

ATTACHMENT

AT-WILL EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement ("Agreement") is made effective as of January 23, 2004 ("Effective Date"), by and between the San Diego Association of Governments ("SANDAG") and Gary Gallegos ("Mr. Gallegos").

The parties agree as follows:

The current Executive Employment Agreement (attached hereto) shall remain in full force and effect until midnight June 30, 2004 and at said time shall terminate and be superceded by the Agreement set forth herein for the term set forth in section 3 below.

1. Employment. SANDAG hereby employs Mr. Gallegos as an at-will employee, and he hereby accepts such employment, upon the terms and conditions set forth herein.

2. Duties

2.1 Position. Mr. Gallegos is employed as Executive Director and shall have the duties and responsibilities assigned by SANDAG's Board of Directors ("Board of Directors") both upon the effective date of this Agreement and as may be reasonably assigned from time to time. Mr. Gallegos shall perform faithfully and diligently all duties assigned to him. SANDAG reserves the right to modify Mr. Gallegos' position and duties at any time in its sole and absolute discretion, provided that the duties assigned are consistent with the position of a chief executive and that Mr. Gallegos continues to report to the Board of Directors.

2.2 Best Efforts/Full-time. Mr. Gallegos will expend his best efforts on behalf of SANDAG, and will abide by all policies and decisions made by SANDAG, as well as all applicable federal, state and local laws, regulations or ordinances. Mr. Gallegos will act in the best interest of SANDAG at all times. Mr. Gallegos shall devote his full business time and efforts to the performance of his assigned duties for SANDAG, unless he notifies the Board of Directors in advance of his intent to engage in other paid work and receives the Board of Directors' express written consent to do so.

2.3 Work Location. Mr. Gallegos' principal place of work shall be located in San Diego, California, or such other location as the parties may agree upon from time to time.

3. Term.

3.1 Initial Term. The employment relationship pursuant to this Agreement shall be for an Initial Term of five (5) years, commencing on July 1, 2004, and continuing for three years following such date unless sooner terminated in accordance with section 7 below.

3.2 Optional: Renewal. On completion of the five (5) year term specified in subsection 3.1 above, this Agreement will automatically renew for one subsequent three (3) year term, unless either party provides one hundred twenty (120) days advance written notice to the other that SANDAG/Mr. Gallegos does not wish to renew the Agreement for a subsequent term. In the event either party gives notice of nonrenewal pursuant to this subsection 3.2, this Agreement will expire at the end of the current term. The Base Salary for the subsequent three (3) year term shall commence at \$240,000 per year for the first year of the subsequent term, and subject to the

provisions of subsection 4.2 below, adjust to \$250,000 per year at the commencement of the second year of the subsequent term, and to \$260,000 per year at the commencement of the third year of the subsequent term.

4. Compensation.

4.1 Base Salary. As compensation for Mr. Gallegos' performance of his duties hereunder, SANDAG shall pay to Mr. Gallegos a Base Salary of \$190,000 per year, as adjusted pursuant to subsection 4.2 below, payable in accordance with the normal payroll practices of SANDAG, less required deductions for state and federal withholding tax, social security, and all other employment taxes and payroll deductions. In the event Mr. Gallegos' employment under this Agreement is terminated by either party, for any reason, Mr. Gallegos will earn the Base Salary prorated to the date of termination.

4.2 Performance and Salary Review. The Board of Directors shall annually review the performance of Mr. Gallegos. If, based upon the Board's annual evaluation of the specific performance of Mr. Gallegos his performance is determined to be satisfactory, the Board of Directors shall adjust the Base Salary to \$200,000 per year at the commencement of the second year, to \$210,000 per year at the commencement of the third year, to \$220,000 per year at the commencement of the fourth year, and to \$230,000 per year at the commencement of the fifth year. Adjustments to salary, if any, will be made by the Board of Directors in its sole and absolute discretion.

4.3 Performance Review Process. The Board of Directors shall use the established performance evaluation criteria, as amended from time to time, in the annual review described in subsection 4.2 above.

5. Fringe Benefits. Mr. Gallegos will receive paid fringe benefits as set forth on Exhibit "A" hereto. SANDAG reserves the right to change or eliminate the fringe benefits on a prospective basis, at any time, effective upon notice to Mr. Gallegos, if the benefit(s) are those provided to SANDAG staff and changed or eliminated for all staff. In addition to the fringe benefits set forth on Exhibit A, Mr. Gallegos shall receive: (a) twenty (20) days of vacation per year; (b) (13) days/per year of sick leave in accordance with SANDAG administrative rules; and (c) holidays in accordance with SANDAG administrative rules. In addition to the twenty days vacation, Mr. Gallegos may also be granted up to an additional twenty (20) days of vacation per year in even numbered years, upon approval of the Chair of the Board of Directors. There shall be no payout of this additional amount if it is unused, and it shall not be used in lieu of, but in addition to the normal twenty days granted.

