

FIRST AMENDMENT TO CITY MANAGER'S AGREEMENT

THIS FIRST AMENDMENT TO CITY MANAGER'S AGREEMENT ("Amendment") is made and entered into in the City of Lancaster effective on this 10th day of July, 2024 by and between the CITY OF LANCASTER, a municipal corporation of the State of California, hereinafter referred to as "City," and Jason Caudle, hereinafter referred to as "Employee," and amends that certain City Manager's Agreement dated December 21, 2018 ("Agreement"), as follows:

1. The title of the Agreement ("City Manager's Agreement") is deleted in its entirety and replaced with the following:

EMPLOYMENT AGREEMENT.

2. The first WHEREAS clause of the Agreement is deleted in its entirety and replaced with the following:

WHEREAS, the City desires to employ the services of Jason Caudle as Chief Executive Officer of Lancaster Energy of the City of Lancaster; and

3. The third WHEREAS clause of the Agreement is deleted in its entirety and replaced with the following:

WHEREAS, Employee desires to accept employment as Chief Executive Officer of Lancaster Energy of the City of Lancaster.

4. Section 2 of the Agreement ("Duties") is deleted in its entirety and replaced with the following:

City hereby agrees to hire the services of Employee to perform the functions and duties as set forth in Exhibit A hereto, with the cooperation and assistance of its City Council and staff.

5. Section 4(b)(i) of the Agreement is deleted in its entirety and replaced with the following:

(i) City shall pay one hundred percent (100%) of the premium for health, dental care, and vision insurance for Employee, spouse and eligible children as of the effective date of this Agreement and continuing after the termination of the Agreement and any and all amendments thereto for the term of Employee's life. City shall pay the premium for life insurance in the amount of Employee's annual salary and shall pay to Employee an additional Two Thousand Dollars (\$2,000) per year for the term of the Agreement to purchase additional life insurance. Employee shall have the option, at his sole and absolute discretion, of receiving City-paid deferred compensation as salary.

6. Section 6 of the Agreement ("Termination") is deleted in its entirety and replaced with the following:

Termination.

(a) This Agreement may be terminated in the manner and following the process provided in Section .2.08.060R of the Lancaster Municipal Code for the City Manager. Except as

hereinafter provided, in the instance that (i) the City Council exercises its right to terminate Employee or its right not to extend the term hereof pursuant to Section 1 above, and (ii) Employee is willing to perform the duties of Chief Executive Officer of Lancaster Energy of the City of Lancaster, the City agrees to pay to Employee twelve (12) months of salary plus accrued benefits as provided in Section 4(b)(iii). Employee shall be entitled to the benefits described in Section 4(b)(i) until the end of the twelve month severance period or until the Employee finds other employment, whichever occurs first. The amounts payable in accordance with the foregoing sentences shall be payable at the option of the Employee either in a lump sum amount or as a payroll payment over the applicable period of time. In the instance that Employee exercises his right to terminate, Employee shall be eligible only for his salary and benefits as outlined above until the effective date of his termination.

- (b) In the event the City Council at any time during the course 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 the City, or in the event the City Council refuses following written notice to comply with any provision herein benefiting Employee, or Employee resigns following a suggestion, whether formal or informal, by the City Council that he resign, then in that event, Employee may, at his option, be deemed “terminated” at the date of such reduction, such refusal to comply, or resignation within the meaning and context of the severance pay provision.
- (c) The decision to terminate the Agreement shall be made in closed session and confirmed in a public meeting. In recognition of Employee’s professional status and integrity, Employee and the City Council shall prepare a joint public statement to be made by the City Council at the public meeting when termination is confirmed.
- (d) Employee may choose to resign his office instead of being terminated if a decision by the City Council to terminate has been made in closed session. In such an event, the public announcement as provided for above will note Employee has resigned and the termination provisions hereof remain applicable.
- (e) Notwithstanding paragraphs 6(a)-(d) above, during the first twelve (12) months following execution of this Amendment, this Amendment may be unwound upon mutual written agreement of the Parties.

