

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into this 20th day of March, 2007, by and between the City of Redlands, a municipal corporation and general law city of the State of California (hereinafter referred to as the "City" or the "City Council") and N. Enrique Martinez (hereinafter referred to as the "City Manager"). The City and City Manager are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

1. Employment. The City hereby agrees to employ the City Manager, and the City Manager agrees and does accept employment, upon the terms and conditions set forth herein.

2. Term. Unless earlier terminated by mutual agreement or pursuant to Section 9, below, the term of this Agreement shall be from April 9, 2007 to April 8, 2012.

3. Salary. The City Manager's annual base salary shall be Two Hundred Eighteen Thousand (\$218,000) Dollars, payable in installments at the same time as other employees of the City are paid. The City shall not, at any time during the term of this Agreement, reduce the City Manager's annual base salary, compensation or other financial benefits unless as part of a non-sworn City management group (RAME) salary, compensation or benefits reduction, and then in no greater percentage than for such reduction for the City's non-sworn management group (RAME).

4. Duties.

A. Compliance with Code. The City Manager shall perform the duties and exercise the powers of City Manager as prescribed by Sections 2.04.180, 2.04.190 and 2.04.200 of the Redlands Municipal Code. In addition to the powers and duties set forth in the Redlands Municipal Code, the City Manager shall have such powers and duties which are delegated to him, from time to time, by the City Council. The City Manager shall execute all powers and duties in accordance with the policies adopted by the City Council, the California Government Code and other applicable law.

B. Other Business Activities. The City Manager shall focus his professional time, ability and attention to City business during the term of this Agreement. The City Manager shall not engage in any other business duties or pursuits whatsoever or directly, or indirectly, render any services of a business, commercial or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of the City Council, except that:

(1) The expenditure of reasonable amounts of time not in conflict with the City's needs and interests, for educational, charitable, community and professional activities shall not be deemed a breach of this Agreement and shall not require prior consent.

(2) This Agreement shall not prohibit the City Manager from making and/or managing family or business investments or conducting private business affairs if those activities do not materially interfere with the services required under this Agreement.

C. Reports, Studies and other Documents. All data, studies, reports and other documents prepared by the City Manager while performing his duties during the term of this Agreement shall be furnished to and become the property of the City, without limitation or restriction on their use by the City, except as limited by law.

5. City Manager and Council Responsibilities. The City Manager shall be the administrative head of the City and the Executive Director of the Redlands Redevelopment Agency. As such, the City Manager shall have the responsibility for implementing City Council and Redevelopment Agency Board policy, whereas the City Council and the Redevelopment Agency Board shall retain the responsibility for formulating and adopting policy.

6. Personnel Matters. The City Manager shall have the additional responsibility of organizing, reorganizing and arranging the staff of the City in such a way that in his judgment best serves the City. The City Manager shall have responsibility for all personnel matters, including selection, assignment and transfer of employees in accordance with the Personnel Rules of the City. City Councilmembers, individually and collectively, shall promptly refer all criticisms, complaints and suggestions called to their attention by City staff to the City Manager for study and recommendation. The City Manager shall promptly review such matters and report back to the Council within a reasonable period of time and in accordance with the City's Personnel Rules. The City Manager shall consult with City Councilmembers, individually or collectively, on any personnel matter when requested to do so by one or more Councilmembers, subject to the requirements of the Ralph M. Brown Act (California Government Code Section 54950 et seq.).

7. Other Duties. The City Manager (or his designee) shall: (1) review all policies proposed to the City Council and make appropriate recommendations to the City Council; (2) periodically evaluate employees as provided for by California law and City policy; (3) advise the City Council of possible sources of funds that might be available to implement present or contemplated City programs or services; (4) maintain and improve his professional competence by available means, including subscriptions to, and reading of, appropriate periodicals, and joining and participating in appropriate community relations programs; and (5) serve as liaison between the City Council and as its designated representative with respect to all employer-employee matters, and make recommendations to the City Council concerning those matters. Notwithstanding that a designee of the City Manager may perform these duties; the City Manager shall be the person ultimately responsible to the City Council for the proper implementation of the duties and responsibilities described herein.

8. Performance Evaluation.

A. Periodic Evaluations. The City Council may review and evaluate the performance of the City Manager periodically. Such reviews and evaluations shall be in accordance with specific criteria developed jointly by the City Council and the City Manager.

The criteria may be added to, or deleted, as the City Council may from time to time determine in consultation with the City Manager. Further, the City Council shall provide the City Manager with a summary written statement of the determinations of the City Council.

B. Annual Evaluations. Notwithstanding the above, at least once annually, the City Council shall review and evaluate the performance of the City Manager. Such review shall occur approximately one (1) month prior to each anniversary date of this Agreement, during the term of this Agreement. The first annual evaluation shall take place no later than eleven (11) months after the beginning of the term of this Agreement.

