CIRA

CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY

California Intergovernmental Risk Authority
Board of Directors Meeting
Thursday, July 1, 2021, 9:00 a.m.
This meeting will be held using the Zoom Meeting Platform

Link: https://zoom.us/j/96019419822?pwd=OGNPbjBpczQ5bjRPUFRQUUNGZ2F0QT09

Dial: +1 (669) 900-9128
Meeting ID: 960 1941 9822
Passcode: 598023

All portions of this meeting will be conducted by teleconferencing in accordance with the State of California Executive Order N-29-20.

Members of the public may observe and address the meeting telephonically. No physical location will be available from which members may observe the meeting and offer public comment.

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation to participate in this meeting, please contact Yahaira Martinez at (916) 927-7727 or ymartinez@cira-jpa.org. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Documents and materials relating to an open session agenda item that are provided to the Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection. Please contact Yahaira Martinez at (916) 927-7727 or ymartinez@cira-jpa.org.

[Note: The Board of Directors may take action on any item listed on the Agenda. The General Manager's Recommendation for each item is solely the recommendation of staff and does not limit the Board's authority to take action on any Agenda item.]

Page		General Manager's Recommendation
	I. CALL MEETING TO ORDER: DETERMINE QUORUM	
	II. MODIFICATIONS TO AGENDA	
	III. APPROVAL OF CONSENT AGENDA *Note: if discussion of any item on the Consent Agenda is desired, it must be placed on the Regular Agenda.*	
4	**A. CIRA Travel and Expense Policy**	*Ratify*
10	**B. CIRA Grant Fund Policy**	*Ratify*
11	**C. CIRA Resolution Establishing 2021/22 Meeting Dates**	*Ratify*
	D. CIRA Service Provider Contracts:	*Ratify*
12	**1. General Counsel – BB&K**	
13	**2. Coverage Counsel – Murphy, Campbell, Alliston & Quinn**	
14	**3. Loss Control – Boretti, Inc**	
15	**4. Actuary – Bickmore Actuarial**	
16	**5. Liability Third Party Claims Administrator – George Hills**	
18	**6. IT – Office Information Systems (OIS)**	
19	**7. OPEB/Pension Actuary – MacLeod Watts**	
20	**8. Banking Services**	

	a. Authorized Bank Signatures	
22	**9. Broker of Record Agreements: Alliant and ABD Insurance and Financial Services**	
24	**E. CIRA Resolution to Participate in ERMA**	*Ratify*
25	**F. CIRA Executive Committee Representation**	*Ratify*
	1. CIRA Executive Committee	
	2. CIRA Officers	
27	**G. CIRA Programs' Actuarial Reports**	*Ratify*
	1. Liability	
	2. Workers' Compensation	
	3. Funding GL at 80% CL, Workers' Compensation at 75% CL, and EPL at 80% CL	
	4. CalPERS Allocation	
	5. EPL Funding at $250K SIR	
	6. Phase-in Experience Modification Factor Approach	
	7. Phase-in Cost Allocation Approach	
	8. EPL Surcharge Methodology for Premium Allocation	
	H. CIRA Governing Documents	*Ratify*
32	**a. CIRA Joint Powers Agreement**	
89	**b. CIRA Bylaws**	
103	**c. Liability Master Program Document**	
105	**d. Workers' Compensation Memorandum of Coverage**	
106	**e. Workers' Compensation Master Program Document**	
108	**I. Approval to Participate in Gray Insurance and Safety National for Excess Workers' Compensation Coverage for CIRA**	*Ratify*
110	**J. Approval to Participate in PRISM for Property Program**	*Ratify*
112	**K. Approval to Participate in the Alliant Cyber Coverage Program**	*Ratify*
121	**L. Approval to Participate in Alliant Deadly Weapons Response Program**	*Ratify*
123	**M. Property Program Surcharge Methodology**	
124	**N. REMIF/PARSAC Advancement and Repayment of Funds for Excess Premiums**	*Ratify*
125	**O. Agreement for the Administration of the REMIF Health Plan**	*Ratify*
	P. Human Resource Documents for CIRA Employees	*Ratify*
126	**1. Organization Chart, Employee Handbook, Salary Schedule**	
128	**2. CIRA Health Program for Employees**	
	a. Resolution to Withdraw from CalPERS Health Program	
	b. Resolution to Join SDRMA Health Program	
	c. SDRMA Health Plan Memorandum of Understanding	

IV. REGULAR AGENDA

130	**1.**	**CIRA 2021/22 Budget**	*Approve*
139	**2.**	**Excess General Liability Coverage**	*Approve*
142	**3.**	**Liability Memorandum of Coverage**	*Approve*
164	**4.**	**Approval to Participate in the Alliant Cyber Excess Insurance Program**	*Approve*
173	**5.**	**Approval to Participate in PRISM Pollution Program**	*Approve*
189	**6.**	**Surplus Land Act Exemption**	*Approve*
257	**7.**	**Lease Agreement/CIRA Headquarters**	*Approve*
267	**8.**	**Appoint a Committee for Old PARSAC Business**	*Approve*

VI. GENERAL INFORMATION

VII. PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA

During this item on the Agenda, the public is invited to address issues of interest.

VIII. DIRECTORS' GENERAL COMMENTS/SUGGESTIONS FOR NEXT AGENDA

IX. ADJOURNMENT

CIRA TRAVEL AND EXPENSE POLICY

SUMMARY: A CIRA Travel and Expense Policy has been created to establish guidelines for the reimbursement of travel expenses incurred by members and staff.

RECOMMENDATION: Ratify.

DISCUSSION: At the May 26, 2021, meeting, the enclosed draft of the Travel and Expense Policy was reviewed and approved with added language to allow for Alternate Board Members to attend CIRA Board meetings along with the Director, and qualify for reimbursement.

FISCAL IMPLICATIONS: Travel expenses will be budgeted on an annual basis.

ATTACHMENT: Draft Travel and Expense Policy - redlined

CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY (CIRA)

Travel and Expense Policy

The purpose of this policy is to establish guidelines for the reimbursement of actual and reasonable travel expenses incurred by any authorized traveler conducting CIRA business, including participating in conferences and workshops.

Government Code Section 36514.5 authorizes reimbursement for actual and necessary expenses incurred in the performance of official duties. The Board of Directors sets forth the following guidelines for travel and reimbursement of expenses related to travel. Each Committee, Board and staff member will be provided with a copy of this Travel and Expense Reimbursement Policy.

AUTHORIZED TRAVELERS

The following individuals may apply for travel expense reimbursement:

- Members of the Board of Directors, or the Alternate in the absence of the Director. However, if attending a Board of Directors meeting, both the Director and Alternate may apply for reimbursement.
- Members of the Executive Committee.
- Members of Subcommittees or Ad Hoc Committees.
- CIRA Staff Members.
- Other individuals as may be designated or approved by the Executive Committee and/or Board of Directors.

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TYPES OF REIMBURSABLE TRAVEL

- Regular and special meetings of the Board of Directors, Executive Committee, Subcommittees, and Ad Hoc Committees
- Authorized conferences, seminars, and workshops
- Travel to conduct CIRA business with members
- Out-of-State travel as approved by the President or Board of Directors
- Other CIRA Board-approved events.

RESPONSIBILITY

Authorized individuals traveling on official CIRA business are expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business. The traveler should obtain appropriate receipts for all applicable charges and keep a personal record of all miscellaneous expenditures chargeable to CIRA.

The General Manager shall administer the expenditure of travel funds in accordance with the adopted Annual Budget and established travel policies.

EXPENSE REIMBURSEMENT FORMS

CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY (CIRA)

Travel and Expense Policy

Expense reimbursement requests are the responsibility of the traveler and should be submitted using the approved form (sample attached) upon return from the travel or meeting within 30 days, but no later than the end of the current fiscal year. Allowable expenses are reimbursed based on the guidelines set forth in this Policy. To obtain reimbursement of approved expenses, the following specific documentation must accompany the expense reimbursement request:

- Receipts must be attached to support all expenditures as indicated on the form.
- Itemized paid hotel receipt provided upon checkout.
- Airline ticket copies (or itinerary for "ticket-less" travel)
- Receipt and sales form for car rental

For receipts that contain charges for non-reimbursable items, the item to be reimbursed must be clearly identified (highlight, circle, check mark, etc.) on the receipt.

TRAVEL RELATED EXPENSES

CIRA will reimburse authorized travelers as follow:

A. Accommodations

CIRA will rely on travelers to select the most reasonably priced lodging accommodations when traveling on official business out of town. No maximum rate has been established as CIRA recognizes that reasonable lodging rates will vary based upon the availability, area and location of the meeting, conference or workshop.

For meetings, reservations and payment will be made by CIRA; however, it is the traveler's responsibility to timely notify CIRA staff of changes and cancellations. The following applies to reimbursement for accommodations while traveling on CIRA business:

- The traveler is responsible for changing or canceling any lodging reservations in a timely manner to avoid charges by the hotel. The traveler is responsible for charges made to CIRA for late or lack of cancellation.
- Reimbursable expenses for accommodations include room, sales tax, and standard gratuity where applicable.
- Lodging shall be limited to the minimum number of nights required to conduct CIRA business.
- Reimbursement for shared lodging (two or more travelers on CIRA business). Each traveler should claim and be reimbursed for the traveler's share of the lodging. If one of the travelers pays for the entire cost, then that traveler shall be reimbursed for the accommodation, but should cross-reference the other traveler's name on the expense reimbursement form.
- The Traveler is solely responsible for personal incidentals such as personal telephone calls, laundry, movies, etc.

B. Meal Reimbursement

CIRA relies on the traveler to exercise prudence in restaurant, menu, and beverage selections. Meals that are reasonable and customary are reimbursed the actual cost including tip, up to the following maximum amounts: Breakfast $15.00; Lunch $20.00; and Dinner $50.00. Alternatively, Officers or staff traveling frequently on Authority business may be compensated at the appropriate IRS rate on a per diem basis.

The following applies to reimbursement for food while traveling on CIRA business:

- Meals that are necessary for the period traveled are reimbursed.
- Gratuity for meals will be reimbursed.
- Room service charges are to be included as part of the standard meal allowance.
- Meals included in airfare, or as part of training/conference fees, meetings, or skipped by the traveler, cannot be claimed for reimbursement.

C. Business Meals

Occasionally, it is necessary to host a meal to conduct business discussions at a location away from the office. Such business meals should not be extravagant, but reasonable considering the location in which it is held. The per diem allowance does not apply to group dinners for CIRA Board members, or when staff is hosting prospective members, or meeting with business contacts and may include limited alcoholic beverages.

When submitting business meals for reimbursement, the expense reimbursement form must indicate the business matter(s) discussed, the traveler(s) present and be approved by the Authority's General Manager, or the Board President or Vice-President.

D. Transportation

CIRA relies on its travelers to arrange for transportation as economically as feasible. Such reimbursable transportation includes, but is not limited to mileage, car rentals, fuel, shuttles, parking, taxis, and air fares. **Reimbursement will be based on the most economical means of transportation considering timing, cost, and availability.**

If a CIRA meeting is cancelled due to extraordinary circumstances and non-reimbursable travel arrangements have been made or the traveler is not able to cancel in a timely manner, then CIRA will refund the traveler for the expenses incurred. However, this will not apply to airline tickets that may be used for future air travel. Conversely, if the traveler makes arrangements to attend a meeting or

conference and decides not to attend, but does not cancel the arrangements timely, CIRA will not be responsible for the costs incurred.

Ground Transportation

- For each CIRA meeting, the Authority reserves and pays for shuttle transportation to and from the airport for the convenience of its members.
- Taxi/Shuttle. Travelers are encouraged to utilize a hotel's complimentary shuttle, when available, or the most economical method of travel; reasonable costs for such services are reimbursable.
- Rental Cars. Commercial auto rental will be allowed if alternative personal or public transportation is unavailable or unreasonable.
- Personal Vehicles. Mileage for use of a personal vehicle on CIRA business will be reimbursed at the current internal Revenue Service (IRS) mileage reimbursement rate.

Airfare

- Reimbursement will be at the lowest reasonable cost of coach class travel.
- If business and personal travel are combined, the traveler is to reimburse CIRA for the personal portion of the trip.
- If CIRA business causes a scheduled flight to be changed, then the difference in air fare is reimbursable.
- "Early check-in" charges are reimbursable. Business Select or other upgrade service is not reimbursable.

E. Other Allowable Expenses

- Parking fees and toll charges. If available, receipts must be attached to the expense reimbursement form.
- Telephone, Internet, or facsimile charges related to CIRA business.
- Tips should be reasonable, based upon the service provided.
- Other necessary CIRA-related expenses not covered in this Policy must be properly explained and supported by documentation. Such expenses might include, but are not limited to, transporting, and the set-up of a display booth, registration fees at a conference, AV equipment at a meeting, etc.

SETTLEMENT OF TRAVEL EXPENSES

Travelers on CIRA business are responsible for the accurate preparation of travel expense requests. These travel expenditures must be within budgetary constraints and reimbursements shall be approved by CIRA's General Manager. Should a conflict exist on a reimbursement, a final decision will be rendered by the General Manager for staff members and the Board President for Executive Committee and Board Members.

EXCLUSIONS

Non-reimbursable personal expenses include, but are not limited to, the following:

- Personal items or services: entertainment not included in registration, in-room movies, snack bar/container, laundry/dry cleaning, personal telephone calls, hair cuts, shoe shines, etc.
- Gas, oil and repairs to privately-owned vehicles. This is covered within the IRS rated mileage reimbursement provided for driving to and from the event.
- Fitness/health facilities (unless billed as a mandatory service fee by the hotel).
- Expenses incurred by other individuals accompanying the traveler.
- Meals for breakfast, lunch, or dinner when CIRA/conference/workshop provides for the meal. However, meals are reimbursable if staff or Board members are conducting CIRA business during the conference or workshop.
- Alcoholic beverages; however, this does not apply to CIRA hosted events.

TRAVEL EXPENSE REIMBURSEMENT PROCEDURE

It is the traveler's responsibility to request reimbursement by using the approved CIRA Travel Expense Reimbursement Form (available on the CIRA website). The form must be completed in accordance with the documentation requirements outlined in this Policy and signed by the traveler to certify its correctness and completeness.

- The submittal will be audited and processed by the Authority's accountant for payment.
- The General Manager will review and approve payment; except that expenses submitted by the General Manager will be reviewed and approved by the appropriate Executive Officer.
- Checks will be mailed to the address indicated on the reimbursement form.

REVISIONS OF PROVISIONS IN TRAVEL POLICY

This Policy shall be revised as deemed by the CIRA Board of Directors and the Executive Committee. Provisions shall be applicable at the time the revised Policy is adopted.

Board approved July 1, 2021

CIRA GRANT FUND POLICY

SUMMARY: Studies have shown that a proactive and targeted safety and loss control program can return over three dollars for every one dollar invested. To help support member injury and claim reduction efforts, CIRA created a Safety and Loss Control Grant Program, which is intended to provide funding to help reduce injuries and potential claims. The CIRA Safety and Loss Control Grant Policy outlines how the program will be implemented and the acceptable uses of funds. The Transition Committee reviewed the enclosed draft of the Safety and Loss Control Grant Policy at their May 10th meeting and is recommending CIRA Board approval of the document.

RECOMMENDATION: Ratify.

DISCUSSION: The Safety and Loss Control Program Grant Program is part of the CIRA Risk Control program and is intended to provide funding to help reduce workplace injuries and potential claims. A line item will be included in the budget with funding provided at the discretion of the Board of Directors. Funds are to be distributed equally among all members and unused funds from the prior fiscal year may accrue over multiple years.

The policy outlines the application process, acceptable uses for the funds, and reimbursement process.

FISCAL IMPLICATIONS: CIRA's preliminary budget includes funding for the Safety and Loss Control Grant program at $3,500 per member ($178,500) for FY 21/22.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA RESOLUTION ESTABLISHING 2021/22 MEETING DATES

SUMMARY: The proposed 2021/22 CIRA calendar of meetings is outlined in the draft resolution provided at the May 26, 2021, Board meeting.

RECOMMENDATION: Ratify.

DISCUSSION: The Board reviewed the CIRA Board and Executive Committee meeting dates at the May meeting and approved the calendar as presented.

FISCAL IMPLICATIONS: None

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: GENERAL COUNSEL – BB&K

SUMMARY: The Board reviewed and approved the contract for General Counsel services from BB&K at the May meeting.

RECOMMENDATION: Ratify.

DISCUSSION: Ann has practiced municipal and public agency law for more than 30 years; she represents cities, special districts, and joint powers agencies. She is City Attorney for two cities and General Counsel for several special districts and other local agencies in Northern California.

Ann advises clients on all aspects of public agency law including the Brown Act, public contracting, personnel issues, election laws, public records, land use planning, CEQA, and conflicts of interest. She has lectured on the Brown Act, elected officials' liabilities and immunities, the Political Reform Act, the Public Records Act, Proposition 218, employee/independent contractor issues, and legal ethics (Assembly Bill 1234).

Ann is admitted to the U.S. District Court for the Eastern District of California and is licensed to practice law in the State of California. Ann's memberships include the California Lawyers Association Public Law and Environmental Law sections, and the Central Valley City Attorneys' Association.

FISCAL IMPLICATIONS: Historically, legal fees for General Counsel services are approximately $20,000 annually. The proposed contract rate is $250 per hour.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: COVERAGE COUNSEL – MURPHY, CAMPBELL, ALLISTON & QUINN

SUMMARY: Doug Alliston, Murphy, Campbell, Alliston and Quinn, currently serves as Coverage Counsel for PARSAC and REMIF. As we complete the merger to form the California Intergovernmental Risk Authority (CIRA), Doug has been instrumental in developing CIRA's Liability and Workers' Compensation coverage documents. Doug is also ERMA's Coverage Counsel and CIRA will participate in ERMA for Employment Practices Liability coverage next year.

RECOMMENDATION: Ratify.

DISCUSSION: Doug Alliston has advised and represented insurers, insureds, JPAs, and self-insured groups regarding insurance coverage and related issues with an emphasis on general liability, professional liability, and public entity self-insured risk pooling. He has authored hundreds of coverage opinions, drafted or revised insurance policies and memoranda of coverage, and litigated a variety of insurance and JPA coverage issues in state and federal courts.

Doug is outside General Counsel to Schools Insurance Authority, California Transit Indemnity Pool, the California Mental Health Services Authority, and the Northern California Special Districts Insurance Authority. He is also Counsel to the Credit Union Self-Insured Group of California, the Municipal Insurance Cooperative, the Marin Schools Insurance Authority, and the San Mateo County Schools Insurance Group.

Doug is admitted to practice in the States of California and Texas (inactive), and before the U.S. Ninth Circuit Court of Appeals and the U.S. District Courts for the Eastern, Northern and Central Districts of California. He is a member of the Sacramento County Bar Association, the Trust and Estate Section of the California State Bar, and the Sacramento Estate Planning Council.

FISCAL IMPLICATIONS: Historically, legal fees for Coverage Counsel services are approximately $25,000 annually. The proposed hourly contract rate is $225.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: LOSS CONTROL - BORETTI, INC

SUMMARY: As part of the CIRA Rent a Risk Manager, each member will receive a minimum of four days of onsite risk control services annually. In order to properly support the new program, a part-time risk control consultant was included in the risk control budget. Staff evaluated several risk control consulting vendors and is recommending Boretti, Inc. The proposed contract provides for 100 service hours (125 days) annually at a cost of $125,000 per year and up to $15,000 in reimbursable travel costs.

RECOMMENDATION: Board Ratify.

DISCUSSION: Boretti, Inc is a Safety, Health and Environmental consulting firm providing a broad range of technical safety and risk management services. The founder and owner, James Boretti has over 30 years of EHS experience and is a certified safety professional. The firm primarily provides services throughout California, with its largest public sector client being the Los Angeles County Public Works Department. Services include providing risk assessments, safety training, ergonomic evaluations, and onsite safety manager services.

Boretti will provide services as part of the Rent a Risk Manager program, with staff assigned to provide onsite services for up to 25 CIRA members. The contract provides for 1,000 service hours (125 days) annually at a cost of $125,000 per year and up to $15,000 in reimbursable travel costs.

FISCAL IMPLICATIONS: Contracted loss control services are included in the CIRA draft budget at $140,000 for fiscal year 2021-2022.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: ACTUARY – BICKMORE ACTUARIAL

SUMMARY: The Board approved the Bickmore Actuarial contract at the May 26, 2021, meeting. CIRA is seeking professional actuarial advice regarding its self-insured workers' compensation and liability programs. The objectives of the studies are to provide an estimate of outstanding liabilities, a projection of loss costs, cash flow and investment income, as well as member premium calculations.

RECOMMENDATION: Ratify.

DISCUSSION: Bickmore will provide actuarial advice regarding CIRA's self-insured workers' compensation and liability programs. The objectives of the studies are to provide an estimate of outstanding liabilities, a projection of loss costs, cash flow and investment income, as well as member premium calculations.

Rate Analysis

- Analysis to be based upon September 30, 2020 loss data.
- Program funding levels for the 2021-22 program year at the expected level, as well as at various confidence levels.
- Provide appropriate rates for claims incurred during the 2021-22 program year at the expected level, as well as at various confidence levels.
- Each of the estimates specified above will be provided on both discounted and full value bases.
- Calculate experience modification factors for each member.
- Calculate premiums for each member, reflecting all costs for the program.

Reserve Analysis

- Analysis to be based upon June 30, 2021 loss data.
- Estimates of outstanding liabilities for the programs' unpaid losses and loss adjustment expenses for all preceding fiscal years as of June 30, 2021.
- Estimates will be provided at the expected level, as well as at various confidence levels.
- Estimates will be provided on both discounted and full value bases.
- Comparison with program assets to determine confidence level of surplus.
- Estimates of the program's cash flow requirements for a given number of fiscal years, separately identified for each accident year.
- Provide a statement of compliance with GASB #10 and GASB #30.

The fees will include two personal visits per year. Should other services beyond the scope of work be required, Bickmore will bill for time and expense.

FISCAL IMPLICATIONS: $18,350 (amount included in CIRA budget).

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: LIABILITY THIRD PARTY CLAISM ADMINISTRATOR – GEORGE HILLS

SUMMARY: An agreement for Liability claims administration services between CIRA and George Hills Company (GHC) was approved at the May Board meeting. The agreement term is for five years and based on a fixed annual fee. The adjusters, supervisor and litigation manager currently assigned to PARSAC and REMIF will continue to serve CIRA members in the same capacity, and CIRA will continue to receive the same level of services.

RECOMMENDATION: Ratify.

DISCUSSION: GHC has been PARSAC's liability claims administrator since 1989 and REMIF's administrator since 2017. Overall, both organizations have received quality and responsive services and staff is pleased with GHC's professionalism, industry knowledge and commitment to serve the membership. As the organizations will merge to form CIRA next fiscal year, staff negotiated an agreement for services with GHC. The agreement provides the same level of services both organizations currently receive for primary and pooled claims administration, including:

- General administration services - maintenance of loss data, trust fund, monthly bank reconciliation, provide monthly loss data and special reports upon request. etc.
- Claim administration – evaluate each claim for liability, conduct investigation, establish appropriate reserves, determine the need for defense counsel, negotiate settlement, Medicare reporting, etc.
- Litigation management – review legal bills, evaluate defense counsel performance, assist defense counsel on defense efforts, attend settlement conferences, etc.
- Regular claims review with staff and/or members.
- First and third party subrogation services.

The adjusters and supervisor currently assigned to PARSAC and REMIF will remain the same. Robert Chalfant will be CIRA's litigation manager. Mr. Chalfant will oversee all litigated claims. Mr. Chalfant is an attorney and has actively litigated and successfully tried to verdict multiple dangerous conditions and law enforcement claims for public agency clients. He offers a unique prospective on litigation management and has effectively mitigated liability for the pool.

FISCAL IMPLICATIONS: The contract is for five years and provides a fixed fee pricing structure. For 2021/22 the annual fee is $409,200 with an administrative fee of $10,000. The fee for years 2–4 has not been determined and will be based on the level of reported claims in year 1. Staff will negotiate pricing for subsequent years once there is sufficient claims data to determine GHC staffing levels.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: IT – OFFICE INFORMATION SYSTEMS (OIS)

SUMMARY: As part of the formation of the California Intergovernmental Risk Authority (CIRA), PARSAC and REMIF's existing contracts must be updated to reflect the new organization name and consolidated where possible. As REMIF and PARSAC use different vendors for various services, staff evaluated the service level needs for the new CIRA organization and the capabilities of each vendor. The OIS contract was reviewed and approved at the May Board meeting.

RECOMMENDATION: Ratify.

DISCUSSION: As part of the CIRA budgeting process for the upcoming fiscal year, PARSAC and REMIF have worked together to identify redundancies and areas where consolidation of services would reduce costs while maintaining current service levels. During this process, IT services provided by the respective agency's IT services consultants were reviewed. It was determined during this review that Office Information Systems, currently REMIF's IT provider, would best meet the needs of CIRA both in services provided and cost. OIS will provide managed IT services for both the PARSAC and REMIF office locations and staff.

FISCAL IMPLICATIONS: IT consulting services provided by OIS is contracted at $372 monthly or $4,464 annually. Additional consulting services will be provided on an hourly or project basis. Cost savings approximately $12,000 annually.

ATTACHMENTS: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: OPEB/PENSION ACTUARY – MACLEOD WATTS

SUMMARY: Cathy MacLeod, MacLeod Watts, Inc. currently provides OPEB actuarial services for PARSAC and REMIF. As we merge to form the California Governmental Risk Authority (CIRA), PARSAC will be the Successor Agency and REMIF's CalPERS' contract will be absorbed by PARSAC. The actuary will determine the allocation of unfunded CalPERS liabilities between the two organizations going forward. The current annual payments for PARSAC and REMIF is approximately $300,000; however, PARSAC's liability is approximately 1/6th of this total. In addition to performing the allocation of the unfunded pension liability, the actuary will continue to prepare the GASB required OPEB annual valuation reports. This contract was reviewed and approved at the May Board meeting.

RECOMMENDATION: Ratify.

DISCUSSION: Cathy MacLeod has over 30 years of experience providing actuarial services. Ms. MacLeod has focused on other post-employment benefits (OPEB) for the public sector for the last 13 years with Bickmore Actuarial and MacLeod Watts, Inc. She has provided actuarial consulting services to both PARSAC and REMIF for many years and has established a trusted relationship.

FISCAL IMPLICATIONS: The proposed fee for the fiscal year-end June 30, 2022, is $6,000 and will include active CIRA members as well as PASRAC retirees. The current contract also covers an update the following year for $1,400. Additional services will be billed at hourly rates. It is anticipated that an additional $2,000 in services will be needed to complete the initial pension allocation between agencies.

ATTACHMENTS: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: BANKING SERVICES

SUMMARY: PARSAC and REMIF have established banking relationships with Wells Fargo Bank and Bank of America respectively. As it is the intent to keep prior assets including cash separate from the new organization CIRA, it was determined that establishing a relationship with a new bank would help maintain that separation. In addition to establishing operating accounts, staff is recommending that CIRA establish an account with CAMP, the California Asset Management Program as a longer-term investment option. CAMP, managed by PFM Asset Management, is a California Joint Powers Authority established in 1989 to provide agencies with an investment option to earn rates above traditional money market accounts while providing a more liquid option than a traditional investment portfolio. The Board approved establishing CIRA bank accounts with CB&T; an investment account with CAMP, and the authorized bank signers.

RECOMMENDATION: Ratify.

DISCUSSION: As CIRA will be managing funds for PARSAC through Wells Fargo Bank and REMIF through Bank of America, having an independent banking relationship for CIRA seemed logical. Staff is recommending California Bank and Trust (CB&T) as that bank. CB&T has branches throughout the state and has established a solid reputation within the community. CB&T is a division of Zions Bancorporation and has $11 billion in assets. Our primary contact, Doris Manning, has worked with many of the areas risk pools and claims administrators. Their pricing is comparable to the rates charged for services through both Wells Fargo Bank and Bank of America.

Currently, PARSAC and REMIF both maintain investment accounts with the Local Agency Investment Fund (LAIF). As we continue to maintain a separation of funds between PARSC, REMIF, and CIRA, LAIF will not allow the funds of PARSAC and CIRA to be held separately. As CAMP is a well-established investment fund similar in nature to LAIF with comparable earnings, it is recommended that excess CIRA funds be held in a CAMP account. This will allow for the liquidity needed until a large reserve of funds is established and CIRA can begin building an investment portfolio.

CIRA will need to establish the following accounts:

California Bank and Trust Accounts

- General Checking Account
- Workers' Compensation Claims Trust Account – Athens
- Workers' Compensation Claims Trust Account – LWP
- Liability Claims Trust Account – George Hills Company
- Money Market Account
- Credit Card Account

California Asset Management Program Account

FISCAL IMPLICATIONS: California Bank and Trust fees are projected to be $1,500. There are no fees associated with the Local Agency Investment Fund account.

ATTACHMENTS: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: BROKER OF RECORD AGREEMENTS – ALLIANT INSURANCE SERVICES

SUMMARY: The Board reviewed and approved the Broker of Record Agreement with Alliant Insurance Services at the May 26, 2021, meeting.

RECOMMENDATION: Ratify.

DISCUSSION: PARSAC and REMIF utilizes Alliant Insurance Services to place certain lines of coverage such as property, fidelity, special events, flood, earthquake, etc. on behalf of its members. The services also includes evaluating the financial status of insurers, review coverage forms, and develop/introduce new programs to meet the memberships' needs.

CIRA will need to execute a broker of record agreement with Alliant to provide similar services. Additionally, the California Association of Joint Powers Authority (CAJPA), as part of its accreditation process, requires that JPA's have a written contract with its insurance broker to include the scope of services, conflict of interest disclosure, terms of agreement, etc. Staff has reviewed the agreement and it is compliant with CAJPA's standards.

FISCAL IMPLICATIONS: Fees paid to the Broker are commission based and vary from year to year.

ATTACHMENTS: Refer to May 26, 2021, Board Agenda Packet

CIRA SERVICE PROVIDER CONTRACTS: BROKER OF RECORD AGREEMENTS – ABD INSURANCE & FINANCIAL SERVICES

SUMMARY: The Board reviewed and approved the Broker of Record Letter of Intent for ABD Insurance & Financial Services at the May 26, 2021, meeting.

RECOMMENDATION: Ratify.

DISCUSSION: PARSAC and REMIF utilize brokers to place certain lines of coverage such as workers' compensation excess on behalf of its members. The services also include evaluating the financial status of insurers, review coverage forms, and develop/introduce new programs to meet the memberships' needs. CIRA will need to execute a broker of record agreement with ABD Insurance & Financial Services to provide workers' compensation excess coverage.

FISCAL IMPLICATIONS: Fees paid to the Broker are a flat rate.

ATTACHMENTS: Refer to May 26, 2021, Board Agenda Packet

CIRA RESOLUTION TO PARTICIPATE IN ERMA

SUMMARY: ERMA requires members to submit a Board resolution approving participation in ERMA. The Board reviewed and approved the Resolution to Participate in ERMA at the May meeting.

RECOMMENDATION: Ratify.

DISCUSSION: Per the Transition Committee's recommendation, CIRA will obtain employment practices liability (EPL) coverage for its members from ERMA, a statewide risk sharing pool that provides EPL coverage and loss prevention services to California public entities.

FISCAL IMPLICATIONS: None

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA EXECUTIVE COMMITTEE REPRESENTATION

SUMMARY: Per the CIRA Bylaws, the CIRA Executive Committee "shall be composed of thirteen members including the President, and Vice-President, Treasurer (if a Board Member), and Auditor/Controller, and nine other individuals, all of whom must be Directors and not alternates." For the initial election cycle, each respective pool forming CIRA has nominated candidates, with REMIF nominating five (5) candidates and PARSAC eight (8), to serve on the CIRA Executive Committee. After identifying those nominees who will serve as Officers, staff has assigned candidates by category (Region, Size, and At-Large) to ensure representation as required by the CIRA Bylaws. The Transition Committee nominated the following slate of candidates to serve on the CIRA Executive Committee with their respective terms. The PARSAC Board has approved the slate and recommends the CIRA Board ratify.

Position/Category	Term	Nominee	Member Agency
President	2 Year	John Gillison	Rancho Cucamonga
Vice-President	1 Year	Lawrence McLaughlin	Sebastopol
Treasurer	2 Year	Chuck Dantuono	Highland
Auditor Controller	1 Year	Steve Rogers	Yountville
North	2 Year	Kelly Buendia	Lakeport
Central	1 Year	Susie Holmes	Cloverdale
South	2 Year	Debra Breidenbach-Sterling	Yucca Valley
Large	1 Year	Pam Powell	Eureka
Medium	2 Year	Damien O'Bid	Cotati
Small	1 Year	Carolyn Steffan	Tehama
Member at Large	2 Year	Amber Johnson	Belvedere
Member at Large	1 Year	Jay Parrish	Ferndale
Member at Large	2 Year	Tamara Vides	Watsonville

RECOMMENDATION: Ratify nominees for CIRA Executive Committee and Officer positions.

DISCUSSION: In order to ensure proper representation on the new CIRA Executive Committee, staff developed procedures that follow the CIRA Bylaws that were approved by the Transition Committee at the meeting on August 24, 2020. For the initial election cycle, each respective pool forming CIRA will nominate candidates with REMIF nominating five (5) candidates and PARSAC eight (8), to serve on the CIRA Executive Committee.

Staff will develop a slate of candidates by category (Region, Size, and At-Large) to ensure representation as required by the CIRA Bylaws. The initial terms of each position are indicated below:

•	President	2 Year	•	Large	1 Year
•	Vice President	1 Year	•	Medium	2 Year
•	Treasurer	2 Year	•	Small	1 Year
•	Auditor/Controller	1 Year	•	Member at Large	2 Year
•	North	2 Year	•	Member at Large	1 Year
•	Central	1 Year	•	Member at Large	2 Year
•	South	2 Year			

FISCAL IMPLICATIONS: None

ATTACHMENTS: None

CIRA PROGRAMS' ACTUARIAL REPORTS

SUMMARY: Mike Harrington from Bickmore Actuarial presented the 2021-22 CIRA Liability, Workers' Compensation and Employment Practices Liability (EPL) Programs actuarial reports at the May 26, 2021, meeting. At that meeting, the Board approved: (1) the Liability, Workers' Compensation and Employment Practices Liability (EPL) programs actuarial reports, (2) funding the Liability and EPL programs at the 80% confidence level and the Workers' Compensation program at the 75% confidence level, (3) proposed phase-in Experience Modification Factor methodology, for the Liability and Workers' Compensation programs, (4) proposed phase in methodology for the Liability Program allocation formula, and (5) funding the EPL program at the $250,000 self-insured retention level.

RECOMMENDATION: Ratify.

DISCUSSION: The actuary completed the analysis for CIRA's self-funded programs. Unlike previous years where the actuarial reports provide an overview of the programs outstanding liabilities and compares expected to actual loss development, claims payments and ultimate liabilities, there are no prior years' liabilities for CIRA since PARSAC and REMIF are not sharing risks on a retrospective basis. Therefore, the purpose of these reports is to provide funding analysis and recommendations for the 2021-22 program year.

Liability Program

The CIRA pool will fund liability risks above the members' self-insured retentions to $1 million. This will be an increase in the retention layer for former REMIF members as they currently self-insured to $750,000. CIRA will fund next year's rates at the 80% confidence level (CL). As you may recall, PARSAC's policy is to fund at the 85% CL; however, in recent years PARSAC has funded at the 80% CL due to the program's favorable equity position. REMIF members currently fund at the 75% CL.

At the 80% CL, the actuary recommends the pool collect $8,538,420, which includes funding for losses to $1 million, claims administration costs, operating expenses, and applying a discount rate of 1.5%. The average pool rate, when applying all the self-insured retention options, is $1.61 per $100 of payroll.

PARSAC is a member of PRISM (formerly CSAC) for excess insurance coverage, while REMIF participates in the California Joint Powers Risk Management Authority (CJPRMA) for excess coverage. Staff is analyzing both providers as well as a third pool, the California Affiliated Risk Management Authority (CARMA). CIRA was accepted for membership by all three excess pools. Although most of the analysis has been completed, staff cannot make a recommendation at this time because the pools have not

provided final funding numbers or coverage limits. The Liability market is contracting, and excess insurers are offering lower coverage limits, requiring insureds to retain higher retentions, and applying aggregate limits, while increasing premiums. Additional analysis regarding excess coverage is discussed later in the agenda. It is anticipated staff will have sufficient data to make a recommendation to Transition Committee in early June. Staff recommends the Board grant the Transition Committee authority to bind coverage with one of the aforementioned pools. It is estimated, based on preliminary numbers provided by CARMA and CJPRMA, excess costs will range from $5.2 million to $5.8 million. Staff is estimating $5.3 million excess premium for budgeting purposes.

The Experience Modification Factor is a measure of risk and adjusts a member's rate based on prior loss history. For example, a member with a 1.00 factor pays the base rate and neither receives a rate credit nor assessment. A member with a .75 factor receives a 25% discount, while a member with a 1.25 factor is assessed 25%. For both PARSAC and REMIF members, the year-to-year increase or decrease in this factor is limited to 25%. However, as the program transitions to CIRA next year, there is a blending of existing formulas and costs allocation methods which can cause significant changes in some members' premiums from the current to new pool. To smoothen these changes, it is recommended the factor is capped at +/-15% in year 1, 20% in year 2 and 25% in year 3. Additionally, members will be subject to minimum factor of .50 and maximum of 2.00, which is a new parameter.