- 7. Each and every remaining reference to “City Manager” in the Agreement is replaced with the term “Chief Executive Officer of Lancaster Energy of the City of Lancaster.”
- 8. The balance of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first hereinabove written.

CITY OF LANCASTER, a municipal corporation

APPROVED AS TO FORM:

CITY:

Allison E. Burns, City Attorney

R. Rex Parris, Mayor

ATTEST:

EMPLOYEE:

Andrea Alexander, City Clerk

Jason Caudle, City Manager

Exhibit A

Job Description and Plan of Action for CEO of Lancaster Energy

Position: Chief Executive Officer (CEO) – Lancaster Energy

Summary: The CEO of Lancaster Energy will provide visionary leadership and strategic direction to drive the transformation of Lancaster into the nation's first hydrogen city. This executive will oversee the existing Lancaster Choice Energy utility, spearhead the development and implementation of innovative hydrogen projects, and ultimately integrate hydrogen energy as a public utility into the energy ecosystem.

Role and Responsibilities:

Strategic Leadership:

- Develop and execute a comprehensive strategic plan aligned with the vision of Lancaster as a hydrogen city.
- Identify and secure funding opportunities for energy projects and infrastructure development.
- Position Lancaster as a global leader in hydrogen energy and sustainable practices.
- Build strategic partnerships with government agencies, research institutions, private sector companies, and community stakeholders to accelerate hydrogen adoption.
- Advocate for policies and regulations that support the growth of the hydrogen economy at local, state, and federal levels.

Operational Management:

- Oversee the daily operations of Lancaster Choice Energy, ensuring efficient and reliable energy delivery.
- Ensure the efficient operation of Lancaster Energy, including the optimization of energy procurement, rate setting, and customer service.
- Lead the development and implementation of hydrogen production, storage, distribution, and utilization projects.
- Determine feasibility and establish a hydrogen utility, ensuring safe and reliable hydrogen supply to customers.
- Implement robust safety protocols and risk management strategies for all energy operations.
- Utilize technology, AI, and innovative solutions to enhance operational efficiency and customer satisfaction.

Business Development:

- Identify and pursue new business opportunities in the energy and hydrogen value chain (e.g., fuel cell vehicles, industrial applications, power generation).
- Develop and implement marketing and customer acquisition strategies for Lancaster Energy's offerings.
- Build a strong brand reputation for Lancaster Energy as a leader in the clean energy sector, particularly hydrogen.

Team Leadership:

- Build and lead a high-performing team of professionals across various disciplines (e.g., engineering, operations, marketing, finance).
- Provide oversight and direction to all Lancaster Energy staff and contractors, fostering a culture of excellence, innovation, and collaboration.
- Implement organizational structures and processes that enhance operational efficiency and effectiveness.

Financial Oversight and Revenue Generation:

- Manage Lancaster Energy's financial resources, ensuring effective budget allocation and financial sustainability.
- Identify and secure additional funding sources, including grants and private investments.
- Oversee Lancaster Energy's annual revenue of \$80 million and manage the influx of \$70 million for hydrogen projects, ensuring fiscal responsibility and transparency.
- Ensure fiscal responsibility and transparency in all financial dealings.

Project Management and Delivery:

- Oversee the development, execution, and management of all renewable hydrogen and clean energy projects.
- Ensure projects are completed on time, within budget, and meet established performance metrics.
- Utilize advanced technologies, including AI and data analytics, to optimize project outcomes and operational efficiency.

Community and Workforce Development:

- Promote public education and workforce development initiatives to support Lancaster's transition to renewable energy.

- Implement programs to train and develop a skilled workforce for the hydrogen and clean energy sectors.
- Drive community engagement efforts to foster public support and awareness of Lancaster Energy's initiatives.

Innovation and Technology Integration:

- Leverage AI and advanced technologies to drive innovation and operational excellence.
- Oversee the implementation of cutting-edge technology solutions to enhance energy production, distribution, and management.
- Foster a culture of continuous improvement and innovation within Lancaster Energy.

