

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made and entered into as of _____, 2015, by and between the SAN MATEO COUNTY TRANSIT DISTRICT ("District"), a public agency of the State of California, having its principal place of business at 1250 San Carlos Avenue, San Carlos, California, and JIM HARTNETT ("Employee"), currently residing in Redwood City, California.

WITNESSETH

WHEREAS, The District desires to employ Jim Hartnett as General Manager/Chief Executive Officer ("General Manager/CEO"); and

WHEREAS, Mr. Hartnett ("Employee") desires to accept this position pursuant to the terms and conditions of employment set forth in this Employment Agreement ("Agreement").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties do agree as follows:

1. TERM OF EMPLOYMENT

1.1 Term. The District hereby appoints Employee to serve as General Manager/CEO effective March 30, 2015 ("Hire Date"), and Employee agrees to serve in this capacity for the term delineated on Appendix A, unless otherwise extended by agreement of the parties for additional periods upon which the parties agree. This Term may be terminated before its expiration as set forth below in Section 6.

2. DUTIES OF EMPLOYEE

2.1 Description of Services as General Manager/CEO. Employee shall do and perform all services, acts or things necessary or advisable to manage and conduct the affairs of the District as provided in the District's enabling statute, codified at California Public Utilities Code Section 103180, as said section now exists or as it may be amended from time to time, and as directed or authorized by the District's Board of Directors. For so long as the District serves as the Managing Agency for the Peninsula Corridor Joint Powers Board and the San Mateo County Transportation Authority, Employee shall also serve, as required by the District's Administrative Code, as the Executive Director of such agencies.

2.2 Devotion of Time. Employee shall devote such time, effort, ability and attention to the business of the District during the Term as may be required to perform faithfully and fully the duties of General Manager/CEO of the District. Employee will not be employed by any person or any other entity while employed as General Manager/CEO of the District.

2.3 Notwithstanding section 2.2, the District understands that Employee may require limited additional time to complete some aspects of the wind down of his law practice, including potentially minimal conferences and other limited assistance for transition purposes during

approximately the first 30 days from Hire Date. Employee anticipates that this transition will occur without interfering with his devotion of attention to the business of the District. Further, the District understands that Employee may continue to receive distributions from client payments for services rendered to clients prior to Employee's Hire Date.

2.4 Notwithstanding section 2.2, the District further understands that Employee is on the board of directors and sole officer (but not an employee) of Essential Japanese Cooking, Inc., a Nevada Corporation, and that Employee receives a monthly stipend in return for these positions with the corporation, and fees for keeping up the corporate formalities. Employee represents that he spends less than 3 hours per quarter in connection with the foregoing.

2.5 The District agrees that the activities described in sections 2.3 and 2.4 are not a breach of section 2.2 and Employee understands and agrees that the activities described in sections 2.3 and 2.4 are the sole exceptions to his obligation to devote his full time to the District and the services attendant to his duties as General Manager/CEO.

2.6 Authority as General Manager/CEO. Employee will be responsible and have full authority for the management of the affairs of the District and the supervision and management of its employees, subject to the rules and policies of the District and the direction of the Board of Directors.

3. COMPENSATION

3.1 Salary. The District agrees to pay Employee an annual base salary as shown on Appendix A, payable in installments at the same time the District's other management employees are paid, for Employee's faithful and diligent performance of the duties and obligations of General Manager/CEO. Employee's performance shall be reviewed at least once annually, at or near the anniversary of his commencement of employment with the District. Employee and the Board of Directors shall establish annual goals and criteria for the purpose of assessing Employee's performance at the next evaluation. Employee's salary shall be subject to such annual increases based upon Employee's performance of his duties and obligations in a better than satisfactory manner as the Board may reasonably determine and may, in the Board's reasonable discretion, include performance pay up to the amount of \$50,000, predicated upon performance that achieves the goals and criteria that were established by the Board prior to the determination on and conferral of any such payment.