Although phasing in the Experience Modification Factor will negate some of the premium fluctuations, certain members will experience significant increases or decreases under the current formula. Due to some large variances, the actuary, working with staff, developed an equitable liability premium allocation method for CIRA members. The actuary will present the allocation formula at this meeting.

Employment Practices Liability (EPL)

CIRA will participate in ERMA for EPL coverage. The pool will fund a primary layer above the members' self-insured retentions (SIR) to $250,000 or $350,000, and ERMA will provide coverage from the retention to $1 million. This a deviation from PARSAC's and REMIF's existing EPL coverage structure. Currently, PARSAC funds a small layer from $5,000 to $25,000 and attaches to ERMA above this layer, while REMIF includes EPL coverage under its general liability program.

It is proposed CIRA fund EPL coverage at the 80% CL. The average rate is .30 per $100 of payroll at $250,000 SIR and .39 at $350,000 SIR. The required CIRA funding at $250,000 and $350,000 SIR's are $1,199,000 and $1,556,000, respectively. The estimated ERMA funding at $250,000 and $350,000 SIR's are $1,477,000 and $1,137,000, respectively. The total combined premiums are $2,676,000 ($250,000 SIR) and $2,693,000 ($350,000 SIR). The premium difference between the $250,000 and $350,000 retention levels is negligible. As a new pool, CIRA should avoid taking on too

much exposure in the beginning and lessen the risk of future assessments. Therefore, the Transition Committee recommends funding at $250,000 retention level.

An Experience Modification Factor will not be applied to the EPL funding formula. In the alternative, a claim frequency model has been developed. Under this model, members receive a 5.5% credit for no reported claims or up to 9.4% surcharge for two or more claims reported over a five-year period. EPL claims are typically low frequency but high severity. As such, the claim frequency model is intended to minimize large swings in year-to-year premium.

Workers' Compensation Program

The Workers' Compensation program will be funded at the 75% confidence level, which is the level both pools currently fund. At the 75% CL, the actuary recommends the pool collect $12,566,965, and the average funding rate is $2.50 per $100 of payroll. This includes funding claims administration, operating expenses and applying a 2.5% discount factor. The proposed funding level is based on funding from the members' self-insured retention to $500,000. PARSAC has withdrawn from LAWCX and excess coverage will be provided by two commercial carriers. Gray Insurance will cover losses above the SIR to $750,000 for non-safety and to $1 million for safety. Safety National will provide coverage above Gray's layer to statutory limits. The estimated excess premium is $2,535,000 compared to LAWCX's estimated premium of $3,122,000. Further discussion regarding excess coverage will be addressed later in the agenda.

As with the Liability program, the Workers' Compensation program will adopt an identical phase-in experience modification factor formula to soften the impact of year-to-year premium changes, as well as the minimum and maximum parameters.

FISCAL IMPLICATIONS: The total 2021-22 Liability Program funding, including EPL and excess insurance, is projected to be $16 million. This is a 6.8% overall premium increase when compared to the combined PARSAC and REMIF premiums of $15 million this current year. A 6.8% adjustment is very reasonable considering increased payrolls, a hardening excess insurance market, an inflation impacting operating costs.

The Workers' Compensation program funding is projected to be $12.5 million. This is a 7% overall premium decrease when compared to the combined PARSAC and REMIF premiums of $13.5 for the current year. The decrease in Workers' Compensation offsets the increase in the Liability program; therefore, the overall premium is projected to remain flat next fiscal year.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA GOVERNING DOCUMENTS: JOINT POWERS AGREEMENT AND BYLAWS

SUMMARY: The REMIF and PARSAC Boards respectively approved the Joint Powers Authority Agreement and Bylaws and these now require ratification by the CIRA Board.

RECOMMENDATION: Ratify.

DISCUSSION: REMIF's General Counsel, Doug Alliston, drafted Bylaws and Joint Powers Agreement for CIRA. These governing documents were then reviewed by PARSAC's General Counsel, Ann Siprelle, of Best, Best, Krieger. The documents have also been approved by PARSAC's and REMIF's governing bodies.

Some highlights of the proposed Bylaws include:

- 13-member Executive Committee, 4 Officers and 9 members. Three members will be selected by region (north, central and south), 3 by size, and 3 members at large.
- REMIF members will have at least 5 seats on the Executive Committee, 1 Officer and 4 members at large for the first two election cycles.
- Officers are President, Vice President, Auditor Controller, Secretary (GM) and Treasurer. The Treasurer may be an employee of the member or JPA but does not need to be a Board Director. The Treasurer shall not have a vote unless he/she is a Board Director.
- President appoints representatives to serve on other JPA's (*i.e.* ERMA), make all Committee appointments (*i.e.* Finance, Safety & Loss Control).
- Creation of two Officer Emeritus positions. Emeritus is a retired Board member, does not vote, serves to maintain institutional knowledge/culture, mentor, and attends Board and EC meetings.
- Establish Personnel Committee to evaluate and review the General Manager.
- Membership open to all public entities that provide municipal services (*i.e.* no school districts).
- Members must participate for a minimum 5 years, except former PARSAC and REMIF members may participate for 2 years.
- Member must provide 1 year notice to withdraw with 90 days to rescind.
- Withdrawn member forfeits all equity and continues to pay its pro rata share of ongoing administrative expenses for 3 years.

Some notable highlights of the proposed JPA include:

- Amendment of the JPA requires two-thirds approval; termination of the JPA requires three-fourths approval of the governing body.
- All claims and non-claims liabilities (PERS pension, health benefits obligations) must paid before distribution of assets.
- Assets will be distributed in accordance with Retrospective Premium Adjustment (RPA) formula within six months of closing the last claim or resolution of other liabilities.
- Members shall pay additional premium, upon termination, as determined by the RPA formula.
- The debts, liabilities or obligations incurred by either JPA prior to the merger will remain with their respective organizations.
- The debts, liabilities or obligations to the public retirement system shall be the debts and obligations of each member per AB 1912.
- Members must participate for a minimum 5 years, except former PARSAC and REMIF members may participate for 2 years (same language as Bylaws).

FISCAL IMPLICATION: Consolidating the operations of PARSAC and REMIF will lend to greater long-term stability and sustainability. It will result in a higher degree of actuarial predictability when analyzing data, which should stabilize costs. Operating costs will eventually be lower due to economies of scale.

ATTACHMENTS: CIRA Joint Powers Agreement and Bylaws

AMENDED AND RESTATED
JOINT EXERCISE OF POWERS AGREEMENT
OF THE
CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY
(formerly Public Agency Risk Sharing Authority of California)

This Amended and Restated Joint Exercise of Powers Agreement of the California Intergovernmental Risk Authority ("CIRA" or "Authority") ("Agreement"), formerly known as the Public Agency Risk Sharing Authority of California ("PARSAC"), is entered into by and among the public entities, hereafter referred to as "Members", each of which is organized and existing under the laws of the State of California and is a signatory to this Agreement and listed in Appendix "A", attached hereto and made a part hereof. This Agreement supersedes the Public Agency Risk Sharing Authority of California [PARSAC] Joint Powers Agreement dated May 25, 2017 as of, and is effective on, July 1, 2021 ("Effective Date").

RECITALS

1. The Authority was originally created as the California Municipal Insurance Authority effective May 21, 1986 pursuant to that certain Joint Powers Agreement Creating the California Municipal Insurance Authority ("Original JPA Agreement"). The Original JPA Agreement was revised and restated effective July 1, 1989 and then again effective November 19, 1993 when the original name was changed to the Public Agency Risk Sharing Authority of California. Subsequent restatements were approved effective May 31, 1996, December 13, 2002, December 12, 2003, May 20, 2005, May 31, 2007, and May 26, 2011. The most recent restatement is the PARSAC Joint Powers Agreement which was approved effective May 25, 2017 ("PARSAC Agreement").

2. Labor Code Section 3700 authorizes public entities, including members of a pooling arrangement under a joint powers authority, to fund their own workers' compensation claims.

3. Government Code Sections 989 and 990 authorize a local public entity to insure itself and its employees against tort or inverse condemnation liability.

4. Government Code Section 990.4 authorize a local public entity to fund insurance and self-insurance in any desired combination.

5. Government Code Section 990.6 provides that the cost of insurance is an appropriate public expenditure.

6. Government Code Section 990.8 authorizes two or more local public entities to enter into an agreement to jointly fund such expenditures under the authority of the Joint Exercise of Powers Act (Gov. Code Section 6500 et seq.).

7. Government Code Section 6500 et seq. authorizes two or more public entities to jointly exercise, under an agreement, any power which is common to each of them.

8. Each Member that is a party to this Agreement desires to join with the other Members to fund programs of insurance for workers' compensation, liability, property and other coverages to be determined and for other purposes set forth in this Agreement.

9. The governing body of each Member has determined that it is in the Member's own best interest, and in the public interest, to execute this Agreement and participate as a Member of the Authority.

In consideration of the recitals, mutual benefits, covenants, and agreements set forth in this Agreement, the Members agree as follows:

ARTICLE I.
CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY
AS SUCCESSOR TO AND EXPANSION OF PARSAC

A. Authority Created. The Authority was originally formed on May 21, 1986 as the California Municipal Insurance Authority by operation of the Original JPA Agreement and subsequently renamed as the Public Agency Risk Sharing Authority of California effective November 19, 1993. The Authority was, and is, formed pursuant to the provisions of Article I (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California ("Code"), which authorizes two or more public agencies, by a joint powers agreement entered into respectively by them and authorized by their legislative or governing bodies, to exercise jointly any power or powers common to the member agencies.

1. Name Change. As of the Effective Date, the Public Agency Risk Sharing Authority of California shall be known as the California Intergovernmental Risk Authority, hereinafter referred to as "CIRA" or the "Authority."

2. Separate Entity. Pursuant to Code Sections 6506 and 6507, from its inception, the Authority has, is, and shall be a public entity separate and independent from the Members which is governed exclusively by the Authority's Board of Directors ("Board").

B. Membership in the Authority as of the Effective Date. As of the Effective Date, the membership of the Authority shall consist of the members of PARSAC and the members of the Redwood Empire Municipal Insurance Fund ("REMIF"), with respect to only those that have approved this Agreement as of the Effective Date, as listed in Appendix "A".

C. Future Membership. Membership in the Authority is open to public entities throughout the State of California, if such public entities meet the requirements specified in the Bylaws and are approved by the Board.

ARTICLE II.
PURPOSE

The purpose of the Authority is to exercise the powers of the Members to jointly accomplish the following:

A. Develop comprehensive Programs with the objective to reduce the cost of risk against which the Members are authorized or required to protect against by insurance, self-insurance, or pooling. Such Programs may include, but are not limited to, coverages for tort liability, workers'

compensation, employee health benefits, loss to real or personal property, or liability arising out of the ownership, maintenance, or use of real or personal property.

B. The design of the Programs may evolve with the needs of the Members and in accordance with contemporary economic and financial conditions. Programs may therefore operate on an insured, pooled, self-funded, or other appropriate basis whereby the Members share some portion, or all, of the costs of Program losses.

B. Jointly secure administrative and other services including, but not limited to, general administration, underwriting, risk management, loss prevention, claims adjusting, data processing, brokerage, accounting, legal and other services related to any authorized purpose.

ARTICLE III.
PARTIES TO THE AGREEMENT AND RESPONSIBILITIES OF MEMBERS

A. Each Member represents and warrants that it intends to, and does hereby, contract with all other Members listed in Appendix "A", and any new members admitted to the Authority. Each Member also represents and warrants that the withdrawal or expulsion of any Member shall not relieve any Member of its rights, obligations, liabilities or duties under this Agreement or the individual Programs in which the Member participates.

B. Each Member agrees to be bound by and to comply with all the terms and conditions of the Governing Documents and any Resolution or other action adopted by the Board as they now exist or may hereinafter be adopted or amended. Each Member assumes the obligations and responsibilities set forth in the Governing Documents, as they may be amended.

C. Each new Member agrees to participate for a minimum of five years, except that members of PARSAC and REMIF as of June 30, 2021 must continue for a minimum of two years thereafter. Also, each new Member agrees to meet its obligations and responsibilities as set forth in the Governing Documents.

ARTICLE IV.
POWERS

The Authority shall have the powers common to its Members. As provided by Government Code Section 6509, the Authority's power is subject to the restrictions upon the manner of exercising the power of the Member specified in the Bylaws. Under this Agreement, the Authority is authorized, in its own name, to do all acts necessary and to exercise such common powers to fulfill the purposes of this Agreement, including but not limited to the following:

A. Make and enter contracts;

B. Employ agents and employees;

C. Incur debts, liabilities or obligations;

D. Receive, collect, invest, and disburse funds;

E. Receive contributions and donations of property, funds, services and other forms of assistance;

F. Acquire, construct, manage, maintain, hold, lease or dispose of real and personal property; and

G. Sue and be sued in its own name and settle any claim against it.

ARTICLE V.
BOARD OF DIRECTORS

A. The Authority shall be governed by the Board. Each Member shall appoint a representative to the Board and an alternate representative, each of whom shall meet the parameters set forth in the Bylaws. In the absence of a resolution of the Board providing otherwise, representatives and alternates will serve without compensation by the Authority.

B. The Member's representative and/or alternate representative shall be removed from the Board upon the occurrence of any one of the following events: (1) the expulsion or withdrawal of the Member from the Authority; (2) the death or resignation of the Member representative; (3) the Member gives notice that the Member representative is no longer employed by the Member; or (4) as otherwise provided in the Authority's Bylaws.

C. The Board shall exercise all powers and conduct all business of the Authority, either directly or by delegation of authority to committees or other bodies or individuals.

ARTICLE VI.
ADMINISTRATION OF PREEXISTING OBLIGATIONS

A. All liabilities and obligations of the Authority existing prior to the Effective Date ("Preexisting Obligations") will be administered under the terms and conditions of the PARSAC Agreement. For this purpose, the PARSAC Agreement in effect on June 30, 2021, which is attached hereto as Appendix B, is hereby made a part of this Agreement and incorporated herein by this reference.

B. The Board shall appoint a committee made up of representatives of Authority members that were members prior to the Effective Date to make recommendations to the Board regarding the administration of the Preexisting Obligations. As to specific agenda items relating to such matters, only Directors representing Members who were members of the Authority prior to the Effective Date may vote, and as to such items, a quorum shall be determined solely by reference to the number of Members that were members of the Authority prior to the Effective Date.

C. All assets of the Authority existing on June 30, 2021 shall be reserved by the Authority for the sole purpose of administering the Preexisting Obligations. Similarly, all assets of REMIF shall be used exclusively for the purpose of administrating the obligations of REMIF.

ARTICLE VII.
OFFICERS

A. The Board shall elect a President, Vice-President, Treasurer, and Auditor/Controller. The President, Vice-President, and Auditor/Controller must be Directors. The General Manager shall serve as Secretary of the Board. The manner of election and term of office of elected officers and their authority and responsibilities shall be as set forth in the Authority's Bylaws. If any of the elected officers ceases to be a Member's representative, the resulting vacancy shall be filled as provided in the Authority's Bylaws. The Board may elect such other officers as it considers necessary.

B. As permitted by Government Code Section 6505.6, the Treasurer shall comply with the duties and responsibilities set for the subdivisions (a) through (d) of Government Code Section 6505.5, and shall cause an independent audit to be made by a certified public accountant, or public accountant, in compliance with Government Code Section 6505. The Treasurer will have no vote on the Board unless the Treasurer is also a Director.

C. The Board shall appoint a General Manager who shall act as Secretary of the Board and as the Chief Administrative Officer of the Authority. Although an officer, the General Manager shall not have a vote on the Board or any committee of the Authority.

ARTICLE VIII.
MEETINGS AND RECORDS

A. Not less than once a year, the Board and all standing committees shall hold regular meetings as set forth in the Bylaws of the Authority. Special meetings may be called as provided in the Bylaws.

B. All meetings of the Board, and appointed committees, including without limitation, regular, adjourned regular, and special meetings, shall be called, noticed, held, and conducted in accordance with the Ralph M. Brown Act (Section 54950 et. seq. of the Government Code).

C. Minutes of regular, adjourned regular, and special meetings of the Authority shall be kept under the direction of the Secretary. After each meeting, the Secretary shall cause copies of the minutes to be forwarded to each Board member for review and approval at the next regular meeting.

ARTICLE IX.
BUDGET

The Board shall adopt an annual budget prior to the beginning of each Fiscal Year.

ARTICLE X.
REGULAR AUDITS AND REVIEWS

A. The Board shall cause an annual financial audit of the accounts and records to be prepared by a Certified Public Accountant in compliance with California Government Code Sections 6505 and

6505.5 or 6505.6 with respect to all receipts, disbursements, other transactions and entries into the books of the Authority. The minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Government Code Section 26909 and shall conform to generally accepted accounting standards. A report of each such audit shall be filed as a public record with the Board, each of the Members, and the auditor/controller of the county in which the Authority's administrative office is located. The report shall be filed within twelve months of the end of the fiscal year under examination. The Authority shall pay all costs for such financial audits.

B. The Board shall cause an annual actuarial review to be prepared for each of the Programs of the Authority and a report of such actuarial review shall be made available for inspection by the Board and the Members. The Authority shall pay all costs for such actuarial review.

C. The Board shall cause a claims audit of the administration of the claims for each of the Programs of the Authority at least biannually. A report of such claims review shall be made available for inspection by the Board and the Members. The Authority shall pay all costs for such claims reviews.

ARTICLE XI.
ADMISSION OF NEW MEMBERS

A. Any public entity eligible for membership as stated in Article I may apply for membership in the Authority and participation in one or more of the Authority's Programs at any time. To be considered, the applicant must submit any documentation or information requested by the Authority and pay any costs required to analyze their application and determine their initial contribution.

B. The Authority shall review all applications by potential new members to determine if they meet the requirements provided for in the Bylaws and any relevant Board policies to determine whether and on what conditions to admit the applicant.

C. Upon approval for membership by two-thirds vote of the Board, to become a Member the applicant must execute this Agreement and pay any contributions or premiums required to participate in the Program(s) for the initial Program Year in which the applicant will participate.

ARTICLE XII.
WITHDRAWAL

A. After the initial commitment period described in Article III, any Member which enters a Program may withdraw from that Program by compliance with the requirements stated in the Bylaws for withdrawal from the Program.

B. Withdrawal of a Member does not terminate its rights to coverage arising under any Program in which it participated for the years in which it participated. A Member that has withdrawn from a Program may later seek to renew participation in the Program subject to any terms and conditions set forth in the Bylaws.

C. A Member that has withdrawn from all of the Authority's Programs shall no longer have a right to a representative on the Board, but shall remain liable for assessments and other obligations arising from the Program Years in which it participated.

D. As soon as administratively feasible after the Effective Date, the Members of the Authority shall agree on the method of apportioning the CalPERS retirement obligations of the Authority in the event of a default event as defined by Government Code Section 6508.2. Until such time, and in the event of a default event, the terms of the Public Agency Risk Sharing Authority of California (PARSAC) Agreement for Apportion of Retirement Obligations dated May 25, 2017, and attached hereto as Exhibit "C", shall apply with respect to all Members of the Authority.

ARTICLE XIII.
EXPULSION

The Board may expel any Member from the Authority and/or from a Program for material breaches of the Governing Documents consistent with the provisions of the Bylaws, subject to any warning or probationary provisions in the Governing Documents. Expulsion does not terminate the obligations of either the Authority or the Member incurred prior to the expulsion.

ARTICLE XIV.
TERMINATION AND DISTRIBUTION

A. This Agreement shall continue in full force and effect until terminated. Termination of this Agreement shall also constitute the termination of all Programs. This Agreement may be terminated at any time by the vote of three-fourths of the Members; provided, however, that this Agreement and CIRA shall continue to exist for the purpose of disposing of all claims and paying its obligations for employees' health and pension benefits, before the distribution of assets, and any other functions necessary to wind up the affairs of CIRA.

B. Upon termination of this Agreement, all assets of each Program of CIRA shall be distributed among the Members which participated in such Programs, in accordance with the retrospective premium adjustment process in effect during the term of this Agreement. Such distributions shall be determined within six [6] months after the disposal of the last pending claim or other liability covered by all Programs of the Authority. The Board may in its sole discretion determine that earlier distributions are appropriate as to Programs for which there remains no claim or liability.

C. Following the termination of this Agreement, any Member which was a participant in any Program of CIRA shall pay any additional amount of premium, determined by the Board or its designee in accordance with a retrospective premium adjustment, which may be necessary to enable final disposition of all claims arising from losses under that Program during the Member's period of participation.

D. The Board is vested with all powers of CIRA for the purpose of concluding and dissolving the business affairs of CIRA. The Board may designate legal counsel and any committee or person to carry out a plan of dissolution adopted by the Board.

ARTICLE XV.
LIABILITY OF MEMBERS, DIRECTORS, OFFICERS, AND COMMITTEE MEMBERS

A. Pursuant to Government Code section 6508.1, except as to liabilities to a public retirement system, the debts, liabilities, and obligations of the Authority shall not constitute debts, liabilities, or obligations of any Member. However, each Member shall remain liable to the Authority for contributions assessed by the Authority to pay its debts, liabilities, or obligations.

B. The debts, liabilities or obligations incurred by either PARSAC or REMIF prior to the Effective Date shall not constitute the debts, liabilities or obligations of the other. Notwithstanding the preceding, the Authority intends to be the successor to the CalPERS pension obligations of REMIF pursuant to California Government Code Section 20508. As such, the liability to CalPERS with respect to service credited under REMIF's CalPERS contract, and the continuing liability to CalPERS of the Authority with respect to service credit accrued both prior to and after the Effective Date under the Authority's CalPERS contract, shall be the contractual liability of the Authority. The Authority and REMIF shall separately enter into an agreement to provide for the allocation of liability, and the payment of related contributions, with respect to service credit accrued prior to the Effective Date.

C. The representatives to the Board of Directors and to each of the Programs and any officer, employee, contractor, or agent of the Authority shall use ordinary care and reasonable diligence in the exercise of their power and in the performance of their duties under this Agreement. Directors, officers, committee members of the Authority shall be liable for any act or omission within the scope of their office or employment by the Authority only in the event that they act or fail to act because of actual fraud, corruption, or actual malice or willfully fail or refuse to conduct the defense of a claim or action in good faith or to reasonably cooperate in good faith in the defense conducted by the Authority.

D. The Authority shall defend and indemnify its directors, officers, and employees to the same extent as any other public entity of the State of California is obliged to defend and indemnify its employees pursuant to Government Code Section 825, et seq., or other applicable provisions of law. Nothing herein shall limit the right of the Authority to purchase insurance to satisfy this obligation.

E. The Authority shall indemnify, protect, defend, and hold harmless each and all of the Members, and their officials, agents, and employees, for and from any and all liability, claims, causes of action, damages, losses, judgments, costs, or expenses (including attorney fees) resulting from an injury caused by a negligent or wrongful act or omission occurring in the performance of this Agreement by the Authority, by one or more of the Members, or any of their officials, employees, agents, or independent contractors.

ARTICLE XVI.
NOTICES

Notices to each Member under this Agreement shall be sufficient if mailed to its respective address on file with the Authority. Any Member may designate any other address in substitution of the foregoing address to which such notice will be given at any time by giving five days written notice to the Authority and all other Members.

ARTICLE XVII.
AMENDMENTS

This Agreement may be amended at any time with the approval of two-thirds of the Directors on the Board acting with the approval of their governing bodies, except that any amendment that reduces the voting requirement for termination of the Authority must be approved by three-fourths of the Directors on the Board acting with the approval of their governing bodies. Authority of the Member representative (director) to give such approval may be delegated such in advance by the Member's governing body, or in the absence of such prior delegation by action of a Member's governing body to approve the proposed amendment. The amended Agreement shall take effect on the first day of the month following the Authority's receipt of notice of approval by two-thirds of the Members, unless otherwise stated in the Amendment, and once effective shall apply to all Members regardless of whether a particular Member approved the amendment. Refusal to execute or comply with the amended Agreement shall be a basis for expulsion of the Member. A Member that does not approve of the amendment may withdraw from the Authority and all its Programs at the end of the fiscal year next following the effective date of the amendment, notwithstanding the five-year minimum commitment provided for in Article III, Section C.

ARTICLE XVIII.
SEVERABILITY

Should any portion, term, condition, or provision of this Agreement be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.

ARTICLE XIX.
COMPLETE AGREEMENT

The foregoing constitutes the full and complete Agreement of the parties. There are no oral understandings or agreements not set forth in writing herein, except as to the Bylaws.

ARTICLE XX.
TERM OF AGREEMENT

This Agreement shall become effective upon execution, and shall continue in effect until satisfaction of all obligations created hereunder following termination of the Authority created by this Agreement.

ARTICLE XXI.
COUNTERPARTS

The Agreement may be executed in multiple counterparts, each of which shall be considered an original.

ARTICLE XXII.
ARBITRATION

Any controversy arising out of this Agreement shall be submitted to binding arbitration, which shall be conducted in accordance with the provisions of the California Arbitration Act (California Code of Civil Procedure § 1280 et seq.).

ARTICLE XXIII.
FORCE MAJEURE

No party will be deemed to be in default where failure or delay in performance of any of its obligations (other than payment obligations) under this Agreement is caused by floods, earthquakes, other Acts of God, fires, wars, riots or similar hostilities, actions of legislative, judicial, executive, or regulatory government bodies or other cause, without fault and beyond the reasonable control of such party ("Force Majeure"). If any such events shall occur, the time for performance by such party of any of its obligations under this Agreement will be extended by the parties for the period of time that such events prevented such performance. Upon the occurrence of an event of Force Majeure, the affected party shall: (i) promptly notify the other parties of such Force Majeure event, (ii) provide reasonable details relating to such Force Majeure event and (iii) implement mitigation measures to the extent reasonable.

ARTICLE XXIV.
DEFINITIONS

The following definitions shall apply to the provisions of this Agreement and the Bylaws of the Authority:

A. "Agreement" shall mean this Agreement, as it may be amended from time to time, creating the California Intergovernmental Risk Authority.

B. "Board" or "Board of Directors" shall mean the governing body of the Authority.

C. "Bylaws" shall mean the Bylaws attached to this Agreement, as amended from time to time by the Board consistent with the amendment provisions in the Bylaws.

D. “Claim(s)” shall mean demand(s) made against the Member arising out of occurrences which are covered or alleged to be covered by the Authority’s Memorandums of Coverage or policies of insurance.

E. “Fiscal Year” shall mean the period of time commencing on July 1 of each year and ending on June 30 of the following year.

F. “Governing Documents” shall mean this Agreement, the Bylaws of the Authority, each Program’s Memorandum of Coverage, the Master Program Document, , and any other document stipulated as a Governing Document in the Bylaws or by action of the Board.

G. “Insurance” shall mean insurance or reinsurance purchased by the Authority to cover Claims against or losses of the Authority and/or its Members.

H. “Jurisdiction” shall mean the territory in which the Authority may exercise its powers; i.e., the State of California.

I. “Member” shall mean any public entity authorized to be a member of a Joint Powers Authority, which is a party to this Agreement and is participating in one or more Programs.

J. “Memorandum of Coverage” shall mean a document issued by the Authority for each Program specifying the coverages and limits provided to the Members participating in the Program.

K. “Participation” or “participating” shall refer to a Member that has elected to join and take part in a Program.

L. “Pooling” shall mean group self-insurance as allowed by Government Code section 990.8, Labor Code section 3700, or any other applicable law.

M. “Program” shall mean those coverage programs of risk sharing, insurance, self-insurance, pooling and risk management services created by the Authority to manage specific types of risks.

N. “Program Year” shall mean the annual period in each Program to be segregated for determination of coverage premiums or assessments.

O. “Risk Management” shall mean the process of identifying, evaluating, reducing, transferring, and eliminating risks. Risk Management includes, but is not limited to, various methods of funding claims payments, purchasing insurance, legal defense of claims, controlling losses, and determining self-insured retention levels and the amount of reserves for potential claims.

IN WITNESS WHEREOF, the undersigned party hereto has executed this Agreement on the date indicated below.

California Intergovernmental Risk Authority ["CIRA"]

Date: _____ By: _____
Name/Title

Attest: _____
Secretary, CIRA

Member Entity: _____

Date: _____ By: _____
Name/Title

Attest: _____
City/Town Clerk

APPENDIX "A"

CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY MEMBERS

1. City of Arcata
2. City of Amador City
3. City of Avalon
4. City of Belvedere
5. City of Blue Lake
6. City of California City
7. City of Calimesa
8. City of Calistoga
9. City of Citrus Heights
10. City of Clearlake
11. City of Cloverdale
12. City of Coalinga
13. City of Cotati
14. City of Eureka
15. City of Ferndale
16. City of Fort Bragg
17. City of Fortuna
18. City of Grass Valley
19. City of Healdsburg
20. City of Highland
21. City of Lakeport
22. City of Menifee
23. City of Nevada City
24. City of Placentia
25. City of Placerville
26. City of Plymouth
27. City of Point Arena
28. City of Rancho Cucamonga
29. Rancho Cucamonga Fire Protection District
30. City of Rancho Santa Margarita
31. City of Rohnert Park
32. City of San Juan Bautista
33. City of Sebastopol
34. City of Sierra Madre
35. City of Sonoma
36. City of South Lake Tahoe
37. City of St. Helena
38. City of Tehama
39. City of Trinidad
40. Town of Truckee
41. City of Twentynine Palms
42. City of Ukiah
43. City of Watsonville
44. City of Wheatland
45. City of Wildomar
46. City of Willits
47. Town of Windsor
48. Town of Yountville
49. City of Yucaipa
50. Town of Yucca Valley

APPENDIX "B"

PARSAC Agreement

PARSAC

JOINT POWERS AGREEMENT

Revised & Adopted May 25, 2017

Public Agency Risk Sharing
Authority of California

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APPENDIX "A" MEMBER ENTITIES

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA [PARSAC]

JOINT POWERS AGREEMENT

THIS AGREEMENT is made in the State of California by and among those municipalities organized and existing under the laws of the State of California, hereinafter referred to as "Member Entity[ies]," which are parties' signatory to this Agreement. All such Member Entities are listed in Appendix "A", which is attached hereto and made a part hereof.

RECITALS

A. California Government Code Section 6500 and following permits two or more public agencies by agreement to jointly exercise any power common to the contracting parties.

B. California Government Code Section 990.4 permits a local public entity to self-insure, purchase insurance through an authorized carrier, or purchase insurance through a surplus line broker, or any combination of these;

C. California Government Code Section 990.6 provides that the cost of insurance provided by a local public entity is a proper charge against that local public entity;

D. California Government Code Section 990.8 permits two or more local entities to, by a joint powers agreement, provide insurance for any purpose by any one or more of the methods specified in Government Code Section 990.4 and provides that such pooling of self-insured claims or losses does not constitute the business of insurance under the California Insurance Code;

E. California Labor Code Section 3700(c) permits all political subdivisions of the State of California, including each member of a pooling arrangement under a joint exercise of powers agreement to self-insure against workers' compensation claims by securing a certificate of consent from the Department of Industrial Relations;

F. Each of the Member Entities, which is a party to this Agreement, desires to join with the other Member Entities to fund programs of insurance for workers' compensation, liability, property and other coverages to be determined and for other purposes set forth in Article III of this Agreement;

G. The governing body of each Member Entity has determined that it is in its own best interest and in the public interest that this Agreement be executed and that it participate as a member of the Public Agency Risk Sharing Authority of California [PARSAC] created by this Agreement; and

H. As of the effective date of this Agreement, this Agreement shall replace and supersede the Joint Powers Agreement Creating the Public Agency Risk Sharing Authority of California, dated May 21, 1986, as amended on November 20, 1987, July 1, 1989, and November 19, 1993, May 31, 1996, December 13, 2002, December 12, 2003, May 20, 2005, May 31, 2007, December 2, 2010, May 26, 2011 and May 25, 2017.

Now, therefore, in consideration of the above facts and the mutual benefits, promises and agreements set forth below, the Member Entities hereby agree as follows:

AGREEMENT

ARTICLE I
DEFINITIONS

The following terms shall have the following definitions:

A. "**Agreement**" shall mean this Revised and Restated Joint Powers Agreement creating the Public Agency Risk Sharing Authority of California [PARSAC].

B. "**Alternate**" shall mean the person designated by the Member Entity to act as a director of PARSAC in the absence of the Director. The Alternate shall have the same responsibility, power and authority as the Director when acting in the Director's stead.

C. "**Board**" or "**Board of Directors**" shall mean the governing body of PARSAC.

D. "**Bylaws**" shall mean the Bylaws of PARSAC, revised as of May 27, 2010, and as they may be further amended or revised.

E. "**Claims**" shall mean any demand[s] made against a Member Entity to recover for monetary damages within, or alleged to be within, the scope of coverage provided by any of PARSAC's Memoranda of Coverage [or any commercial insurance policy related to a PARSAC Program].

F. "**PARSAC**" shall mean the Public Agency Risk Sharing Authority of California created by this Agreement.

G. "**Covered Loss**" shall mean any loss resulting from a claim or claims against a Member Entity which is in excess of its Self-Insured Retention and which is covered by any of PARSAC's Memoranda of Coverage [or insurance policy related to a PARSAC Program].

H. "**Deposit Premium**" shall mean the estimated amount determined for each Member Entity necessary to fund each layer of coverage for each Policy Year of each

Program of PARSAC.

I. "**Executive Committee**" shall mean that committee of the Board, constituted and exercising the authority set forth in this Agreement and in the Bylaws.

J. "**Fiscal Year**" shall mean the period of time ending on June 30 of each year during which PARSAC is in existence.

K. "**Incurred Loss**" shall mean the amount of monies paid and reserved by PARSAC to investigate, defend and satisfy a demand or demands made against a Member Entity.

L. "**Insurance**" shall mean commercial insurance policies which PARSAC may purchase for its Member Entities, from time to time, in order to effect a transfer of risk. The term "Insurance" shall not mean any self-insurance, risk-sharing or pooling of losses or risks.

M. "**Liability Program Participant**" shall refer only to members of PARSAC that have been approved and are in good standing to participate in the Liability Program.

N. "**Member Entity**" shall mean any California public entity which is a party signatory to this Agreement including any other agency for which the City Council sits as the Governing board.

O. "**Memorandum of Coverage**" shall mean the document or documents issued by PARSAC specifying the type and amount of coverages provided under any Program to the Member Entities by PARSAC.

P. "**Program Year**" shall mean a period of time, usually 12 months, for which each Program is to determine Deposit Premiums, Retrospective Premiums, and Retrospective Premium Adjustments.

Q. "**Program**" shall mean arrangements to cover specific types of claims which may include, but not be limited to, property, workers' compensation, and comprehensive liability claims.

R. "**Public Entity**" shall mean a county, city, whether general law or chartered, city and county, town, district, political subdivision, joint powers authority, or any board, commission, or agency thereof providing a municipal service, excluding school districts.

S. "**Retrospective Premium**" shall mean, the amount determined retrospectively as each Member Entity's share of losses, reserves, expenses and interest income as may be determined periodically for any Program.

T. "**Retrospective Premium Adjustment**" shall mean the amount necessary to periodically adjust the Deposit Premium, or prior Retrospective Premiums if any, to the newly calculated Retrospective Premium amount.

U. "**Self-Insured Retention**" or "**SIR**" shall mean the amount of loss from each occurrence which the Member Entity shall retain and pay directly and which shall not be shared by the Member Entities of PARSAC.

V. "**Workers' Compensation Program Participant**" shall refer only to members of PARSAC that have been approved and are in good standing to participate in the Workers' Compensation Program.

W. "**Group Purchase Programs"** shall mean coverage programs provided by insurance policies where there is no self-insurance, risk sharing or pooling.

ARTICLE II
PARTIES TO THE AGREEMENT

Each Member Entity is a party to this Agreement and agrees that it intends to, and does contract with, all other parties who are signatories of this Agreement and with such other parties as may later be added. Each Member Entity also agrees that the expulsion or withdrawal of any Member Entity from this Agreement shall not affect this Agreement nor the remaining parties as to the other Member Entities then remaining.

ARTICLE III
PURPOSES

This Agreement is entered into by the Member Entities in order to:

A. Create the Public Agency Risk Sharing Authority of California to carry out the purposes listed below and to exercise the powers contained in this Agreement;

B. Develop effective risk management programs to reduce the amount and frequency of their losses;

C. Share some portion, or all, of the cost of their losses;

D. Jointly purchase commercial insurance, associate with other risk-sharing pools, or self-insure against risks;

E. Jointly purchase administrative and other services including, but not limited to, underwriting, risk management, loss prevention, claims adjusting, data processing, brokerage, accounting and legal services when related to any of the other purposes;

F. Provide other joint powers risk sharing authorities with management services; and

G. Do all things necessary to carry out the foregoing purposes, as well as all things necessary to implement the terms of this Agreement as permitted by law.

ARTICLE IV
CREATION OF THE PUBLIC AGENCY
RISK SHARING AUTHORITY OF CALIFORNIA

Pursuant to the California Government Code, the Member Entities hereby agree to continue in existence a public entity, separate and apart from the parties to this Agreement, to be known as the Public Agency Risk Sharing Authority of California ["PARSAC"]. The debts, liabilities or obligations of PARSAC shall not constitute debts, liabilities or obligations of any party to this Agreement. However, a Member Entity may separately contract for, or assume responsibility for, specific debts, liabilities or obligations of PARSAC.