Launchpad Development:

- Lead the establishment of the "Launchpad" at the Lancaster Business Park, creating a premier hydrogen incubator to nurture startups and established businesses in the hydrogen sector.
- Ensure the Launchpad serves as a catalyst for innovation, economic growth, and industry leadership.

Plan of Action:

Immediate Goals (0-3 months):

- Transition to the role of CEO of Lancaster Energy, effective July 1.
- Assemble and onboard the executive team and key personnel.
- Establish initial project priorities and develop a detailed strategic plan.
- Secure initial funding and partnerships for priority projects.

Short-Term Goals (3-6 months):

- Launch Lancaster Energy as a fully operational entity with clear branding and public presence.
- Initiate the construction and development of key projects, including the Lancaster Clean Energy Center and GEM system.
- Launch the "Launchpad" at the Lancaster Business Park, fostering innovation and entrepreneurship in the hydrogen sector.
- Implement AI and advanced technology solutions to optimize operations and project management.
- Begin regular stakeholder engagement and community education initiatives.

Mid-Term Goals (6-12 months):

- Achieve significant milestones in project development and operation, including completing initial infrastructure projects.
- Deliver on key performance indicators (KPIs), demonstrating measurable progress in revenue generation, job creation, and energy cost savings.
- Expand community engagement and workforce development programs, ensuring broad-based support and participation.
- Strengthen strategic partnerships and explore new collaboration opportunities.

Long-Term Goals (12-24 months):

- Achieve full operational efficiency and financial sustainability for Lancaster Energy.
- Expand the portfolio of renewable energy projects, focusing on scalability and sustainability.
- Continue to drive innovation through the Launchpad, attracting new businesses and investments.
- Maintain a leadership position in the global renewable energy sector, setting industry standards and best practices.

Key Performance Indicators:

Financial Metrics:

- Direct Revenue from Sales of Hydrogen Molecules: Quarterly reporting on revenue generated from hydrogen sales, comparison against forecasted revenue targets.
- Direct Revenue from Sales of Electricity (Electrons): Quarterly reporting on revenue generated from electricity sales, comparison against forecasted revenue targets.
- Grants and Funding Received: Total amount of grants and alternative funding secured, impact of secured funding on project acceleration and expansion.

Economic Impact:

- Jobs Created: Number of jobs created per project (construction, permanent positions), employment rates within the local community.
- Property Tax Generated: Additional property tax revenue resulting from new developments and infrastructure.
- Sales Tax Generated: Increase in sales tax revenue linked to new business activities and consumer spending.

Cost Savings and Efficiency:

- Energy Cost Savings for Residents: Tracking the reduction in energy costs for residents participating in programs like PowerChoice and DACGT, estimation of cumulative savings over time.
- Predicted Energy Cost Savings: Forecasting future cost savings based on current trends and project expansions, as well as evaluating energy cost trends compared to traditional energy providers like Edison.

Environmental and Social Impact:

- Carbon Emissions Reduced: Carbon emissions reduced through various hydrogen and renewable energy projects are measured, and comparative analysis against baseline emissions data is performed.
- Community Engagement and Education: The number of community engagement events and educational initiatives conducted, as well as feedback and participation rates from residents.

Project Performance:

- Project Timelines and Milestones: Tracking the progress of key projects (e.g., Element Resources, SGH2, ReCarbon) against planned timelines and milestones.
- Infrastructure and Technology Deployment: Number of off-grid facilities, residential systems, fueling stations established, adoption rates of hydrogen-powered vehicles and equipment.

Comprehensive Reporting:

- Quarterly and Annual Reports: Compilation of all metrics into quarterly and annual reports for review by stakeholders utilization of standardized templates to ensure consistency and comparability across projects.
- Impact Analysis: Detailed analysis of each project's economic, environmental, and social impacts, continuous improvement based on feedback and performance data.