3.2 Stipend. Pursuant to the District's Administrative Code, Employee is required to serve on District's behalf as Executive Director of the Peninsula Corridor Joint Powers Board ("JPB") and the San Mateo County Transportation Authority ("TA"). As compensation for services rendered on a full time basis by Employee to District in these capacities, Employee will receive as part of his annual base salary, an annual stipend in the amounts shown on Appendix A for service to the JPB and the TA.

3.3 Elective Deferred Compensation. The District maintains an eligible deferred compensation plan under Internal Revenue Code Section 457(b) (the "Plan"), under which all eligible District employees have the option of deferring up to a stated portion of their compensation, subject to the maximum annual dollar limit permitted under the Internal Revenue Code, into the Plan. Employee's base compensation will include, and upon Employee's effective election, the District will contribute on Employee's behalf, the maximum dollar amount

permitted by law to the Plan. The District will pay this amount to Employee as taxable compensation or, upon his election, contribute all or the elected portion of that amount to the Plan on his behalf, in equal installments during each pay period in the applicable year of the Term, provided Employee remains in the District's employ as of the end of each such pay period.

3.4 Other Deferred Compensation. District will make an annual contribution of \$30,000 for the benefit of Employee pursuant to the terms of a non-qualified deferred compensation plan during the Term. The District will make each contribution on the anniversary of Employee's Hire Date (beginning with the first contribution on March 30, 2016). Amounts contributed under this Section 3.4 will become fully vested on the earliest of: (a) March 30, 2020, (b) death, (c) disability (as defined in the plan), or (d) involuntary separation from service other than "for cause" as defined in Section 6.2. Upon the request of either party, the parties will engage in discussions to examine the terms and conditions of this Section 3.4 if the compensation described herein is affected by changes in or clarifications to applicable law and/or applicable IRS regulations and guidance.

4. EMPLOYEE BENEFITS

4.1 Health and Welfare Benefits. Except as otherwise expressly provided herein, as of the Hire Date, the District shall provide to Employee the same health and welfare benefits, which include long term disability insurance coverage, provided to other employees of the District. To the extent future changes are made in the coverages provided or employee contributions are required, Employee will be subject to those changes.

4.2 Retirement Plan. Employee shall be afforded pension benefits as a "New Member" under the District's pension plan through the California Public Employees Retirement System ("PERS"). District will timely handle all administrative matters in connection with implementing Employee's PERS benefits. District will throughout the Term of this Agreement make all contributions required under the terms of the contract between the California Public Employees Retirement System and the District, including, by means of its employer pick-up program, the Employee's share of contributions. The PERS employee member contribution will be 50% of normal cost (as periodically determined by PERS). The District will deduct the required PERS employee member contribution from Employee's pay and remit the amount to PERS. This amount will be designated as an "employer contribution" for income tax purposes pursuant to the District's employer pick-up program, which is applicable to all District employees.

4.3 Defined Contribution Retirement Plan. District will make an annual contribution on Employee's behalf to a qualified defined contribution plan (a Money Purchase Pension Plan) to the maximum extent allowable under the federal tax laws and the California Public Employees' Pension Reform Act of 2013 (PEPRA). Benefits under this Section 4.3 are contingent on the District receiving a ruling from the Internal Revenue Service stating that the defined contribution plan qualifies under Internal Revenue Code section 401(a). Upon the request of either party, the parties will engage in discussions to examine the terms and conditions of this Section 4.3, if the District's ability to provide the benefits described herein are affected by either (a) the District's ability to obtain a favorable IRS ruling for the plan, or (b) changes in or clarifications to applicable law and/or applicable IRS regulations and guidance.

4.4 Paid Time Off. Employee shall receive a lump sum of two hundred and forty (240) hours of paid time off ("PTO") upon Hire Date. Employee will be deemed to be an employee with twenty (20) years of service with the District for purposes of accruing paid time off in accordance with the District's applicable policies.