ARTICLE V
TERM OF AGREEMENT

This Agreement shall become effective as of the date hereof and shall continue in full force and effect until terminated in accordance with Article XXVI.

ARTICLE VI
POWERS OF PARSAC

PARSAC shall have the powers common to its Member Entities in California and all additional powers permitted to a joint powers authority by California law, and the parties hereby authorize PARSAC to do all acts necessary to exercise such powers to fulfill the purposes of this Agreement including, but not limited to, the following:

A. Make and enter into contracts;

B. Incur debts, liabilities and obligations;

C. Acquire, hold, lease or dispose of real and personal property, contributions and donations of property, funds, services and other forms of assistance;

D. Sue and be sued in its own name and settle any claim against it;

E. Employ agents and employees;

F. Acquire, construct, manage, maintain or operate buildings, works or improvements;

G. Receive, collect, and disburse monies; and invest money not required for immediate necessities; and

H. Exercise all powers necessary and proper to carry out the terms and provisions of this Agreement.

ARTICLE VII
RESPONSIBILITIES OF MEMBER ENTITIES

Each member entity shall:

A. Sign this Agreement and its legally enacted amendments and participate in PARSAC's Liability Program and/or Workers' Compensation Program;

B. Sign a Membership Resolution for each Program;

C. Pay Deposit Premiums, Retrospective Premium Adjustments, and any Special Assessments to PARSAC on or before the due date;

D. Appoint, elect or remove representatives to serve as director and alternate on the Board, which representatives are expressly authorized to act on behalf of the Member Entity on all matters coming before the Board;

E. Assure that its representative director or alternate attends at least one meeting of the Board annually;

F. Assure that its representative director and alternate keep informed about PARSAC's activities and assist them in doing so;

G. Approve Amendments to this Agreement as set forth in Article XXIX; provided, however, the Member Entity may, by resolution or ordinance, authorize its director and alternate on the Board to approve and execute amendments on behalf of the Member Entity

without the necessity of a resolution or ordinance of the legislative body of the Member Entity confirming or ratifying such amendment.

H. File, in a prompt and timely manner, all statewide, county, and locally-mandated reports and filings, including but not limited to the Fair Political Practices Commission's Statement of Economic Interests;

I. Undertake a risk management audit of its facilities and activities, conducted by a person and/or firm approved by PARSAC's Executive Committee and, based upon such report, to evidence correction, elimination and/or clarification of all noted deficiencies or recommended corrections to the satisfaction of PARSAC's Executive Committee. Risk management audits may be required by the Executive Committee as frequently as it chooses. Risk management audits may be paid by PARSAC and charged back to Member;

J. Provide PARSAC with a copy of its most recent audited annual financial statements prepared by a Certified Public Accountant; or, if not available, provide PARSAC with the most recent set of unaudited monthly financial statements, and any other financial material as may be requested by PARSAC from time to time;

K. Cooperate with, communicate and assist in a timely manner, PARSAC and any insurer, provider of excess coverage, claims adjuster, legal counsel or other service provider engaged or retained by PARSAC in all matters relating to this Agreement;

L. Promptly cooperate with PARSAC to determine and/or clarify any incidents which might become losses, the cause of any and all actual losses, and methods to bring about settlement of claims;

M. Comply with its obligations and responsibilities under this Agreement, the

Bylaws, the Memoranda of Coverage, the Risk Management Standards, PARSAC's policies and procedures, and any other contract or requirement [as any of the foregoing may be created or amended] necessary to implement this Agreement or any Program;

N. Pay any fines or penalties assessed by the Board or any regulatory agency that are attributable to the Member Entity's failure to perform in accordance with self-insurance regulations or comply with the provisions of this Agreement. An appeal may be filed with the appropriate regulatory agency. All decisions of the Board are final.

O. Use an Executive Committee-approved third-party claims administrator for claims handling, under such circumstances as the Board of Directors may require.

Failure to comply with any of the obligations under this section may be grounds for expulsion pursuant to Article XXIV of this Agreement.

ARTICLE VIII
BOARD OF DIRECTORS

Except as otherwise provided in this Agreement or in the Bylaws, the powers of PARSAC shall be exercised, its property shall be controlled, and its affairs shall be conducted by its Board of Directors whose meetings, functions and activities shall be governed by the Bylaws.

The Board shall be composed of one director who represents and acts on behalf of each respective Member Entity which participates in PARSAC's Liability and/or Workers' Compensation Program. The number of persons on the Board shall be equal to the number of Member Entities. In addition, each Member Entity shall appoint a second individual as alternate director, who shall have the authority to attend, participate in, and vote at any meeting of the Board when the respective director is absent. Each director and alternate director shall be an elected official or employee of the respective Member Entity, shall be appointed by the

respective Member Entity's governing body, and shall serve at its pleasure. If a director or alternate ceases to be an employee or elected official of a Member Entity for any reason, his or her position on the Board and any of its committees shall immediately terminate.

The Board of Directors shall have the following powers and functions:

A. The Board shall exercise all powers and conduct all business of PARSAC, either directly or by delegation of authority to other bodies or persons pursuant to this Agreement and applicable law;

B. The Board shall form an Executive Committee from its membership. In the Bylaws the Board shall delegate to that Committee such powers as it sees fit;

C. The Board may form such other committees as it deems appropriate in conducting PARSAC's business;

D. The Board shall elect PARSAC's officers;

E. The Board shall cause to be prepared and adopt PARSAC's annual operating budget;

F. The Board shall develop, or cause to be developed, and shall review, modify as necessary, and adopt each of PARSAC's Programs, including all provisions for reinsurance and administrative services necessary to carry out such Program;

G. The Board shall contract or otherwise provide for necessary services to PARSAC and to Member Entities. These necessary services may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting, and legal defense services;

H. The Board, either directly or through the Executive Committee, shall provide policy direction to PARSAC's General Manager;

I. The Board shall receive and act upon reports of its committees and the General Manager, either directly or through the Executive Committee;

J. The Board shall establish monetary limits upon any delegation of the claims payment and settlement authority, beyond which a proposed settlement must be referred to the Board for approval;

K. The Board may require that PARSAC review, audit, report upon, and make recommendations with regard to the safety or claims administration functions of any Member Entity insofar as those functions are affecting PARSAC's liability or potential liability. The Board may forward any or all such recommendations to the Member Entity with a request for compliance and a statement of potential consequences for noncompliance;

L. The Board shall receive, review and act upon periodic reports and audits of PARSAC's funds;

M. The Board may amend, repeal or adopt new Bylaws, this Agreement or other key documents;

N. The Board may increase, decrease, or otherwise amend the coverages, limits and other terms of any Memorandum of Coverage;

O. The Board shall approve any proposal by the Executive Committee for Special Assessments from the Member Entities before such Special Assessments are billed;

P. The Board may expel a Member Entity from any Program or from membership in PARSAC pursuant to Article XXIV of this Agreement;

Q. The Board may ratify actions of the Executive Committee, where such ratification is required before the action becomes final;

R. The Board may enter into a joint venture or contractual arrangement with any

similar entity and may also enter into a merger or acquisition agreement with a similar entity, provided that if PARSAC is not the surviving entity in any such merger or acquisition, such action shall require approval by the vote of three-fourths of the Member Entities; and

S. The Board shall have such other powers and functions as are provided for in this Agreement, the Bylaws, and applicable law.

ARTICLE IX
OFFICERS

The officers of PARSAC shall be the President, Vice President, Treasurer, and Auditor/Controller, and their qualifications and duties shall be those set forth in the Bylaws.

ARTICLE X
EXECUTIVE COMMITTEE

There shall be an Executive Committee, all of whose members shall be directors. The Executive Committee shall set policy for and direct the administration of PARSAC on a day-to-day basis and may, without limitation, provide incentives and impose penalties, financial or otherwise, for performing or failing to perform in conformance with PARSAC requirements, programs, standards and policies. The composition, specific authority and meeting arrangements of the Executive Committee shall be set forth in the Bylaws.

ARTICLE XI
ADMINISTRATION

PARSAC shall have a general manager, who shall be appointed or terminated by the Executive Committee, shall be responsible to the Executive Committee for the efficient and effective administration of PARSAC, and who shall serve as the Secretary of PARSAC. The General Manager shall attend all meetings of the Board, the Executive Committee, and other committees of the Board (but shall have no vote), shall prepare and maintain all minutes of meetings of the Board and its Committees, notices of meetings, and records of PARSAC, and

shall carry out all duties set forth in the Bylaws.

ARTICLE XII
BUDGET

The Executive Committee shall recommend and the Board shall adopt an annual operating budget prior to the beginning of each Fiscal Year.

ARTICLE XIII
ANNUAL AUDITS AND REVIEWS

A. **Financial Audit**. The Auditor/Controller shall cause an annual financial audit of the accounts and records to be prepared by a Certified Public Accountant in compliance with California Government Code Sections 6505 and 6505.5 or 6505.6 with respect to all receipts, disbursements, other transactions and entries into the books of PARSAC. The minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Government Code Section 26909 and shall conform to generally accepted accounting standards. A report of each such audit shall be filed as a public record with the Board, each of the Member Entities, and the auditor/controller of the county in which PARSAC's administrative office is located. The report shall be filed within twelve [12] months of the end of the fiscal year under examination. PARSAC shall pay all costs for such financial audits.

B. **Actuarial Review**. The Board shall cause an annual actuarial review to be prepared for each of the Programs of PARSAC and a report of such actuarial review shall be made available for inspection by the Board and the Member Entities. PARSAC shall pay all costs for such actuarial review.

C. **Claims Audit**. The Board shall cause a biannual claims audit of the administration of the claims for each of the Programs of PARSAC. A report of such claims review shall be made available for inspection by the Board and the Member Entities. PARSAC

shall pay all costs of such claims reviews.

ARTICLE XIV
ESTABLISHMENT AND ADMINISTRATION OF FUNDS

PARSAC shall be responsible for the strict accountability of all funds and the reporting of all receipts and disbursements in accordance with generally accepted accounting principles. It will comply with all provisions of law relating to this subject, including California Government Code Sections 6500-6525.

The Treasurer of PARSAC shall establish and maintain such funds and accounts as may be required by good accounting practices and by the Board. Separate accounts shall be established and maintained for each Program Year of each Program of PARSAC. Books and records of PARSAC in the hands of the Treasurer or other designated person shall be open to inspection at all reasonable times by members of the Board or authorized representatives of the Member Entities.

The Treasurer shall have the custody of and disburse PARSAC's funds. He or she may delegate disbursing authority to such persons as may be authorized by the Board to perform that function provided that, pursuant to Government Code Section 6505.5, the Treasurer shall:

A. Receive and acknowledge receipt of all funds of PARSAC and place them in the treasury to the credit of PARSAC;

B. Be responsible upon his or her official bond for the safekeeping and disbursement of PARSAC's funds so held by him or her;

C. Pay any sums due from PARSAC as approved for payment by the Board or by any body or person to whom the Board has delegated approval authority, making such payments from PARSAC's funds upon warrants drawn by the Auditor;

D. Verify and report in writing to PARSAC and to Member Entities, as of the first

day of each quarter of the fiscal year, the amount of money then held for PARSAC, the amount of receipts since the last report, and the amount paid out since the last report;

E. Prepare a complete written report of all financial activities within one hundred and twenty [120] days after the close of each fiscal year for such fiscal year to the Board and to each Member Entity; and

F. Receive, invest, and disburse funds in accordance with the procedures established by the Board or the Bylaws and in conformity with applicable law.

Pursuant to Government Code Section 6505.1, the General Manager, the Treasurer, and such other persons as the Board may designate shall have charge of, handle, and have access to PARSAC's property.

PARSAC shall secure and pay for a fidelity bond or bonds, in an amount or amounts and in form specified by the Board, covering all officers and employees of PARSAC who are authorized to hold or disburse PARSAC's funds and all officers and employees who are authorized to have charge of, handle, and have access to PARSAC's property.

The Authority shall defend and indemnify its directors, officers, and employees to the same extent as any other public entity of the State of California is obliged to defend and indemnify its public employees pursuant to California Government Code Section 825, *et seq.*, or other applicable provisions of law.

The Authority may insure or self-insure itself to the extent deemed necessary by the Board against loss, liability and claims arising out of or connected to the conduct of the Authority's activities.

ARTICLE XV
SUPPORT OF PARSAC'S GENERAL EXPENSES

Costs of staffing and supporting PARSAC [hereinafter called PARSAC's general

expenses] shall be equitably allocated among the various Programs by the Board, and shall be funded by the Member Entities which participate in such Programs [and ex-Member Entities] in accordance with such allocations.

ARTICLE XVI
DEPOSIT PREMIUMS

The Deposit Premiums for the Liability and Workers' Compensation Programs shall be set at a level estimated to be sufficient, as determined by the Executive Committee, to cover PARSAC's budget for each Policy year. The Deposit Premiums for the Member Entities shall be set by PARSAC using various rating and underwriting criteria, such as:

[1] The Member Entity's payroll;

[2] The Member Entity's exposure base;

[3] The results of an on-site underwriting inspection;

[4] The Member Entity's prior claims history;

[5] Total insurable values; and/or

[6] Employee classification ratings.

Deposit Premiums for the Liability, Workers' Compensation, and Group Purchase Programs shall be billed to the Member Entities.

At the conclusion of each Program Year, PARSAC shall conduct a payroll audit of each Member Entity to adjust for any discrepancies between estimated and actual payroll. In the sole discretion of PARSAC, an on-site payroll audit may be conducted by PARSAC or an independent auditor. Any adjustments in payrolls, either debits or credits, shall result in an assessment of additional premiums or a return of overpaid premiums. This adjustment shall be made within sixty (60) days after the date of the audit.

ARTICLE XVII
PARSAC MEMBERSHIP

Member Entities shall participate in PARSAC's Liability Program and/or Workers' Compensation Program as a condition of membership in PARSAC. Participation in either Program shall be a minimum of three years and the Term shall be renewed for subsequent one-year periods at the commencement of each Program Year upon payment of the applicable Deposit Premium, unless termination, withdrawal, or expulsion occurs pursuant to Articles XXIII and XXIV of this Agreement. The Executive Committee shall establish the initial SIR for each Liability or Workers' Compensation Program Participant and may require a different SIR for Program Participants from time to time, in its sole discretion.

Program Years shall begin on July 1 of each year and shall continue through the following June 30. Retroactive coverage may be provided as approved by the Board and documented on the Declaration Page of the respective Memorandum of Coverage.

ARTICLE XVIII
MEMORANDA OF COVERAGE

The types and amounts of coverage for each Program available to Member Entities shall be specified in a Declarations Page and/or Memorandum of Coverage which shall be issued by PARSAC to each Member Entity for each Program Year in which the Member Entity has coverage. The Board shall have the power and authority to decrease, increase, or amend the coverage provided by a Memorandum of Coverage. If any such amendment is approved by the Board during a Program Year, no Member Entity participating in that Program Year shall be entitled to withdraw by reason of any said amendment prior to the termination of that Program Year.

ARTICLE XIX
SIR MANDATORY RESERVES/PAYMENTS

A Member Entity participating in the Liability Program must establish by resolution a "Fund Balance Reserve" ("Reserve") equal to three times (3) the designated SIR, or any underlying insurance deductible chosen, and approved for the Member Entity by PARSAC. The Reserve will be recorded and maintained in the appropriate Member Entity Fund in accordance with Generally Acceptable Accounting Principles.

PARSAC will be notified of any proposed adjustment to the Reserve prior to the Member Entity's adoption of such a resolution.

PARSAC may request certification, by the Member Entity, of the balance in the Reserve account at any time.

Applicants establishing coverage with PARSAC shall be required to submit the "Fund Balance Reserve Resolution" prior to coverage inception.

Any Member Entity which does not desire to establish a local Fund Balance Reserve at the required three-times its SIR, or underlying insurance deductible amount, may contract for an actuarial study of its losses and reserves by a Fellow of the Casualty Actuary Society (FCAS) to ascertain and represent to PARSAC adequate SIR Reserves. Such SIR amount shall be established as the correct Reserve for that Member Entity.

Although not obligated to do so, PARSAC may elect to pay a portion of claims expenses before the Member Entity's self-insured retention has been exhausted in order to expedite the resolution of a claim. In this event, the member will be invoiced and shall have 30 days from the date of invoice to remit reimbursement. A 10% penalty shall be applied to the balance if payment is not received by the due date.

The claims payment procedures for members participating in the Workers'

Compensation Program with a self-insured retention are as follows:

1. The Member Entity shall set up a checking account with the Third-Party Administrator (TPA). The TPA shall pay all claim expenses within the Member's Entity's self-insured retention from the checking account. The Member Entity shall be responsible for ensuring sufficient funds are available for all costs related to the checking account, including any set-up fees charged by the TPA; or
2. PARSAC shall pay all claim expenses within the Member Entity's self-insured retention, which shall be reconciled and invoiced to the Member Entity quarterly. The Member Entity shall have 30 days from the date of invoice to submit its self-insured retention payment. A 10% penalty shall be applied to the balance if payment is not received by the due date. This option is available to Member Entities with an SIR of $100,000 or lower.

ARTICLE XX
RETROSPECTIVE PREMIUM ADJUSTMENTS AND ASSESSMENTS

Retrospective Premium Adjustments (RPA) for self-funded Programs shall be calculated annually as determined by each Program's funding policy. The Board may determine and levy special assessments on Member Entities by majority vote.

The RPA is a financial reconciliation made by PARSAC to determine whether the Deposit Premium collected for that Policy Year was sufficient to cover the costs. An RPA summary is presented annually to the Board for approval. Distribution of credits or collection of assessments will follow each Program's funding policy.

If a Member Entity has timely withdrawn or been expelled from a Program, any Retrospective Premium Adjustment credit shall remain with PARSAC until all Policy Year(s) in which they participated have been closed and reconciled. Any Retrospective Premium

Adjustment deficit shall be billed to the Member Entity at the time that particular Policy Year(s) is being reconciled. If a withdrawn or expelled member's total equity for all program years in which they participated is insufficient, the member will be billed at the time the deficit is identified. A member that has untimely withdrawn from a program foregoes their right to any remaining equity and is subject to assessment for any deficits.

ARTICLE XXI
NEW MEMBERS

Any California public entity as defined in Article I may apply for membership in PARSAC and participation in any of PARSAC's Programs at any time. Public Entities must participate in either the Liability or Workers' Compensation program before participating in other Program offerings.

PARSAC shall review all requests for Program membership, and the Executive Committee shall approve and the Board shall ratify, which applicants shall be accepted for membership, in which Programs they may participate, and when such participation shall begin. Public Entities shall become new Member Entities as of the effective date of coverage indicated on the Program Declarations Page and upon payment of the Deposit Premium. Public Entities which are in the process of formation shall be covered only as of the effective date of formation.

Deposit Premiums for coverage which begins during a Program Year may be prorated for the remainder of the Program Year. A Public Entity applying for membership in the Workers' Compensation or Liability Program shall complete, return and comply with all of the following:

A. An "Application for a Certificate of Consent to Self-Insure" from the Department of Industrial Relations/Division of Self-Insurance Plans (DIR/SIP) (Workers' Compensation only);

B. Loss reports for the five (5) most recent policy years;

C. Estimated payroll for the current year and corresponding to the 5 years of loss data

D. Liability Exposure questionnaire from PARSAC, questionnaires from the excess carrier or reinsurer, and most recent three years' audited financial statements;

E. Undertake a risk management audit of its facilities and activities and, based upon such audit report, provide evidence of correction, elimination and/or clarification of all noted deficiencies revealed by such inspection; and

F. Such other information as is reasonably required by PARSAC to assure compliance with law and PARSAC policies.

ARTICLE XXII
WITHDRAWAL

Any Member Entity who has been a member for at least three full fiscal years may withdraw from its status as a member and as a party to the Joint Powers Agreement by submitting notice in writing to PARSAC as follows:

A. Timely Notice of Withdrawal. A withdrawing Member Entity must notify PARSAC of its intention to withdraw at least six (6) months prior to the end of the fiscal year in which the member intends to withdraw, unless a shorter withdrawal period is approved by the Executive Committee, in its sole discretion. Withdrawing members who submit Timely Notice shall be subject to an administrative fee equal to their pro-rata share of ongoing expenses for the three program years following withdrawal. Ongoing expenses include but are not limited to staff payroll and benefits, actuarial services, investment services, financial audits, and claims administration. Withdrawing member will be

invoiced for their portion of the administrative fee each of the three years.

Calculation and Payment of Fee. The administrative fee shall be calculated based on the member's actual payroll and self-insured retention level in the last year in which the member participated. In year one, 100% of the administrative fee will be charged to the member; 50% in year two; and 25% in year three. The withdrawing member shall be invoiced for their portion of the administrative fee and it shall not be taken from equity. Should equity be insufficient to cover any deficit, the member will be subject to assessment. The withdrawing member's equity will remain with PARSAC until all years in which the member has participated are closed. Any equity remaining after all years have closed will be returned to the withdrawn member.

B. Untimely Notice of Withdrawal. Members submitting a notice of intent to withdraw less than six (6) months prior to the end of the fiscal year, but not later than April 1, in which the member intends to withdraw shall be considered untimely. In the event of an untimely notice of intent to withdraw, the withdrawing member shall forego their right to any remaining equity. In addition to foregoing equity, withdrawing members who submit Untimely Notice shall be subject to an administrative fee equal to their pro-rata share of ongoing expenses for the three program years following withdrawal. Ongoing expenses include but are not limited to staff payroll and benefits, actuarial services, investment services,

financial audits, and claims administration, and will remain subject to both the administrative fee and assessments for all years in which they participated. Withdrawing members will be invoiced for their portion of the administrative fee each of the three years. *Calculation and Payment of Fee.* The administrative fee shall be calculated based on the member's actual payroll and self-insured retention level in the last year in which the member participated. In year one, 100% of the administrative fee will be charged to the member; 50% in year two; and 25% in year three.

Withdrawal from the Liability or Workers Compensation Program shall terminate coverage under that Program. If withdrawal would result in the Member Entity no longer being a member of either the Liability or the Workers Compensation Program, then such withdrawal shall constitute withdrawal from this Agreement and from membership in PARSAC, subject to the ex-Member Entity's continuing obligations under Article XXV below.

A notice of intent to withdraw may be rescinded in writing with Executive Committee consent at any time earlier than ninety (90) days before the expiration of the withdrawal period, except that any withdrawal approved by the Executive Committee upon less than 6 months notice shall be final.

Any Member Entity which withdraws as a participant in any Program may renew participation in that Program by complying with all Program rules and regulations.

ARTICLE XXIII
EXPULSION

Regardless of its three-year commitment under the Liability and/or Workers' Compensation Program, a Member Entity may be expelled from PARSAC or a Program either with or without cause. The General Manager shall review any lack of satisfactory performance or other problem with the Member Entity and shall attempt to resolve the matter. If the General Manager determines that the Member Entity is unwilling or unable to correct the problem, the General Manager shall present the matter to the Executive Committee. The Executive Committee may recommend to the Board that the Member Entity be expelled, either with or without cause. Written notice of the Executive Committee's recommendation for expulsion shall be delivered to the Member Entity with return receipt at least fourteen [14] days before the Board meeting at which the matter will be discussed. Action by the Board shall require the vote of a majority of the total number of directors. Expelled members are subject to the administrative fee for a timely withdrawal as described in Article XXIII, Paragraph A.

In considering the expulsion of a Member Entity, the Executive Committee shall allow the affected Member Entity a reasonable opportunity to address and remedy the reasons, if any, for the proposed expulsion. The period of time so allowed shall be within the sole discretion of the Executive Committee. If such a reasonable opportunity is allowed, PARSAC may require quarterly audits to monitor the affected Member Entity's remedial actions or any other conditions to its continued participation in PARSAC or its Programs.

A Member Entity which is the subject of a proposed expulsion shall be responsible for investigating the availability of alternate coverage. On the request of the Member Entity, the Board may permit the Member Entity a reasonable time to make arrangements for alternative coverage, but such period of time shall be at the Board's sole discretion.

ARTICLE XXIV
EFFECT OF WITHDRAWAL OR EXPULSION ON MEMBER ENTITY'S RESPONSIBILITIES

The withdrawal or expulsion of any Member Entity after its participation in any Program shall not terminate its responsibility with respect to the following:

A. Provide PARSAC with such statistical and loss experience data and other information as may be necessary for PARSAC to carry out the purposes of this Agreement;

B. Pay to PARSAC when due any Deposit Premiums or Retrospective Premium Adjustments for each Policy Year of each Program in which it participated;

C. Cooperate fully with PARSAC in determining the cause of losses in the settlement of claims;

D. Cooperate with and assist PARSAC and any insurer, excess provider, claims adjuster, legal counsel or other service provider engaged or retained by PARSAC in all matters relating to this Agreement; and

E. Comply with the Bylaws and all policies and procedures of PARSAC not inconsistent with the provisions of this Agreement and not inconsistent with its withdrawal from PARSAC.

Disposition of Equity – Timely Withdrawal or Expulsion. In addition, PARSAC shall retain all remaining equity, and the ex-Member Entity is obligated to pay any future assessments made with respect to the Policy Years of any Program in which it participated, until all such Policy Year[s] have been closed, at which time PARSAC shall refund to the ex-Member Entity, any remaining equity which was not expended in settling, paying or otherwise resolving claims against the ex-Member Entity.

Disposition of Equity – Untimely Withdrawal. PARSAC shall retain all remaining equity

and the ex-Member Entity is obligated to pay any future assessments made with respect to the Policy Years of any Program in which it participated, until all such Policy Year[s] have been closed and the administrative fee charged per Article XXII, Paragraph B.

ARTICLE XXV
TERMINATION OF AGREEMENT AND DISTRIBUTION OF ASSETS

This Agreement shall continue in full force and effect until terminated. Termination of this Agreement shall also constitute the termination of all Programs. This Agreement may be terminated at any time by the vote of three-fourths of the Member Entities; provided, however, that this Agreement and PARSAC shall continue to exist for the purpose of disposing of all claims and paying its obligations (to CalPERS) for employees' health and pension benefits, before the distribution of assets, and any other functions necessary to wind up the affairs of PARSAC.

Upon termination of this Agreement, all assets of each Program of PARSAC shall be distributed among the Member Entities [and ex-Member Entities which previously timely withdrew or were expelled] which participated in such Programs, in accordance with the retrospective premium adjustment process in effect during the term of this Agreement. Such distributions shall be determined within six [6] months after the disposal of the last pending claim or other liability covered by each Program.

Following the termination of this Agreement, any Member Entity which was a participant in any Program of PARSAC shall pay any additional amount of premium, determined by the Board or its designee in accordance with a retrospective premium adjustment, which may be necessary to enable final disposition of all claims arising from losses under that Program during the Member Entity's period of participation.

The Board is vested with all powers of PARSAC for the purpose of concluding and

dissolving the business affairs of PARSAC. The Board may designate legal counsel and any committee or person to carry out a plan of dissolution adopted by the Board.

ARTICLE XXVI
NOTICES

Notices to Member Entities under this Agreement or the Bylaws shall be sufficient if mailed to their respective addresses on file with PARSAC. Notices to PARSAC shall be sufficient if mailed to the address of the principal executive office of PARSAC, addressed to the General Manager.

ARTICLE XXVII
PROHIBITION AGAINST ASSIGNMENT

No Member Entity may assign any right, claim, or interest it may have under this Agreement, and no creditor, assignee or third-party beneficiary of any Member Entity shall have any right, claim or title to any part, share, interest, fund, premium or asset of PARSAC.

ARTICLE XXVIII
AMENDMENTS

This Agreement may be amended by a two-thirds vote of the Board present and voting at any duly convened regular or special meeting; provided that, any such amendment has been submitted to the directors and the Member Entities at least thirty [30] days in advance of such meeting. Member Entities may, by resolution or ordinance, grant their director and alternate on the Board explicit authorization to approve and execute amendments to this Agreement on behalf of the Member Entity without the necessity of a resolution or ordinance of the legislative body of the Member Entity confirming or ratifying such amendment. Any such amendment shall become effective immediately, unless otherwise stated therein.

ARTICLE XXIX
SEVERABILITY

Should any portion, term, condition or provision of this Agreement be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions and provisions shall not be affected thereby.

ARTICLE XXX
AGREEMENT COMPLETE

The foregoing constitutes the full and complete agreement of the parties. There are no oral understandings or agreements not set forth in writing herein, except as noted with respect to the Bylaws and Memoranda of Coverage. If any provision of this Agreement conflicts with a provision of the Bylaws, Memoranda of Coverage or other document, such conflicting provisions shall be interpreted to avoid any such conflict, but this Agreement shall govern.

ARTICLE XXXI
EXECUTION OF COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but altogether shall constitute one and the same Agreement.

Public Agency Risk Sharing Authority of California ["PARSAC"]

Date: By: _____

Name/Title

Attest: _____

Deputy Secretary, PARSAC

Member Entity: _____

Date: By: _____

Name/Title

Attest: _____

City/Town Clerk

APPENDIX "A"

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA [PARSAC]

MEMBER ENTITIES

City of Amador City
City of Avalon
City of Belvedere
City of Blue Lake
City of California City
City of Calimesa
City of Calistoga
City of Citrus Heights
City of Clearlake
City of Coalinga
City of Ferndale
City of Grass Valley
City of Highland
City of Menifee
City of Nevada City
City of Pacific Grove
City of Placentia
City of Placerville
City of Plymouth
City of Point Arena
City of Rancho Cucamonga
Rancho Cucamonga Fire Protection District
City of Rancho Santa Margarita
City of San Juan Bautista
City of South Lake Tahoe
City of Tehama
City of Trinidad
Town of Truckee
City of Twentynine Palms
City of Watsonville
City of West Hollywood
City of Wheatland
City of Wildomar
Town of Yountville
City of Yucaipa
Town of Yucca Valley

Appendix "C"

Public Agency Rish Sharing Authority of California (PARSAC) Agreement for Apportionment of Retirement Obligations Dated May 25, 2017

PARSAC

AGREEMENT FOR APPORTIONMENT OF RETIREMENT OBLIGATIONS

Public Agency Risk Sharing Authority of California

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA [PARSAC]

AGREEMENT FOR APPORTIONMENT OF RETIREMENT OBLIGATIONS

THIS AGREEMENT is made in the State of California by and among those municipalities organized and existing under the laws of the State of California, hereinafter referred to as "Member Entity[ies]," which are parties' signatory to the Joint Powers Authority Agreement (as revised effective May 25, 2017, hereafter "JPA Agreement. All such Member Entities are listed in Appendix "A," which is attached hereto and made a part hereof.

RECITALS

Whereas PARSAC is an entity formed under California Government Code § 6500 which permits two or more public agencies by agreement to jointly exercise any power common to the contracting parties.

Whereas California Government Code § 6508.2 requires that the member agencies of a joint powers agency ("AGENCY") mutually agree to a 100% apportionment of the AGENCY's retirement liability prior to either a dissolution of the AGENCY or the termination of the AGENCY's participation in a public retirement system.

Now, therefore, in consideration of the above facts and the mutual benefits, promises and agreements set forth below, the Member Entities hereby agree as follow:

AGREEMENT

ARTICLE I

DEFINITIONS

The following terms shall have the following definitions:

A. **"Agreement"** shall mean this Revised and Restated Joint Powers Agreement creating the Public Agency Risk Sharing Authority of California [PARSAC].

B. **"Board"** or **"Board of Directors"** shall mean the governing body of PARSAC.

C. **"PARSAC"** shall mean the Public Agency Risk Sharing Authority of California created by this Agreement.

D. **"Deposit Premium"** shall mean the estimated amount determined for each Member Entity necessary to fund each layer of coverage for each Policy Year of each Program of PARSAC.

E. **"Member Entity"** shall mean any California public entity which is a party signatory to this Agreement including any other agency for which the City Council sits as the Governing board.

F. **"Program Year"** shall mean a period of time, usually 12 months, for which each Program is to determine Deposit Premiums, Retrospective Premiums, and Retrospective Premium Adjustments.

G. **"Program"** shall mean arrangements to cover specific types of claims which may include, but not be limited to, property, workers' compensation, and comprehensive liability claims.

H. **"Public Entity"** shall mean a county, city, whether general law or chartered, city and county, town, district, political subdivision, joint powers authority, or any board, commission, or agency thereof providing a municipal service, excluding school districts.

I. **"Public Retirement System"** shall mean CalPERS or any other Public Entity retirement program established or operated by a California Public Entity available to public employees as to which current or former employees of PARSAC participated.

J. **"Retirement Liability"** shall mean the liability that PARSAC possesses to all former or current employees of PARSAC for retirement benefits owed to them pursuant to a contract between PARSAC and a Public Retirement System and arising by reason of those employees participation in the Public Retirement System.

K. **"Retrospective Premium"** shall mean, the amount determined retrospectively as each Member Entity's share of losses, reserves, expenses and interest income as may be determined periodically for any Program.

L. **"Retrospective Premium Adjustment"** shall mean the amount necessary to periodically adjust the Deposit Premium, or prior Retrospective Premiums if any, to the newly calculated Retrospective Premium amount.

ARTICLE II

PARTIES TO THE AGREEMENT

Each Member Entity is a party to this Agreement and agrees that it intends to, and does contract with, all other parties who are signatories of this Agreement and with such other parties as may later be added. Each Member Entity also agrees that the expulsion or withdrawal of any Member Entity from this Agreement shall not affect this Agreement nor the remaining parties as to the other Member Entities then remaining.

ARTICLE III

PURPOSE

This Agreement is entered into by the Member Entities in order to:

A. Provide for an apportionment among current and former PARSAC Member Entities of 100% of PARSAC's Retirement Liability consistent with the requirements of Government Code §§ 6508.1 and 6508.2 as enacted and amended effective January 1, 2019. The current Member Entities of PARSAC are set forth in Appendix A. The former Member Entities of PARSAC as of the date of this Agreement are set forth in Appendix B.

ARTICLE IV

METHOD OF APPORTIONMENT OF RETIREMENT LIABILITY

A. In the event of a decision by the governing Board of PARSAC to dissolve and cease all operations, or in the event of a decision by the governing Board of PARSAC to terminate PARSAC's contract with a Public Retirement System, the Member Entities agree that 100% of PARSAC's Retirement Liability shall be funded by all current and former PARSAC Member Entities based on a pro rata share of the former and current Member Entities' historical Deposit Premium in the Workers' Compensation and Liability self-funded Programs. The apportionment of the Retirement Liability shall be calculated as set forth above, and the unfunded Retirement Liability then existing shall be paid as follows: The unfunded Retirement Liability then existing shall be paid prior to any distribution of assets as provided in ARTICLE XXV of the JPA Agreement and prior to the payment of any equity that may be determined as the result of the Retrospective Premium Adjustment process as set forth in ARTICLE XX. (For example, should a Member Entity have remaining equity in either the Workers' Compensation or Liability program, at the time of PARSAC's dissolution or PARSAC's termination of PARSAC's contract with a public retirement system, the Member Entity's equity shall first be applied to reduce that Member Entity's share of the apportionment of the Unfunded Retirement Liability.)

B. In the event that PARSAC disposes of the real property identified as 1525 Response Road, Sacramento, CA, 95815 (the "Property"), any unfunded Retirement Liability of PARSAC shall first be reduced by applying the proceeds from the sale of the Property as provided in Resolution 2019-03, attached hereto as Exhibit A, prior to the determination of the amounts owed by the former or current Member Entities under the apportionment provided herein.

C. The apportionment of the Retirement Liability of PARSAC among the former and current Member Entities of PARSAC and the obligation of the former and current Member Entities to pay such apportionment of the PARSAC Retirement Liability as provided herein shall be a separate and independent obligation from the obligation of the Member Entities arising upon termination, expulsion or withdrawal of a Member Entity or upon termination of the Joint Powers Agreement (as revised effective May 25, 2017) including but not limited to ARTICLES XX, XXII, XXIII, XXIV and XXV of that Agreement.

ARTICLE V

TERM OF AGREEMENT

This Agreement shall become effective as of the date hereof and shall continue in full force and effect for the purpose of paying 100% of the Retirement Liability of PARSAC pursuant to the apportionment among former and current Member Entities as provided for herein.

ARTICLE VI

SEVERABILITY

Should any portion, term, condition or provision of this Agreement be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions and provisions shall not be affected thereby.

ARTICLE VII

AGREEMENT COMPLETE

The foregoing constitutes the full and complete agreement of the parties. There are no oral understandings or agreements not set forth in writing herein, except as noted with respect to the Bylaws and Memoranda of Coverage. If any provision of this Agreement conflicts with a provision

of the Bylaws, Memoranda of Coverage or other document, such conflicting provisions shall be interpreted to avoid any such conflict, but this Agreement shall govern.

ARTICLE VIII

AMENDMENTS

This Agreement may be amended by a two-thirds vote of the Board present and voting at any duly convened regular or special meeting; provided that, any such amendment has been submitted to the directors and the Member Entities at least thirty [30] days in advance of such meeting. Member Entities may, by resolution or ordinance, grant their director and alternate on the Board explicit authorization to approve and execute amendments to this Agreement on behalf of the Member Entity without the necessity of a resolution or ordinance of the legislative body of the Member Entity confirming or ratifying such amendment. Any such amendment shall become effective immediately, unless otherwise stated therein.

