

THIRD AMENDMENT TO EMPLOYMENT AGREEMENT

This Third Amendment to Employment Agreement is entered into between the City Council of, and on behalf of, the City of Redlands (hereinafter "City") and Gary M. Luebbers (hereinafter "Employee").

RECITALS

Whereas, on October 21, 1993, City and Employee entered into a written agreement entitled "Employment Agreement" (the "Employment Agreement") whereby City and Employee agreed upon the terms and conditions and Employee's appointment as City Manager; and,

Whereas, with the understanding that after the November, 1993 City Council election and the seating of the new City Councilmembers, it was the intention of City and Employee to review the terms and conditions of Employees' Employment Agreement approximately six months after the date Employee was appointed as City Manager; and

Whereas, on April 19, 1994, City and Employee entered into a First Amendment to Employment Agreement to amend certain provisions of the Employment Agreement as therein provided; and

Whereas on March 7, 1995, City and Employee entered into a Second Amendment to Employment Agreement to amend certain provisions of the Employment Agreement as therein provided; and

Whereas, it is the desire of City and Employee to amend certain provisions of the Employment Agreement, as amended;

Now, therefore, in consideration of the mutual promises contained herein, the City of Redlands and Gary M. Luebbers agree as follows:

AGREEMENT

1. Section 2 of the Employment Agreement is hereby amended as follows:

"Employee's annual salary shall be \$102,504, effective 7/1/97. Employee's annual salary shall be increased by two and one half percent (2.5%), commencing with the payperiod closest to 5/5/98. Employee's annual salary shall be increased by an additional two and one half percent (2.5%), commencing with the payperiod closest to 5/5/99.

Third Amendment to Employment Agreement
Page Two

2. Section 10 of the Employment Agreement is hereby amended to add the following:

"Employee shall have the option to buy back up to ninety six (96) hours of accrued sick leave, less any sick leave hours used during the year."

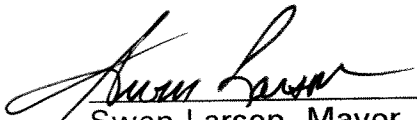
Additionally, with regard to annual vacation buyback, Section 10 will be amended as follows:

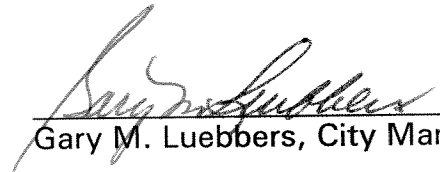
"Employee shall have the option to buy back one hundred (100) hours of accrued vacation annually."

In witness hereof the parties have executed this Agreement on the 5th day of August, 1997.

CITY OF REDLANDS

EMPLOYEE


Swen Larson, Mayor


Gary M. Luebbbers, City Manager

ATTEST:


Lorrie Poyzer, City Clerk