4.5 Holidays. Employee shall be entitled to all District holidays with full pay.

4.6 Life Insurance. The District shall include Employee under its Employee Life Insurance Program. With respect to said policy of life insurance maintained by the District hereunder, Employee shall be entitled to designate the beneficiary or beneficiaries who shall receive the proceeds, if any, payable upon death.

4.7 Other Benefits. Except as otherwise modified by this Agreement, Employee shall be entitled to all other benefits, if any, accorded to other management employees of the District.

5. OTHER OBLIGATIONS OF DISTRICT

5.1 Office. The District agrees to provide Employee with an office, stenographic help, suitable office and computer equipment, supplies, professional development opportunities, and such other facilities and services commensurate with the General Manager/CEO's position in order to facilitate the performance of his duties.

5.2 Vehicle. The District agrees to provide Employee the use of a vehicle suitable in performance and with equipment commensurate with his position and duties. Employee agrees to abide by all District policies and restrictions regarding use of District vehicles. Employee is authorized to use the vehicle for business and personal use anywhere in the State of California.

6. TERMINATION AND SEVERANCE PAY

6.1 Termination Upon Notice By Either Party. Except as limited by the other paragraphs of this Section, nothing in this Agreement shall prevent or otherwise interfere with the right of the District or Employee to sever the employment relationship evidenced by this Agreement at any time and for any reason upon sixty (60) days' notice, as provided herein, save and except that during the first two years of the Term, the Agreement may be terminated at any time and for any reason upon ninety (90) days' notice. In the event of such termination, the District may elect to pay Employee for the notice period in lieu of such notice and immediately discontinue Employee's services to the District. Employee shall be entitled to receive at termination all compensation and benefits earned through the date of termination plus all benefits accrued and payable under District policy. No other compensation, payment or benefits of any kind will be provided by the District upon termination of Employee's employment with the District except as otherwise provided in subsections 6.2 and 6.3.

6.2 District Severance Pay Upon Termination by District Other Than For Cause. The District shall pay to Employee an amount equal to the monthly salary of the employee multiplied by the number of months left on the unexpired term of the contract, up to the equivalent of six (6) months' salary, less the applicable notice period pursuant to subsection 6.1, above, as severance upon the termination of his employment during the Term of this Agreement for any reasons other than Employee's voluntary resignation or termination by the District for cause as defined herein. Employee shall receive no severance pay upon his voluntary resignation or

termination for cause. "For cause" is defined as any of the following by Employee: willful breach of duties, obligations or policies of the District; continued neglect of duties or obligations required of the General Manager/CEO after written notice of same; continued violation of written rules and policies of the Board after written notice of same; commission of any criminal act amounting to a felony while employed as General Manager/CEO of the District; commission of any dishonest act in a public or private capacity such as theft, fraud, misappropriation or embezzlement of funds; or engagement in acts of disruption or violence or any other activity which would constitute grounds for immediate dismissal of any employee by the District under existing policies or as may be subsequently enacted.

Notwithstanding the foregoing, if the District terminates this Agreement due to the dissolution of the District or merger or consolidation of the District with any other entity, Employee shall receive an amount equal to the monthly salary of the employee multiplied by the number of months left on the unexpired term of the contract, up to the equivalent of three (3) months' salary as severance pay.

6.3 Continuation of Medical Benefits Upon Termination By District Other Than For Cause. If Employee is eligible for severance pursuant to subsection 6.2, above, if requested by Employee, the District also shall pay the cost of continuing him in the District's health care benefits program from the date notice of termination is provided to Employee for the number of months corresponding to the number of months of salary to which Employee is entitled as severance pay or until Employee is enrolled in an alternative health benefits program, whichever occurs first. Any and all other benefits otherwise payable by the District on Employee's behalf are specifically excluded from such continuation.

6.4 If this Agreement is terminated, any cash settlement related to the termination that Employee may receive from the District shall be fully reimbursed to the District if Employee is convicted of a crime involving an abuse of his office or position with the District.