ARTICLE IX

EXECUTION OF COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but altogether shall constitute one and the same Agreement.

Public Agency Risk Sharing Authority of California [“PARSAC’]

Date: By: _____

Name/Title

Attest: _____

Deputy Secretary, PARSAC

Member Entity: _____

Date: By: _____

Name/Title

Attest: _____

City/Town Clerk

APPENDIX "A"

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA [PARSAC]

MEMBER ENTITIES

City of Amador City
City of Avalon
City of Belvedere
City of Blue Lake
City of California City
City of Calimesa
City of Calistoga
City of Citrus Heights
City of Clearlake
City of Coalinga
City of Ferndale
City of Grass Valley
City of Highland
City of Menifee
City of Nevada City
City of Pacific Grove
City of Placentia
City of Placerville
City of Plymouth
City of Point Arena
City of Rancho Cucamonga
Rancho Cucamonga Fire Protection District
City of Rancho Santa Margarita
City of San Juan Bautista
City of South Lake Tahoe
City of Tehama
City of Trinidad
Town of Truckee
City of Twentynine Palms
City of Watsonville
City of Wheatland
City of Wildomar
Town of Yountville
City of Yucaipa
Town of Yucca Valley

APPENDIX "B"

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA [PARSAC]

FORMER MEMBER ENTITIES

City of Alturas
City of Canyon Lake
City of Carlsbad
City of Elk Grove
City of Hesperia
City of Rialto
City of Ridgecrest
City of Rio Dell
City of West Hollywood

BYLAWS
of the
CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY

ARTICLE I.
PREAMBLE

The California Intergovernmental Risk Authority ("CIRA" or "the Authority") is established for the purposes and under the authorities described in its Joint Exercise of Powers Agreement ("Agreement"). The Agreement specifies that Bylaws will govern many of the operations of the Authority, and defines certain terms used in these Bylaws.

ARTICLE III.
NEW MEMBERS

Any California public agency that provides municipal services may become a Member of the Authority by agreeing to be bound by the Governing Documents and by complying with all of the following requirements:

A. Submit a completed application for membership 90 days before the start of the fiscal year, including any required application fee;

B. Submit a signed resolution acknowledging participation under the terms and conditions which then prevail;

C. Execute the Agreement then in effect and agree to be bound by any subsequent amendments to the Agreement;

D. Agree to be a Member for at least five consecutive fiscal years after commencement of membership or, if a member of the Public Agency Risk Sharing Authority of California (PARSAC) or the Redwood Empire Municipal Insurance Fund (REMIF) as of June 30, 2021, for two fiscal years after that date;

E. Be accepted for membership by a two-thirds vote of the Board of Directors;

F. Appoint, in writing, a representative to act as Director on the Authority's Board and another to act as alternate Director in the absence of the Director, who shall be officers or employees of the Member; and

G. Ensure the Director and alternate Director file with the Authority the required Fair Political Practices Commission (FPPC) forms upon assuming office, annually, and upon termination of office.

Before the Board votes on a potential Member's application, there shall be a review and interview of the applicant, in accordance with the Underwriting Guidelines, including the applicant's most recent audited financial statement and associated management letters. This review may also include a safety inspection of the facilities of the applicant. A two-thirds vote of the Board of Directors is required to approve the

application, based upon the application, and any inspections, reports, or other material pertinent to the decision.

ARTICLE IV.
MEMBER RESPONSIBILITIES

Each Member is responsible for the following:

1. Cooperation with the Authority, its insurers, adjusters and legal counsel in determining the cause of losses in settling claims, and supporting effective risk management and risk transfer decisions;

2. Timely payment of all contributions, assessments, interest, penalties, or other charges imposed consistent with the Governing Documents;

3. Providing the Authority with statistical and loss experience and other data as requested.

4. Execution of a membership resolution for each Program in which the Member participates.

5. Appointing a representative and alternate to represent the Member on the Authority's Board, expressly authorizing such representatives to act on behalf of the Member on all matters coming before the Board, and assuring that its representative or alternate regularly attend meetings of the Board and any committee to which a representative has been appointed.

6. Execution of amendments to this Agreement as set forth in Article XV; provided, however, the Member may, by resolution or ordinance, authorize its representative on the Board to approve and execute amendments on behalf of the Member without the necessity of a resolution or ordinance of the legislative body of the Member confirming or ratifying such amendment.

7. As required by the Authority, undertake risk management audits of its facilities and activities, conducted by a person and/or firm approved by the Authority and provide evidence of correction, elimination and/or clarification of all noted deficiencies or recommended corrections to the satisfaction of the Authority.

8. Use of an Authority-approved third-party claims administrator.

9. Payment for the costs of staffing and supporting the Authority ("general expenses") shall be funded by the Members in accordance with the Board's allocation of general expenses to the Authority's various Programs.

ARTICLE V.
GOVERNING BOARD

A. The governing body of the Authority shall be the Board of Directors (Board). The Board shall be comprised of one Director from each Member. Each Director has one vote. An alternate Director may cast a vote only in the absence of the Director. Each Director and alternate Director must be an officer or employee of the Member. A Member may change any of its representatives to

the Board only by written notification to the Authority from the Member's governing body or the Member's Chief Executive Officer or equivalent.

B. The Board shall provide policy direction for the General Manager, the Executive Committee, any other standing committees, and any administrative or legal service providers to the Authority. The Board may delegate any or all of its responsibilities, except those requiring a vote by the Board as specified in the Governing Documents.

C. As to Program-specific agenda items, only the Directors representing Members that participate in that Program may vote, and as to such items a quorum shall be determined by reference to the number of Members participating in the Program. As to agenda items relating to all liabilities and obligations of CIRA existing prior to the Effective Date ("Preexisting Obligations"), only Directors representing Members who were members of the Authority prior to the Effective Date may vote, and as to such items, a quorum shall be determined solely by reference to the number of Members that were members of the Authority prior to the Effective Date.

D. The Board reserves unto itself the authority to do the following (except where specifically noted, a simple majority of the Board present at a meeting may take action):

1. Accept a new Member to the Authority (two-thirds vote of the Board);

2. Accept indebtedness (two-thirds vote of the entire Board);

3. Adopt a budget;

4. Amend these Bylaws;

5. Elect and remove Officers;

6. Expel a Member from the Authority (two-thirds vote of the Board);

7. Approve dissolution of Authority (two-thirds vote of the entire Board); and

8. Approve financing costs from one Program to another (Program to Program borrowing) if such financing extends beyond a twelve-month period.

E. The Board will meet at least once a year to review the operations of the Authority. The Board will establish a time and place to hold such regular meetings. The Board Secretary will mail notices of all Board meetings to each Member, keep minutes of the meetings, and send copies of such minutes to the Members.

F. A special meeting may be called by the president or by a majority of the Board with twenty-four (24) hours' notice, stating the purpose, date, time, and place of the meeting, provided such notice is in writing.

G. Every Member is expected to have its Director or alternate attend Board meetings.

H. All meetings of the Board shall be conducted in accordance with the Ralph M. Brown Act (Government Code §54950 et seq.)

I. A quorum shall consist of a majority of the Directors then appointed and serving, without counting vacancies. All matters within the purview of the Board may be decided by a majority vote of a quorum of the Board, except as specified otherwise in the Governing Documents.

ARTICLE VI.
OFFICERS

A. The officers of the Authority shall consist of a President, a Vice President, a Treasurer, an Auditor/Controller, and a Secretary. The Board shall elect the President, Vice-President, Treasurer, and Auditor/Controller. The President, Vice-President, and Auditor/Controller must be directors on the Board. The Treasurer may be a Director, an employee of the Authority, or an employee of a Member, and if the Treasurer is an employee of a Member the employee need not be the Member's designated representative on the Board. The General Manager shall serve as Secretary.

B. Initial officers shall serve staggered terms with the President and Treasurer serving a two-year term and Vice President and Auditor/Controller serving a one-year term. The terms of office for subsequent officer elections shall be two years. The President and Auditor/Controller will be elected in odd-numbered years and the Vice President and Treasurer will be elected in even-numbered years.

C. Initial officers (other than the Secretary) shall be elected at the first meeting of the Board of Directors. At least 30 days before each subsequent election, the President may appoint a nominating committee as set forth in these Bylaws or propose a slate informally.

D. The nominating committee's nomination of candidates for elected officer positions shall be made in writing, and the slate of nominees will be sent to each Member at least seven (7) days before the last regular Board meeting of the fiscal year. Additional candidates for any of the offices may be made by an open nomination and second from the floor at the time of the meeting.

E. The election of officers will be held at the last regular Board meeting of the fiscal year in which their terms expire or at a special meeting called for that purpose. Those candidates receiving a majority of votes cast for each office will succeed to those offices. If no nominee receives a majority of the vote, the nominee with the least votes shall be deleted as a nominee and a new vote taken. This elimination process will continue until one nominee receives a majority vote. Each Director or, in the absence of that Director, the Director's alternate, shall be eligible to vote.

F. Each elected officer will serve until the next election of officers, or termination of his or her employment with the Member, or until removal from office by a majority vote of the Board, whichever is earliest.

G. The Board shall make the appointment to a vacancy in the office of the President. Vacancies in any other office shall be filled by appointments by the President with ratification by the Board at

the next Board meeting held after the vacancy occurs. In the event that the Board fails to ratify an appointment, the President shall make another appointment which will be subject to ratification by the Board.

H. The President shall preside at all meetings of the Authority. The President shall, with the consent of the Board or Executive Committee, appoint representatives to the board of any joint powers authority of which the Authority is a Member, and shall make all Committee appointments with the exception of the Executive Committee. The President shall execute documents on behalf of the Authority as authorized by the Board and shall serve as the primary liaison between the Authority and any other organization. The President shall serve as a member of the Executive Committee and as a nonvoting ex-officio member of all other Committees.

I. In the absence or temporary incapacity of the President, the Vice-President shall exercise the functions of the President. The Vice-President shall serve as member of the Executive Committee and as a nonvoting ex-officio member of all other committees when the President is unable to attend.

J. The Auditor/Controller shall be responsible for the duties and functions prescribed by Government Code Section 6505.6, as well as any other duties as may be specified by the Board or the Executive Committee. The Auditor/Controller may appoint an assistant to serve as needed, provided such assistant shall not be an employee or public official of the same Member as the Auditor/Controller. In the absence of both the President and Vice President at any one meeting, the Auditor/Controller shall preside over that meeting only and shall have powers and duties as may be required by the Board for this purpose. If the President, Vice-President, and Auditor/Controller will be absent from any one meeting, any of them may designate a director to preside over the meeting, but the designated director shall have only the powers and duties as may be required by the Board for this purpose.

K. The Secretary shall be responsible for preparing all minutes and agendas of the Board, the Executive Committee, and any other Committee meetings, preparing necessary correspondence, and maintaining files and records.

L. The Treasurer shall have no vote on the Board or Executive Committee unless the Treasurer is a designated representative of a Member to the Board. The Treasurer shall have the responsibility to establish and maintain such funds and accounts as may be required by accepted accounting practices and procedures prescribed by the Government Accounting Standards Board and by the Board. Separate accounts shall be established and maintained for each Program Year of each Program. Books and records of the Authority in the hands of the Treasurer or other designated person shall be open to inspection at all reasonable times by members of the Board or authorized representatives of the Members. The Treasurer shall disburse Authority funds, accounts, and property, in accordance with the Government Code and at the direction of the Board.

M. An Officer Emeritus is a retired or former member of the Authority's or REMIF's Executive Committee or Board of Directors, preferably an Officer, having served three terms or more on the Executive Committee or six years on the Board for each agency. The Officer Emeritus serves to maintain the institutional knowledge, culture, and practice of CIRA. The Officer Emeritus is

independent and does not represent any Member. The Officer Emeritus attends and may participate in meetings but does not vote. The Officer Emeritus may represent CIRA as directed and may serve as a mentor or advisor as needed and available. The Officer Emeritus receives a stipend as determined by the Board via resolution and reimbursement for reasonable travel expenses. The Executive Committee shall appoint up to two Officers Emeritus to be affirmed by the Board. The Officer Emeritus position will be re-evaluated by the Board after five years.

ARTICLE VII.
COMMITTEES

A. Executive Committee. There shall be an Executive Committee to conduct the day-to-day business of the Authority. The Board may create other committees, standing or temporary, as it deems necessary.

B. All committee meetings shall be conducted in accordance with applicable law, including but not limited to the Ralph M. Brown Act (Government Code § 54950, et seq.). For all committees, a quorum shall consist of a majority of committee members then appointed and serving, without counting vacancies. All matters within the purview of a committee may be decided by a majority vote of a quorum of the committee, except as specified otherwise in the Governing Documents.

C. The Executive Committee shall be composed of thirteen members including the President, Vice-President, Treasurer (if a Board Member), and Auditor/Controller, and nine (or ten, if necessary) other individuals, all of whom must be Directors and not alternates. Five of the nine shall be elected by the Board in even numbered years and four (or five, if necessary) shall be elected by the Board in odd numbered years. One each shall be elected by the Directors in each of three regions designated by the Board. One each shall be elected by the Directors in each of three size categories (small, medium, and large) designated by the Board. Three (or if necessary four) shall be elected at large. Executive Committee members may be re-elected without restriction. All nine shall be elected in the first election following adoption of these Bylaws, with either four or five being designated to serve an initial term of one year until the next election depending on whether the next year is odd or even. For the first two elections after these Bylaws become effective on July 1, 2021, at least five members of the Executive Committee shall be from former members of the Redwood Empire Municipal Insurance Fund. No Member shall be represented by more than one member on the Executive Committee.

D. Members of the Executive Committee may be removed with or without cause by the Board, which shall elect replacements for the vacancies caused by such removal. Members may also be removed for failure to attend two consecutive meetings without reasonable excuses. The President may appoint replacements to fill any vacancies caused by death, disability, resignation, disqualification, or removal for unexcused absences, and such appointees shall serve until the next meeting of the Board, at which time the selection of replacement shall be ratified or another replacement elected.

E. The Executive Committee may exercise all powers and authority of the Board, except those reserved to the Board as set forth in Article V.D. The Executive Committee may make recommendations to the Board on matters including a change in Members' retention levels, approval of the annual budget, and approval of new Members. The Executive Committee may also establish subcommittees, define their functions and responsibilities and appoint members

to them; appoint or terminate the General Manager; and exercise such other powers and perform such other duties as these Bylaws or the Board may prescribe.

F. PARSAC Committee. The Board shall appoint a committee made up of representatives of Authority members that were members prior to the Effective Date to make recommendations to the Board regarding the administration of the Preexisting Obligations.

G. Personnel Committee. The Officers (not including the Secretary or any Treasurer who is not a Director) and two other Directors appointed by the President (three if the Treasurer is not a Director) shall serve collectively as the Personnel Committee, with the authority to oversee, review and recommend action to be taken by the Executive Committee regarding the performance and compensation of the General Manager and any other personnel issues.

ARTICLE VIII.
GENERAL MANAGER

A. The General Manager shall be the Chief Administrative Officer and Secretary of the Authority, appointed by the Board and serving at the pleasure of the Board. The General Manager may not be an employee or an officer of a Member.

B. The General Manager shall be responsible for administering the operations of the Authority, including giving notices of meetings, posting of agendas for meetings, preparation of minutes of meetings, maintenance of all accounting and other financial records of the Authority, filing of all financial reports of the Authority, reporting activities of the Authority to Members, and other such duties as the Board may specify.

C. The General Manager shall appoint all staff positions of the Authority, subject to budget approval by the Board, and shall be responsible for their supervision.

D. The General Manager shall attend all meetings of the Board and Executive Committee

ARTICLE IX.
SETTLEMENT OF CLAIMS

A. The General Manager shall have authority to settle workers compensation, property and liability claims up to the limit specified by Board policy but not to exceed the actual amount of the claim. The Executive Committee, Board, or a designated claims committee, if appointed, shall have authority to settle claims beyond the authority of the General Manager.

B. For workers' compensation claims, staff has standing authority to pay benefits due under workers' compensation law for medical benefits, temporary disability, etc. and to resolve permanent disability claims up to statutory requirements. Any settlements for permanent disability and/or a compromise and release exceeding the statutory requirements may be settled by the General Manager, or by the Executive Committee or Board for amounts in excess of the General Manager's authority up to the Authority's limit of coverage.

ARTICLE X.
FINANCIAL AUDIT

A. The Auditor/Controller shall cause an annual audit of the financial accounts and records of the Authority to be made by a qualified, independent individual or firm. The minimum requirements of the audit shall be those prescribed by law.

B. The financial audit report shall be filed with the State Controller's Office within six months of the end of the fiscal year under examination. A copy of the audit report shall be filed as a public record with each Member.

C. The costs of the audit shall be charged against the operating funds of the Authority.

ARTICLE XI.
FISCAL YEAR

A. The fiscal year of the Authority shall be the period from July 1 of each year through June 30 of the subsequent year.

ARTICLE XII.
BUDGET

A. A draft budget shall be presented to the Board at the last scheduled Board meeting prior to July 1 of the next fiscal year.

B. The Board shall adopt the annual budget by July 1 of each year.

ARTICLE XIII.
ESTABLISHMENT AND ADMINISTRATION OF FUNDS

A. The Authority is responsible for the strict accountability of all funds and reports of all receipts and disbursements. It shall comply with every provision of law relating to the subject, particularly Section 6505 of the Government Code. The Treasurer shall receive, invest, and disburse funds only in accordance with procedures established by the Board and in conformity with applicable law.

B. The funds received for each Program shall be accounted for separately on a full-accrual basis. The portion of each Program's annual contribution allocated for payment of claims and losses shall be held by the Authority in trust for the Program members.

C. The Treasurer may invest funds not required for the immediate operations of the Authority, as directed by the Board or Executive Committee, in the same manner and on the same conditions as local agencies as provided by Government Code Section 53601.

D. The General Manager shall draw warrants to pay demands against the Authority, after such demands have been approved by both the President and the Treasurer, except for employee payroll and benefits disbursements, and other unusual or urgent circumstances as determined

by the General Manager. All checks disbursing funds of the Authority shall be signed by at least two Authority officials, one of whom must be the General Manager or designee.

E. Officers, directors and employees handling funds shall be properly bonded as determined by the Board or Executive Committee.

ARTICLE XIV.
PROGRAMS

A. The Authority shall establish Programs in such areas as the Board may select including, but not limited to, the areas of property, workers' compensation, and liability coverage.

B. Coverage in a Program may be provided by a self-funded risk-sharing pool, participation in pooled excess self-insurance, purchased insurance, reinsurance or any combination thereof, as determined by the Board or Executive Committee.

C. The Authority may authorize and use administrative funds to study the feasibility and development of new Programs. If a new Program is approved by the Board, the estimated contributions to fund the Program shall be developed and presented in writing to each Member. Each Member shall have sixty (60) days from the date of such notice to state in writing its intent to join or refrain from joining the new Program. Unless the Member provides written notice to the Authority of its intent to participate in the new Program, it shall be presumed that the Member declines to participate in the Program. Upon conclusion of the notice period, the final contributions will be determined and billed to the Members in the new Program. Each Member that elected to participate will be bound to the new Program for the period of time required by the Master Program Document.

D. The Board will adopt and maintain a Memorandum of Coverage and Master Program Document, and determine the financial contributions to be required of the Members for each Program. The Memorandum of Coverage or Master Program Document shall, among other things, establish procedures for addressing claims disputes.

E. Each Program will be financially self-contained and individually evaluated for administrative and equity allocation purposes. Each fiscal year within each Program shall be separately accounted and maintained. Program funds may be co-mingled with the funds of another Program for durations shorter than a twelve-month period, or when specifically allowed by the Board.

F. Each Member shall cooperate fully with the Authority to provide underwriting and safety and loss control information. Additionally, each Member shall comply with the provisions of the annual Safety and Loss Prevention Program Plan as approved by the Board.

G. Members with delinquent amounts due may be assessed a penalty which shall be set by the Authority.

H. The condition of each Program shall be evaluated by an independent actuary. The Workers' Compensation and Liability Programs shall receive such evaluation on an annual basis. Other Programs shall be evaluated as determined by the Board. The condition of each open fiscal year within each such Program shall be evaluated to determine its actuarial soundness. If it is

determined by the actuary that any year is no longer actuarially sound, appropriate actions shall be taken. In addition, the Board reserves the right to assess all Members and/or the Members of any Program an amount determined by the Board to be necessary for the soundness of the Program and to allocate such assessment in a fair and equitable manner.

I. The withdrawal or expulsion of a Member from any Program shall be in accordance with the provisions of the Master Program Document.

J. The withdrawal or expulsion of any Member from any Program shall not terminate the Member's responsibility to contribute its share of contributions, or funds, to any fund or Program in which it participated, nor its responsibility to provide requested data for the periods in which it participated. All current and past Members shall be responsible for their respective share of the expenses, as determined by the Authority, until all claims, or other unpaid liabilities covering the period of the Member's participation in the Program, have been finally resolved and a determination of the final amount of payments due by, or credit to, the Member for the period of its participation has been made by the Board. Past Members shall receive any distribution of surplus based on the same methodology as current Members. The withdrawal or expulsion of any Member from any Program shall not require the repayment or return to that Member of all or any part of any contributions, payments, advances, or distributions except in conformance with the provisions as set forth herein and in the Master Program Document.

K. The Treasurer may deposit and invest Authority funds, subject to the same requirements and restrictions that apply to deposit and investment of the general funds of a city incorporated in the State of California and in accordance with the Investment Policy adopted annually by the Board.

L. The accounting method for each Program will be in accordance with the provisions of the Master Program Document and the principles established by the Government Accounting Standards Board.

ARTICLE XV.
WITHDRAWAL, DEFAULTS AND EXPULSION FROM THE AUTHORITY

A. Withdrawal from a Program

1. Any Member which withdraws as a participant in any Program may renew participation in that Program by complying with all Program rules and regulations.

2. All Members must participate in at least one of the following two Programs: Workers' Compensation and Liability. If withdrawal from a Program would result in the Member no longer participating in either of these two Programs, then such withdrawal shall constitute withdrawal as a party to the Joint Powers Agreement, subject to the Member's continuing obligations outlined in this Agreement and any other relevant governing documents. Withdrawal from the Authority pursuant to this Section A requires one year's notice of intent to withdraw as described in Section B below.

B. Withdrawal from the Authority

1. A withdrawing Member must notify CIRA of its intention to withdraw at least one year prior to the end of the fiscal year in which the Member intends to withdraw, unless a shorter withdrawal period is approved by the Executive Committee, in its sole discretion.

2. Withdrawing Members shall forfeit any remaining equity. In addition to foregoing equity, withdrawing members shall be subject to an administrative fee equal to their pro-rata share of ongoing expenses for the three program years following withdrawal. Ongoing expenses include but are not limited to staff payroll and benefits, actuarial services, investment services, financial audits, and claims administration. The withdrawing member will be invoiced its portion of the administrative fee for each of the three years, as outlined in the Master Program Document.

3. Following withdrawal, any Member which was a participant in any Program shall be responsible for its share of any additional amount of contribution, determined by the Board in accordance with the retrospective contribution adjustment, which may be necessary to enable final disposition of all claims arising from losses under that Program during the withdrawn Member's period of participation. Any such additional contribution shall be taken first from the Member's forfeited equity, if any, and if such equity is insufficient the withdrawn Member shall be responsible to pay the difference.

4. A notice of intent to withdraw may be rescinded in writing with Executive Committee consent at any time earlier than ninety (90) days before the expiration of the withdrawal period, except that any withdrawal approved by the Executive Committee upon less than six (6) months' notice shall be final.

C. The following shall be "defaults" under the Agreement and these Bylaws:

1. Failure by a Member to observe and/or perform any covenant, condition, or agreement under the Governing Documents, including but not limited to risk management or loss reporting procedures;

2. Consistent failure to attend meetings by a Member's designated representative or alternate, submit requested documents, or cooperate in the fulfillment of the Program objectives;

3. Failure to pay any amounts, including penalties and interest, due to the Authority for more than thirty (30) days;

4. Consistent inability to sustain the financial and insurance criteria that was reviewed and considered upon application for membership. For example, excessive losses, financial distress of member, handling of legal matters, corrective actions and other areas as determined by the Board;

5. The filing of a petition applicable to the Member in any proceedings instituted under the provisions of the Federal Bankruptcy Code or under any similar act which may hereafter be enacted; or

6. Any condition of the Member which the Board believes jeopardizes the financial viability of the Authority.

C. Remedies on Default

1. Whenever any default has occurred, the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Agreement and these Bylaws including, but not limited to increasing a Member's retention, penalty, or assessment, canceling a Member's coverage, or expelling the Member. However, no remedy shall be sought for defaults until the Member has been given thirty (30) days' notice of default by the Authority.

2. Probation of a Member from a Program and/or Authority:

   a. If deemed appropriate by the Authority a member may be put on probation for a defined period of time to remedy any stated failures or matters noted in this Article.

   b. Notice of such probation shall be in writing and signed by both parties.

   c. The probation remedies and timelines shall be stated clearly in the notice of probation so that the Authority's actions at the end of the probation period are understood by both parties.

3. Expulsion of a Member from the Authority:

   a. The Board, with at least a two-thirds vote, may expel any Member that is in default from the Authority.

   b. Such expulsion shall be effective on the date prescribed by the Board, but not earlier than thirty days after notice of expulsion has been personally served or sent by certified mail to the Member.

   c. The expulsion of any Member from any Program, after the effective date of such Program, shall not terminate its responsibility to contribute its share of contributions, or funds, to any fund Program in which it participated, nor its responsibility to provide requested data for the period(s) in which it participated.

D. Cancellation by the Authority of Coverage under a Program:

1. Upon the occurrence of any default, the Board may temporarily cancel all rights of the defaulting Member in any Program in which such Member is in default until such time as the condition causing default is corrected.

2. Upon the occurrence of any default, the Board, with at least a two-thirds (2/3) vote, may cancel permanently all rights of the defaulting Member in any Program in which such Member is in default.

E. No remedy contained herein is intended to be exclusive. No delay or failure to exercise any right or power accruing upon any default, shall impair any such right or shall be construed to be a waiver thereof.

F. In the event any provision in any of the Governing Documents is breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

G. Except as stated in this Article or elsewhere in the Governing Documents, neither withdrawal nor expulsion shall extinguish the rights and obligations of the parties incurred prior to such withdrawal or expulsion.

ARTICLE XVII.
LEGAL REPRESENTATION

A. Legal counsel may be retained by the Board to advise on matters relating to the operation of the Authority and interpretation of the Governing Documents, including but not limited to the Memoranda of Coverage. In matters in which the parties' interests are adverse or potentially adverse, counsel for the Board shall only represent the Board and shall not represent any individual Member without the informed written consent of both parties.

B. The Authority shall have the right to pay such legal counsel reasonable compensation for said services.

ARTICLE XVIII.
EXECUTION OF CONTRACTS

A. The Board or Executive Committee may authorize any officer or officers, or any agent or agents, to enter into any contract or execute any instrument in the name, and on behalf, of the Authority and such authorization may be general or confined to specific instances.

B. Unless so authorized by the Board, no officer, agent, or employee shall have any power or authority to bind the Authority by any contract or to pledge its credit or to render it liable for any purpose or to any amount.

ARTICLE XVIV.
EXPENSE REIMBURSEMENT AND INSURANCE

A. The Authority shall reimburse any Director who does not otherwise receive compensation for actual expenses incurred, for reasonable out of pocket expenses of the Director in the performance of his/her duty on behalf of the Authority.

B. The Authority shall obtain insurance or provide other coverage (which may include self-insurance) indemnifying the directors, officers, and employees for personal liabilities arising out of wrongful acts in the discharge of their duties to the Authority.

ARTICLE XIX.
NOTICES

A. Any notice to be given to any Member, in connection with these Bylaws, must be in writing (which may include facsimile or email) and will be deemed to have been given when deposited in the mail to the address specified by the Member to receive such notice. Any notice delivered by facsimile will be deemed to have been given when the facsimile transmission is complete. Any notice delivered by email will be deemed to have been given when the message is successfully sent. Any Member may, at any time, change the address to which such notice will be given by giving five (5) days written notice to the Authority.

B. Any notice to or claim against the Authority shall be mailed or delivered to the mailing address of the Authority.

ARTICLE XX.
EFFECTIVE DATE, AMENDMENTS, AND SUPREMACY

A. These Bylaws shall be effective immediately upon the date of adoption.

B. Any amendments to these Bylaws shall be effective upon adoption, unless the Board in adopting them specifies otherwise, and shall supersede and cancel any prior Bylaws and/or amendments thereto.

C. These Bylaws shall not be amended until at least 30 days after notice of the proposed amendment has been given to each Member.

D. The adoption or amendment of these Bylaws shall not affect the Agreement or any amendments thereto. Any provision in these Bylaws which is inconsistent with the Agreement shall be superseded by the Agreement but only to the extent of the inconsistency.

ARTICLE XXI.
POWER OF DESIGNATED PARTY

A. Pursuant to Government Code section 6509, the Authority is subject to the restrictions upon the manner of exercising the power of the City of Rancho Cucamonga. In the event that the City of Rancho Cucamonga ceases to be a member of the Authority, the Authority's power shall be subject to the restrictions applicable to the City of Sebastopol.

CIRA GOVERNING DOCUMENTS: LIABILITY MASTER PROGRAM DOCUMENT

SUMMARY: The adoption of a new Master Program Document (MPD) for the Liability program requires ratification by the Board. At the May 26, 2021, meeting, the Board reviewed and approved the MPD for the CIRA liability program.

RECOMMENDATION: Ratify.

DISCUSSION: It is important for organizations to have relevant and applicable policies that are followed. Policies clarify roles and responsibilities, which promote positive working relationships among the Board, the General Manager, and staff. Policies also save the Board time, money, and effort by settling on questions that might otherwise repeatedly surface. They also give the Board, the General Manager, and staff a sense of direction based on a solid policy foundation an promote continuity of action, which is especially important when members from the Board of Directors and staff change.

Staff created a MPD for the liability program to outline the program from an administrative perspective. This document will serve as an operational guide for the program and work in conjunction with CIRA's governing documents.

The more significant policies outlined in the MPD are as follow:

Funding

- Confidence Level
- Target Equity
- Retrospective Premium Adjustment (RPA)
- Target Benchmarks

Deposit Premiums

- Calculation of premiums, excess insurance, administrative expenses
- Billing to members and former members

Self-Insured Retention (SIR)

- SIRs available & actuarial evaluation of individual member SIR levels
- Payment of claims expenses within member's SIR and billing

Experience Modification

- Calculation/Formula
- Application of ex-mod to member's deposit premiums

Claims Administration

- Workers' Compensation Claims Administration Manual
- Settlement authority
- Disputes

Participation

- Eligibility to participate in the program & Participant's duties

FISCAL IMPLICATIONS: None

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA GOVERNING DOCUMENTS: WORKERS' COMPENSATION MEMORANDUM OF COVERAGE

SUMMARY: The adoption of a new Memorandum of Coverage (MOC) for the Workers' Compensation program requires ratification by the CIRA Board. The document was based on both pool's prior coverage form. The Board approved the MOC at the May 26, 2021.

RECOMMENDATION: Ratify.

DISCUSSION: REMIF's coverage counsel completed a coverage analysis between PARSAC's and REMIF's coverage forms. Although the two forms are structured differently, the coverages provided by both pools are nearly identical. Workers' compensation coverage is directed by the California Labor Code, and, as such, there are very few variances between coverage documents. The drafted MOC, previously adopted by both REMIF and PARSAC's Board of Directors, was based on both pool's prior coverage document.

The most significant changes are in the Exclusions section. For PARSAC, one notable change is in Exclusion 7, wherein new language has been added to include non-reimbursable benefits, salary continuation and benefits payable under collective bargaining agreements. CIRA will only reimburse the statutory rate (i.e., temporary disability). Under the existing PARSAC MOC, it only referred to 4850 benefits that are non-reimbursable. For PARSAC, the other relevant amendment is the deletion of the following: "The Memorandum shall not apply to claims involving a waiver of subrogation approved by a Participating Member after the date of injury or illness that resulted in the claim. This exclusion does not apply to a waiver of subrogation contained in an agreement or contract that was approved by the Participating Member prior to the date of injury or illness that resulted in the claim, provided that the Authority's approval was first obtained." This language was considered redundant and is addressed in the members' responsibility to do everything necessary to protect the pool's recovery rights.

FISCAL IMPLICATIONS: None

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

WORKERS' COMPENSATION MASTER PROGRAM DOCUMENT

SUMMARY: The adoption of a new Master Program Document (MPD) for the Workers' Compensation program requires ratification by the CIRA Board. At the May 26, 2021, the Board reviewed and approved the MPD for the CIRA workers' compensation program.

RECOMMENDATION: Ratify.

DISCUSSION: It is important for organizations to have relevant and applicable policies that are followed. Policies clarify roles and responsibilities, which promote positive working relationships among the Board, the General Manager, and staff. Policies save the Board time, money, and effort by settling on questions that might otherwise repeatedly surface. They also give the Board, the General Manager, and staff a sense of direction based on a solid policy foundation an promote continuity of action, which is especially important when members from the Board of Directors and staff change.

Staff created a MPD for the workers' compensation program to outline the program from an administrative perspective. The enclosed MPD, for the Board's review, is the final draft of the CIRA MPD and has been approve by the CIRA Transition Committee. This document would serve as an operational guide for the program and work in conjunction with CIRA's governing documents.

The more significant policies outlined in the MPD are as follow:

Funding

- Confidence Level
- Target Equity
- Retrospective Premium Adjustment (RPA)
- Target Benchmarks

Deposit Premiums

- Calculation of premiums, excess insurance, administrative expenses
- Billing to members and former members

Self-Insured Retention (SIR)

- SIRs available & actuarial evaluation of individual member SIR levels
- Payment of claims expenses within member's SIR and billing

Experience Modification

- Calculation/Formula
- Application of ex-mod to member's deposit premiums

Claims Administration

- Workers' Compensation Claims Administration Manual
- Settlement authority
- Disputes

Participation

- Eligibility to participate in the program & Participant's duties

FISCAL IMPLICATIONS: None

ATTACHMENT: Refer to the May 26, 2021, Board Agenda Packet

APPROVAL TO PARTICIPATE IN GRAY INSURANCE AND SAFETY NATIONAL FOR EXCESS WORKERS' COMPENSATION COVERAGE FOR CIRA

SUMMARY: Preliminary indications for excess workers' compensation coverage have been received from LAWCX and Safety National. As the Transition Committee approved the actuarial recommended SIR of $500,000 and Safety National provides coverage for non-safety at a $750,000 SIR and safety at $1 million SIR, a dropdown (buffer) layer provided by Gray Insurance is included to reduce the SIR to $500,000. The buffer layer includes a $1 million corridor that acts as an aggregate deductible. LAWCX estimated premium at the $500,000 SIR is $3,122,000. The premium for the combined Safety National and Gray Insurance program is $1,535,635. When including the $1 million corridor, ultimate premium costs would not exceed $2,535,635. Safety National has withdrawn their $2 million SIR for presumptive claims but has not provided a rate guarantee for more than one year. The Transition Committee, Executive Committee, and PARSAC Board are recommending that CIRA select the Safety National and Gray Insurance excess workers' compensation program with a $1 million corridor.

RECOMMENDATION: Ratify the purchase of excess workers' compensation coverage from Safety National with an SIR for non-safety at a $750,000 and safety at $1 million and buffer layer coverage from Gray Insurance with an SIR of $500,000 and $1 million corridor with the goal of self-funding up to a $1 million SIR within five years.

DISCUSSION: As part of the new CIRA, each pool must agree upon an excess workers' compensation provider. REMIF currently purchases commercial excess workers' compensation coverage through Safety National and PARSAC is a member LAWCX. Over the last six months, staff has evaluated excess workers' compensation options that include both pools current providers, as well as a third option from PRISM. Based on the combined loss history, the actuary provided a recommendation for the pool SIR of $500,000 for the workers' compensation program, which was approved by the Transition Committee.

As Safety National provides coverage for non-safety at a $750,000 SIR and safety at $1 million SIR, a buffer layer to reduce the SIR to $500,000 was proposed and researched by staff. Staff worked with REMIF's broker, ABD Insurance Services, and received a quote from Gray Insurance to provide the buffer layer with a $1 million corridor. A buffer layer resides between the primary and the excess layers and would cover the gap between CIRA's $500,000 SIR and Safety National's $750,000/$1,000,000 SIRs. A corridor acts similar to an aggregate deductible and must be met before the buffer layer would pay those claims in excess of the $500,000 SIR. For example, CIRA has two claims that exceed $1 million, CIRA would have pay the first $500,000 of each claim as part of our SIR and an additional $500,000 deductible per claim. This would result in the $1 million corridor being met and all future claims over $500,000 would be paid by Gray and Safety National Insurance.

The total premium costs for the commercial insurance option is $1,535,635. Each claim that is above $500,000 would erode the buffer layer until the $1 million corridor is reached and the ultimate premium would not exceed $2,535,635. LAWCX estimated premium is $3,122,000 at a $500,000 SIR. Either option would require the pool to collect the estimated ultimate premium to fund the overall workers' compensation program.