In the beginning of each year, the City Council and the City Manager shall define such goals and performance objectives that they determine necessary for the proper operation of the City and for the attainment of the City Council's policy objectives, and shall establish a relative priority among these various goals and objectives which shall be reduced to writing. Such goals and objectives shall reasonably be attainable within the time limitations, as specified, and the annual capital budgets and operating appropriations approved by the City Council. The first year's goals and objectives shall be set by the City Council, in consultation with the City Manager, no later than three (3) months after the beginning of the term of this Agreement.

9. Termination. The City Manager shall serve at the will and pleasure of the City Council and may be removed from office (terminated) at any time for any reason, or for no reason, upon a majority vote of the City Council. Nothing in this Agreement shall prevent the City Council from terminating this Agreement and the services of the City Manager at its sole discretion. Except as otherwise provided herein, termination of this Agreement shall be in accordance with Sections 2.04.140, 2.04.150, 2.04.160 and 2.04.170 of the Redlands Municipal Code.

A. Termination without cause. In the event the City Manager is terminated by the City Council at a time when the City Manager is willing and able to perform his duties under this Agreement, the City Council may immediately terminate the City Manager from his employment with the City by providing him with twelve (12) months' salary and twelve (12) months' continuation of all health benefits (collectively "Severance Pay"); provided, however, that notwithstanding any other provision of this Agreement, including this subsection A, the City Manager shall not be entitled to any Severance Pay in the event the City Manager is terminated, whether without cause or for cause, between the dates of April 9, 2007 and April 8, 2008. The twelve-month Severance Pay provision shall not be contingent upon the City Manager's first year performance evaluation, and shall apply immediately beginning April 9, 2008 regardless of whether such an evaluation takes place by that time. The Severance Pay payment required of the City under this subsection is subject to, and shall be construed in accordance with, the provisions of California Government Code Sections 53260 and 53261.

B. Termination for Cause. In the event the City Manager is terminated for cause, the City Manager shall not be entitled to twelve (12) months' written notice or any Severance Pay. "Cause" shall constitute the following: the City Manager being convicted of a felony or a crime involving moral turpitude; continued abuse of non-prescriptive drugs or alcohol that materially affects the performance of the City Manager's duties; and the failure or refusal to

carry out, without a reasonable justification, lawful and legitimate duties assigned to the City Manager, after written notice of said failure to the City Manager approved by a majority of the members of the City Council. For purposes of this subsection, a plea of nolo contendere shall be considered a conviction. If requested by the City Manager and agreed to by the City Council in its sole discretion, pursuant to Section 2.04.150 of the Redlands Municipal Code, the determination of whether to terminate the City Manager for cause shall be made following a hearing in closed session pursuant to the Ralph M. Brown Act for the purpose of hearing the City Manager's reasons as to why he should not be terminated.

C. Resignation. If the City Manager desires to resign his position, he will provide the City Council with at least forty-five (45) calendar days' written notice. In the event that the City Manager resigns from his employment with the City, the City Manager shall not be entitled to any Severance Pay.

D. Disability. If the City Manager is permanently disabled or is otherwise unable to perform his duties because of sickness, accident, injury, mental incapacity or health for a period of four (4) successive weeks beyond any accrued sick leave, the City shall have the option to terminate this Agreement without the payment of Severance Pay to the City Manager.

10. Fringe Benefits. The City shall pay to, or on behalf of, the City Manager for fringe benefits, which include, but are not limited to, medical insurance, dental insurance and life insurance, amounts which are proportionate to those fringe benefits provided to members of the City's non-sworn management group (RAME). In addition, the City Manager shall receive the same PERS, other retirement and deferred compensation benefits provided to members of the City's non-sworn management group (RAME). These amounts shall be adjusted proportionately, based on any adjustment in City contributions to these fringe benefits given to members of the City's non-sworn management group (RAME). The City Manager shall have the option to convert his accrued vacation and accrued sick leave to cash, any time during the term of this Agreement.

11. Vehicle / Phone / Computer Allowance. The City shall pay the City Manager the sum of Eight Hundred Dollars (\$ 800) per month during the term of this Agreement to compensate the City Manager for his use of his personal vehicle, cell phone and computer in the performance of his duties under this Agreement.

12. Housing Allowance / Loan.

A. Temporary Housing Assistance. The City Council has encouraged the City Manager, and the City Manager has agreed, to consider establishing his residence in the City of Redlands. If the City Manager establishes temporary rental housing within the City, the City shall reimburse the City Manager for such temporary housing in the amount of Six Hundred Dollars (\$ 600) per month, for a period not to exceed twelve (12) months.

B. Permanent Housing Loan. The City shall also make available to the City Manager a low interest loan in the principal amount of Eighty Thousand Dollars (\$ 80,000), the proceeds of which shall be applied towards a down payment for purposes of the City Manager's

purchase of a residence in the City. Such loan shall bear interest during the life of the loan at a rate equal to that of the Local Agency Investment Fund, compounded annually, and the loan shall be evidenced by a promissory note and secured by a deed of trust in favor of the City. The principal and interest accrued for such loan shall become due and payable to the City as a lump sum six (6) months after the date of termination of the City Manager's employment with the City, or upon sale of the City Manager's residence for which the loan proceeds were applied, whichever event occurs first.