7. DISPUTE RESOLUTION

7.1 Binding Arbitration. Except as otherwise provided herein, all disputes or claims regarding the interpretation or enforcement of the Employment Agreement shall be resolved through binding arbitration. This provision is not applicable to:

- a. Any claim or allegation regarding Employee's rights under Title VII of the Civil Rights Act of 1964, as amended;
- b. Any claim involving the alleged commission of an intentional tort; or
- c. Any dispute that is within the sole jurisdiction of the Worker's Compensation Appeals Board.

7.2 Knowing and Voluntary Waiver. Except as provided in Section 7.1, Employee acknowledges that he hereby knowingly and voluntarily agrees to waive his right to pursue in state or federal court any dispute or claim arising from the Employment Agreement.

7.3 Procedures Applicable to Arbitration.

7.3.1 California Code of Civil Procedure. Binding arbitration shall be conducted pursuant to California Code of Civil Procedure Section 1280 *et seq.*

7.3.2 Either Party May Initiate. Either the District or Employee may request that a dispute be submitted to arbitration upon written notification to the other party.

7.3.3 Selection of Arbitrator. The District and Employee shall attempt to agree upon an arbitrator. If no agreement can be reached, either party may request that the State of California Conciliation and Mediation Service provide a panel of five (5) names of experienced labor arbitrators. Each party shall alternately strike a name until one name remains. Employee shall strike first. The remaining panel member shall be the arbitrator.

7.3.4 Arbitrator's Decision. The arbitrator's decision shall be in writing, setting forth the findings of fact, reasoning and conclusions on the issues submitted. The arbitrator shall be without power or authority to issue a decision which violates the terms of this Agreement. The decision of the arbitrator shall be submitted to the District and Employee within thirty (30) days of the hearing and shall be final and binding upon the parties.

7.3.5 Costs. All costs for the services of the arbitrator, including but not limited to, per diem expenses, travel and subsistence expenses will be borne by the District. All other costs, including attorneys' fees, will be borne by the party incurring the costs.

8. GENERAL PROVISIONS

8.1 Notices. Any notices to be given hereunder by either party to the other may be effected either by personal delivery in writing or by certified mail, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses indicated below or as changed by written notice delivered in accordance with this Section. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of three (3) business days after mailing.

To the District: San Mateo County Transit District
1250 San Carlos Avenue
P.O. Box 3006
San Carlos, CA 94070-1306
Attention: Chair, Board of Directors

To Employee: Jim Hartnett
204 Upland Court
Redwood City, CA 94062

8.2 Entire Agreement. This Agreement contains all of the covenants and agreements between the parties with respect to the employment by the District of Employee as General Manager/CEO of the District in any manner whatsoever. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made which are not embodied herein and that no other agreement,

statement or promise not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if in writing signed by both parties.

8.3 Provisions Severable. If any provision of this Agreement is held to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

8.4 Construction. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

8.5 Waiver of Breach. The waiver by the District of a breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of a subsequent breach by Employee.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written.

JIM HARTNETT:

SAN MATEO COUNTY TRANSIT
DISTRICT:

By: _____

By: _____
Chairperson, Board of Directors

ATTEST:

By: _____
Board Secretary

Approved as to form:

By: _____
Joan L. Cassman, Attorney for District

APPENDIX A

EMPLOYMENT AGREEMENT FOR JIM HARTNETT, GENERAL MANAGER/CEO

This Appendix, effective March 30, 2015, delineates the term of the Employment Agreement, the base salary and stipend for serving as Executive Director for JPB and for the Transportation Authority, and paid time off benefit.

1. Term of Contract:

Five (5) years

2. Base Salary:

\$263,000.00

3. Stipend for Serving as Executive Director for JPB and Transportation Authority (TA):

JPB - \$75,000.00

TA - \$25,000.00

4. Paid Time Off (PTO) Benefit:

Paid time off is earned in accordance with the District's applicable policies, with the understanding that Employee will begin employment with a bank of 240 hours of PTO and will be deemed an employee with 20 years of service.