	Confidence Level	Rate per $100 payroll	Estimated Premium	Corridor Deductible	Estimated Ultimate Premium	Notes
LAWCX	80%	$0.99	$3,122,000		$3,122,000	
Safety National / Gray Insurance	NA	$0.457	$1,535,635	$1,000,000	$2,535,635	Potential savings by not eroding corridor

As the ultimate cost of each option is similar, the choice of which option to select should also include both short and long term considerations. The Safety National option provides the potential for substantial cost savings; however, with commercial insurance there is no rate guarantee past the initial year and the potential of the SIR being increased. LAWCX is a member governed organization with rates that have been fairly stable over the years; however, LAWCX has needed to assess members for prior program years and may need to do so again in the future.

If the Safety National option is selected, the expectation should be that the buffer layer may not be available in future years and program may need to move to a higher SIR. The short-term goal would be to quickly build equity in the program during the first two years to allow CIRA to self fund up to the $1 million SIR.

Mike Harrington with Bickmore Actuarial conducted an analysis of the SIR options and will be providing a presentation to the Board.

FISCAL IMPLICATIONS: Estimated excess workers' compensation premium of $2.6 million for FY 2021-2022.

ATTACHMENT: None

APPROVAL TO PARTICIPATE IN PRISM FOR PROPERTY PROGRAM

SUMMARY: The formation of CIRA has prompted a review of PARSAC's and REMIF's property programs. Although both pools participate in the Alliant Property Insurance Program (APIP), each program is structured differently. While PARSAC's coverage is fully insured through APIP, REMIF's is a hybrid program that includes a level of self-insurance coverage through its excess pool, CJPRMA. Although coverages in the REMIF program are similar to PARSAC's, there are differences and REMIF members have much higher deductibles compared to PARSAC's $10,000 all-risk deductible.

Respectively, the PARSAC and REMIF Boards have both previously approved withdrawing from the Alliant Property Insurance Program (APIP) and joining PRISM's property program under CIRA.

RECOMMENDATION: Ratify.

DISCUSSION: The property market is deteriorating as insureds have experienced increasing rates and eroding coverage limits. California's property market has hardened due to record large wildfire losses the past few years. Underwriters continue to have increased concern for fire and flood prone locations and insureds with past loss experience. Although this year's rate increases are slightly less than last year, rates will continue to rise and insureds will be required to take on higher deductibles.

As the pools move towards merging its operations, the objective has been to consolidate the property programs to achieve maximum coverage and costs benefits. Combining the organizations' property programs is complex with both pools sacrificing coverages in certain areas while benefitting in other areas. The major coverage differences between the PARSAC, REMIF and PRISM programs include the following:

Wildfire

Wildfire fire exposure is significantly responsible for the California municipal property insurance market deterioration. Many programs have high wildfires deductibles. Currently, the REMIF program has a wildfire deductible of $500,000 for all members *(with a buy-down through CJPRMA to $100,000)*. PARSAC has two members that have had their wildfire deductible increased from $10,000 to $100,000 for the current year.

Although PRISM's wildfire deductible is currently being negotiated, it appears the underwriter will require either a $50,000 or $100,000 deductible for CIRA members.

Tax Interruption Coverage

This unique coverage is included on the APIP form with $1 million sublimit coverage for all members. However, the limits can be increased to $3 million when members' locations are specifically scheduled. Some PARSAC members have benefitted from this coverage and have received payments for loss tax revenue. **Tax Interruption Coverage is not offered on the PRISM form.** With PARSAC and REMIF's move to PRISM, members would lose this coverage advantage and it is unlikely to find a separate market that would provide it at any cost.

Flood

PRISM covers Flood at the "All Risk" deductible for all members including the more hazardous zones, A and V. The pricing for this coverage benefit is reasonable; however, members cannot opt out of this coverage. Currently, REMIF purchases flood coverage for all of its members through their current program. PARSAC only has flood coverage for 3 members. Receiving flood coverage would be a valuable improvement to PARSAC's members that have this exposure.

FISCAL IMPLICATION: Some members will incur premium costs where there is not an exposure (i.e. flood coverage), while others will receive significant benefits from flood coverage and lower all risk deductibles. It is estimated PARSAC members will incur a 15% to 20% rate increase and up to 40% for REMIF members. REMIF members will experience larger increases because the change in program structure from hybrid program to one that is fully insured.

ATTACHMENTS: None

ALLIANT CYBER INSURANCE PROGRAM CORE

SUMMARY: In the past, both PARSAC and REMIF obtained various layers of their cyber liability coverage for from the Alliant Property Insurance Program (APIP). With CIRA joining the PRISM property program and APIP unbundling their cyber coverage, CIRA now has the option to select cyber liability coverage from either program. The PRISM cyber program lowest retention offered is $250,000 with coverage limits of $12M per member and aggregate for the pool. APIP provides a $50,000 and $100,000 retention with $2M per member and $25M aggregate; and offers an optional excess layer of an additional $3M per member. Based on preliminary premium cost of $146,000, coverage limits, and retention levels, the Board approved CIRA participation in the APIP Cyber Liability Core Program and recommends that the CIRA Board ratify.

RECOMMENDATION: Ratify participation in the APIP Cyber Liability Core Program with estimated premium of $146,000 for the 21/22 program year.

DISCUSSION: The hardening of the cyber liability market due to the increasing number of high value losses and public entities being frequent targets, it is anticipated that premiums may increase as much as 200% this next policy year. In addition to premium increases, it is expected that coverage limits will be reduced, and individual retentions increased. As APIP has unbundled their cyber liability program and CIRA will be participating in the PRISM property program, CIRA has the option to participate in either program. While premium is an important consideration, the Board must also consider coverage limits and retentions.

The following is a summary of the coverage options provided by each program:

	Limit	Sub-limits	Retention
PRISM	• $12M/$12M for group, • PRISM capped at $70M • No BBR Option	Excess layer sub-limits match the primary layer, except for claims prep costs.	$250,000
APIP CORE	• $2M per member, capped at $25MM • BBR option only for current members	Primary Layer sub-limits only available	$50,000 and $100,000
APIP Excess	• $3M xs $2M per member • Capped at $4M	Sub-limits TBD	Follows primary

Mike Simmons presented detailed coverage and sublimit information in his presentation to the Board at the May 26, 2021 Board meeting and is attached for reference.

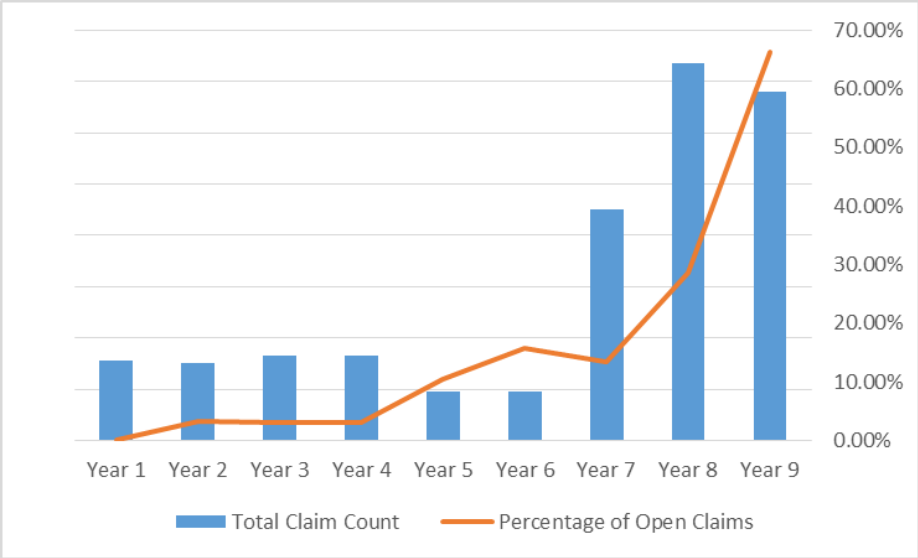
FISCAL IMPLICATION: Increased costs to provide for cyber liability coverage for members.

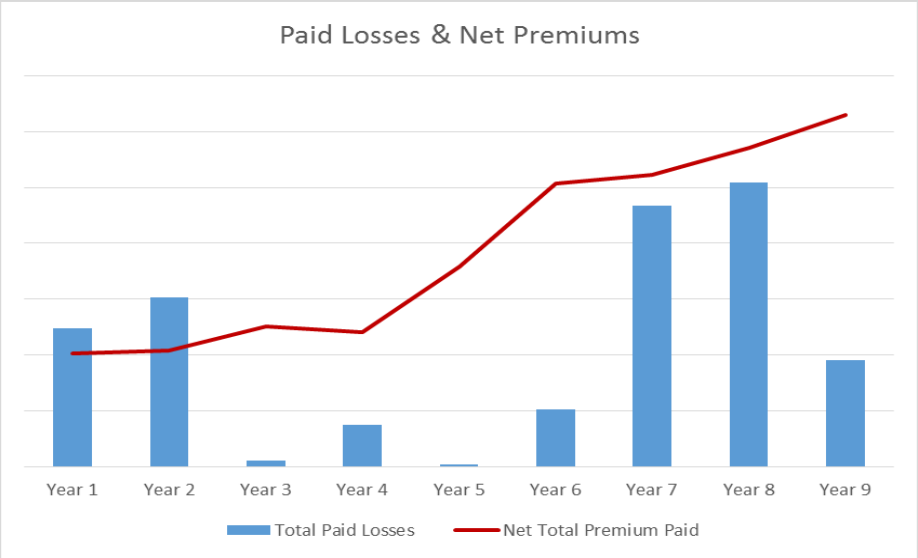
ATTACHMENTS: Refer to May 26, 2021, Board Agenda Packet and Mike Simmons Cyber Liability presentation.

FMAPIP - Cyber
(Former Members of) APIP

Cyber Market and Loss Update

- Incumbent (Beazley) provided renewal quote with significant increase in pricing coverage due to losses on the account
- Quick Briefing on Losses





- Marketing Effort Overview – 49 Markets all Declined
- Premium Bearing Endorsements, Excess Over APIP and Standalone Coverage and Information Required to Underwrite

Cyber Coverage Update

Coverage	2020-2021	2021-2022 Proposed Changes	Status
Beazley Breach Response Endorsement	Coverage offered	Underwriting required	Change in Availability
Retention Buy-Down Endorsement	Coverage offered	Underwriting required	Change in Availability
Increase Breach Response Cost	Coverage offered	Underwriting required	Change in Availability
Tech Errors & Omissions	Coverage offered	Underwriting required	Change in Availability
Retention	Retention Level either $50k or $100k based on TIV	Retention Level either $50k, $100k, or $250k based on TIV	Change in Retention
Computer Hardware Replacement Costs	$75,000 per Member annual aggregate sublimit	$100,000 per Member annual aggregate sublimit	Increase in Sublimit
Reputation Loss	$50,000 per Member annual aggregate sublimit	$100,000 per Member annual aggregate sublimit	Increase in Sublimit
Business Interruption – Security Failure	$2,000,000 per Member annual aggregate Limit	$750,000 per Member annual aggregate sublimit	Decrease in Sublimit
Cyber Extortion	$2,000,000 per Member annual aggregate Limit	$750,000 per Member annual aggregate sublimit	Decrease in Sublimit
Data Recovery Costs	$2,000,000 per Member annual aggregate Limit	$750,000 per Member annual aggregate sublimit	Decrease in Sublimit
War and Civil War Exclusion	Not Excluded	Exclusion Added	Excluded

Cyber Coverage Update

Coverage	2020-2021	2021-2022 Proposed Changes	Status
Asbestos, Pollution and Contamination Exclusion	Not Excluded	Exclusion Added	Excluded
New Member Rating Endorsement	Per Policy	Endorsement Language Revised	Language Revision
Bordereaux Reporting Endorsement	Per Policy	Endorsement Language Revised	Language Revision
Members with no TIV Endorsement	Per Policy	Endorsement Language Revised	Language Revision
Caps on Losses Arising out of Certified Acts of Terrorism	N/A	Newly Added	New
Amend Notice of Circumstance (Compliance with Law Enforcement)	N/A	Newly Added	Coverage Enhancement
Recognize Erosion of Retention for Crime Insuring Agreement	N/A	Newly Added	Coverage Enhancement
State Amendatory Inconsistency Endorsement	N/A	Newly Added	Coverage Enhancement
Amend Data Breach Definition	N/A	Newly Added	Coverage Enhancement
Consolidated Claims Handling	APIP Core and BBR claims handled by separate teams	All claims have been consolidated under one team at Beazley	Administrative

Note: Aggregate excess limit of $20M xs $25M is tentative for 2021/22 renewal.

FMAPIP Cyber vs. PRISM (1st of 3)

	PRISM Limits/Retentions	APIP Limits/Retentions
Program annual aggregate limit	$70,000,000: $25M with Beazley $10M with XL $10M with C&F $10M with Ironshore $10M with Tokio Marine $5M with Zurich	$40,000,000: NOT BOUND $25M with Beazley $15M shared between C&F and Ironshore
Per member annual aggregate limit	***$12,000,000 (all members*** of CIRA share this limit) **Sublimits: shared amongst all members of CIRA**	***$2,000,000 (each member*** of CIRA has this limit) **Sublimits: apply to each separate member of CIRA**
Retention	**$250,000**/8 hours	**$50,000**/8 hours
Breach Response	$2,500,000 (non-Beazley vendor, requires written approval from Beazley) $5,000,000 (Beazley vendor for TIV below $750M) $6,250,000 (Beazley vendor for TIV above $750M)	$500,000 (non-Beazley vendor, requires written approval from Beazley) $1,000,000 (Beazley vendor)

FMAPIP Cyber vs. PRISM (2nd of 3)

	PRISM Limits/Retentions	**APIP Limits/Retentions**
BI Resulting from Security Breach	***$3,750,000***	***$750,000***
BI Resulting from System Failure	***$2,500,000***	***$500,000***
Dependent BI Resulting from Dependent Security Breach	***$3,750,000***	***$750,000***
Dependent BI Resulting from Dependent System Failure	***$500,000***	***$100,000***
Cyber Extortion Loss	***$3,750,000***	***$750,000***
Data Recovery Costs	***$3,750,000***	***$750,000***
Regulatory Defense & Penalties	***$12,000,000***	***$2,000,000***
Data & Network Liability	***$12,000,000***	***$2,000,000***

FMAPIP Cyber vs. PRISM (3rd of 3)

	PRISM Limit Amount	APIP Limit Amount
Payment Card Liabilities & Costs	***$12,000,000***	***$2,000,000***
Media Liability	$12,000,000	$2,000,000
Fraudulent Instruction	***$375,000***	***$75,000***
Funds Transfer Fraud	***$375,000***	***$75,000***
Telephone Fraud	***$375,000***	***$75,000***
Criminal Reward	***$50,000***	***$25,000***
Reputation Loss	***$300,000***	***$100,000***
Claims Preparation Costs for Reputation Loss Only Claims	$50,000	$50,000
Computer Hardware Replacement	***$500,000***	***$100,000***
Invoice Manipulation	***$500,000***	***$100,000***
Cryptojacking	***$125,000***	***$25,000***

Other optional coverages & placement (available for both PRISM and APIP members)

- Additional information, underwriting and premiums may be associated with these items.
- Changing market conditions may affect availability of these items.
- Underwritten individually by member

Beazley Breach Response	***Only available on a renewal basis***
Technology E&O	***Only available on a renewal basis***
Retention Buy Down	***Only available on a renewal basis***

ALLIANT DEADLY WEAPONS REPONSE PROGRAM

SUMMARY: Participation in optional programs requires approval by the CIRA Board of Directors. This is an optional program and part of Alliant's ancillary coverage offerings. REMIF has participated in the deadly weapon coverage since it was first offered by Alliant. The coverage is offered when an incident occurs at a member's location (must be a location listed on the property schedule), involving the use or brandishing of a deadly weapon.

RECOMMENDATION: Ratify participation in the Alliant Deadly Weapon Coverage. Each individual member can elect coverage or not. This is not coverage that needs to be purchased on a group level. Individual members can elect participation (or not) in the coverage.

DISCUSSION: "Active Shooter" Coverage Program

With the uptick in "active shooter" incidents in the past few years, the insurance industry has developed products to cover the financial expense associated with such events. Alliant developed a product for its' Pool through the Beazley Syndicate at Lloyd's of London and began offering it to public entity clients at an extremely competitive price point. The total cost of the coverage should be roughly $500 per member, providing members with a per occurrence limit of $500,000 and just a $10,000 deductible. (A Pool annual aggregate of $2,500,000 currently applies).

Historically, REMIF members have secured this coverage through participation in CJPRMA.

"Active Shooter" situations are unpredictable, develop quickly, and leave devastating personal and financial impact on those involved. They can involve random third party shootings, or violent employee interactions. While various insurance products have been developing for this risk, obtaining coverage normally requires the completion of detailed applications, can be expensive, and/or carry high deductibles.

However, due to Beazley's strong interest in launching its product to the public sector, and the breadth of Alliant's public entity client base, Beazley offered its product to Alliant clients without completion of an application, and at an extremely competitive price. Further, the product comes with pre and post-loss Crisis Management Services provided by Firestorm Solutions, a leading Crisis Management Consulting Firm. Coverage is summarized as below:

Coverage Trigger
An event occurring at a location appearing on a member's Schedule of Values on file with Alliant where a weapon has been used or brandished. A weapon is broadly defined to include: a portable firearm, explosive device, knife, syringe, medical instrument, corrosive substance, or any other handheld device. "Weapon" also includes private passenger vehicles.

Coverage Limits

- $500,000 per claim and a $2,500,000 annual aggregate for the CIRA (or CJPRMA) membership for bodily injury or property damage, including defense costs, which the member becomes legally liable to pay.

- Sub-limits Included within Coverage Limit:

$ 250,000	Crisis Management Services
$ 250,000	Counseling Services
$ 250,000	Funeral Expenses
$ 250,000	1st Party Property Damage
$ 250,000	Business Interruption
$ 250,000	Demo/Clearance/ Memorialization

It is recognized that coverage for events with certain characteristics may already be provided by standard property and liability insurance programs, and as such, this coverage is designed to be primary to these programs and therefore would serve as a buffer to any deductible or retention of these programs. This coverage is not intended to replace any other coverage that a member may already have for such incidents.

FISCAL IMPLICATIONS: Approximately $500 per member. This would be in addition to property contributions.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

PROPERTY PROGRAM SURCHARGE METHODOLGY

SUMMARY: At a prior CIRA transition committee meeting, the Committee approved applying a surcharge to members of the property program whose five-year loss ratio was over 75%. After further review of both PARSAC and REMIF's current property program, staff requested a deferral in applying any surcharge until CIRA has established comparable loss history between members. The CIRA Transition Committee has proposed reviewing loss history after three years to determine if a surcharge should be implemented at that time or if an additional two years will be needed. At the May 26, 2021, meeting the Board approved: 1) Deferral of surcharge; 2) Review of loss history after three years and either implement surcharge at that time or defer for an additional two years for additional loss history to develop.

RECOMMENDATION: Ratify.

DISCUSSION: The Transition Committee previously approved applying a surcharge to any property program member whose prior five year loss ratio was 75% and above. After additional review of both property programs, staff has determined that applying the surcharge based on prior program losses would not accurately reflect loss exposure based on program differences. The CIRA Transition Committee recommends reviewing CIRA property loss history after three years to determine if enough loss data is available to begin applying a surcharge to members. If it is determined the not enough loss history has been developed, it is recommended that the surcharge be postponed an additional two years allowing for five years of loss history to be used in assessing any member surcharges. By waiting until loss history has been established for CIRA, members loss ratio's will be calculated using the same criteria for all members.

FISCAL IMPLICATIONS: Property premium will be allocated based on total insured values without any regard to losses until a minimum of three years and a maximum of five years of loss history has been established with CIRA.

ATTACHMENT: None

REMIF/PARSAC ADVANCEMENT AND REPAYMENT OF FUNDS FOR EXCESS PREMIUMS

SUMMARY: While REMIF and PARSAC will be merging to form CIRA effective July 1, 2021, the assets of both REMIF and PARSAC will not transfer to the new organization. Those assets will remain with the respective agency to pay claims and other liabilities or be returned as members equity. This will leave CIRA with no assets to draw upon until premiums are received. As there is a delay between billing and cash receipt, CIRA will have a short-term cash flow deficit. To solve the cash-flow problem, it is proposed that both agencies advance funds to cover expenses until contributions have been received. At the May 26, 2021, meeting, the Board approved: 1) Short-term interest free loan from REMIF and PARSAC to pay excess insurance premiums and operating expenses; and 2) Annual premium billing for the Workers' Compensation Program for the first program year.

RECOMMENDATION: Ratify.

DISCUSSION: On July 1, 2021, when CIRA begins operation, CIRA will have a receivable for premiums due but will not have any cash funds available. As there is a period between billing and cash receipt, CIRA will need to borrow operating capital to pay expenses. There will be a significant outlay of cash within the first month of operations for excess and pass-through insurance premiums. Staff proposes both REMIF and PARSAC contribute funds as a short-term interest free loan to cover operating expenses until premiums have been received. It is anticipated that any loans will be repaid within ninety days. As CIRA will have no equity in which to draw on it is also proposed that for the first year all program premiums be billed on an annual basis. This will allow CIRA to repay any advancement of funds by REMIF and PARSAC as well as have funds available for operating expenses and claims as they arise throughout the year.

Once operating capital has been established, additional billing schedules can be implemented.

FISCAL IMPLICATIONS: Loss of interest income for REMIF and PARSAC during the period funds are loaned to CIRA.

ATTACHMENT: None

AGREEMENT FOR THE ADMINISTRATION OF THE REMIF HEALTH PLAN

SUMMARY: The adoption of the contract/agreement for the administration of the REMIF Health Plan requires approval by the CIRA Board of Directors. The agreement will allow the CIRA employees to administer the plan, with REMIF reimbursing the estimated cost for that administration, up to $300,000 annually (with CPI adjustments). The Board reviewed and approved the agreement at the May 26, 2021 meeting.

RECOMMENDATION: Ratify.

DISCUSSION: REMIF and PARSAC are merging the liability, workers' compensation, property, auto physical damage, crime and other ancillary coverages together under CIRA. However, the REMIF Health Plan will remain under the care, custody and control of REMIF. As the REMIF Health Plan will need to be administered, this agreement will allow the CIRA employees to administer the plan, since all of the prior REMIF employees will become CIRA employees.

Staff drafted a contract for CIRA to administer the REMIF Health program, under REMIF. The contract allows for full administration of the program by CIRA staff, at a cost to be determined by the CIRA budget (but not to exceed $300,000). This amount was derived from a cost allocation study recently conducted by REMIF. REMIF had conducted an independent analysis of staff time, to determine how best to allocate costs to the various programs. To determine what would be an appropriate figure for CIRA to allocate to REMIF for the administration of the program, staff leaned on this previous analysis to estimate the figure of (up to) $300,000. This analysis will be re-examined once CIRA is established.

This contract/agreement was reviewed by the Transition Committee, and the Transition Committee recommends the CIRA Board of Directors approve the draft contract for CIRA to administer the REMIF Health program. (It should be noted that the REMIF Board of Directors previously approved the contract to administer the REMIF Health Plan.)

FISCAL IMPLICATIONS: CIRA to collect up to $300,000 from the REMIF Health Plan, already included in the DRAFT CIRA budget.

ATTACHMENTS: Refer to May 26, 2021 Board Agenda Packet

HUMAN RESOURCE DOCUMENTS FOR CIRA EMPLOYEES: ORGANIZATION CHART, EMPLOYEE HANDBOOK, SALARY SCHEDULE

SUMMARY: As part of the merger, staff examined the underlying Human Resources documents for each pool and worked in collaboration to create Human Resource documents for the CIRA employees. This agenda item is designed to address the Organization Chart, Employee Handbook, and Salary Schedule. The Board reviewed and approved these documents at the May 26, 2021 meeting.

RECOMMENDATION: Ratify.

DISCUSSION: Organization Chart

Organization charts are valuable tools in that they help outline the hierarchy within an organization and help indicate the relationships amongst individual employees. This helps employees understand who to report to and helps ensure tasks and responsibilities are properly distributed amongst the team. Staff created an organization chart for the seven CIRA employees, which outlines the reporting structure. Staff will report to the General Manager, and the General Manager will report to the Board of Directors.

Employee Handbook

The employee handbook is a valuable communication resource for both the employer and the employee. It helps provide guidance and information on CIRA's culture, mission and values, while communicating to employees what is expected. It also helps to educate employees about what they can expect from management and leadership, helps ensure policies are clearly and consistently communicated, helps to showcases the benefits offered, helps to ensure compliance with federal and state laws, helps defend against employee claims, and it is a resource where employees can turn for help.

CIRA's employee handbook was created from the Jackson & Lewis drafted document created for one of the former CIRA JPAs. It was updated by staff to reflect changes in DFEH laws, and it was updated to reflect changes as a result of the merger. This handbook is being presented as a DRAFT at this stage, and Jackson & Lewis will review the final DRAFT of the handbook to ensure legal compliance.

Salary Schedule

Pursuant to Title 2 of the California Code of Regulations, section 570.5, the CIRA salary schedule must be approved by the Board of Directors. The code states the Board of Directors must approve and adopt the pay schedule as a standalone document, detailing the pay rates for each agency position. The schedule must be publicly accessible and available for inspection

for at least 5 years. The schedule itself must also include the following: position title, base salary and salary range, the base for how pay is calculated (i.e., hourly, bi-weekly, etc.), and the effective date and dates of revisions, if any.

The CIRA salary schedule meets all requirements. In addition, the salary schedule is derivied from the REMIF and PARSAC existing salary schedule, with no changes made (to include inclusion of any increases for cost of living).

FISCAL IMPLICATIONS: No fiscal implications above already budgeted expenses.

ATTACHMENTS: Refer to May 26, 2021, Board Agenda Packet

HUMAN RESOURCES DOCUMENTS FOR CIRA EMPLOYEES: CIRA HEALTH PROGRAM FOR EMPLOYEES

SUMMARY: The CIRA Transition Committee has directed staff to move forward with acquiring health coverage for employees through the Special District Risk Management Authority (SDRMA). Accessing coverage through the SDRMA will allow CIRA to eliminate retiree healthcare benefits for employees hired post July 1, 2021. As part of the process, a resolution is needed to withdraw PARSAC from the CalPERS Health Program effective January 1, 2022. An additional resolution is required to enroll CIRA in the SDRMA Health Program, and the Program's Memorandum of Understanding must be adopted with coverage beginning January 1, 2022. The Board reviewed and approved the following at the May 26, 2021 meeting: 1) Resolution to withdraw PARSAC from the CalPERS Health Program; 2) Resolution to join SDRMA Health Program; 3) SDRMA Health Program Memorandum of Understanding.

RECOMMENDATION: Ratify.

DISCUSSION: At the last Board meeting, it was discussed that CIRA would not be able to eliminate employee retiree health benefits as desired for new employees through the CalPERS Health Program. One option discussed was for CIRA to remain with the CalPERS Health Program and add a vesting schedule for new employees, thereby decreasing CIRA's long-term obligation. Since that time, additional information has been received. CalPERS confirmed that for CIRA to continue to participate in the health program, not only would current employees be eligible for retiree benefits but all REMIF retirees would be eligible for health benefits as well. Both REMIF and PARSAC desire to keep the REMIF retirees separate from CIRA, allowing them to remain in the REMIF health plan. Staff reviewed various options and found that the PRISM (formerly CSAC) health plan offered through SDRMA closely matched the health benefits currently offered. The PRISM health plan allows CIRA to grandfather in retiree health benefits for current staff and eliminate retiree health benefits for new staff. At the last CIRA Transition Committee meeting, staff was directed to move forward with securing employee health benefits through SDRMA. As part of the process to withdraw PARSAC employees from the CalPERS Health Program, a resolution will need to be submitted to CalPERS to terminate coverage effective the new plan year beginning January 1, 2022. Health coverage for CIRA employees for July 1, 2021 – December 31, 2021, will continue through their current provider with the exception of the REMIF employee with Kaiser benefits. REMIF employee's with Kaiser coverage will be offered coverage through either COBRA or CalPERS health for the six month period. Health benefits coverage will begin through SDRMA for all employees of CIRA effective January 1, 2022.

FISCAL IMPLICATIONS: Cost increase, approximately $22,000, for current employees will be offset by eliminating long-term retiree health benefits.

ATTACHMENT: Refer to May 26, 2021, Board Agenda Packet

CIRA BUDGET VERSION # 4

SUMMARY: Presented is version # 4 of CIRA's budget for review. The budget has been revised to reflect updated contributions, excess insurance costs, and claims expense.

RECOMMENDATION: Approve the CIRA budget version #4.

DISCUSSION: The updated budget presented includes the 2020/21 PARSAC and REMIF budgets along with the projected CIRA 2021/22 budget. Also included is the CIRA 2021/22 budget by programs. Budgeted amounts for contributions, excess insurance, and claims expenses have been updated.

Liability insurance expense is budgeted at $6.55M with an increase of $1.2M from the earlier budgeted amounts. The increase is $2.2M from the prior year budget due to market conditions driven by increasing liability claims costs and increased estimated payroll for CIRA. The premiums shown are for coverage through PRISM.

Safety National Insurance and Gray Insurance were selected as the workers' compensation excess carriers. The premium is $2.5M, with an increase of 48% or $800,000 from the 2020/21 premiums. The increase in premium is due to payroll increases and pool SIR changes. Currently REMIF has a $750,000 SIR for non-safety and a $1,000,000 SIR for safety. For the upcoming fiscal year, the SIR will be $500,000.

The property program budget has been updated to anticipated costs of $6.3M an increase of $735,000 from the 2020/21 budget due to market changes and change in deductible. The REMIF members will see a larger increase due market changes and a decrease in deductible from $100,000 to $10,000. PRISM has been chosen as the property insurance carrier.

Staff is still waiting on final premiums for Cyber Liability and Crime Bond Premiums. The budgeted premiums are $120,000 and $455,000 respectively. In addition, we have received premium of $21,500 for Alliant Deadly Weapons Response Program (ADWRP) coverage and $45,000 for pollution coverage.

Claims expense has been updated to reflect actuarial projections with current estimated payroll. The projections show an increase of 21% to $8.1 for the liability program and a 10% decrease to $7.8M for workers' compensation claims. The projections are based on estimated payroll, loss history, and trending claims costs.

All other costs remain the same as the prior drafts of the CIRA budget. Total administrative and overhead costs are $2.3M including loss control costs with a decrease from the prior year budget of $167,000.

The changes in contributions are a reflection of the changes in excess insurance costs and claims expense. Currently, the overall increase in contributions is a 6% increase or $2.0M. The prior year combined budgets included net income of $2.5M which is not included in the CIRA budget. The proposed budget has been prepared as a balanced budget with zero net income allowing for a minimal increase in contributions.

FISCAL IMPLICATIONS: An increase from the current 2020/21 fiscal year budgeted costs of $4.3M. Program related excess and pass-through insurance costs increased $4.2M. Claims expense increased $500,000 accounting for a $4.7M increase with claims administration and administrative and overhead costs decreasing just under $400,000.

ATTACHMENT: 2021/22 CIRA Budget Version 4

CIRA
2021/22 Operating Budget - Final (Version 4)

	2020/21 PARSAC and REMIF Budget adjusted for costs associated with PARSAC and REMIF legacy claims, REMIF Health Program, and retiree benefits.			CIRA Budget	
	PARSAC	REMIF	Total Budget 2020/21	Budget	Budget Difference
	2020/21			2021/22	% Change
INCOME					
Member Contributions					
Liability Contributions	$ 9,417,296	$ 5,592,039	$ 15,009,335	$ 17,820,271	19%
Workers' Compensation Contributions	6,170,861	7,362,265	13,533,126	12,296,019	-9%
Property Contributions	2,766,736	3,307,316	6,074,052	6,370,287	5%
Pollution Coverage	12,000	-	12,000	45,000	275%
Crime Bond Premium	78,000	-	78,000	120,000	54%
Deadly Weapons Premium	-	-	-	21,500	New
Cyber Liability Premium			-	455,000	New
Auto Physical Damage	-	372,364	372,364	-	-100%
Total Member Contributions	18,444,893	16,633,984	35,078,877	37,128,077	6%
Misc Fees	-	104,400	104,400	-	-100%
TOTAL INCOME	18,444,893	16,738,384	35,183,277	37,128,077	6%
EXPENSE					
Excess Insurance					
Liability Insurance	3,149,467	1,170,000	4,319,467	6,551,561	52%
ERMA - EPL	1,346,595	-	1,346,595	1,477,204	10%
Pollution	12,000	-	12,000	45,000	275%
Auto Physical Damage	-	248,000	248,000	-	-100%
Workers Comp - Safety National/Gray Ins.	1,311,345	402,500	1,713,845	2,541,817	48%
Property Insurance - PRISM	2,713,070	2,823,997	5,537,067	6,271,290	13%
Deadly Weapons Coverage				21,500	New
Cyber Liability	-	-	-	455,000	New
Crime Bond Insurance	78,000	-	78,000	120,000	54%
Total Excess Insurance	8,610,477	4,644,497	13,254,974	17,483,372	32%
Claims Expense					
Liability Claims Expense					
Liability Claims Expense	3,657,736	2,998,451	6,656,187	8,065,591	21%
Liab Adm Fees	427,000	127,000	554,000	410,000	-26%
Sewer Consultant	15,000	-	15,000	15,000	0%
Total Liability Claims Expense	4,099,736	3,125,451	7,225,187	8,490,591	18%
Workers Compensation Claims Expense					
WC Claims Expense	3,605,157	5,134,690	8,739,847	7,840,417	-10%
WC Adm Fees	448,880	570,000	1,018,880	1,004,935	-1%
Total Workers Compensation Claims Exp	4,054,037	5,704,690	9,758,727	8,845,352	-9%
Total Claims Expense	8,153,773	8,830,141	16,983,914	17,335,943	2%
WC Self Insurance Fees	150,000	253,867	403,867		
WC self insurance fees alloacted to legacy claims	(150,000)	(253,867)	(403,867)	-	-100%
Total WC Self Insurance Fees	-	-	-	-	0%

CIRA
2021/22 Operating Budget - Final (Version 4)

	2020/21 PARSAC and REMIF Budget adjusted for costs associated with PARSAC and REMIF legacy claims, REMIF Health Program, and retiree benefits.			CIRA Budget	
	PARSAC	REMIF	Total Budget 2020/21	Budget	Budget Difference
	2020/21			2021/22	% Change
Payroll and Benefits					
Employee Salary	532,389	372,243	904,632	782,762	-13%
Accrued Vacation Expense	8,000	-	8,000	5,375	-33%
COLA Increase	-	-	-	-	0%
Performance Pay	3,500	-	3,500	-	-100%
Payroll Taxes PARSAC	8,505	23,000	31,505	14,068	-55%
Medical	130,000	92,703	222,703	142,918	-36%
Ancillary Benefits	16,500	5,035	21,535	10,502	-51%
PERS Retirement Cost	53,509	59,000	112,509	82,757	-26%
Unfunded Liability	26,072	230,000	256,072	118,539	
Salary & Benefits Allocated to REMIF Health Program '20/21	-	(187,427)	(187,427)	-	
Unfunded Liability Allocated to REMIF Health Program '20/21	(26,072)	(230,000)	(256,072)		
Total Payroll and Benefits	752,403	364,554	1,116,957	1,156,921	4%
Consultants					
Actuarial Liability Fee	18,700	10,609	29,309	14,500	-51%
Actuarial WC Fee	20,125	10,609	30,734	14,500	-53%
Actuarial - OPEB	7,000	10,000	17,000	7,500	-56%
Claims Audit	-	25,000	25,000	-	-100%
Computer Consultant	12,000	5,305	17,305	4,600	-73%
Web Development	2,500	5,000	7,500	6,000	-20%
Legal- General	50,000	35,000	85,000	45,000	-47%
Financial Audit/Accounting	26,500	28,000	54,500	20,000	-63%
Finance Manager	-	99,225	99,225	2,500	-97%
Consultants Liab Other	7,500	-	7,500	-	-100%
Consultants WC Other	7,500	-	7,500	-	-100%
Consultants Allocated to REMIF Health Program '20/21	-	(58,665)	(58,665)	-	
Total Consultants	151,825	170,083	321,908	114,600	-64%
Safety & Loss Control					
New Member Audit	2,500	-	2,500	-	-100%
On-line Training	12,000	-	12,000	20,000	67%
OccuMed	-	9,000	9,000	-	-100%
DOT (Pass-Through)	-	11,430	11,430	-	-100%
Safety/MSDS (Pass-Through)	-	63,860	63,860	-	-100%
Group Legal (Pass-Through)	-	10,040	10,040	-	-100%
DKF Solutions	-	68,600	68,600	-	-100%
Acceptable Risk	-	24,000	24,000	-	-100%
Marines	-	10,000	10,000	-	-100%
Lexipol	80,000	53,500	133,500	215,000	61%
EPL Consortium	-	47,616	47,616	125,000	163%
E-Certs	-	-	-	1,500	New
WaiverSign	1,000	-	1,000	2,000	100%

CIRA
2021/22 Operating Budget - Final (Version 4)