6. Business Expenses. Mr. Gallegos will be reimbursed for all reasonable, out-of-pocket business expenses incurred in the performance of his duties on behalf of SANDAG. To obtain reimbursement, expenses must be submitted promptly with appropriate supporting documentation in accordance with SANDAG's policies.

7. Termination of Mr. Gallegos' Employment.

7.1 Termination by SANDAG. Although SANDAG anticipates a mutually rewarding employment relationship with Mr. Gallegos, SANDAG may terminate his employment immediately at any time with or without cause. For purposes of this Agreement, "Cause" is defined as: (a) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Mr. Gallegos with respect to his obligations or otherwise relating to the business of SANDAG; (b) Mr. Gallegos' material breach of this Agreement; (c) Mr. Gallegos' conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, or any felony or crime or moral turpitude; (d) Mr.

Gallegos' willful neglect of duties as determined in the sole and exclusive discretion of the Board of Directors; (e) Mr. Gallegos' failure to perform the essential functions of his position, with or without reasonable accommodation, due to a mental or physical disability; or (f) Mr. Gallegos' death. In the event Mr. Gallegos' employment is terminated in accordance with subsection 7.1, he shall be entitled to receive the Base Salary then in effect, prorated to the date of termination, and a "Severance Payment," equivalent to six months of his Base Salary then in effect on the date of termination, payable in a lump sum, provided that Mr. Gallegos executes a full general release, releasing all claims, known or unknown, that he may have against SANDAG arising out of or any way related to his employment or termination of employment with SANDAG. All other SANDAG obligations to Mr. Gallegos will be automatically terminated and completely extinguished. The Board of Directors may determine, at its discretion, that circumstances exist whereby Mr. Gallegos shall be terminated with cause and without severance pay. If this determination is made and executed, Mr. Gallegos has no obligation to execute any form of release, and all other SANDAG obligations to Mr. Gallegos will be automatically terminated and completely extinguished.

If SANDAG terminates Mr. Gallegos' employment without cause, SANDAG shall provide Mr. Gallegos sixty (60) days advance written notice. In the event of termination without cause, Mr. Gallegos will receive the Severance Payment in accordance with subsection 7.1 at the end of the sixty (60) day notice of termination without cause period.

7.2 Voluntary Resignation by Mr. Gallegos. Mr. Gallegos may voluntarily resign his position with SANDAG, at any time, on one hundred twenty (120) days advance written notice. In the event of Mr. Gallegos' resignation, he will be entitled to receive only the Base Salary plus paid benefits for the 120-day notice period and no other amount for the remaining months of the remaining term of this Agreement, if any. All other SANDAG obligations to Mr. Gallegos pursuant to this Agreement will become automatically terminated and completely extinguished. In addition, Mr. Gallegos will not be entitled to receive the Severance Payment described in subsection 7.1 above.

7.3 Termination Upon Creation of a New Regional Transportation Agency.

Severance Payment. If Mr. Gallegos' employment is terminated by SANDAG or any successor agency within twelve (12) months after the creation of a new Regional Transportation Agency, which succeeds to any of the powers or duties of SANDAG, or by act of any legislation that results in the termination of Mr. Gallegos with that time period, he shall be entitled to receive the Severance Payment equivalent to twelve (12) months of his Base Salary then in effect on the date of the termination payable in a lump sum, provided he complies with all the conditions described in subsection 7.1 above. If Mr. Gallegos is offered an equivalent position at an equivalent salary with a new Regional Transportation Agency, as described in subsection 7.3 and does not accept the position, Mr. Gallegos will not be entitled to the Severance Payment described in subsection 7.3.

7.4 Termination of Employment Upon Nonrenewal. In the event either party decides not to renew this Agreement for a subsequent term in accordance with subsection 3.2 above, the Agreement will expire, Mr. Gallegos' employment with SANDAG will terminate, and Mr. Gallegos will only entitled to his Base Salary paid through the last day of the current term. All other SANDAG obligations to Mr. Gallegos pursuant to this Agreement will become automatically terminated and completely extinguished. Mr. Gallegos will not be entitled to the Severance Payment described in subsection 7.1 above.

8. No Conflict of Interest. During the term of Mr. Gallegos' employment with SANDAG and during any period he is receiving payments from SANDAG, Mr. Gallegos must not engage in any work, paid or unpaid, that creates an actual or potential conflict of interest with SANDAG. If the Board of Directors' believes such a conflict exists during the term of this Agreement, the Board of

Directors may ask Mr. Gallegos to choose to discontinue the other work or resign employment with SANDAG.

