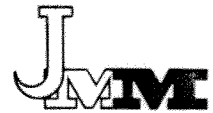


JAMES M. MONTGOMERY, CONSULTING ENGINEERS, INC.



250 North Madison Avenue, P.O. Box 7009, Pasadena, California 91109-7009 / (818) 796-9141 / (213) 681-4255

Cable Address: Montgomery Pasadena California Telex: 67-5420

January 27, 1987

**City of Redlands
Municipal Utilities Department
30 Cajon Street
Redlands, CA 92373**

**Attention: Mr. Richard Corneille
 Director**

**Subject: Agreement for Consulting Engineering Services
 Relative to Water Refinancing**

Gentlemen:

The City of Redlands has asked James M. Montgomery, Consulting Engineers, Inc. (JMM) to provide engineering services related to the 1986 refunding of the 1985 water system Certificates of Participation. The services have been provided in accordance with the terms and conditions outlined herein.

A. SCOPE

Task 1 - Perform Financial Analysis

Pro forma water rates will be calculated for the water system assuming that capital costs for the next four years will be funded from the 1986 Certificates. The water rates will be presented to the City for comparison with rates for funding capital improvements out of current revenues.

Task 2 - Calculate Debt Service Coverage

Debt service coverage will be calculated for the four projection years. If coverage is less than the requirements of the debt covenants, then the water rates will be adjusted upward. The underwriter for the 1986 Certificates will be provided with a table of the projected coverage.

Task 3 - Consult with the 1986 Certificate Underwriter and other Parties

Copies of the 1986 Final Draft Water Rate Study will be provided to the underwriter, bond counsel, and insurance and credit rating agencies. Questions and comments from the agencies regarding the proposed rates and charges will be addressed and documentation provided upon request.

Mr. Richard Corneille
Director

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January 27, 1987

B. SCHEDULE

The work outlined in Section A was performed in the period from August through November, 1986.

C. FEES AND CONDITIONS FOR CONSULTING SERVICES

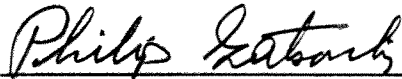
1. Consulting services are provided in accordance with the current Schedule of Fees and Conditions, a copy of which is attached.
2. Consulting services are provided on a lump sum basis for a fee of \$7,500.

If the above proposal meets with your approval, it may serve as the basis for agreement by affixing the signature in the spaces provided below.

Respectfully submitted,

JAMES M. MONTGOMERY,
CONSULTING ENGINEERS, INC.

By:

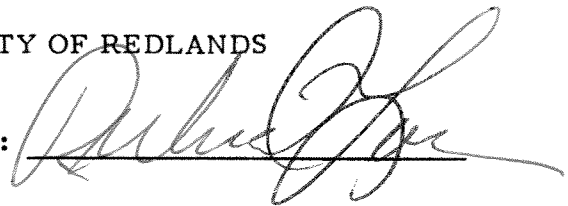


Philip Gatsoulis
Senior Vice President

ACCEPTED BY:

CITY OF REDLANDS

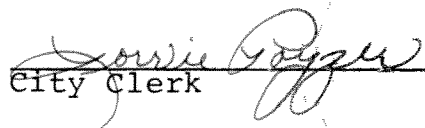
By:



Mayor Pro Tem
(Title)

Date: February 3, 1987

ATTEST:


City Clerk

SCHEDULE OF FEES AND CONDITIONS
James M. Montgomery, Consulting Engineers, Inc.

A. FEES AND PAYMENT

1. Payment of the lump sum amount in accordance with Montgomery's estimate of the percent completed shall be due within 30 days after date of monthly invoices describing the work performed during the preceding month.
2. In order to defray carrying charges resulting from delayed payments, simple interest at the rate of eighteen percent (18%) per annum (but not exceeding the maximum rate allowed by law) will be added to the unpaid balance of each invoice. The interest period shall commence 30 days after date of original invoice and shall terminate upon date of payment. Payments will be first credited to interest and then to principal. No interest charge would be added during the initial 30 day period following date of invoice.

B. COMMENCEMENT OF WORK

The work will be commenced immediately upon receipt of notice to proceed. If after commencement of work the project is delayed for any reason beyond the control of Montgomery for more than 60 days, the terms and conditions contained herein are subject to revision.