	2020/21 PARSAC and REMIF Budget adjusted for costs associated with PARSAC and REMIF legacy claims, REMIF Health Program, and retiree benefits.			CIRA Budget	
	PARSAC	REMIF	Total Budget 2020/21	Budget	Budget Difference
	2020/21			2021/22	% Change
Safety/BLR/Powtoons (Tableau PY Only)	3,922	-	3,922	2,000	-49%
Simple But Needed	7,500	-	7,500	10,000	33%
Misc Loss Control	7,578	5,733	13,311	5,000	-62%
Annual Academy	15,000	-	15,000	15,000	0%
RM 101	5,000	-	5,000	-	-100%
Conference Reimbursements	-	81,000	81,000	-	-100%
Workshops	-	36,500	36,500	36,500	0%
Grant Program	152,500	-	152,500	175,000	15%
Rent a Risk Manager	-	-	-	140,000	New
Total Safety & Loss Control	287,000	421,279	708,279	747,000	5%
General and Administrative					
Advertising & Promotion	6,000	-	6,000	6,000	0%
Bank Service Fee	5,000	7,000	12,000	3,500	-71%
Capital Expenditures - Expensed	10,000	-	10,000	-	-100%
Computer Cost (Software)	4,000	43,150	47,150	11,275	-76%
Contingency/Misc. Expense	15,000	6,500	21,500	10,000	-53%
Copier Maintenance	7,500	5,000	12,500	10,000	-20%
Dues	5,000	2,000	7,000	5,000	-29%
Employee WC Insurance	23,000	-	23,000	20,250	-12%
Insurance Liability Office	12,000	-	12,000	12,600	5%
Office Expense	8,000	13,000	21,000	10,000	-52%
Payroll Service	2,000	19,096	21,096	1,000	-95%
Postage & Express Mail	3,000	1,200	4,200	2,500	-40%
Printing	4,000	-	4,000	4,000	0%
Rent/Equipment Lease	-	5,000	5,000	-	-100%
Telecommunications	8,500	13,000	21,500	15,050	-30%
'20/21. Includes Travel, Board Exp, and some Building Costs	-	(94,645)	(94,645)	-	
Total General and Administrative	113,000	20,301	133,301	111,175	-17%
Staff Travel and Training					
Staff-Educ & Training	5,000	-	5,000	5,000	0%
Staff-Travel Cost	15,000	15,000	30,000	30,000	0%
Staff - Car Allowance	6,000	-	6,000	6,000	0%
Total Staff Travel and Training	26,000	15,000	41,000	41,000	0%
Board Expenses					
Board Directors- Travel & Meetings	60,000	30,000	90,000	60,000	-33%
Total Board Expenses	60,000	30,000	90,000	60,000	-33%
Building Maintenance					
Utilities	16,350	11,025	27,375	23,755	-13%
Building Repairs	15,000	41,500	56,500	42,880	-24%
Janitorial Service	9,500		9,500	9,500	0%
Landscaping Service	6,000		6,000	6,000	0%

CIRA
2021/22 Operating Budget - Final (Version 4)

	2020/21 PARSAC and REMIF Budget adjusted for costs associated with PARSAC and REMIF legacy claims, REMIF Health Program, and retiree benefits.			CIRA Budget	
	PARSAC	REMIF	Total Budget 2020/21	Budget	Budget Difference
	2020/21			2021/22	% Change
Pest Control	700		700	700	0%
Security/Alarm	600		600	600	0%
Property Taxes	11,500	9,000	20,500	17,545	-14%
Insurance - Property (Office)	10,000	5,000	15,000	13,360	-11%
Total Building Expenses	69,650	66,525	136,175	114,340	-16%
TOTAL EXPENSE	18,224,128	14,562,380	32,786,508	37,164,351	13%
Total Operating Income	220,765	2,176,004	2,396,769	(36,274)	
Other Expenses					
Rental Income	-	71,300	71,300	36,275	-49%
Investment Income	830,066	100,000	930,066	-	-100%
Investments Allocated to REMIF Health Program '20/21 and Legacy Claims	(775,550)	(75,000)	(850,550)	-	
Investment Consultants	(54,516)	(25,000)	(79,516)	-	-100%
Total Investment Income	-	-	-	36,275	
Total Other Income/(Expense)	-	71,300	71,300	36,275	-49%
NET INCOME	$ 220,765	$ 2,247,304	$ 2,468,069	$ (0)	
Rate Stabilization/Special Events Credits	(652,223)	-	(652,223)		
Capital Replacement Fund	(20,000)	-	(20,000)		
Depreciation	(30,000)	-	(30,000)		
Excess Dividend Received	149,723	-	149,723		
Health Program Contributions (Direct Costs)	-	15,679,588	15,679,588		
Health Program Expenses (Direct Costs)	-	(15,667,238)	(15,667,238)		
Total Adjusted for Health Program and Legacy Claims	(176,815)	(815,604)	(992,419)		
Adjust for Investment Income Allocated to Health Program and Legacy Claims.	775,550	75,000	850,550		
Retiree Benefits	-	(182,500)	(182,500)		
EAP	-	(57,090)	(57,090)		
Net Income Per 20/21 Budgets	$ 267,000	$ 1,279,460	$ 1,546,460		

CIRA
2021/22 Operating Budget by Programs - Final (Version 4)

	Liability	Work Comp	Pass-thru Coverages Including Property, Crime, Cyber, AWDW	CIRA 2021/22 Budget
INCOME				
Member Contributions				
Liability Contributions	$ 17,820,271.00	$ -	$ -	$ 17,820,271.00
Workers' Compensation Contributions	-	12,296,019	-	12,296,019
Property Contributions	-	-	6,370,287	6,370,287
Pollution Coverage			45,000	
Crime Bond Premium	-	-	120,000	120,000
Deadly Weapons Premium			21,500	
Cyber Liability Premium			455,000	
Total Member Contributions	17,820,271	12,296,019	7,011,787	37,128,077
Misc Fees	-	-	-	-
TOTAL INCOME	**17,820,271**	**12,296,019**	**7,011,787**	**37,128,077**
EXPENSE				
Excess Insurance				
Liability Insurance	6,551,561	-	-	6,551,561
ERMA - EPL	1,477,204	-	-	1,477,204
Pollution	-	-	45,000	45,000
Workers Comp - Safety National/Gray Ins.	-	2,541,817	-	2,541,817
Property Insurance - PRISM	-		6,271,290	6,271,290
Deadly Weapons Coverage			21,500	21,500
Cyber Liability			455,000	455,000
Crime Bond Insurance	-		120,000	120,000
Total Excess Insurance	8,028,765	2,541,817	6,912,790	17,483,372
Claims Expense				
Liability Claims Expense				
Liability Claims Expense	8,065,591	-	-	8,065,591
Liab Adm Fees	410,000	-	-	410,000
Sewer Consultant	15,000	-	-	15,000
Total Liability Claims Expense	8,490,591	-	-	8,490,591
Workers Compensation Claims Expense				
WC Claims Expense	-	7,840,417	-	7,840,417
WC Adm Fees	-	1,004,935	-	1,004,935
Total Workers Compensation Claims Exp	-	8,845,352	-	8,845,352
Total Claims Expense	8,490,591	8,845,352	-	17,335,943
WC Self Insurance Fees				
Payroll and Benefits				
Employee Salary	383,553	344,415	54,793	782,762
Accrued Vacation Expense	2,634	2,365	376	5,375
Payroll Taxes PARSAC	6,893	6,190	985	14,068
Medical	70,030	62,884	10,004	142,918
Ancillary Benefits	5,146	4,621	735	10,502
PERS Retirement Cost	40,551	36,413	5,793	82,757
Unfunded Liability	50,196	68,343	-	118,539

CIRA
2021/22 Operating Budget by Programs - Final (Version 4)

	Liability	Work Comp	Pass-thru Coverages Including Property, Crime, Cyber, AWDW	CIRA 2021/22 Budget
Total Payroll and Benefits	559,003	525,231	72,686	1,156,921
Consultants				
Actuarial Liability Fee	-	14,500	-	14,500
Actuarial WC Fee	14,500	-	-	14,500
Actuarial - OPEB	3,675	3,300	525	7,500
Computer Consultant	2,254	2,024	322	4,600
Web Development	2,940	2,640	420	6,000
Legal- General	22,050	19,800	3,150	45,000
Financial Audit/Accounting	9,800	8,800	1,400	20,000
Finance Manager	1,225	1,100	175	2,500
Consultants Liab Other	-	-	-	-
Consultants WC Other	-	-	-	-
Total Consultants	56,444	52,164	5,992	114,600
Safety & Loss Control				
On-line Training	10,000	10,000	-	20,000
Lexipol	215,000	-	-	215,000
EPL Consortium	125,000	-	-	125,000
E-Certs	1,500	-	-	1,500
WaiverSign	2,000	-	-	2,000
Safety/BLR/Powtoons (Tableau PY Only)	1,000	1,000	-	2,000
Simple But Needed	3,000	7,000	-	10,000
Misc Loss Control	2,500	2,500	-	5,000
Annual Academy	7,500	7,500	-	15,000
Workshops	18,250	18,250	-	36,500
Grant Program	87,500	87,500	-	175,000
Rent a Risk Manager	70,000	70,000	-	140,000
Total Safety & Loss Control	543,250	203,750	-	747,000
General and Administrative				-
Advertising & Promotion	2,940	2,640	420	6,000
Bank Service Fee	1,715	1,540	245	3,500
Computer Cost (Software)	5,525	4,961	789	11,275
Contingency/Misc. Expense	4,900	4,400	700	10,000
Copier Maintenance	4,900	4,400	700	10,000
Dues	2,450	2,200	350	5,000
Employee WC Insurance	9,923	8,910	1,417	20,250
Insurance Liability Office	6,174	5,544	882	12,600
Office Expense	4,900	4,400	700	10,000
Payroll Service	490	440	70	1,000
Postage & Express Mail	1,225	1,100	175	2,500
Printing	1,960	1,760	280	4,000
Telecommunications	7,375	6,622	1,053	15,050
Total General and Administrative	54,477	48,917	7,781	111,175
Staff Travel and Training				-
Staff-Educ & Training	2,450	2,200	350	5,000
Staff-Travel Cost	14,700	13,200	2,100	30,000

CIRA
2021/22 Operating Budget by Programs - Final (Version 4)

	Liability	Work Comp	Pass-thru Coverages Including Property, Crime, Cyber, AWDW	CIRA 2021/22 Budget
Staff - Car Allowance	2,940	2,640	420	6,000
Total Staff Travel and Training	20,090	18,040	2,870	41,000
Board Expenses				
Board Directors- Travel & Meetings	29,400	26,400	4,200	60,000
Total Board Expenses	29,400	26,400	4,200	60,000
Building Maintenance				
Utilities	11,640	10,452	1,663	23,755
Building Repairs	21,011	18,867	3,002	42,880
Janitorial Service	4,655	4,180	665	9,500
Landscaping Service	2,940	2,640	420	6,000
Pest Control	343	308	49	700
Security/Alarm	294	264	42	600
Property Taxes	8,597	7,720	1,228	17,545
Insurance - Property (Office)	6,546	5,878	936	13,360
Total Building Expenses	56,026	50,309	8,005	114,340
				-
TOTAL EXPENSE	17,838,046	12,311,980	7,014,324	37,164,351
Total Operating Income	(17,775)	(15,961)	(2,538)	(36,274)
Other Expenses				
Rental Income	17,775	15,961	2,539	36,275
Investment Income	-	-	-	-
Total Investment Income	-	-	-	-
				-
Total Other Income/(Expense)	17,775	15,961	2,539	36,275
NET INCOME	$ -	$ -	$ -	$ -

EXCESS GENERAL LIABILITY COVERAGE FOR CIRA

SUMMARY: At the May 26, 2021, Board of Directors meeting, the Board gave the Transition Committee the authority to select a general liability excess pool and authorize the General Manager to effectuate the Transition Committee's decision. The Committee considered three options, California Joint Powers Risk Management Authority (CJPRMA), California Affiliated Risk Management Authority (CARMA) and Public Risk Innovations, Solutions and Management (PRISM, formerly CSAC). The Committee selected PRISM based on overall coverage, pricing, and flexibility regarding membership commitment. The market is unsettled and PRISM's one year membership commitment (CJPRMA and CARMA require 3-year membership) allows staff to continue to review excess options over the next couple of years while the market stabilizes and return to some level of normality.

CIRA's estimated annual 2021-22 PRISM premium is $6,551,561 and will provide $40 million per occurrence general liability limits. The PRISM rate per $100 of payroll is $1.61, compared to the combined rate of $1.19 this year for PARSAC and REMIF (2020/21 premium is $4,441,467). This is a 35% rate increase from the current year.

RECOMMENDATION: Approve participation in the PRISM GL1 Program for the 2021-2022 program year and reassess options for the following program year.

DISCUSSION: Over the last year, the Board has received information on each of the excess pools programs, including their financial health, membership, governance and coverage exclusions and sub-limits. This information is available on page 438 of the May 26, 2021 Board agenda.

Staff has prepared the following new information for the Transition Committee's discussion:

- Summary of Pros and Cons of Excess Pools
- Estimated Premiums

Summary of Pros and Cons of Excess Pools

Based on prior presentations and Transition Committee discussion, staff has developed a matrix with the various pros and cons of each of the pools being considered.

	Pros	Cons
PRISM	➢ Fully staffed claims team. ➢ Leverage larger size for broader services and lower costs. ➢ Broadest coverage form of the three pools ➢ 1 year commitment with 60 day notice of withdrawal ➢ Broad range of risk control training and services	➢ Governance participation is limited ➢ Share risks with non-municipal agencies (counties, school districts) ➢ Not as well funded as others ➢ Excludes subsidence coverage

CJPRMA	➢ Positive equity position with improvement plan in place ➢ Membership of JPAs and individual municipalities ➢ Representation on Board with equal voting ➢ Risk control services and trainings	➢ Expected future funding increases due to increasing confidence level to 80% ➢ Members not experienced rated ➢ 3 year commitment with 6 month notice of withdrawal ➢ Excludes inverse condemnation coverage
CARMA	➢ Best financial position of the three pools ➢ Membership is pool of pools ➢ Representation on Board with equal voting ➢ Established 80% confidence level over last 10 years	➢ Limited risk control support ➢ EPL coverage not provided ➢ 3 year commitment with 6 month notice of withdrawal

Estimated Excess GL Premiums

Each of the pools provided their latest estimates with coverage limits up to $40 million. The structure, or tower, of each pool is quite different, with excess pool self-insured retentions ranging from $5 million to $15 million. As each pool is providing $40M in coverage limits, estimated premiums are closer to an "apples to apples" comparison, but differences in confidence levels and policy aggregates should also be taken into consideration. CARMA's estimate is the highest at $7.4M and does not take into account that CIRA would need to purchase additional EPL excess coverage at an estimated cost of $200,000.

	Coverage Limit	Primary Pool Layer	Confidence Level	Estimated Premium	Rate per $100 Payroll
PRISM	$40M	$5M	80%	$6.55M	$1.620
CJPRMA	$40M	$7.5M	75%*	$6.61M	$1.736
CARMA	$29.5M	$15M	80%	$7.5M	$1.940

*Estimated cost to increase to 80% confidence level is $461,000 ($7.0M total)

The Transition Committee was given the authority to select a general liability excess pool and authorize the General Manager to effectuate the Transition Committee's decision. The Transition Committee selected PRISM based on overall coverage, pricing, and flexibility regarding membership commitment.

FISCAL IMPLICATIONS: Draft CIRA budget includes $5,300,000 for excess general liability costs and will be updated to reflect increased premium.

ATTACHMENT: CIRA 2021/22 Liability Premium Spreadsheet

California Intergovernmental Risk Authority - Liability

Fiscal Year 2021-22 Funding - Discounted 80% Confidence Level - $1M SIR

Member	Deductible (A)	Discounted Base Rate (B)	Deductible Discount (C)	Xmod (D)	2021-22 Payroll (00) (E)	Discounted 80% CL Losses (F)	Balance Discounted 80% CL Losses (G)	Claims Admin Funding (H)	Pooled General and Administrative Expenses (I)	Pooled Excess Insurance Premiums (J)	PARSAC Unfunded Pension Liability (K)	REMIF Unfunded Pension Liability (L)	80% CL EPL Funding (M)	EPL Excess Insurance Premiums (N)	80% CL Pooled Total Funding (O)
Amador City	$10,000	$2.772	0.855	0.970	350	805	$7,296	$50	$154	$563	$3	$0	$165	$109	$8,341
Arcata	5,000	2.772	0.908	1.104	100,042	277,945	255,582	9,850	30,337	101,759	0	2,243	42,473	22,823	465,068
Avalon	25,000	2.772	0.746	1.531	52,500	166,256	163,057	13,086	40,307	124,599	$904	0	28,507	27,585	398,045
Belvedere	25,000	2.772	0.746	0.916	26,380	50,006	54,726	4,519	13,919	59,109	$312	0	8,574	11,727	152,887
Blue Lake	5,000	2.772	0.908	1.003	5,039	12,715	12,473	1,139	3,507	10,884	$79	0	2,181	2,410	32,671
California City	100,000	2.772	0.479	1.173	71,361	111,148	109,760	9,220	28,399	169,964	$637	0	19,004	37,628	374,611
Calimesa	10,000	2.772	0.855	0.981	26,981	62,739	48,596	3,955	12,181	46,027	$273	0	10,778	12,927	134,738
Calistoga	10,000	2.772	0.855	0.744	57,027	100,546	98,801	7,848	24,171	122,163	$542	0	17,273	27,045	297,844
Citrus Heights	100,000	2.772	0.479	0.841	180,000	200,975	234,169	19,543	60,192	392,510	$1,350	0	34,253	72,704	814,720
Clearlake	50,000	2.772	0.621	1.003	47,728	82,441	80,290	6,648	20,477	105,048	$459	0	14,037	23,256	250,217
Cloverdale	5,000	2.772	0.908	1.121	43,120	121,682	115,515	4,452	13,711	45,992	0	1,014	19,384	10,416	210,484
Coalinga	25,000	2.772	0.746	1.057	69,253	151,354	148,443	11,927	36,735	166,757	$824	0	25,952	36,918	427,556
Cotati	5,000	2.772	0.908	1.162	40,415	118,132	111,580	4,300	13,244	44,425	0	979	18,543	9,964	203,036
Eureka	25,000	2.772	0.746	1.014	161,512	338,580	434,490	16,744	51,573	172,990	0	3,813	72,205	38,800	790,615
Ferndale	5,000	2.772	0.908	0.970	6,934	16,934	16,612	1,466	4,515	14,779	$101	0	2,904	3,272	43,650
Fort Bragg	5,000	2.772	0.908	0.805	40,898	82,852	112,007	4,317	13,295	44,595	0	983	18,614	10,002	203,813
Fortuna	5,000	2.772	0.908	0.805	54,682	110,776	137,390	5,295	16,308	54,701	0	1,206	22,832	12,269	250,000
Grass Valley	25,000	2.772	0.746	1.553	71,250	228,811	224,409	17,827	54,909	139,125	$1,231	0	39,234	30,801	507,536
Healdsburg	5,000	2.772	0.908	0.863	166,448	361,281	393,791	15,176	46,742	156,786	0	3,456	60,726	32,632	709,310
Highland	100,000	2.772	0.479	1.866	33,647	83,376	78,637	6,656	20,502	62,800	$460	0	14,256	14,557	197,868
Lakeport	10,000	2.772	0.855	1.300	35,481	109,271	169,222	6,521	20,086	67,375	0	1,485	27,354	14,699	306,743
Menifee	150,000	2.772	0.385	1.584	183,157	309,696	298,089	25,690	79,127	329,423	$1,775	0	51,611	72,931	858,645
Nevada City	25,000	2.772	0.746	0.981	28,021	56,866	55,773	4,561	14,050	54,181	$315	0	9,751	11,995	150,626
Placentia	100,000	2.772	0.479	0.744	172,528	170,406	163,841	11,762	36,227	307,376	$812	0	29,043	68,996	618,056
Placerville	50,000	2.772	0.621	1.350	69,291	161,139	178,792	14,525	44,738	150,983	$1,003	0	27,525	29,721	447,287
Plymouth	5,000	2.772	0.908	1.003	6,600	16,655	16,339	1,460	4,498	14,315	$101	0	2,856	3,169	42,738
Point Arena	5,000	2.772	0.908	1.572	2,950	11,667	11,594	1,067	3,286	6,459	$74	0	2,007	1,430	25,918
Rancho Cucamonga	500,000	2.772	0.150	0.615	325,123	83,083	78,065	5,604	17,261	575,731	$387	0	14,173	132,361	823,583
Rancho Cucamonga FD	250,000	2.772	0.250	0.500	201,502	69,820	49,819	3,576	11,015	275,727	$247	0	11,363	80,416	432,164
Rancho Santa Margarita	10,000	2.772	0.855	0.852	26,829	54,159	51,757	4,198	12,931	55,250	$290	0	9,304	12,577	146,308
Rohnert Park	100,000	2.772	0.479	1.639	226,402	492,606	403,992	15,569	47,953	160,848	0	3,546	67,792	36,428	736,127
San Juan Bautista	5,000	2.772	0.908	0.970	8,800	21,490	19,869	1,711	5,269	16,277	$118	0	3,686	3,824	50,753
Sebastopol	5,000	2.772	0.908	1.488	51,786	193,912	233,370	8,994	27,701	92,915	0	2,048	34,656	18,623	418,307
Sierra Madre	25,000	2.772	0.746	1.609	62,192	206,980	219,972	12,855	39,594	100,063	$888	0	23,197	26,223	422,792
Sonoma	5,000	2.772	0.908	0.978	34,177	84,072	191,845	7,393	22,772	76,382	0	1,684	31,881	17,132	349,089
South Lake Tahoe	250,000	2.772	0.250	0.819	215,138	122,171	113,365	10,862	33,456	392,825	$750	0	19,820	86,967	658,046
St. Helena	10,000	2.772	0.855	0.787	77,001	143,634	143,572	5,533	17,042	57,163	0	1,260	24,092	12,946	261,607
Tehama	5,000	2.772	0.908	1.051	720	1,905	1,708	355	1,092	1,188	$24	0	328	291	4,986
Trinidad	5,000	2.772	0.908	0.981	3,570	8,815	8,647	848	2,613	7,669	$59	0	1,512	1,698	23,046
Truckee	50,000	2.772	0.621	0.636	134,682	147,585	128,661	9,236	28,448	227,021	$638	0	25,129	56,148	475,281
Twentynine Palms	10,000	2.772	0.855	1.599	26,750	101,385	93,261	7,402	22,798	57,073	$511	0	17,473	13,673	212,191
Ukiah	25,000	2.772	0.746	0.805	204,802	340,998	405,836	15,640	48,172	161,582	0	3,562	68,010	36,545	739,348
Watsonville	500,000	2.772	0.150	0.916	405,720	154,609	150,858	16,313	50,245	788,095	$1,127	0	26,375	174,476	1,207,488
Wheatland	5,000	2.772	0.908	0.960	17,240	41,633	40,842	3,349	10,315	37,206	$231	0	7,140	8,237	107,321
Wildomar	5,000	2.772	0.908	1.046	31,224	82,182	37,010	3,005	9,255	29,253	$208	0	14,095	14,108	106,934
Willits	5,000	2.772	0.908	1.477	35,776	132,994	184,749	7,120	21,929	73,557	0	1,621	31,002	16,659	336,637
Windsor	10,000	2.772	0.855	0.989	101,083	236,922	359,467	13,853	42,668	143,120	0	3,155	59,737	32,100	654,102
Yountville	10,000	2.772	0.855	0.841	38,859	77,451	76,107	6,114	18,832	88,582	$422	0	13,306	19,611	222,975
Yucaipa	50,000	2.772	0.621	1.283	54,071	119,507	113,177	8,125	25,024	97,383	$561	0	20,348	22,171	286,790
Yucca Valley	100,000	2.772	0.479	1.326	34,970	61,571	71,410	6,098	18,782	70,962	$421	0	10,494	13,205	191,372
All Current Members					$4,072,010	$6,494,539	$6,908,633	$403,358	$1,242,358	$6,551,561	$18,140	$32,056	$1,156,958	$1,477,204	$17,790,268
Pacific Grove							0	1,705	5,251	0	0	0	0	0	6,956
West Hollywood							0	4,937	15,205	0	0	0	0	0	20,142
All Members							$6,908,633	$410,000	$1,262,814	$6,551,561	$18,140	$32,056	$1,156,958	$1,477,204	$17,817,366

LIABILITY MEMORANDUM OF COVERAGE

SUMMARY: The Transition Committee adopted a new Memorandum of Coverage (MOC) for the Liability program, which aligns with PRISM's excess coverage document. The majority of changes to the MOC do not significantly alter coverage provided to CIRA members. The most significant change is REMIF members will now have excess coverage for inverse condemnation (limited to physical damage to tangible property), but lose excess subsidence coverage.

RECOMMENDATION: Approve the Liability MOC and Transit Exclusion Endorsement for Sierra Madre.

DISCUSSION: CIRA's coverage counsel, Doug Alliston, completed a detailed coverage analysis between PARSAC's and REMIF's previous liability coverage forms. The drafted MOC was based on both pool's prior coverage document. Although the coverage documents are structured similarly and the coverage is similar as well, there are notable and important exceptions, as discussed previously with the Transition Committee and the CIRA Board of Directors.

Since the Transition Committee selected PRISM for excess liability coverage, the MOC has been modified to ensure it follows form with PRISM's coverage document.

An endorsement to the MOC is also submitted for review and approval. CIRA's newest member, Sierra Madre, maintains a bus system that falls within CIRA's and PRISM's fixed route transit exclusion. Although the service is similar to a shuttle service, (free service that goes around in a loop) the buses stop a fixed locations throughout the City. The busses are less than 30 passengers, and the exposure does not pose a significant risk to the pool. Staff recommends the Board approve the attached endorsement to the fixed route transit exclusion and cover this exposure.

FISCAL IMPLICATIONS: None

ATTACHMENTS: DRAFT Liability MOC, with PRISM excess liability partner, and proposed transit endorsement for Sierra Madre.

LIABILITY
MEMORANDUM OF COVERAGE
FOR
CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY

CIRA

Effective July 1, 2021 to June 30, 2022

MEMORANDUM OF COVERAGE
FOR THE
CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY
(CIRA)

This Memorandum of Coverage does not provide insurance, but instead provides for pooled risk sharing. This **Memorandum** is a negotiated agreement among the **Members** of the **Authority** and no party to the **Memorandum** is entitled to rely on any contract interpretation principles which require interpretation of ambiguous language against the drafter of such **Memorandum**. This **Memorandum** shall be applied according to the principles of contract law, giving full effect to the intent of the **Members** of the **Authority**, acting through the Board of Directors in adopting this Memorandum of Coverage.

Throughout this **Memorandum**, words and phrases that appear in boldface have special meanings as provided in Section VII – Definitions.

In consideration of the payment of the contribution deposit, the **Authority** agrees with the **Members** as follows:

SECTION I – LIABILITY COVERAGE AGREEMENT

The **Authority** will pay **Ultimate Net Loss** in excess of the **Retained Limit** that the **Covered Party** shall become obligated to pay by reason of **Tort Liability** imposed by law or assumed in a **Covered Contract** because of **Bodily Injury**, **Property Damage**, **Personal Injury**, **Employment Practices**, or **Public Officials Errors or Omissions**, if caused by an **Occurrence** to which this **Memorandum** applies.

SECTION II—DEFENSE AND SETTLEMENT

A. Defense. For any **Claim** that creates the potential for the recovery of **Damages** to which this **Memorandum** applies, the Authority shall have the duty to pay **Defense Costs** upon satisfaction of the **Retained Limit**. The **Authority** shall have the right to defend any such **Claim** or **Suit** against a **Covered Party** if the final judgment or settlement is likely to result in an **Ultimate Net Loss** in excess of the **Retained Limit**. The **Authority** shall have no obligation to defend or contribute to the defense of uncovered **Claims**, including uncovered **Claims** contained in a suit that contains covered **Claims**. If the **Authority** advances **Defense Costs** within the **Retained Limit**, the **Covered Party** shall promptly reimburse the **Authority** upon request.

B. Selection and Assignment of Defense Counsel.

1. With respect to any potentially covered **Claim** or **Suit**, the **Authority** shall select and assign counsel to defend the **Covered Party(s)**. The **Authority** will consider the wishes of a **Covered Party** with respect to the assignment of counsel, but the **Authority** retains the sole right to make the assignment of counsel. If the **Covered Party** refuses to be defended by the counsel assigned by the **Authority**, then this **Memorandum** shall not provide any defense or indemnity to such **Covered Party**

for such **Claim**, and the **Authority** shall not be required to contribute to any **Defense Costs**, settlement or judgment arising from such **Claim**.

2. A **Covered Party** may select as its defense counsel the in-house City or Town Attorney directly employed as such by the **Member**. For purposes of this provision, in-house City or Town Attorney shall not include any outside counsel contracted to act as a City or Town Attorney by the **Member** or any outside counsel contracted by the **Covered Party** to act as counsel for any **Claim**. In the event that a **Covered Party** selects the in-house City or Town Attorney to defend any **Claim**, the **Authority** shall not be required to contribute to any **Defense Costs** arising from such **Claim** or **Suit**, and any **Defense Costs** arising from such **Claim** or **Suit**, or sums incurred by the **Member** for salaries, fees, benefits, or costs of any nature of the in-house counsel shall not apply toward satisfaction of the **Retained Limit**. Notwithstanding the foregoing, and subject to the **Authority's** review and approval, with respect to any covered **Claim** or **Suit** where the **Retained Limit** is $350,000 or higher, the **Covered Party** may select as its defense counsel outside counsel contracted by the **Member** to act as the City or Town Attorney, but only if the outside counsel has demonstrated experience with the subject matter of the **Claim**. If as the result of the **Authority's** review of the defense counsel's performance on the **Claim** or **Suit**, the **Authority** withdraws its approval of such counsel, then counsel shall be determined and assigned as provided in paragraph 1, regardless of the **Member's Retained Limit**.

3. With respect to the defense of any covered **Claim** or **Suit** against a **Member** for **Tort Liability** assumed in a **Covered Contract**, the **Authority** shall select and assign counsel to defend such parties identified in the **Covered Contract**. The **Authority** shall select counsel from a list of Panel Counsel established by the **Authority**. The **Authority** will consider the wishes of a **Covered Party** with respect to the assignment of counsel, but the **Authority** retains the sole right to make the assignment of counsel. In the event of a *disagreement regarding the assignment of counsel, the **Covered Party** retains the right to appeal to the Board of Directors, whose decision shall be final*. If either the **Covered Party** or the party identified in the **Covered Contract** refuses to have such party(s) be defended by the counsel assigned by the **Authority**, then the obligation of the **Authority** to contribute to **Defense Costs** arising from such **Claim** or **Suit** shall be limited to such amounts as would be incurred if counsel selected from the Panel Counsel list were assigned the defense of such **Claim** or **Suit**.

C. *Termination of Authority's Obligation.* The **Authority**'s obligation to defend and/or cover any **Claim** shall cease after the **Coverage Limit** stated in Section V has been exhausted by payment of settlement(s), judgment(s) and/or **Defense Costs**.

D. *Settlement.* No **Claim** shall be settled for an amount in excess of the **Retained Limit** without the prior written consent of the **Authority** and the **Authority** shall not be required to contribute to any settlement to which it has not consented.

If the **Member**'s **Retained Limit** has already been expended the **Authority** shall have the sole discretion to control the defense and settlement of the **Claim**. Any such decision to settle shall be final.

If the **Member**'s **Retained Limit** has not been expended (i.e., the **Member** will have to contribute funds to effectuate the settlement), then the consent of the **Member** to any

settlement shall be required. If, however, the **Member** refuses to consent to any settlement or compromise recommended by the Authority or its Claim Administrator and elects instead to continue to contest the **Claim**, then the **Authority**'s liability shall not exceed the amount for which the **Authority** would have been able to settle the **Claim** plus **Defense Costs** at the time the **Claim** could have been settled or compromised.

SECTION III—COVERAGE LIMIT

A. The Limit of Coverage shown in **Cover Page** and the rules below determine the most the **Authority** will pay, inclusive of **Defense Costs**, regardless of the number of:

   1. **Covered Parties;**

   2. **Occurrences;**

   3. **Claims** made or **Suits** brought; or

   4. Persons or organizations that sustain injuries or **Damages.**

B. The **Authority** shall pay only for **Ultimate Net Loss** in excess of the **Retained Limit**.

C. The Limit of Coverage stated in the **Cover Page** is the most the **Authority** will pay for **Ultimate Net Loss** as respects the sum of **Damages** and **Defense Costs** arising out of any one **Occurrence.**

D. In determining the Limit of Coverage, all injury or damage arising out of exposure to substantially the same general condition(s) shall be considered as arising out of one **Occurrence**.

E. Any loss of use of tangible property not physically injured or destroyed shall be deemed to occur at the time of the **Occurrence** that caused such loss of use. Any other injury or damage occurring or alleged to have occurred over more than one coverage period shall be deemed to have occurred during the coverage period when the **Occurrence** begins, and only the **Limit of Coverage** for that coverage period shall apply.

SECTION IV—COVERAGE PERIOD AND TERRITORY

This **Memorandum** applies to **Bodily Injury, Property Damage, Personal Injury**, **Employment Practices**, or **Public Officials Errors or Omissions** that occur anywhere in the world during the **Coverage Period**.

SECTION V—EXCLUSIONS

This **Memorandum**, including any obligation to defend or to pay **Defense Costs**, is subject to the following exclusions:

A. *Additional Covered Party*. This **Memorandum** does not apply to **Claims** arising out of the active or sole negligence of an **Additional Covered Party**. Also, no **Additional Covered Party** is covered for **Claims** by another **Covered Party**.

B. *Aircraft or Airport Operations*. This **Memorandum** does not apply to **Claims** arising out of the ownership, operation, use or maintenance of any **Aircraft** or **Airport** owned by a **Covered Party.** However, this exclusion does not apply to claims arising out of the ownership, operation, use or maintenance of any **Unmanned Aerial Vehicle (UAV)** that is owned or operated by or on behalf of any **Member**.

C. *Antitrust or Restraint of Trade*. This **Memorandum** does not apply to **Claims** arising out of violation of state or federal antitrust or restraint-of-trade laws.

D. *Bounce House.* This **Memorandum** does not apply to **Claims** arising out of the ownership, maintenance, or use of any inflatable rebound device or equipment.

E. *Breach of Contract*. This **Memorandum** does not apply to **Claims** arising out of failure to perform, or breach of, a contractual obligation.

F. *Contractual Liability*. This **Memorandum** does not apply to **Claims** arising out of the **Covered Party's** assumption of **Tort Liability** in a written agreement or contract, but this exclusion does not apply to liability assumed in a **Covered Contract** if the **Damages** occur subsequent to the execution of the **Covered Contract**.

G. *Dam Failure*. This **Memorandum** does not apply to **Claims** arising out of the partial or complete structural failure of any **Dam**.

H. *Disability Accommodation Expenses.* This Memorandum does not apply to the cost of providing reasonable accommodation pursuant to the Americans with Disabilities Act, Fair Employment and Housing Act, or any similar law.

I. *Employee Benefits Plans*. This **Memorandum** does not apply to **Claims** arising out of any act or omission regarding benefits payable under any employee benefits plan established by the **Covered Party**.

J. *Employee Injury***.** This **Memorandum** does not apply to **Bodily Injury** or **Personal Injury** to:

1. any past or current employee of the **Covered Party** arising out of and in the course of employment by the **Covered Party**; or

2. The spouse, child, parent, brother, sister, or other relative of such employee as a consequence of 1. above.

K. *Employer Obligation Limitation*. The defense and indemnity coverage afforded by this **Memorandum** to a past or present official, employee or volunteer of a **Member** is not broader than the **Member's** duty to defend and indemnify its official, employee or volunteer, pursuant to California Government Code Section 815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof. If the **Member** which employs the official, employee or volunteer is not obligated under the California Government Code to provide a defense or to provide indemnity for a **Claim**, or if said **Member** refuses to provide such

defense and/or indemnity to said official, employee, or volunteer, then this **Memorandum** shall not provide any such defense or indemnity coverage to said official, employee, or volunteer. All immunities, defenses, rights, and privileges afforded to a **Member** under California Government Code Section 815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof, shall be afforded to the **Authority** to bar any defense or indemnity coverage under this Memorandum to that **Member's** official, employee, or volunteer.

~~L~~L. *Employment Practices Liability Covered by ERMA.* The Authority has elected to participate in the Employment Risk Management Authority (ERMA) above a Retained Limit, and does not intend to provide duplicative coverage. Accordingly, this **Memorandum** does not apply to a **Claim** for **Employment Practices** to the extent ERMA's coverage is applicable, or would have been applicable had timely notice been provided to ERMA.

M. *Estimates, Plans and Contract Awards*. This **Memorandum** does not apply to **Public Officials Errors or Omissions** arising out of:

1. estimates of probable costs or cost estimates being exceeded

2. faulty preparation of bid specifications, or architectural or engineering drawings, plans or specifications

3. failure to award contracts in accordance with ordinances, regulations or statutes governing such contracts that must be submitted for bids

~~M~~N. *Failure to Supply Utilities*. This **Memorandum** does not apply to any **Claim** arising out of the failure to supply or provide an adequate supply of gas, water, sewage capacity or electricity~~. However, this exclusion does not apply if the~~ when such failure to ~~supply~~provide results from ~~direct and immediate accidental injury~~any decision by the **Member's** governing body with respect to ~~tangible property owned or used by a **Covered Party** to procure, produce, process or transmit gas~~(1) obtaining such fuel, water, ~~sewage capacity~~or electricity, or (2) allocating such fuel, water, or electricity~~.~~ among the users thereof.