9. Agreement to Arbitrate. To the fullest extent permitted by law, Mr. Gallegos and SANDAG agree to arbitrate any controversy, claim or dispute between them arising out of or in any way related to this Agreement, the employment relationship between SANDAG and Mr. Gallegos and any disputes upon termination of employment, including but not limited to breach of contract, tort, discrimination, harassment, wrongful termination, demotion, discipline, failure to accommodate, family and medical leave, compensation or benefits claims, constitutional claims; and any claims for violation of any local, state or federal law, statute, regulation or ordinance or common law. For the purpose of this Agreement, to arbitrate, references to SANDAG include all parent, subsidiary or related entities and their employees, supervisors, officers, directors, agents, pension or benefit plans, pension or benefit plan sponsors, fiduciaries, administrators, affiliates and all successors and assigns of any of them, and this Agreement shall apply to them to the extent Mr. Gallegos' claims arise out of or relate to their actions on behalf of SANDAG.

9.1 Consideration. The mutual promise by SANDAG and Mr. Gallegos to arbitrate any and all disputes between them (except for those referenced above) rather than litigate them before the courts or other bodies, provides the consideration for this Agreement to arbitrate.

9.2 Initiation of Arbitration. Either party may exercise the right to arbitrate by providing the other party with written notice of any and all claims forming the basis of such right in sufficient detail to inform the other party of the substance of such claims. In no event shall the request for arbitration be made after the date when institution of legal or equitable proceedings based on such claims would be barred by the applicable statute of limitations.

9.3 Arbitration Procedure. The arbitration will be conducted in San Diego, California by a single neutral arbitrator and in accordance with the then current rules for resolution of employment disputes of the American Arbitration Association (" AAA "). The parties are entitled to representation by an attorney or other representative of their choosing. The arbitrator shall have the power to enter any award that could be entered by a judge of the trial court of the State of California, and only such power, and shall follow the law. The parties agree to abide by and perform any award rendered by the arbitrator. Judgment on the award may be entered in any court having jurisdiction thereof.

9.4 Costs of Arbitration. Each party shall bear one-half the cost of the arbitration filing and hearing fees, and the cost of the arbitrator.

10. General Provisions.

10.1 Successors and Assigns. The rights and obligations of SANDAG under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of SANDAG. Mr. Gallegos shall not be entitled to assign any of his rights or obligations under this Agreement.

10.2 Waiver. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

10.3 Attorney's Fees. Each side will bear its own attorney's fees in any dispute unless a statutory section at issue, if any, authorizes the award of attorneys' fees to the prevailing party.

10.4 Severability. In the event any provision of this Agreement is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

10.5 Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing SANDAG. Mr. Gallegos has participated in the negotiation of its terms. Furthermore, Mr. Gallegos acknowledges that he has had an opportunity to review and revise the Agreement and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

10.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the United States and the State of California.

10.7 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (d) by certified or registered mail, return receipt requested, upon verification of receipt.

11. Entire Agreement. This Agreement constitutes the entire Agreement between the parties relating to this subject matter and supersedes all prior or simultaneous representations, discussions, negotiations, and Agreements, whether written or oral. This Agreement may be amended or modified only with the written consent of Mr. Gallegos and the Board of Directors' of SANDAG. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

MR. GALLEGOS

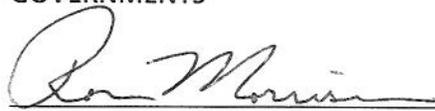
Dated: 1-23-04



Gary L. Gallegos

SAN DIEGO ASSOCIATION OF
GOVERNMENTS

Dated: 1-23-04



Hon. Ron Morrison, Chair
SANDAG Board of Directors

Attachment: Exhibit A – Fringe Benefits

EXHIBIT A

SAN DIEGO ASSOCIATION OF GOVERNMENTS EXECUTIVE DIRECTOR

FRINGE BENEFITS

EXECUTIVE BENEFITS

- ◆ PERS (Employee Share)*
- ◆ Health Insurance (Employee + Dependents)*
- ◆ Dental/Vision Insurance (Employee + Dependents)*
- ◆ Workers Compensation*
- ◆ SHORT and Long-Term Disability*
- ◆ Life/AD&D (\$300,000)**
- ◆ Travel Insurance (\$250,000)*
- ◆ Auto Allowance (\$800 month)
- ◆ Parking**
- ◆ Executive Health Program**
- ◆ Executive Benefit of 2.5% for use in buying leave time or additional benefits**
- ◆ Deferred Compensation (ICMA 457) (100% of Maximum Employee Share)
- ◆ Conditioned on concurrence by PERS, a Supplemental Retirement Contribution to provide a similar benefit as provided to consolidated employees under the provisions of SB 1703 that would allow total years served at Caltrans to be included as years in service at the 2.7 @ 55 formula upon retirement. A new employee option, "Airtime" allows the purchase of 5 years additional retirement credit. This would be similar to the value of a buy-back had the Executive Director received the same benefits as SANDAG employees at time of consolidation. Costs of this benefit shall be paid over any term and through any method determined to be in the best interest of SANDAG.

* Items noted are benefits provided to all SANDAG staff.

** Items noted are benefits provided to all SANDAG Management staff.