C. Moving Expenses. The City shall also reimburse the City Manager an amount not to exceed Four Thousand Dollars (\$ 4,000) for the City Manager's actual costs for moving personal furniture, goods and equipment in connection with his acquisition of any temporary or permanent housing in the City.

13. Reimbursement for Expenses. The City Manager shall be reimbursed on a monthly basis for all reasonable sums necessarily incurred or paid by him in the performance of his duties or incurred when traveling on business pertaining to the City, under direction of the City Council, upon submission of adequate records and other documentary evidence verifying such expenditures and in compliance with the City's adopted expense reimbursement policies.

14. Beginning Leave Credit. As an inducement to the City Manager to accept the position of City Manager, upon execution of this Agreement the City shall immediately credit the City Manager with one hundred eighty (180) hours of vacation time, and eighty one (81) hours of sick leave.

15. Professional Development. The City recognizes the desirability of the City Manager's representation of the City in and before local civic and professional organizations, including, but not limited to, the International City/County Management Association (ICMA), League of California Cities (LCC), National League of Cities (NLC) and the Government Finance Officers Association (GFOA). The City agrees to budget and pay for the City Manager's dues for membership in such organizations and, subject to budget constraints and approval of the City Council, to pay expenses and allow City time for the City Manager's attendance at conferences, meetings and selected training opportunities, including, but not limited to, those associated with ICMA, LCC, NLC and GFOA, and the committees and boards on which the City Manager serves for professional purposes.

16. Bonds. The City shall bear the full cost of any fidelity or other bonds required of the City Manager under any law or ordinance.

17. Notices. Any notice to be given hereunder by either Party to the other Party shall be in writing and may be transmitted by personal delivery or mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the following respective addresses:

CITY:
Mayor and City Council
City of Redlands
P.O. Box 3005
Redlands, CA 92373

CITY MANAGER:
Mr. N. Enrique Martinez
3526 Ranch Top Road
Pasadena, CA 91107

Notices delivered personally shall be deemed communicated as of the date of actual receipt. Mailed Notices shall be deemed communicated as of the date of mailing, plus two (2) business days. Either Party may change its address for notice by giving notice of such change in accordance with this section.

18. Assistance of Counsel. Each Party warrants to the other Party that it has either had the assistance of legal counsel in negotiation for, or preparation of, this Agreement or could have had such assistance and voluntarily declined to obtain it.

19. No Presumption of Drafter. The Parties acknowledge and agree that the terms and condition of this Agreement have been negotiated and discussed between the Parties, and this Agreement reflects their mutual agreement regarding the subject matter hereof. Because of the nature of such negotiations and discussions, it would be inappropriate to deem any Party to be the drafter of this Agreement and, therefore, no presumption for or against validity or as to any interpretation hereof, based upon the identity of the drafter shall be applicable in interpreting or enforcing this Agreement.

20. General Provisions.

A. Entire Agreement. This Agreement supersedes any and all other agreements, either oral or written, between the Parties hereto with respect to the employment of the City Manager by the City and contains all of the covenants and agreements between the Parties with respect to the employment of the City Manager by the City.

B. Representations. Each Party to this Agreement agrees that no representations, inducements, promises or agreements, verbally or otherwise, have been made by any Party, or anyone acting on behalf of any Party, which are not embodied herein and that any agreement, statement, or promise not contained in this Agreement shall not be valid or binding on either Party.

C. Modifications. Any modifications of this Agreement shall be effective only if made in writing and signed by both the City Manager and the City.

D. Severability. If any provision of this Agreement is held by a Court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

E. Prohibition Against Assignment. Neither this Agreement, nor any right, privilege or obligation of the City Manager hereunder shall be assigned or transferred by him without the prior written consent of the City Council. Any attempt at assignment or transfer in

violation of this subsection shall, at the option of the City Council, be null and void and may be considered a mutual breach of this Agreement and "cause" for termination of this Agreement.

F. Waiver. The failure of any Party to insist on strict compliance with any of the terms, covenants or conditions of this Agreement by the other Party shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other time.

G. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

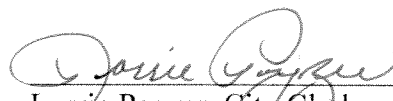
IN WITNESS WHEREOF, the Parties have executed this Agreement on the 20th day of March, 2007.

City of Redlands

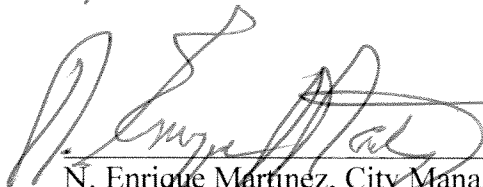
ATTEST:



Jon Harrison, Mayor



Lorrie Poyzer, City Clerk



N. Enrique Martinez, City Manager