~~N~~O. *Fiduciary Liability*. This **Memorandum** does not apply to **Claims** arising out of any breach of responsibility, obligation or duty imposed upon or imputed to a **Covered Party**:

1. under the Employee Retirement Income Security Act of 1974 and any law amendatory thereof

2. under Article XVI, Section 17 of the California Constitution, and any law amendatory thereto

3. under any other law imposing or imputing fiduciary responsibilities, obligations, or duties upon a **Covered Party**.

~~O~~P. *Fines, Penalties and Punitive Damages*. This **Memorandum** does not apply to **Claims** for fines, penalties, restitution, disgorgement, punitive damages, or exemplary damages.

~~P~~Q. *Impairment or Loss of Property.* This **Memorandum** does not apply to **Public Officials Errors or Omissions** arising out of or resulting in injury or damage to, destruction of,

disappearance of, loss of, loss of use of, or diminution of value of any tangible property, money, or securities; or failure to pay debt obligations.

~~Q~~R. *Knowingly False Statements*. This **Memorandum** does not apply to **Personal Injury** arising out of a publication or utterance concerning any organization or business enterprise, or its products or services, made by or at the direction of any **Covered Party** with knowledge of the falsity thereof.

~~R~~S. *Labor Disputes and Class Actions.* This **Memorandum** does not apply to any potential or actual liability arising out of a lockout, strike, picket line, replacement, or other similar action in connection with labor disputes or labor negotiations; or to any potential or actual liability arising from **Claims** filed or certified as class actions in which employees or other persons represent a class of employees who are alleging similar or related **Claims**.

~~S~~T. *Land-Use and Other Regulation*. This **Memorandum** does not apply to:

1. any **claim** arising out of or in connection with land-use regulation, land-use planning, the adoption or administrative application of any land use ordinance, resolution, or regulation, or any building code; or the approval or disapproval of any land-use entitlement including but not limited to general plan amendments, zoning amendments, conditional-use permits, tract maps, development agreements, owner-participation agreements, or any other land-use related agreements.

2. the principles of eminent domain or inverse condemnation, by whatever name called, or condemnation proceedings, regardless of whether such claims are made directly against the **Covered Party** or by virtue of any agreement entered into by or on behalf of the **Covered Party**. However, this exclusion shall not apply to claims arising from physical damage to tangible property; provided however, this exception shall not apply to any nonphysical consequential **damages** including but not limited to claims for loss of use, loss of income, loss of profits, and loss of business goodwill.

3. the approval, disapproval, or enforcement of any rent control ordinance, outdoor advertising ordinance, or adult bookstore ordinance, taxi ordinance, or other similar ordinances.

4. the approval or disapproval of the operation of a cannabis business whether medical, recreational, or otherwise; the enactment of any ordinances governing cannabis business, and any enforcement of ordinances governing cannabis businesses.

This exclusion shall not apply to the physical enforcement of an ordinance, resolution, or regulation, such as **Tort Liability** arising from the act of delivering a fine, citation, warning, notice or inspection.

~~T~~U.*Medical and Healthcare Operations*. This **Memorandum** does not apply to **Claims** arising out of ownership, use, operation or maintenance of any hospital, health care or medical clinic facility, ~~and~~nor to any professional medical services performed by or on behalf of the **Covered Party**, including, but not limited to, dental, veterinary and chiropractic, but this exclusion does not apply to ~~such services performed by emergency medical technicians or paramedics functioning under the direction and control of the **Covered Individuals**.~~any professional activities arising out of the performance of occupational physical examinations,

paramedics, emergency first aid, or preventative health services related to alcoholism, drug abuse, well child healthcare, California children services, immunizations, sexually transmitted diseases, tuberculosis, and family planning..

~~U~~UV. *Medicare Compliance*. This **Memorandum** does not apply to **Claims** arising from or relating to any sums sought by Medicare with respect to a **Claim** or **Suit** settled by a **Member** within its **Retained Limit**.

~~V~~W. *Motorized Racing Contest*. This **Memorandum** does not apply to **Claims** arising out of racing or other speed contests involving powered vehicles sponsored, controlled, or participated in by a **Covered Party**. For the purposes of this exclusion, "powered vehicle" means any wheeled vehicle motivated in whole or in part by an engine or motor powered by fuel or electricity.

~~W~~X. *Non-Monetary Relief.* This **Memorandum** does not apply to **Claims** alleging, based upon, or arising out of claims, demands or actions seeking relief or redress in any form other than money damages, or for claimant/plaintiff attorney fees, costs or expenses relating to claims, demands or actions seeking relief or redress in any form other than money damages.

~~X~~Y. *Nuclear*. This **Memorandum** does not apply to **Bodily Injury or Property Damage** arising out of the hazardous properties of **Nuclear Material**.

~~Y~~Z. *Pollution*. This **Memorandum** does not apply to **Claims** arising out of the ~~actual, alleged or threatened discharge, dispersal, escape, migration, release, or seepage~~contamination of the environment by **Pollutants**~~. However, this exclusion does not apply to **Bodily Injury**~~ introduced at any time into or upon the environment. This exclusion applies whether the contamination is introduced into the environment intentionally, accidentally, gradually, or suddenly, and whether the **Covered Party** or ~~**Property Damage** arising out of~~ any other person or organization is responsible for the contamination.

Unless caused by any ~~actual, alleged~~of the **Covered Party's** property that has been discarded, dumped, abandoned, or ~~threatened discharge, dispersal, seepage, migration, release or escape of **Pollutants** if:~~thrown away, this exclusion shall not apply with respect to:

1. ~~It was directly caused by **Hostile Fire,**~~ Violent breaking open or explosion of any plant, equipment or building for which the **Covered Party** has legal responsibility, either as owner or operator;

2. Fire, lightning~~,~~ or windstorm~~, vandalism malicious mischief, or by the collision~~ damage to any plant, equipment or building for which the **Covered Party** has legal responsibility, either as owner or operator;

3. Collision, overturning or upset of ~~a motor~~any vehicle~~; or~~, railroad vehicle or mobile equipment; or

4. Unintended fire, lightning or explosion not otherwise specified under 1, 2, or 3 above.

It is further agreed that this exclusion does not apply to the actual, alleged or threatened discharge, dispersal, release or escape of **Pollutants** if:

a) It ~~was~~consisted of a sudden and accidental ~~and~~sewer backup into a home or business and not into public waterways; or

b) It was accidental and was neither expected nor intended by the **Covered Party**; and

c) It was instantaneous and was demonstrable as having commenced at a specific time and date during the ~~**Covered Period**~~term of this **Memorandum**; and

d) Its commencement became known to the ~~**Covered Party**~~ **Member** within ~~seven~~ten days; and

e) Its commencement was reported in writing to the **Authority** within ~~twenty~~thirty-one days of becoming known to the ~~**Covered Party**~~**Member**; and

~~The **Covered Party** takes reasonable steps~~f) Reasonable effort was expended by the **Member** to ~~correct or~~ terminate the ~~discharge, dispersal, seepage, migration, release~~situation as soon as conditions permitted.

Notwithstanding the foregoing this **Memorandum** shall not apply to any claim or suit relating to any liability to test for, monitor, clean-up, remove, contain, treat, detoxify, or ~~escape of~~neutralize **Pollutants**~~.~~, whether or not any of the foregoing are, or should be, performed by the **Covered Party** or by others.

~~Nothing contained in this exclusion shall operate to provide any coverage or any obligation to defend or pay **Defense Costs** with respect to:~~

~~a. Any site or location used by others on the **Covered Party's** behalf for the handling, storage, disposal, dumping, processing, or treatment of waste material. This exclusion applies whether the action by others was known to the **Covered Party**;~~

~~b. Any clean-up costs mandated by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and any similar laws or statutes;~~

~~c. Clean up, removal, containment, treatment, detoxification, or neutralization of **Pollutants** situated on the premises the **Covered Party** currently owns, rents, or occupies.~~

~~d. Any **Claim**, liability, loss, cost, or expense based upon or arising out of **Personal Injury** or **Public Officials Errors or Omissions**.~~

~~Z~~AA. *Property in the Covered Party's Control*. This **Memorandum** does not apply to **Property Damage** to:

1. property owned by the **Covered Party**;

2. property rented to, leased to the **Covered Party** where the **Covered Party** has assumed liability for damage to or destruction of such property, unless the **Covered Party** would have been liable in the absence of such assumption of liability; or

3. **Aircraft** or **Watercraft** in the **Covered Party's** care, custody, or control.

~~AA~~BB. *Refunds*. This **Memorandum** does not apply to **Claims** arising out of the refund of taxes, fees, or assessments.

~~BB~~CC. *Transit Operations*. This **Memorandum** does not apply to **Bodily Injury or Property Damage** arising out of any transit authority, transit system or public transportation system owned or operated by the **Covered Party**, but this exclusion does not apply to any transit system operating over non-fixed routes, including dial-a-ride, senior citizen transportation, or handicapped transportation.

~~CC~~DD. *Unlawful Financial Gain*. This **Memorandum** does not apply to **Claims** arising in whole or in part out of any **Covered Individual's** obtaining remuneration or financial gain to which the **Covered Individual** was not legally entitled.

~~DD~~EE. *Watercraft*. This Memorandum does not apply to **Claims** arising out of the ownership, operation, use or maintenance of any ~~**Watercraft** owned by a **Covered Party**~~motorized **Watercraft** while being used in any prearranged or organized racing, speed, or demolition contest or in any stunting activity or in practice in preparation for any such contest or activity, if such contest or activity is sanctioned or permitted by a **Covered Party**. However, this exclusion shall not apply to liability arising out of the ownership, maintenance, operation, use, loading or unloading of any non-motorized **Watercraft**. For the purpose of this exclusion, "non-motorized **Watercraft**" shall mean **Watercraft** without power motors and **Watercraft** with power motors, which are not in use during an event otherwise excluded hereunder.

~~EE~~FF. *Willful Violation of Any Law*. This **Memorandum** does not apply to **Personal Injury** arising out of the willful violation of any law committed by or with the knowledge or consent of the **Covered Party. Public Officials Errors or Omissions** arising out of the willful violation of any law.

~~FF~~GG. *Wage and Hour*. This **Memorandum** does not apply to any **Claim** brought under the Fair Labor Standards Act (29 U.S.C. 201 et seq.), the California Labor Code, or any other state or local law governing minimum wages, overtime compensation, reimbursement of employee expenses, timely payment of employee compensation, or errors in wage statements or other employment records~~;~~. This exclusion does not apply to claims of discrimination in pay brought pursuant to the Equal Pay Act, 29 U.S.C.S. 206 (d) or similar state laws.

~~GG~~HH. *Workers' Compensation*. This **Memorandum** does not apply to **Claims** for which the **Member** or its insurance company may be held liable under any workers' compensation, unemployment compensation or disability benefits law, or under any similar law.

~~HH~~II. *Unwanted Electronic Communications*. This **Memorandum** does not apply to any liability arising out of any act that violates any statute, ordinance, or regulation of any federal, state, or local government, including any amendment or addition to such laws, which

prohibits or limits the sending, transmitting, or communicating of material or information by unsolicited sending of faxes, emails, or other means of electronic transmission.

JJ. *Use of a Firearm.* This **Memorandum** does not apply to **Claims** arising from the use of a firearm in connection with **Code Enforcement** by non-**Peace Officers** in connection with the enforcement of the criminal laws of the State of California by non-**Peace Officers**.

SECTION VI—CONDITIONS

A. *Amendment or Cancellation*. This **Memorandum** may be amended or cancelled at any time in accordance with the provisions of the Joint Powers Agreement creating CIRA and its Bylaws. The terms of this **Memorandum** may not be changed except by written amendment issued by the **Authority** to form a part of this **Memorandum.**

B. *Appeal of Disputes with Authority*. Any disputes concerning coverage or procedures of the **Authority** may be appealed only to the **Authority's** Board of Directors in the manner and form that it may from time to time determine. Decisions by the **Authority** to assume control of the negotiation, appeal, or settlement of a **Claim**, or whether or not coverage exists for a particular **Claim** or part of a **Claim** or any other dispute that arises under and in connection with the Memorandum shall be made by the Board of Directors of the **Authority** or the Executive Committee as set forth herein. An appeal of a coverage determination of the General Manager or Coverage Counsel of the **Authority** or of any other dispute that arises under and in connection with the Memorandum shall be made in writing to the **Authority** within 60 days of the decision or dispute and shall be heard and determined by the Board at the next regularly scheduled meeting of the Board. If at the request of the **Covered Party**, or in the event that in the judgment of the **Authority** that exceptional circumstances warrant, an appeal of a coverage determination or any other dispute that arises under and in connection with the Memorandum shall be heard by the Executive Committee within 21 days of receipt of the appeal. Any determination by the Executive Committee may be appealed by the **Covered Party** and shall be determined at the next regularly scheduled meeting of the Board.

C. *Appeal of Judgments*. In the event the **Covered Party** elects not to appeal a judgment, the **Authority** may elect to do so at its own expense, but in no event shall the **Authority's** liability for **Ultimate Net Loss** plus all **Defense Costs** necessary and incident to such appeal exceed the limit of coverage stated in Section V.

D. *Bankruptcy*. Bankruptcy or insolvency of the **Covered Party** shall not relieve the **Authority** of any of its obligations under this **Memorandum**.

E. *Duties in the Event of an Occurrence or Claim*.

1. The **Covered Party** shall cooperate with the **Authority** and upon the **Authority's** request assist in making settlements, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the **Covered Party** because of **Bodily Injury, Property Damage, Personal Injury**, **Employment Practices**, or **Public Officials Errors or Omissions** with respect to which coverage is afforded under this **Memorandum**; and the **Covered Party** shall

attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses.

2. The **Covered Party** shall provide a copy to the **Authority** within 15 calendar days of all Government Code Section 910 claims likely to exceed 50% of the **Member's Retained Limit** and within 7 calendar days of all suits covered by this **Memorandum**, except property damage claims under five thousand dollars ($5,000.00).

3. The **Covered Party** shall notify the **Authority** not later than 7 calendar days of any **Occurrence** reasonably considered a serious incident that is likely to be covered by this **Memorandum**, including but not limited to:

   (i) One or more fatalities;

   (ii) Loss of a limb;

   (iii) Loss of use of any sensory organ;

   (iv) Paralysis, Quadriplegia, or paraplegia;

   (v) Third degree burns involving more than ten percent of the body;

   (vi) Serious facial disfigurement;

   (vii) Long term hospitalization;

   (viii) Closed head injury; ~~or~~

   (ix) Serious loss of use of any bodily function~~.~~; or

   (x) Receipt of notice from any source that an **Employment Practice** has been committed, regardless of whether a **Claim** for such conduct is anticipated.

4. The **Covered Party** shall forward to the **Authority** every demand, notice, summons, or other process received.

5. The **Covered Party** shall not, except at its own cost and expense, voluntarily make any payment, assume any obligation, or incur any expense without the written consent of the **Authority**.

F. *Duties with Respect to* ***Covered Contracts****.*

1. With respect to any contract for which a **Covered Party** seeks coverage as a **Covered Contract,** the **Covered Party** shall submit the proposed contract to the **Authority** for its review and approval, at least 14 days prior to the date of execution of the contract, or its effective date, whichever is earlier. Alternatively, the **Covered Party** may have the proposed contract reviewed and approved by the Town or City ~~Counsel~~Attorney prior to execution.

2. The factors that shall be considered by the **Authority** in determining approval of a contract shall include:

   a. the party contracting with the **Covered Party** has requested indemnification for services the contracting party is providing to the **Covered Party**;

b. the subject matter of the proposed contract does not pertain to an essential service of the **Covered Party** and there are available options to contract with other providers;

c. whether all efforts to negotiate terms acceptable to the **Authority** have been exhausted;

d. whether there is alternative coverage through the commercial market for the proposed subject matter of the contract, for example, special events coverage; and,

e. whether the **Member** executes the contract against the **Authority's** recommendation.

G. *Other Coverage or Insurance*. If collectible insurance with any insurer, coverage with any other joint powers authority or other self-funding mechanism is available to the **Covered Party** covering a loss to which this **Memorandum** applies (whether on a primary, excess or contingent basis), the coverage of this **Memorandum** shall be in excess of, and shall not contribute with, such other insurance or coverage; provided that this clause does not apply with respect to excess insurance or coverage purchased specifically to be in excess of this **Memorandum**. The bankruptcy of, insolvency of, or placement into rehabilitation or receivership by any regulatory agency of any joint powers authority or insurance company providing joint powers authority coverage or insurance coverage to the **Covered Party** shall not amend the application of this condition.

H. *Satisfaction of Retained Limit.* ~~In order for~~For defense or indemnity to be available hereunder, the **Covered Party** must first pay the full amount of its **Retained Limit**. Payment of the **Retained Limit** by the **Covered Party** is required in addition to, and regardless of, any payment from any other source for or on behalf of the **Covered Party**, such as, for example, insurance procured by a third party pursuant to which the **Covered Party** is an additional named insured or otherwise covered. The foregoing does not apply to any insurance specifically purchased by the **Member** or any **Covered Party** to cover all or any part of the **Retained Limit**.

I. *Relationship to Joint Powers Agreement*. The provisions of this **Memorandum** are subject to and subordinate to the terms and provisions of the Joint Powers Agreement creating CIRA, and in the event of any conflict between the terms and provisions of said Agreement and this **Memorandum**, the terms and provisions of the Agreement shall control.

J. *Severability of Interests*. The coverage applies separately to each **Covered Party** against whom **Claim** is made, as if a separate **Memorandum** were issued to it, except with respect to the **Authority's** Limit of Coverage.

K. *Subrogation*. To the extent of any payment under this **Memorandum**, the **Authority** shall be subrogated to all the **Covered Party's** rights of recovery thereof. The **Covered Party** shall do everything necessary to secure such rights and shall do nothing after the **Occurrence** to prejudice such rights. Any amount so recovered shall be apportioned as follows:

1. The **Authority** shall be reimbursed to the extent of all payment under this **Memorandum**. Any remaining balance shall be applied to reimburse the **Covered Party**.

2. The expenses of such recovery proceedings shall be apportioned in the ratio of respective recoveries. If there is no recovery in proceedings conducted solely by the **Authority**, the **Authority** shall bear the expenses thereof.

L. *Actions.* No action shall lie against the **Authority** with respect to the coverages and related provisions defined in the **Memorandum** unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this **Memorandum**, nor until the amount of the **Covered Party's** obligations to pay shall have been finally determined either by judgment against the **Covered Party** after actual trial or by written agreement of the **Covered Party**, the claimant, and the **Authority**. Any person or organization or the representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recovery under this **Memorandum** to the extent of the coverage afforded by this **Memorandum**. No person or entity shall have the right under this **Memorandum** to join the **Authority** as a party to any action against the **Covered Party** to determine the **Authority's** liability, nor shall the **Authority** be impleaded by the **Covered Party** or its legal representative.

M. *Venue.* In the event of any dispute between a **Member** and the **Authority** concerning the coverage provided by the **Memorandum,** the place of venue for any **Suit** concerning such coverage dispute shall be the County of Sacramento, and any action concerning such dispute shall be filed in the Superior Court for the County of Sacramento, California.

N. *Medicare Compliance.* Where a **Member** settles a claim within its **Retained Limit**, in which a claimant is either presently Medicare eligible or will be Medicare eligible within 30 months of the settlement, the **Member** shall comply with all pertinent laws and regulations applicable to the settlement, and shall ensure that Medicare's interests are fully addressed, protected, and documented in the settlement.

The failure by a **Member** to comply with all pertinent laws and regulations applicable to the settlement or to properly protect and document Medicare's interests in the settlement, shall preclude coverage under the Memorandum for **Claims** arising from or relating to any sums sought by Medicare with respect to a **Claim** or **Suit** settled by a **Member** within its **Retained Limit**.

SECTION VII—DEFINITIONS

Additional Covered Party means any person, organization or entity that is specifically named by the **Authority** in a written attachment to this **Memorandum**.

Aircraft means any vehicle controlled directly by a person from within or on the vehicle, designed to transport people or property through the air.

Airport means any locality either on land or water which is adopted for the landing and taking off of **Aircraft**, including all land, water, buildings, structures, equipment, or other improvements necessary or convenient in the establishment and operation of an **Airport**.

Authority means the California Intergovernmental Risk Authority (CIRA).

Automobile means a land motor vehicle, trailer, or semi-trailer.

Bodily Injury means bodily injury, sickness or disease sustained by any person, including death resulting from any of these at any time.

Claim means a notice, demand, or **Suit** against a **Covered Party** to recover **Damages**.

Code Enforcement means enforcement of zoning laws, regulations, and ordinances; land use laws, regulations, and ordinances; and nuisance, abatement, dumping or similar municipal ordinances.

Covered Contract means that part of any written agreement or contract pertaining to the **Member's** operations or business under which the **Member** assumes the **Tort Liability** of another party to pay for **Bodily Injury or Property Damage** to a third person or organization. A **Covered Contract** does not include any part of any contract or agreement:

1. That indemnifies any person or organization for **Bodily Injury or Property Damage** caused by the active or sole negligence of such person or organization.

2. That indemnifies any person or organization for **Bodily Injury or Property Damage** arising out of the ownership, operation, maintenance or use of any **Aircraft, Unmanned Aerial Vehicle, Airport or Watercraft.**

3. That indemnifies an architect, engineer or surveyor for **Bodily Injury or Property Damage** arising out of:

   a. Preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs, or specifications; or

   b. Giving directions or instructions, or failing to give directions or instructions, if that is the primary cause of the **Bodily Injury or Property Damage**.

4. Under which the **Covered Party,** if an architect, engineer, or surveyor, assumes liability for **Bodily Injury or Property Damage** arising out of the **Covered Party's** rendering or failing to render professional services, including those listed in 3. above, and supervisory, inspection or engineering services.

5. That has not been approved by City or Town Attorney or by the **Authority** ~~at least 14 days in advance of~~prior to its execution~~ by the Member or its effective date, whichever is earlier~~**.**

Covered Individuals means persons who are, or were, elected or appointed officials, employees, or volunteers of the **Member**, whether or not compensated, while acting for or on behalf of the **Member.** However, no coverage or defense will be provided to a volunteer while using his or her personal **Automobile,** unless such use is for the business of the **Member** and at the express direction of the **Member,** nor to any person who is an independent contractor

and not an employee of the **Member,** but who either provides services to or acts as an official of the **Member** in exchange for compensation pursuant to an oral or written contract with the **Member. Covered Individual** shall not include any person, whether or not compensated, who is not acting in the course and scope of his or her employment or whose conduct, as a matter of law, is not within the course and scope of his or her employment by the **Member** at the time of the act or acts alleged in a **Claim.**

Covered Party means:

1. The **Member**;

2. **Covered Individuals**;

3. Any **Additional Covered Party**;

4. With respect to any **Automobile** owned or leased by the **Member**, or loaned to or hired for use by or on behalf of the **Member**, any person while using such **Automobile** and any person or organization legally responsible for the use thereof, provided the actual use is with the express permission of the **Member**, but this coverage does not apply to:

    a. any person or organization, or any agent or employee thereof, operating an **Automobile** sales agency, repair shop, service station, storage garage or public parking place, with respect to an **Occurrence** arising out of the operation thereof; or

    b. the owner or any lessee, other than the **Member**, of any **Automobile** hired by or loaned to the **Member** or to any agent or employee of such owner or lessee.

Cover Page means the document that is issued with this **Memorandum,** identifying the **Member,** the **Coverage Period,** the **Limit of Coverage,** and the **Retained Limit**.

Coverage Limit means the limit of coverage shown in the **Cover Page** as more fully defined under Section IV of this **Memorandum**.

Coverage Period means the time period shown on the **Cover Page** of this **Memorandum**. The phrase “coverage period” without boldface or capitalization refers to any annual period, including but not limited to the time period shown in the **Cover Page**.

Dam means any artificial barrier, together with appurtenant works, which does or may impound or divert water, and which either (a) is 25 feet or more in height from the natural bed of the stream or watercourse at the downstream toe of the barrier, or from the lowest elevation of the outside limit of the barrier, if it is not across a stream channel or watercourse, to the maximum possible water storage elevation; or (b) has an impounding capacity of 50 acre-feet or more.

Any such barrier which is not more than six (6) feet in height, regardless of storage capacity, or which has a storage capacity not more than 15 acre-feet, regardless of height, shall not be considered a **Dam**.

No obstruction in a canal used to raise or lower water therein or divert water therefrom, no levee, including but not limited to a levee on the bed of a natural lake the primary purpose of which levee is to control flood-waters, no railroad fill or structure, tank constructed of steel or concrete or of a combination thereof, no tank elevated above the ground, and no barrier which

is not across a stream channel, watercourse, or natural drainage area and which has the principal purpose of impounding water for agricultural use shall be considered a **Dam**. In addition, no obstruction in the channel of a stream or watercourse which is 15 feet or less in height from the lowest elevation of the obstruction and which has the single purpose of spreading water within the bed of the stream or watercourse upstream from the construction for percolation underground shall be considered a **Dam**. Nor shall any impoundment constructed and utilized to hold treated water from a sewage treatment plant be considered a **Dam**. Nor shall any wastewater treatment or storage pond exempted from State regulations and supervision by Water Code Section 6025.5 be considered a **Dam.**

Regardless of the language of the above definition, however, no structure specifically exempted from jurisdiction by the State of California Department of Water Resources, Division of Safety of Dams shall be considered a **Dam**, unless such structure is under the jurisdiction of any agency of the Federal government.

Damages means money that the **Covered Party** is legally obligated to pay, or agrees to pay with the **Authority's** agreement, as the result of a **Claim**, including claimant's attorney fees, interest on judgments, and costs. **Damages** does not include amounts incurred by the **Covered Party** to comply with non-monetary remedies such as injunctions.

Defense Costs means all fees and expenses incurred in connection with the adjustment, investigation, defense, and appeal of a **Claim** covered hereunder, including defense attorney fees, court costs, premiums for appeal bonds, and interest on judgments accruing after the entry of judgment, and also shall include the costs of any claims administrator or defense counsel specifically assigned by the **Authority** to respond to any **Claim** on behalf of the **Authority**. For the purpose of satisfying the **Retained Limit** only, **Defense Costs** shall include reasonable attorney fees and costs incurred in making a pre-**Claim** response to a Public Records Act request if such work will materially aid the defense of the **Claim**. **Defense Costs** shall not include attorneys' fees or costs arising in connection with **Claims** that are not covered by this Memorandum. **Defense Costs** shall not include the office expenses of the **Authority** or the **Covered Party**, nor the salaries of employees or officials of the **Authority** or the **Covered Party**, nor expenses of any claim administrator engaged by the **Covered Party**. **Defense Costs** shall not include any fee or expense relating to coverage issues or disputes between the **Authority** and any **Covered Party. Defense Costs** does not include attorney fees awarded to the prevailing plaintiff.

Employment Practices means a wrongful act in connection with any person's prospective employment, actual employment, or termination of employment by a **Covered Party**, including but not limited to unlawful discrimination, sexual harassment, retaliation, or wrongful termination~~ of employment alleged by a **Covered Party's** employee, former employee, or applicant for employment~~.

Hostile Fire means a fire that becomes uncontrollable and breaks out from where it is intended to be.

Limit of Coverage means the amount of coverage shown in the **Cover Page**, or sublimits as started therein, for each **Covered Party** per **Occurrence** subject to any lower sublimit stated in this **Memorandum**. For each **Occurrence**, there shall be only one **Limit of Coverage** regardless of the number of claimants or **Covered Parties** against whom a claim is made. In the event of a structured settlement, whether purchased from or through a third-party, or paid

directly by the **Covered Party** in installments, as utilized in the resolution of a claim or suit, the **Authority** will pay only up to the amount stated in the **Cover Page** in present value of the claim, as determined on the date of settlement, regardless of whether the full value of the settlement exceeds the amount sated in the **Cover Page**.

Member means the entity which a party to the Joint Powers Agreement creating CIRA and whose name appears on the **Cover Page**. **Member** includes any other agency, commission, district, or board coming under the **Member's** direction or control or for which the **Member**'s board members act as the governing board.

Memorandum means the CIRA Memorandum of Coverage, including the **Cover Page** and any attachments and endorsements forming a part thereof.

Nuclear Material means source material, special nuclear material, or by-product material. "Source Material", "Special Nuclear Material", and "By-Product Material" have the meanings given them in the Atomic Energy Act of 1954 or any law amendatory thereof.

Occurrence means:

1. With respect to **Bodily Injury** or **Property Damage**, an accident or event, including continuous or repeated exposure to substantially the same generally harmful conditions, which results during the **Coverage Period** in **Bodily Injury** or **Property Damage** neither expected nor intended from the standpoint of the **Covered Party**, except that assault and battery committed by, at the direction of, or with the consent of the **Covered Party** for the purpose of protecting persons or property from injury or death shall be considered an **Occurrence**;

2. With respect to **Personal Injury**, the commission of an offense described in the definition of **Personal Injury** during the **Coverage Period**;

3. With respect to **Public Officials Errors or Omissions** and **Employment Practices**, conduct described in the definitions of those phrases during the **Coverage Period.**

Peace Officer means a person designated under Penal Code Sections 830 to 832.6 as a peace officer, or a public officer authorized under Penal Code Sections 830 to 832.6 to carry a firearm, and who is authorized by the **Member** to carry a firearm in the course and scope of employment.

Personal Injury means injury resulting from one or more of the following offenses:

1. False arrest, detention, or imprisonment

2. Malicious prosecution or abuse of process

3. Wrongful entry by any employee of a **Member** into a room, dwelling or other similar premises that a person occupies

4. Wrongful eviction by any employee of a **Member** of a person from a room, dwelling or other similar premises that such person occupies

5. The publication or utterance of a libel or slander, including disparaging statements concerning the condition, value, quality or use of real or personal property, or a publication or utterance in violation of rights of privacy

6. Discrimination or violation of civil rights

7. Infliction of emotional distress

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including but not limited to acids, alkalis, asbestos, chemicals, fumes, hazardous waste, lead, polychlorinated biphenyls, radioactive material, smoke, soot, toxic substances, vapor, mold, fungal pathogens, electromagnetic fluids and airborne particles or fibers, waste, and any related material. Waste includes material to be recycled, reconditioned, or reclaimed. The term **Pollutants** as used herein shall not include potable water or agricultural water or water furnished to commercial users or water used for fire suppression.

Property Damage means:

1. Physical injury to or destruction of tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it.

2. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the **Occurrence** that caused it.

Public Officials Errors or Omissions means any act, error, omission, misstatement, misleading statement, neglect, or breach of duty by any **Covered Party** (individually or collectively) arising in the course and scope of their duties with the **Covered Party** or claimed against them solely by reason of their being or having been public officials or employees, and which results in **Damages** neither expected nor intended from the standpoint of the **Covered Party**.

Retained Limit means the amount of **Ultimate Net Loss,** specified in the **Cover Page**, which the **Covered Party** must incur or become liable to pay before the **Authority** is obligated to make payment. Payments by others on the **Covered Party's** behalf count toward satisfaction of the **Covered Party's Retained Limit**. For each **Occurrence**, there shall be only one **Retained** Limit applicable regardless of the number of claimants or **Covered Parties** against whom a **Claim** is made. If the **Covered Parties** have different **Retained Limits**, the lowest **Retained Limit** of any party found liable will apply. Payment of the **Retained Limit** shall be apportioned among multiple **Covered Parties** in accordance with their proportionate shares of liability. If the apportionment requires arbitration the **Covered Parties** will pay all costs of the **Authority** in seeking such determination, including the **Authority's** attorney fees, according to their proportionate shares of liability.

Suit means a civil proceeding in which a **Covered Party** is named as a party defendant or cross-defendant, or an arbitration proceeding or alternative-dispute resolution proceeding to which a **Covered Party** submits with the **Authority's** written consent.

Tort Liability means civil liability imposed by law in the absence of any agreement or contract.

Unmanned Aerial Vehicle (UAV) or drone means an aircraft (with its aerial system or control device) that is not controlled directly by a person from within or on the aircraft, and which is piloted or operated in conformance with 14 C.F.R. 107 et seq. Any pilot or operator must have a remote pilot certificate issued in compliance with Subpart C of Section 107 or possess a valid Certificate of Waiver or Authorization issued by the FAA and satisfy the requirements of Section 107.65.

Ultimate Net Loss means ~~**Damages** and~~ **Defense Costs** and **Damages** the **Covered Party** is legally obligated to pay by reason of a judgment or a settlement made with the written consent of the claimant(s), the **Covered Party**, and the **Authority**.

Watercraft means a vessel ~~more than 26 feet in length~~ designed to transport persons or property in, on, or through water.

SIERRA MADRE TRANSIT COVERAGE ENDORSEMENT

This endorsement amends the CIRA Memorandum of Coverage issued to the City of Sierra Madre.

Exclusion CC., Transit Operations, does not apply to the free fixed route Gateway Coach service operated by the City of Sierra Madre.

Issued by: California Intergovernmental Risk Authority

Issued to: City of Sierra Madre

By: _____

General Manager

CYBER COVERAGE

SUMMARY: In the past, both PARSAC and REMIF obtained various layers of their cyber liability coverage for from the Alliant Property Insurance Program (APIP). With CIRA joining the PRISM property program and APIP unbundling their cyber coverage, CIRA had the option to select cyber liability coverage from either program. After discussion and consideration, the Board of Directors elected to participate in the Alliant Cyber Liability Core Program, but the Board did not make a determination on excess cyber coverage. The CIRA Board elected to delegate that authority to the Transition Committee, as costs for the excess coverage were not known at the time of the meeting.

The quote for excess cyber liability coverage is $309,750 for $2,000,000 excess of $2,000,000 with a $3,000,000 aggregate for all CIRA members. This is a significant increase from the prior year; however, due to the increased cyber attacks on public entities and potential for larger payouts, the Transition Committee approved participation in the program. The attached Alliant cyber proposal is attached and provides details on the program coverages and sub-limits.

RECOMMENDATION: Approve participation in the APIP Cyber Liability Excess program at a cost of $309,750.00 for $2,000,000 excess of $2,000,000 with a $3,000,000 aggregate for all CIRA members.

DISCUSSION: The hardening of the cyber liability market due to the increasing number of high value losses and public entities being frequent targets, the premiums for cyber coverage and particularly excess cyber coverage, have increased significantly. In addition to premium increases, coverage limits have been reduced and aggregates have been introduced. In summary, the cost is $309,750.00 for $2,000,000 excess of $2,000,000 with a $3,000,000 aggregate for all CIRA members. The following are the sub-limits for the program.

SUB-LIMITS (Per Member and Policy Aggregate):

	Dedicated Limits in Excess of Underlying
Breach Response/Notification Expense Costs	$ 500,000 (Non-Beazley Vendors)
	$ 1,000,000 (Beazley Vendors)
Business Interruption resulting from a System Failure:	$ 500,000
Dependent Business Interruption resulting from a Security Breach:	$ 750,000
Cyber Extortion Loss:	$ 750,000
Data Recovery Loss:	$ 750,000
Business Interruption resulting from a Security Breach:	$ 750,000
Dependent Business Interruption resulting from a System Failure:	$ 100,000
Fraudulent Instruction:	$ 75,000
Funds Transfer Fraud:	$ 75,000
Telephone Fraud:	$ 75,000
Computer Hardware Replacement (Bricking):	$ 100,000
Reputation Loss:	$ 100,000
Claims Preparation Cost for Reputation Loss Claims Only:	$ Nil
Invoice Manipulation	$ 100,000
Criminal Reward:	$ Nil
Cryptojacking:	$ Nil

Attached please find the formal quote for the excess cyber coverage.

FISCAL IMPLICATION: Increased costs to provide for cyber liability coverage for members.

ATTACHMENTS: Alliant cyber proposal (optional coverages)

ALLIANT INSURANCE SERVICES, INC.
ALLIANT PROPERTY INSURANCE PROGRAM (APIP)

APIP CYBER PROGRAM - OPTIONAL COVERAGES

TYPE OF COVERAGE:	APIP Cyber Excess Policy – **Claims Made & Reported**
PROGRAM:	**Alliant Property Insurance Program (APIP) inclusive of Public Entity Property Insurance Program (PEPIP), and Hospital All Risk Property Program (HARPP)**
NAMED INSURED:	California Intergovernmental Risk Authority (CIRA) and its members
POLICY PERIOD:	July 1, 2021 to July 1, 2022
RETROACTIVE DATE:	Follows APIP Cyber Underlying Policy
COVERAGE FORM:	Follow form – Claims Made & Reported

INSURANCE COMPANY:	Liberty Surplus Insurance Corporation
A.M. BEST RATING:	A (Excellent), Financial Size Category: XV ($2 Billion or greater) as of June 26, 2020
STANDARD & POOR'S RATING:	A (Excellent) as of July 17, 2014
ADMITTED STATUS:	Non-admitted

COVERAGES & LIMITS:

	Dedicated Limits in Excess of Underlying
Option 1 – $2M xs $2M:	$2,000,000 Each Member Aggregate $3,000,000 Policy Aggregate

Option 1

SUB-LIMITS (Per Member and Policy Aggregate):

	Dedicated Limits in Excess of Underlying
Breach Response/Notification Expense Costs	$ 500,000 (Non-Beazley Vendors)
	$ 1,000,000 (Beazley Vendors)
Business Interruption resulting from a System Failure:	$ 500,000
Dependent Business Interruption resulting from a Security Breach:	$ 750,000
Cyber Extortion Loss:	$ 750,000
Data Recovery Loss:	$ 750,000
Business Interruption resulting from a Security Breach:	$ 750,000
Dependent Business Interruption resulting from a System Failure:	$ 100,000
Fraudulent Instruction:	$ 75,000
Funds Transfer Fraud:	$ 75,000
Telephone Fraud:	$ 75,000
Computer Hardware Replacement (Bricking):	$ 100,000
Reputation Loss:	$ 100,000
Claims Preparation Cost for Reputation Loss Claims Only:	$ Nil
Invoice Manipulation	$ 100,000
Criminal Reward:	$ Nil
Cryptojacking:	$ Nil

For CIRA members, there are 2 groups of drop downs that have qualifiers for coverage, and 2 drop downs that all members get with no qualifiers.