C. MISCELLANEOUS PROVISIONS

1. INSURANCE/INDEMNIFICATION

(a) Montgomery will maintain insurance as will protect the client from claims under the Worker's Compensation Laws and from General Liability and Automobile claims for bodily injury, or death, or property damage which may arise from the negligent performance by its employees in the functions and services required under this Agreement.

(b) Montgomery warrants that it is skilled in the professional calling necessary to the services and duties proposed to be performed and that it shall perform such services and duties in conformance to and consistent with the standards generally recognized as being employed by professionals of JMM's caliber in the same locality and to that end JMM agrees to indemnify and hold harmless Owner, its officers and employees from and against any and all liability claims, suits, loss, damages, costs and expenses arising out of or resulting from any negligent act, error or omission of JMM, its officers, employees, agents or subcontractors in the performance of their services and duties hereunder. Further to assure the Owner that such standard will be maintained and to protect the Owner from any negligent acts, error or omission on the part of JMM, JMM maintains Professional Liability insurance in the amount of \$5,000,000. The total aggregate of Montgomery's professional liability, however, to all parties related to this Agreement shall not exceed \$50,000 or the amount of Montgomery's fee for each phase of the Agreement.

(c) Although the insurance as stated is currently in effect, due to the instability of the world insurance market, it is recognized that on periodic negotiation of policy renewals, it may not be possible to maintain the exact insurance coverage required under the terms of this agreement. In such event, Montgomery will use its best efforts to obtain insurance coverage that is reasonably available and most nearly equivalent to the insurance coverage herein described.

(d) In consideration of the unavailability of professional liability insurance for services involving or relating to hazardous waste elements of this agreement, if applicable, or the removal or encapsulation of asbestos, it is further agreed that the Owner shall indemnify and hold harmless Engineer and their consultants, agents and employees from and against all claims, damages, losses and expenses, direct and indirect, or consequential damages, including but not limited to fees and charges of attorneys and court and arbitration costs, arising out of or resulting from the performance of the work by Engineer, or claims against Engineer arising from the work of others, related to hazardous waste or asbestos activity.

The above indemnification provision extends to claims against Engineer which arise out of, are related to, or are based upon, the dispersal, discharge, escape, release or saturation of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, gases or any other material, irritant, contaminant or pollutant in or into the atmosphere, or on, onto, upon, in or into the surface or subsurface (a) soil, (b) water or watercourses, (c) objects, or (d) any tangible or intangible matter, whether sudden or not.

(e) Notwithstanding any provisions in this agreement to the contrary, if this project involves construction as that term is generally understood, and the Engineer does not provide Engineering Services during construction including on-site monitoring, site visits, shop drawing review, design clarifications, etc., the Owner agrees to indemnify and hold harmless the Engineer from any and all liability arising out of this project or Agreement.

2. DOCUMENTS

(a) All tracings, survey notes, and other original documents as instruments of service are and shall remain the property of Montgomery, except where by law or precedent these documents become public property. The client agrees to hold harmless, indemnify and defend Montgomery against all damages, claims, expenses and losses arising out of any reuse of the plans and specifications without the written authorization of Montgomery.

(b) All computer programs, software and other like data developed during the course of the project, unless specifically developed for the client, are and shall remain the sole property of Montgomery.

(c) Montgomery's liability to client for any computer programs, software products or related data furnished hereunder is limited solely to the correction of residual errors, minor maintenance, or update as agreed. Montgomery makes no warranties of any kind, including any implied warranty of merchantability or of fitness for any particular purpose or against infringement, with respect to computer programs, software products, related data, technical information or technical assistance provided by Montgomery under this Agreement. In no event shall Montgomery, its officers, agents or employees be liable under or in connection with this Agreement under any theory of tort, contract, strict liability, negligence, or other legal or equitable theory for incidental or consequential damages relating to any computer programs, software products or related data furnished hereunder.

3. **TERMINATION OR ABANDONMENT.** If any portion of the work is terminated or abandoned by the client then the provisions of this Schedule of Fees and Conditions in regard to compensation and payment shall apply insofar as possible to that portion of the work not terminated or abandoned. If said termination occurs prior to completion of any phase of the project, the fee for services performed during such phase shall be based on Montgomery's reasonable estimate of the portion of such phase completed prior to said termination, plus a reasonable amount to reimburse Montgomery for termination costs.

4. **REVISIONS OF TERMS.** If notice to proceed is delayed for any reason beyond 60 days, the terms and conditions contained in this schedule are subject to revision.

