and Severance.

If Employee is terminated because of a conviction of a felony, then the City is not obligated to pay Severance.

For purposes of this Agreement, Total Compensation shall be defined as including: Base Salary; contributions to the Lakewood Employees' Money Purchase Pension Plan, calculated using the ordinary rates of contribution based on Base Salary; contributions to the City of Lakewood Amended and

Restated Deferred Compensation Plan calculated using the ordinary rates of contribution based on Base Salary; costs of health insurance for Employee and all dependents; costs of life insurance; and costs of short-term and long-term disability.

Upon termination, or election to become Retired, the Employee shall also be compensated for all accrued sick leave, vacation time, all paid holidays, and executive leave.

If Employee is otherwise terminated without cause during the first year of this Agreement, the City shall provide a Severance payment equal to two-year's Total Compensation at the current rate of pay, at the time of termination without cause. Upon each anniversary of this Agreement, the Severance payment shall be increased by one-half year's Total Compensation. For example, on the first anniversary, the Severance payment shall be increased to 2.5 years of the then Total Compensation. On the second anniversary, the Severance payment shall be increased to 3.0 years Total Compensation, on the third anniversary the Severance payment shall be increased to 3.5 years Total Compensation on the fourth anniversary the Severance payment shall be increased to 4.0 years, Total Compensation and so on. The Severance payment shall not exceed 5.0 years Total Compensation. Severance shall be paid in a lump sum unless otherwise agreed to by the City and Employee.

It is understood and agreed that the amounts described in the preceding paragraph shall be contributed by the City to a qualified retirement plan funded entirely by annuities and described in Section 412(e)(3) of the Internal Revenue Code of 1986, as amended (the "Retirement Plan"). Only the Severance funds described in the preceding paragraph shall be contributed to such Retirement Plan and no other City funds will be contributed whatsoever. **Benefits payable under the Retirement Plan will vest, i.e., become nonforfeitable, if Employee remains employed on the 8th anniversary of this Agreement, on December 8, 2022.** Upon vesting of such benefit, the Employee shall be entitled to a life annuity benefit provided under the terms of the retirement plan in lieu of any Severance payment. The Employee may elect to become Retired at any time after the 8th Anniversary, which election shall not constitute a resignation under this Agreement. If Employee is terminated or resigns for any reason before the 8th anniversary of this Agreement, the benefits payable under the Retirement Plan will be forfeited and the plan assets will be returned to the City. In such event, any Severance payment to which the Employee is entitled under the preceding paragraph will be paid to Employee directly by the City and no amount will be payable to the Employee from the Retirement Plan.

13. Termination for Total Permanent Disability.

Employee's employment may be terminated six (6) months after Employee becomes totally and permanently disabled. As used herein, totally and permanently disabled shall be defined as: (1) if Employee is receiving total permanent disability payments pursuant to any disability program under which she is covered, whether owned by the City or otherwise; or (2) in the absence of such disability program, if (a) Employee's attending physician certifies that Employee is unable to perform her duties as set forth herein for the City and that such condition is total and permanent; and (b) in the event that Employee does not timely consult such attending physician and the City reasonably believes Employee to be so disabled, the City may get such examination from a properly qualified physician who shall conduct such examinations as is appropriate to determine whether or not Employee is so totally and permanently disabled; and (c) such condition continues for a period of six (6) months.

Either party may contest a determination by Employee's attending physician or the City's physician that

she is or is not so disabled by sending written notice to the other party of such contest of determination within ten (10) days of the receipt by such party of the notice of determination. In the event that the parties are unable to resolve such dispute, such dispute shall be submitted to binding arbitration pursuant to the rules of the American Arbitration Association in Denver, Colorado.

If Employee is terminated because of Total Permanent Disability, she shall receive Severance compensation as set forth in Section 12 of this Agreement, and that shall be offset by the present value of any disability compensation.

14. Arbitration.

Whenever any dispute arises under this Agreement, the parties agree that, upon written demand of either party, such dispute shall be submitted to arbitration pursuant to the rules of the American Arbitration Association or its successor. The determination of the arbitrator shall be final and absolute. The arbitrator shall be governed by the duly promulgated rules and regulations of the American Arbitration Association or its successor, and the pertinent provisions of the laws of the state of Colorado relating to arbitration. The decision of the arbitrator may be entered as a judgment in any court in the state of Colorado or elsewhere.

15. Compliance with Amendment 1.

It is the intent of the City and Employee to comply with the provisions of Article X, Section 20 of the Constitution of the State of Colorado, including in particular subsection 4 (b), as approved by the voters on November 3, 1992 ("Amendment 1"). Therefore, the parties agree that this Agreement is subject to an annual appropriation by the City Council and that the failure to make any such required appropriation, unless such action is the result of a prior termination for cause, will be deemed a termination without Cause. The City and Employee further agree and acknowledge that the City has established an adequate present cash reserve pledged irrevocably and held in an investment trust for future payments, if required, in an amount sufficient to pay any Severance compensation required under this Agreement. To the extent additional amounts are required to fund any potential increase in such Severance compensation in any future year the failure to appropriate such additional reserve shall also be deemed a termination without Cause.

16. Professional Activities.

Employee shall not engage in any non-City employment activities for compensation without the express written consent of the Mayor and City Council. It is the intent of the parties that Employee's Employment Agreement is for full-time employment. Participation in professional organizations and voluntary programs is encouraged provided they are consistent with the responsibilities of the City Manager for the City.

17. Miscellaneous.

The City shall pay Employee's membership fees to the International City Managers Association (ICMA) and International Council of Shopping Centers (ICSC) and will consider other membership fees upon request from Employee. The City shall pay for Employee's airfare, lodging, food, registration and miscellaneous expenses in order to attend the International City/County Managers' Association (ICMA) and Colorado Municipal League (CML) annual conferences.

The participation, attendance and payment of expenses for Employee at future conventions, including but not limited to, the Colorado Municipal League, ICSC, the ICMA, and the National League of Cities

Convention shall be mutually agreed upon between Employee and the Mayor.

The Employee may identify professional development and education. With prior approval of the Mayor, participation in these activities shall be paid time, and a part of regular duties and activities of the Employee, and related expenses shall be paid by the City.

18. Assignment.

The rights and obligations of the City under this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the City. Employee shall not assign or otherwise convey any of the rights and obligations hereunder without the express written permission of the City.

19. Notices.

All notices provided for herein shall be in writing and shall be personally delivered or mailed by registered or certified United States mail, postage prepaid, return receipt requested, to the parties at the addresses given below or at such other addresses that may be specified by written notice in accordance with this paragraph:

If to the City: Mayor
City of Lakewood
480 S. Allison Parkway
Lakewood, Colorado 80226-3105

With copies to: City Attorney
City of Lakewood
480 S. Allison Parkway
Lakewood, Colorado 80226-3105

If to Employee: City Manager
City of Lakewood
480 S. Allison Parkway
Lakewood, Colorado 80226-3105

20. Entire Agreement.

This instrument contains the entire agreement of the parties and it may not be changed orally, but only by written agreement signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

21. Approval.

By execution of this Agreement, the City acknowledges that all required approvals have been obtained by the City Council so that this Agreement shall be fully effective and binding upon the parties hereto.

IN WITNESS WHEREOF, the City of Lakewood, Colorado, has caused this Agreement to be signed by its Mayor, attested by its City Clerk, and impressed with its corporate seal, all as duly authorized by its City Council, and Employee has signed her name to this Agreement.

ATTEST:



CITY OF LAKEWOOD, COLORADO

By:

[Redacted signature]

City Clerk

By:

[Redacted signature]

Mayor

APPROVED AS TO FORM:

[Redacted signature]

By:

City Attorney

EMPLOYEE:

[Redacted signature]

By:

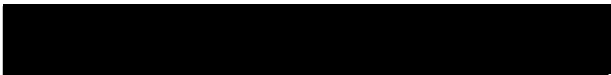
Kathleen E. Hodgson

CERTIFICATION

STATE OF COLORADO)
)
COUNTY OF JEFFERSON)
)
CITY OF LAKEWOOD)

I, Margy Greer, City Clerk of the City of Lakewood, Colorado, do hereby certify that the attached is a true and correct copy of Resolution 2014-41, APPROVING AN EMPLOYMENT AGREEMENT BETWEEN THE CITY OF LAKEWOOD AND THE CITY MANAGER AND AUTHORIZING THE CITY EMPLOYEE RELATIONS DIRECTOR AND CITY FINANCE DIRECTOR TO IMPLEMENT ALL PROVISIONS OF THE EMPLOYMENT AGREEMENT, as the same remains on file in the Office of the City Clerks Office.

WITNESS my hand and seal of said City of Lakewood, Colorado, this 9th day of December, 2014.



Margy Greer, City Clerk
City of Lakewood, Colorado

(SEAL)



A RESOLUTION

APPROVING AN EMPLOYMENT AGREEMENT BETWEEN THE CITY OF LAKEWOOD AND THE CITY MANAGER AND AUTHORIZING THE CITY EMPLOYEE RELATIONS DIRECTOR AND CITY FINANCE DIRECTOR TO IMPLEMENT ALL PROVISIONS OF THE EMPLOYMENT AGREEMENT

WHEREAS, the City of Lakewood, Colorado (the "City") entered into an Employment Agreement ("2009 Agreement") with Kathleen E. Hodgson ("Employee") on September 1, 2009; and

WHEREAS, the City and Employee have conducted a comprehensive review of the 2009 Agreement and negotiated new terms regarding reasonable total compensation and the continuation of the Employee's employment with the City; and

WHEREAS, the City desires to supersede and terminate the 2009 Agreement;

WHEREAS, City Council desires to approve the Employment Agreement ("2014 Agreement") between the City and the Employee, attached hereto as Exhibit A; and

WHEREAS, the City desires to authorize the City's Employee Relations Director and the City's Finance Director to implement all provisions of the Agreement.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Lakewood, Colorado, AS FOLLOWS:

Section 1. The City Council approves the 2014 Agreement and authorizes the Mayor to sign the Agreement and the City Clerk to attest the Mayor's signature.

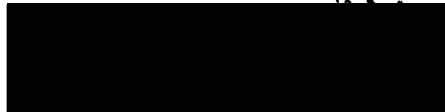
Section 2. The City Council authorizes the City's Employee Relations Director and Finance Director to take all steps reasonable and necessary to implement the provisions of the 2014 Agreement.

INTRODUCED, READ AND ADOPTED by a vote of 10 for and 1 against at a regular meeting of the City Council on December 8, 2014, at 7 o'clock p.m. at Lakewood City Hall, 480 South Allison Parkway, Lakewood, Colorado.



Bob Murphy, Mayor

ATTEST:



Margy Greer, City Clerk

APPROVED AS TO FORM:



Tim Cox, City Attorney