5. **ATTORNEY'S FEES.** If either party becomes involved in litigation arising out of this contract or the performance thereof, the court in such litigation shall award reasonable costs and expenses, including attorney's fees to the party justly entitled thereto. In awarding attorney's fees, the court shall not be bound by any court fee schedule, but shall, if it is in the interest of justice to do so, award the full amount of costs, expenses and attorney's fees paid or incurred in good faith.

6. **SUCCESSORS AND ASSIGNS.** All of the terms, conditions and provisions hereof shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns provided, however, that no assignment of the contract shall be made without written consent of the parties to the agreement.

7. **CONSTRUCTION ESTIMATES.** Estimates of cost for the facilities considered and designed under this Agreement are prepared by Montgomery through exercise of its experience and judgement in applying presently available cost data, but it is recognized that Montgomery has no control over cost of labor and materials, or over the Contractor's methods of determining prices, or over competitive bidding procedures, market conditions, and unknown field conditions so that it cannot and does not guarantee that proposals, bids or the project construction costs will not vary from its cost estimates.

8. **SITE VISITS.** Visits to the construction site and observations made by Montgomery as part of Construction Management Services under this Agreement shall not make Montgomery responsible for, nor relieve the construction contractor(s) of the obligation to conduct comprehensive monitoring of the work sufficient to ensure conformance with the intent of the Contract Documents, and shall not make Montgomery responsible for, nor relieve the construction contractor(s) of the full responsibility for all construction means, methods, techniques, sequences, and procedures necessary for coordinating and completing all portions of the work under the construction contract(s) and for all safety precautions incidental thereto. Such visits by Montgomery are not to be construed as part of the monitoring duties of the on-site monitoring personnel defined below.

9. **ON-SITE MONITORING.** When Montgomery provides on-site monitoring personnel as a part of Construction Management Services under this Agreement, the on-site monitoring personnel will make reasonable efforts to guard the client against defects and deficiencies in the work of the contractor(s) and to help determine if the provisions of the Contract Documents are being fulfilled. Their day-to-day monitoring will not, however, cause Montgomery to be responsible for those duties and responsibilities which belong to the construction contractor(s) and which include, but are not limited to, full responsibility for the means, methods, techniques, sequences and progress of construction and the safety precautions incidental thereto and for performing the construction work in accordance with the Contract Documents.

JAMES M. MONTGOMERY, CONSULTING ENGINEERS, INC.

250 North Madison Avenue, P.O.Box 7009, Pasadena, California 91109-7009

(818) 796-9141 or (213) 681-4255

Cable Address: Montgomery Pasadena California

Telex 67-5420

January 27, 1987

City of Redlands
Municipal Utilities Department
30 Cajon Street
Redlands, CA. 92373

Attention: Mr. Richard Corneille
Director

Subject: Amendment to Agreement for Water Rate Study

Gentlemen:

The City of Redlands has asked James M. Montgomery, Consulting Engineering, Inc. (JMM) to perform a number of services relating to the Water Study Rate in addition to the services specified in our agreement, dated December 17, 1985. The services have been provided in accordance with the terms and conditions outlined herein.

A. SCOPE

Additional services performed during the course of the study, verbally authorized by the City. Services included:

- o Interfacing with the City's management consultant.
- o Producing an additional draft of the study report.
- o Revising the rate study to incorporate restructured City funds and reserves, a revised capital budget and revised budget figures.
- o Additional meetings with City Staff and two presentations to the Public Works Commission.
- o Development of an additional financial alternative for inclusion with the study report.
- o Miscellaneous additional items requested by the City.

RECEIVED
ENGINEERING SERVICES
MUNICIPAL UTILITIES

JAN 28 1987
A.M. PM
7,8,9,10,11,12,1,2,3,4,5,6



Mr. Richard Corneille

-2-

January 27, 1987

B. FEES FOR CONSULTING SERVICES

Increase not to exceed fee limit by \$7,400 from \$35,000 to \$42,400.
(No other changes in fees and conditions from the December 17, 1985,
agreement.)

Respectfully submitted,

JAMES M. MONTGOMERY,
CONSULTING ENGINEERS, INC.

By:

Philip Gatsoulis
Philip Gatsoulis,
Senior Vice President

ACCEPTED BY:

CITY OF REDLANDS

By:

Richard J. [Signature]
Mayor Pro Tem
(Title)

Date: February 3, 1987

ATTEST:

[Signature]
City Clerk