Drop downs that all members receive without qualifiers:

- Business Interruption System Failure
- Consequential Reputational Loss

Sub-limits subject to Qualifiers, Group 1:

- Breach Response Costs
- Business Interruption Security Breach
- DBI Security Breach
- Cyber Extortion Loss
- Data Recovery Costs
  - Group 1, for any member to receive coverage under these sub-limit drop downs: Sub-limits are only available to those members that have provided an application demonstrating that MFA is in place for both remote and privileged access, and have closed or protected RDP ports (requires validation of implementation from insured)

Sub-limits subject to Qualifiers, Group 2:

- Fraudulent Instruction
- Telephone Fraud
- Funds Transfer Fraud
- Computer Hardware Replacement
- Invoice Manipulation
  - Group 2, for any member to receive coverage under these sub-limit drop downs: Sub-limits are only available to those members for which all employees responsible for disbursing or transmitting funds are provided anti-fraud training, including detection of social engineering, phishing, business email compromise, and other scams on at least an annual basis (requires validation of implementation from insured).

Additional policy language will be provided outlining the coverage effective for those qualifying members as of the effective date of the policy, or as of the date of confirmation that these controls are in place, whichever is

later. Therefore entities that qualify for Group 1 and/or 2 mid-term can obtain the coverages outlined above without additional premium.

NOTES:

1) **Anti-stacking limitation: Ironshore's $5Mxs$35M APIP core cyber annual aggregate excess limit does not apply to any APIP member insured by Ironshore. The limits in this quote are provided by Ironshore. Therefore, the Named Insured on this proposal would be affected by the anti-stacking limitation.**
2) **Quote terms, conditions, and premium subject to change depending on the APIP cyber program's underlying aggregate program limit**
3) **Quote cannot be bound until underlying the APIP cyber program's underlying aggregate program limit is determined**
4) **6 month minimum premiums**

ENDORSEMENTS & EXCLUSIONS: (including but not limited to)

- Sanction limitation and Exclusion Clause-1
- Cancellation Non Renewal Endorsement
- Service of Suit Clause
- Disclosure – Terrorism Risk Insurance Act
- Cap on Losses from Certified Acts of Terrorism
- Warranty Endorsement
- Pending & Prior Litigation Endorsement – Inception
- Risk Pool Multi-Member Drop Down Endorsement

UNDERLYING INSURANCE:	**Layer**	**Insurer**	**Limits**	**Retention**	**Policy Period**
	Primary	Beazley	$2,000,000	Follows APIP Cyber	7/1/2021 – 7/1/2022

TERM PREMIUM 7/1/2021 – 7/1/2022:

		Surplus Lines Taxes & Fees	**Total Premium**
Option 1 – $2M x $2M:	**$300,000.00**	**$9,750.00**	**$309,750.00**

BINDING CONDITIONS:

- ***Copy of all Underlying Binders Prior to Binding Coverage***
- ***Copy of all Underlying Policies Prior to Policy Issuance***
- ***Completed Surplus Lines Tax Documentation Form***
- ***Recently Signed / Dated Application, and Ransomware Supplemental; 60 days prior to inception shall be required upon binding***

PROPOSAL VALID UNTIL: July 1, 2021

BROKER: **ALLIANT INSURANCE SERVICES, INC.**
License No. 0C36861

NOTES: Coverage outlined in this Proposal is subject to the terms and conditions set forth in the policy. Please refer to Policy for specific terms, conditions and exclusions.

Disclosures

This proposal of insurance is provided as a matter of convenience and information only. All information included in this proposal, including but not limited to personal and real property values, locations, operations, products, data, automobile schedules, financial data and loss experience, is based on facts and representations supplied to Alliant Insurance Services, Inc. by you. This proposal does not reflect any independent study or investigation by Alliant Insurance Services, Inc. or its agents and employees.

Please be advised that this proposal is also expressly conditioned on there being no material change in the risk between the date of this proposal and the inception date of the proposed policy (including the occurrence of any claim or notice of circumstances that may give rise to a claim under any policy which the policy being proposed is a renewal or replacement). In the event of such change of risk, the insurer may, at its sole discretion, modify, or withdraw this proposal, whether or not this offer has already been accepted.

This proposal is not confirmation of insurance and does not add to, extend, amend, change, or alter any coverage in any actual policy of insurance you may have. All existing policy terms, conditions, exclusions, and limitations apply. For specific information regarding your insurance coverage, please refer to the policy itself. Alliant Insurance Services, Inc. will not be liable for any claims arising from or related to information included in or omitted from this proposal of insurance.

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at www.alliant.com. For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations. Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com. For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com.

Our goal is to procure insurance for you with underwriters possessing the financial strength to perform. Alliant does not, however, guarantee the solvency of any underwriters with which insurance or reinsurance is placed and maintains no responsibility for any loss or damage arising from the financial failure or insolvency of any insurer. We encourage you to review the publicly available information collected to enable you to make an informed decision to accept or reject a particular underwriter. To learn more about companies doing business in your state, visit the Department of Insurance website for that state.

NY Regulation 194

Alliant Insurance Services, Inc. is an insurance producer licensed by the State of New York. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction typically involves one or more of these activities.

Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In some cases, other factors such as the volume of business a

producer provides to an insurer or the profitability of insurance contracts a producer provides to an insurer also may affect compensation.

The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by requesting such information from the producer.

Other Disclosures / Disclaimers

FATCA:

The Foreign Account Tax Compliance Act (FATCA) requires the notification of certain financial accounts to the United States Internal Revenue Service. Alliant does not provide tax advice so please contact your tax consultant for your obligation regarding FATCA.

Claims Reporting:

Your policy will come with specific claim reporting requirements. Please make sure you understand these obligations. Contact your Alliant Service Team with any questions.

Claims Made Policy:

This claims-made policy contains a requirement stating that this policy applies only to any claim first made against the Insured and reported to the insurer during the policy period or applicable extended reporting period. Claims must be submitted to the insurer during the policy period, or applicable extended reporting period, as required pursuant to the Claims/Loss Notification Clause within the policy in order for coverage to apply. Late reporting or failure to report pursuant to the policy's requirements could result in a disclaimer of coverage by the insurer.

Claims Made Policy (D&O/EPL)

This claims-made policy contains a requirement stating that this policy applies only to any claim first made against the Insured and reported to the insurer during the policy period or applicable extended reporting period. Claims must be submitted to the insurer during the policy period, or applicable extended reporting period, as required pursuant to the Claims/Loss Notification Clause within the policy in order for coverage to apply. Late reporting or failure to report pursuant to the policy's requirements could result in a disclaimer of coverage by the insurer.

Any Employment Practices Liability (EPL) or Directors & Officers (D&O) with EPL coverage must give notice to the insurer of any charges / complaints brought by any state / federal agency (i.e. EEOC and similar proceedings) involving an employee. To preserve your rights under the policy, it is important that timely notice be given to the insurer, whether or not a right to sue letter has been issued.

NRRA:

The Non-Admitted and Reinsurance Reform Act (NRRA) went into effect on July 21, 2011. Accordingly, surplus lines tax rates and regulations are subject to change which could result in an increase or decrease of the total surplus lines taxes and/or fees owed on this placement. If a change is required, we will promptly notify you. Any additional taxes and/or fees must be promptly remitted to Alliant Insurance Services, Inc.

Changes and Developments

It is important that we be advised of any changes in your operations, which may have a bearing on the validity and/or adequacy of your insurance. The types of changes that concern us include, but are not limited to, those listed below:

- Changes in any operations such as expansion to another states, new products, or new applications of existing products.
- Travel to any state not previously disclosed.
- Mergers and/or acquisition of new companies and any change in business ownership, including percentages.

- Any newly assumed contractual liability, granting of indemnities or hold harmless agreements.
- Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, etc. Also, any new premises either purchased, constructed or occupied
- Circumstances which may require an increased liability insurance limit.
- Any changes in fire or theft protection such as the installation of or disconnection of sprinkler systems, burglar alarms, etc. This includes any alterations to the system.
- Immediate notification of any changes to a scheduled of equipment, property, vehicles, electronic data processing, etc.
- Property of yours that is in transit, unless previously discussed and/or currently insured.

Certificates / Evidence of Insurance

- A certificate is issued as a matter of information only and confers no rights upon the certificate holder. The certificate does not affirmatively or negatively amend, extend or alter the coverage afforded by a policy. Nor does it constitute a contract between the issuing insurer(s), authorized representative, producer or certificate holder.
- You may have signed contracts, leases or other agreements requiring you to provide this evidence. In those agreements, you may assume obligations and/or liability for others (Indemnification, Hold Harmless) and some of the obligations that are not covered by insurance. We recommend that you and your legal counsel review these documents.

  In addition to providing a certificate of insurance, you may be required to name your client or customer on your policy as an additional insured. This is only possible with permission of the insurance company, added by endorsement and, in some cases, an additional premium.

  By naming the certificate holder as additional insured, there are consequences to your risks and insurance policy including:

- Your policy limits are now shared with other entities; their claims involvement may reduce or exhaust your aggregate limit.
- Your policy may provide higher limits than required by contract; your full limits can be exposed to the additional insured.

There may be conflicts in defense when your insurer has to defend both you and the additional insured.

See Request to Bind Coverage page for acknowledgment of all disclaimers and disclosures.

Request to Bind Coverage

We have reviewed the proposal and agree to the terms and conditions of the coverages presented. We are requesting coverage to be bound as outlined by coverage line below:

California Intergovernmental Risk Authority (CIRA) and its membership
Effective date: July 1, 2021

Coverage Line	Bind Coverage for:
Excess Cyber Liability Policy Period: July 1, 2021 to July 1, 2022	
Option 1: $2,000,000 xs $2,000,000 with $3,000,000 Policy Aggregate	**See Premium Section** ☐

☐ **After review of the optional coverages summarized in this proposal, we have elected to decline all option(s) presented above.**

Did you know that Alliant works with premium financing companies?
Are you interested in financing your annual premium?

Yes, please provide us with a financing quote.	No, we do not wish to finance our premium.
☐	☐

This Authorization to Bind Coverage also acknowledges receipt and review of all disclaimers and disclosures, including exposures used to develop insurance terms, contained within this proposal.

_____
Signature of Authorized Insurance Representative

_____
Date

Please note: Recently Signed / Dated Application, and Ransomware Supplemental; 60 days prior to inception shall be required upon binding
This proposal does not constitute a binder of insurance. Binding is subject to final carrier approval. The actual terms and conditions of the policy will prevail.

APPROVAL TO PARTICIPATE IN PRISM POLUTION PROGRAM

SUMMARY: PRISM's Pollution Liability Program provides first and third-party coverage. This Program will complement CIRA's coverage and provides first party coverage that is currently not available to members through the Memorandum of Coverage (MOC) and property program. When this item was presented to the Board in May, final premiums were not available, and the Board conveyed binding authority to the Transition Committee. The Transition Committee reviewed the final proposal and agreed to bind coverage.

PRISM will be changing insurer next year. The pollution policy is written on a claim made form; therefore, with a new insurer PARSAC members will need to buy tail coverage to avoid loss of coverage for claims with incident dates prior to July 1, 2021, but filed subsequent to this date. A three year tail policy is approximately $20,000 and will be paid through program equity.

RECOMMENDATION: Approve participating in PRISM's Pollution Liability Program and purchase tail coverage for 3 year period.

DISCUSSION: CIRA's MOC excludes pollution liability coverage; however, coverage is afforded when loss is:

1. Sudden and accidental;
2. It is known to the member with seven days;
3. It is reported within 20 days of the member becoming aware of the loss; and
4. The member takes reasonable steps to correct, mitigate the release of pollutants.

The most common pollution exposure affecting CIRA members are sewer backups and operation of their wastewater treatment facility. Pollution losses may also arise from water treatment facilities, use and storage of hazardous materials, storm drains, underground storage tanks and contractors performing work for the member. Except for sewer related claims, CIRA members have not experienced many pollution losses. However, the exposure exists and coverage for first party losses (loss affecting member owned facilities) are not covered under the MOC.

PRISM offers a Pollution Liability Program. The program provides first and third-party coverage. This group purchase insurance program provides public entities coverage for bodily injury, property damage, and cleanup costs caused by pollution conditions at scheduled locations.

The program provides $10 million limits, $10 million aggregate limit for CIRA, and $50 million aggregate for all program participants. The policy is written on a claims-made versus occurrence basis. A $250,000 deductible (previously $75,000) applies to each pollution claim, but it increases to $1 million (previously $75,000) for underground storage tanks over 25 years old and $1 million (previously $250,000) for sewer back up claims.

The hard insurance market has affected the PRISM Pollution Program and the incumbent insurer, Chubb, declined to renew. Ironshore Specialty Insurance Company has agreed to underwrite this coverage. Because coverage is provided on a claims-made form, all claims and all known incidents that could give rise to a claim must be reported to Chubb during the policy period or during any extended reporting period (ERP) in order for coverage to apply. The change in insurer removes coverage for any known and unknown conditions that have not been reported. Additionally, the renewal carrier, Ironshore, excludes all pollution conditions that occurred prior to the renewal policy's inception and any known or pre-existing pollution conditions will not be covered by the renewal policy.

Because the program is changing insurers, tail coverage is offered to current participants as follows:

- ✓ 1 year, additional 32% of premium
- ✓ 2 year, additional 48% of premium
- ✓ 3 year, additional 63% of premium

This tail coverage option only applies to PARSAC members since REMIF members will be new to the program. The tail premium is based on the 2021/22 renewal premium, which is approximately $25,000 for PARSAC members.

FISCAL IMPLICATION: There is a significant premium increase due to the hard market. The 2021/22 premium for CIRA is $51,153, compared to less than $6,000 for PARSAC members in the current year. The three-year tail premium is approximately $20,000. This tail premium will be paid through previously allocated designated equity.

ATTACHMENT: Pollution Program proposal and comparison, and premium worksheet

PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)
POLLUTION PROGRAM I
2021/2022 INDIVIDUAL MEMBER RENEWAL TERMS
CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY (CIRA)

	PRESENT	PROPOSED
COVERAGE TERM	July 1, 2018 to July 1, 2021 Three-year policy term	July 1, 2021 to July 1, 2022
COMPANY AFFORDING COVERAGE	Illinois Union Insurance Company (Chubb)	Ironshore Specialty Insurance Company
A.M. BEST'S GUIDE RATING	A++ (Superior); Financial Category XV ($2 Billion or greater) as of April 13, 2018	A (Excellent); Financial Category XV ($2 Billion or greater) as of April 26, 2021
STANDARD & POOR'S RATING	AA (Stable) as of April 13, 2018	A (Stable) as of April 26, 2021
CALIFORNIA STATUS	Non-admitted	Non-admitted
CHOICE OF LAW	California	Silent
RETROACTIVE DATE	July 1, 2001 Except Products; water products sold or distributed by the named insured will have a retro date of July 1, 2006 and bio-solid derived fertilizer products sold or distributed by the named insured with have a retro date of July 1, 2009	**July 1, 2021 for the following:** Legionella, Mold and Restoration costs, Products Pollution Liability and Exposure, Legionella, Contractors Environmental Legal Liability (CELL) and Sewer Backup claims. **July 1, 2001** applies for all other coverages, a $500,000 sublimit applies to all claims for pre-existing conditions. **July 1, 2021** for REMIF members and City of Sierra Madre
COVERAGE PROVIDED	**CLAIMS MADE AND REPORTED POLICY** **Products Pollution** Bodily Injury and associated legal defense expenses coverage for water products sold or distributed by a named insured. A retro date of July 1, 2006 will apply. Products pollution includes water product pollution and Bodily injury, property damage, remediation costs and associated legal defense for bio-solid derived fertilizer	**CLAIMS MADE AND REPORTED POLICY** **Products Pollution** July 1, 2021 retroactive date applies with a $5,000,000 each incident/$10,000,000 aggregate sublimit. Coverage applies for loss that the Insured becomes legally obligated to pay as a result of Claims for Bodily Injury, Property Damage or Remediation Expense but only if:

NOTE: THIS PROPOSAL IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR ALTER THE POLICY IN ANY WAY. PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE AND EXCLUSION INFORMATION.

	PRESENT	PROPOSED
COVERAGE PROVIDED ***Continued***	products sold or distributed by a named insured. A retro date of July 1, 2009 will apply. **Mold** $5,000,000 sublimit applies	i. The Bodily Injury, Property Damage or Remediation Expense arises from Products Pollution; ii. The Products Pollution commenced on or after the PRODUCTS POLLUTION AND EXPOSURE LIABILITY RETROACTIVE DATE of July 1, 2021, as amended by this endorsement; and iii. A Claim for such Bodily Injury, Property Damage or Remediation Expense is first made against the Insured and reported to the Company in writing during the Policy Period, or during the Extended Reporting Period if applicable. PFOS/PFAS excluded. Bio solid fertilizer from wastewater treatment plants is covered with a retroactive date of July 1, 2021. $5,000,000 each incident/$10,000,000 aggregate sublimit applies. **Mold** No sublimit however a Retroactive date of 7/1/2021 applies. Elevated retention applies. The Company will pay all Loss in excess of the greater of: (i) $1,000,000; or (ii) $100,000 multiplied by the number of rooms impacted by the same, related or continuous Pollution Incident(s). For areas which are not used as guest rooms, each 250 square feet of floor space of the entire section of the location impacted, as determined in the Company's reasonable discretion, shall be deemed a room for purposes of calculating the deductible. The deductible is the obligation of the Named Insured and applies to all Loss arising out of the same, related or continuous Pollution Incident(s). **Restoration costs** for claims

NOTE: THIS PROPOSAL IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR ALTER THE POLICY IN ANY WAY. PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE AND EXCLUSION INFORMATION.

	PRESENT	PROPOSED
COVERAGE PROVIDED ***Continued***		associated with mold are sub limited to $1,000,000 each incident aggregate.
	Sewage Backup Included. "Sewage Backup" means the reverse flow of sewage via subsurface sewer lines, to or from a "covered location", into or onto locations that are not "covered locations", including, but not limited to, third party residences, businesses, or any other structures on land or into any soil, groundwater, surface water or air associated with such third party residences, businesses, or any other structures.	**Sewage Backup** Included. $1,000,000 deductible/$2,000,000 program aggregate sublimit applies. Sewer Backup means wastewater that enters into a building or basement as a result of a blockage in trunk sewer lines or lateral sewer lines, to the extent connected to trunk sewer lines, owned by the Named Insured. Overcharge means a condition in which the wastewater or storm water flow rate in trunk sewer lines or lateral sewer lines, to the extent connected to trunk sewer lines, owned by the Named Insured, exceeds 100% of the hydraulic capacity of the sewer lines and is a result of excess precipitation or groundwater entering the sewer lines.
	Legionella Policy deductible and limits apply	**Legionella** $500,000 deductible applies/$1,000,00 each incident sublimit
	Landfills Giveback to the landfill exclusion applies to provide for "claims" for "bodily injury" or "property damage" arising out of "pollution conditions" allegedly migrating from Landfills or Recycling Facilities that are specifically scheduled as "covered locations" pursuant to an endorsement attached to this Policy.	**Landfills** Landfills excluded however a giveback to the exclusion applies for Remediation Expenses incurred exclusively for remediation of pollutants that are beyond the boundaries of the Covered Property. "Any landfill material which is on or under the Covered Property(ies); any waste material which has been intentionally deposited on or under any Covered Property; or any Fill Material deposited on or under a Covered Property. However, this paragraph shall not apply to

	PRESENT	PROPOSED
COVERAGE PROVIDED ***Continued***		Remediation Expenses incurred exclusively for remediation of Pollutants that are beyond the boundaries of the Covered Property".
	Business Interruption 3 day waiting period	**Business Interruption** 5 day waiting period
	Covered Operations Included. Covered Operations – Any operations within the capacity of a public entity which are performed by or on behalf of a "named insured" outside the physical boundaries of a "covered location"	**Covered Operations** Included via CELL Coverage. Work covered includes: Land-based pesticide/herbicide spraying, household hazardous waste collection events, weatherization assistance programs; and Materials, parts or equipment furnished by the Insured or a subcontractor working on its behalf in connection with such work or operations. Sublimits apply.

	Automatic Acquisition
	• Automatic Coverage for Newly Acquired Locations for 365 days.
	  • New conditions covered subject to a retroactive date of the purchase, however full coverage can be granted subject to additional underwriting data and Phase I within one year
	  • A list of scheduled locations to be provided annually to the carrier
		Automatic Acquisition
		Any real property newly acquired, owned, leased, managed, rented or occupied by the Insured during the Policy Period
		(hereinafter "Acquired Real Property"), subject to all of the following conditions:
		a. Within one hundred eighty (180) days from the effective date of the Named Insured taking title to or its occupancy of such real property, the Named Insured must give notice of such taking title or occupancy in writing to the Company's underwriter and provide the underwriter with a properly completed and signed Site Pollution Incident Legal Liability Select Application. The Named Insured thereafter must provide any supporting documentation reasonably requested by the underwriter;
		b. If and when the Named Insured timely complies with paragraph 2.a. above, the Company shall within thirty (30)

	PRESENT	PROPOSED
COVERAGE PROVIDED ***Continued***		days thereafter either: i) approve the location and schedule the location by endorsement as a Covered Property; ii) approve the subject property(s) as a Covered Property with additional specific coverage conditions or exclusions; or iii) inform the Named Insured that the subject real property(s) is(are) not approved and will not be included as a Covered Property(s). If the subject real property(s) is(are) approved, to be scheduled to this Policy as a Covered Property(s), such scheduling shall be subject to an additional premium of $TBD per dollar of Total Insurable Values. This premium shall be pro-rated during the Policy Period subject to a minimum premium of $450. However, there shall be no additional premium for any Covered Property with Total Insurable Values which are less than $25,000,000. Coverage hereunder for any property added as a Covered Property shall only apply if the additional premium set forth above is paid when due; c. Coverage under this Policy shall only apply to Loss, Business Interruption Expense or Extra Expense arising out of a Pollution Incident(s) that commences on or subsequent to the earlier of the Named Insured's taking title or its cccupancy of such property. In the event that the Company provides written notice that the property will not be scheduled as a Covered Property, there shall be no coverage for any Pollution Incident or Claim unless written notice of such Pollution Incident or Claim was received by the Company prior to the Company's issuance of its notification that the property will not be scheduled as a Covered Property; and d. The material use of the property must conform to the intended use description set forth in the Declarations.

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	PRESENT	PROPOSED
COVERAGE PROVIDED ***Continued***	**Underground Storage Tanks** Coverage included for scheduled underground storage tanks--Blanket coverage for underground storage tanks installed on or after January 1, 1995. USTs installed prior to January 1, 1995 must be scheduled to be covered and require a tank tightness test or auto tank gauging report performed in the last 18 months. • **Cannot be used for filing financial assurance**	**Underground Storage Tanks** UST's are excluded except exclusion does not apply to any Underground Storage Tank: 1. Which has been closed or abandoned in place in accordance with all applicable Environmental Laws prior to the Inception Date; 2. Removed prior to the Inception Date; 3. Which is in full compliance with 40 CFR Part 280 and any state regulations applicable to Underground Storage Tanks; or 4. Which is in full compliance with federal, provincial or territorial or local technical standards applicable to Underground Storage Tanks. $500,000 deductible applies for UST's. A $1,000,000 deductible applies for UST's that are older than 25 years and that are discovered during a Voluntary Investigation; or that is encountered, disturbed or discovered while an Insured or any other party is performing a Capital Improvement (regardless of whether such Pollution Incident was previously known or unknown by any Insured). • **Cannot be used for filing financial assurance, coverage is excess of state tank funds/coverage**
	Airports and Dams Airports Sudden and Accidental- Discovered in 7 days/ 21 days Reporting. No restrictions for dams.	**Airports and Dams** Sudden and accidental coverage only. The Pollution Incident giving rise to such Loss must be discovered by the Insured within seven (7) days of its commencement and the Pollution Incident is demonstrable as commencing on a specific date; <u>and</u> the Pollution Incident must be reported to the Company in writing no later than twenty-one (21) days following the discovery of such Pollution Incident, and in any event during the Policy Period.

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	PRESENT	PROPOSED

COVERED LOCATIONS	• All locations within the portfolio, whether owned, leased, rented or occupied by the insured at the inception date and listed on the property schedule, including, but not limited to, associated streets, roads, storm drains/outfalls, easements and rights of ways, sanitary sewer trunk lines, wastewater treatment plants, water treatment plants, portable water wells, municipal airports, lift and pump stations, parks, civic or community centers, schools, donated land, easements for utility lines, roadways or bridges, landfills, maintenance garages, libraries, police and fire stations or other government buildings, and including related and associated shoreline and beaches
	• Automatic Coverage for Newly Acquired Locations. - reported annually and not a landfill or not a RCRA or Superfund site
	  • New conditions covered subject to a retroactive date of the purchase, however full coverage can be granted subject to additional underwriting data and Phase I within one year
	  • A list of scheduled locations to be provided annually to the carrier
	• Divested Locations (3rd party coverage from the retro date of July 1, 2001 to date of divesture)
	• The 23 mile portion of the Santa Ana Regional Interceptor Line (SARI) as owned by the Orange County Sanitation District
		• Any location owned, leased, rented, operated or occupied by a Named Insured as of Inception Date, including, but not limited to, any subsurface potable water, wastewater or storm water pipelines to or from a Covered Property provided that such pipes are located within a one thousand (1,000) foot radius of such Covered Property. Any real property newly acquired, owned, leased, managed, rented or occupied by the Insured during the Policy Period (hereinafter "Acquired Real Property"), subject to all of the following conditions:
		  • Within one hundred eighty (180) days from the effective date of the Named Insured taking title to or its occupancy of such real property, the Named Insured must give notice of such taking title or occupancy in writing to the Company's underwriter and provide the underwriter with a properly completed and signed Site Pollution Incident Legal Liability Select Application. The Named Insured thereafter must provide any supporting documentation reasonably requested by the underwriter

LIMITS	$10,000,000 per Pollution Condition $10,000,000 per Member Aggregate Limit of Liability $50,000,000 Policy Aggregate Limit of Liability for all Members combined • Three year term (Limits do not reinstate annually)	$10,000,000 per Pollution Condition $10,000,000 per Member Aggregate Limit of Liability $50,000,000 Policy Aggregate Limit of Liability for all Members combined • Annual term

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	PRESENT	PROPOSED
LIMITS ***Continued***	• All members of a JPA will share the $10,000,000 per Pollution Condition Limit and $10,000,000 per Member Aggregate Limit of Liability	• All members of a JPA will share the $10,000,000 per Pollution Condition Limit and $10,000,000 per Member Aggregate Limit of Liability

SUBLIMITS/ELEVATED DEDUCTIBLES	• Image Restoration $500,000 per contamination incident
	• Decontamination Costs subject to a sublimit of $5,000,000 aggregate - applies to healthcare and educational facilities
		• Fines and penalties $250,000 aggregate limit
		• Disinfection Event Expenses $25,000 each incident/program aggregate
		• Legionella $500,000 deductible and $1,000,000 each incident limit
		• Mold excess of $1,000,000 deductible or 100,000 multiplied by the number of rooms impacted by the same, related or continuous pollution Incident(s)
		• Restoration Costs shall not exceed $1,000,000 each incident aggregate
		• Sewer Backup $1,000,000 deductible and $2,000,000 each incident sublimit
		• Products Pollution- sublimit of $5M each incident/$10M program aggregate applies.
		• UST's, $500,000/$1,000,000 depending on age/circumstance, see above for further detail
		• Contractors Environmental Legal Liability (CELL):
		  • $1,000,000 each incident/$2,000,000 program aggregate for Herbicide, Insecticide and Pesticide Applications
		  • $5,000,000 each incident/$10,000,000 program aggregate for All other operations with the exception of above

SELF-INSURED RETENTION	$75,000 **3 Days Business Interruption Waiting Period** **$75,000** SIR for all UST's **$250,000** SIR for third party sewage backup	$250,000 **5 Days Business Interruption Waiting Period** **$500,000** Deductible for UST's < 25 years of age

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	PRESENT	PROPOSED
SELF-INSURED RETENTION *Continued*		**$1,000,000** Deductible for UST's > 25 years of age and those discovered during voluntary site investigation and capital improvements **$1,000,000** Deductible for sewer backup
EXTENDED REPORTING PERIOD	• 60 days automatic Extended Reporting Period • Three years Supplemental Extended Reporting Period for not more than 100% of the term premium	• 90 days automatic Extended Reporting Period • Four years Supplemental Extended Reporting Period for no more than 200% of term premium
INSURING AGREEMENT	Pay on behalf of the insured for a loss, in excess of the self-insured retention, resulting from a pollution condition, an indoor environmental condition, transportation or a pollution condition from a non-owned disposal site	Pay on behalf of the insured for Loss, Remediation Expenses, Emergency Response Expenses, Third Party Claims, Transportation, Waste Disposal Activities, and Business Interruption
DEFENSE COSTS AND EXPENSES	Defense Costs and Expenses are included in the Self-Insured Retention and within Limits of Liability	Defense Costs and Expenses are included in the Self-Insured Retention and within Limits of Liability
MAJOR EXCLUSIONS (Included but not limited to)	• Asbestos • Contractual Liability • Criminal Fines and Penalties • Divested Property • Employers Liability • First-Party Property Damage • Fraud or Misrepresentation • Insured's Internal Expenses • Insured vs. Insured • Intentional Non-Compliance • Known Conditions • Lead-Based Paint • Lead Contaminated Water • Material Change in Risk, does not apply to covered operations that are performed with respect to uses	• Asbestos and Lead Based Paint • Activity Use Limitation • Capital Improvement • Criminal Punishment • Closure, Post Closure and Reclamation Costs • Contractual Liability • Discharge Control • Employer Liability • Engineering Controls/Operation and Maintenance (O&M) Costs • Firing Ranges • Groundwater & Surface Water Monitoring Costs • Impoundments • Insured's Non-Compliance • Insured vs. Insured • Known Pollution Incident

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	PRESENT	PROPOSED
MAJOR EXCLUSIONS ***Continued***	and operations that are within the capacity of a Public Entity • Non-Owned Disposal Sites • Underground Storage Tanks • Vehicle Damage • War or Terrorism • Workers' Compensation • Product Liability (except bodily injury and associated legal defense expenses coverage for water products sold or distributed by named insured, retro date of July 1, 2006. Bodily injury, property damage, remediation costs and associated legal defense for bio-solid derived fertilizer products sold or distributed by named insured, retro date of July 1, 2009	• Landfill Material • Material Change In Use • Non-Disclosure • Nuclear and Radiological Material – Intentional or Unlawful Release • Odor • PFOS/PFAS excluded • Product as waste (giveback applies to biosolid derived from fertilizer that is sold/distributed by the named insured, provide180 • it was processed by a covered property used as a wastewater treatment plant) • Prior Claims • Property Damage to Conveyances • Underground Storage Tanks • Upgrades • Voluntary Site Investigation • War • Workers Compensation, Unemployment, Social Security, Disability and Similar Laws
ENDORSEMENTS	• Schedule of Named Insured • Asbestos and/or Lead-Based Paint Coverage (Inadvertent Disturbance) • Indoor Environmental Conditions Amendatory (Bacteria and Virus) • Jurisdiction and Venue/Choice of Law • Lead Exclusionary (Potable Water) • Notice of Cancellation • Premium Earned-Out (Staggered – One Year – Acceleration) • Schedule of Covered Locations • Schedule of Underground Storage Tanks • Self-Insured Retention Amendatory (Generic)	• Insurer Address Change • Claim and Notice Reporting • Sanction Limitation and Exclusion Clause • Service of Suit Clause - California • California – Cancellation and Nonrenewal • Disclosure – Terrorism Risk Insurance Act (Subject to TRIA purchase) • Cap on Losses From Certified Acts of Terrorism (Subject to TRIA purchase) • Disinfection Event Expenses • COVID-19 Exclusion • Named Insured • Additional Insured

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	PRESENT	PROPOSED

ENDORSEMENTS ***Continued***	• Self-Insured Retention Amendatory (Scheduled Conditions)
	• Specific Pollution Conditions or Indoor Environmental Conditions – City of Santa Monica
	• Sudden and Accidental Coverage Limitation
	  ○ No Indoor Environmental Conditions
	  ○ Applies to Airports
	• Waiver of Subrogation (By Contract)
	• Additional Named Insured Confirmation
	• Automatic Acquisition (New Conditions Coverage Only)
	• Definition of Pollution Condition
	• Exposure-Specific Aggregated Self-Insured Retention (No Sewage Back-Up or Storage Tanks)
	• Other Insurance Amendatory
	• Per Named Insured Aggregate Sublmit of Liability
	• Per Named Insured Sublimits of Liability (Bacteria/Virus and Catastrophe Management Costs)
	• Products Pollution Coverage (Public Entity)
	• Public Entity Coverage Amendatory (Sewage Back-Up)
	• Supplemental Extended Reporting Period
	• Disclosure Pursuant to Terrorism Risk Insurance Act
	• Service of Suit
	• Terrorism Risk Insurance Act
	• Trade or Economics Sanctions
	• Signatures
		• Waiver of Subrogation
		• Prior Claims Exclusion
		• Covered Property Definition
		• Exclusions Endorsement
		• Limits of Liability and Deductible
		• Asbestos and Lead Based Paint Exclusion
		• Choice of Forum/Law Deletion
		• Retroactive Date
		• Coverage Amendatory
		• Capital Improvement Exclusion
		• Voluntary Site Investigation Exclusion
		• Conditions Amendatory
		• Per Named Insured Aggregate
		• Underground Storage Tanks Exclusion
		• Excess of Tank Fund
		• Non-Owned Disposal Sites Definition
		• Loss Definition
		• Products Pollution and Exposure Liability
		• Contractors Environmental Legal Liability (CELL)

MINIMUM EARNED PREMIUM	25% at inception, 50% earned at end of first policy year, 100% at end of second policy year	100% earned at inception
CANCELLATION	90 days written notice to First Named Insured in the case of material misrepresentation, breach or failure to comply	• 90 days written notice to First Named Insured • 10 days for non-payment of premium

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	PRESENT	PROPOSED
CANCELLATION ***Continued***	with policy terms, or failure to pay premium or self-insured retentions; 10 days' notice only for non-payment	• Fraud or misrepresentation • Any "insured's" failure to comply with the terms, conditions or contractual obligations under this policy including failure to pay the deductible when due • Nonpayment of premium when due
CLAIMS REPORTING REQUIREMENTS	All claims must be reported to the carrier as soon as practicable, regardless if under Self Insured Retention	Same as Present
PREMIUM	$9,715 Pro-Rated two year premium	$51,153 Annual Premium

NOTE: Coverage has been bound with Ironshore for the 2021/2022 policy term. As noted on Page 1 under the Retroactive Date section of the proposal, Ironshore is not providing full retroactive date of coverage dating back to July 1, 2001. Chubb has agreed to provide Extended Reporting Period (ERP) for the Program. ERP premium and financing options will be provided to all members in the Program by PRISM.

- Premiums noted above are for the expiring and renewal terms. **These do not included ERP premium (ERP premium options will be provided separately)**

ALLIANT INSURANCE SERVICES, INC.
Nazie Arshi, Senior Vice President
Katrina Seese, Assistant Vice President
Mike Simmons, Vice Chairman
Armando Vieyra, Program Specialist – Lead

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This proposal of insurance is provided as a matter of convenience and information only. All information included in this proposal, including but not limited to personal and real property values, locations, operations, products, data, automobile schedules, financial data and loss experience, is based on facts and representations supplied to Alliant Insurance Services, Inc. by you. This proposal does not reflect any independent study or investigation by Alliant Insurance Services, Inc. or its agents and employees.

Please be advised that this proposal is also expressly conditioned on there being no material change in the risk between the date of this proposal and the inception date of the proposed policy (including the occurrence of any claim or notice of circumstances that may give rise to a claim under any policy which the policy being proposed is a renewal or replacement). In the event of such change of risk, the insurer may, at its sole discretion, modify, or withdraw this proposal, whether or not this offer has already been accepted.

This proposal is not confirmation of insurance and does not add to, extend, amend, change, or alter any coverage in any actual policy of insurance you may have. All existing policy terms, conditions, exclusions, and limitations apply. For specific information regarding your insurance coverage, please refer to the policy itself. Alliant Insurance Services, Inc. will not be liable for any claims arising from or related to information included in or omitted from this proposal of insurance.

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at www.alliant.com. For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations. Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com. For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com.

Our goal is to procure insurance for you with underwriters possessing the financial strength to perform. Alliant does not, however, guarantee the solvency of any underwriters with which insurance or reinsurance is placed and maintains no responsibility for any loss or damage arising from the financial failure or insolvency of any insurer. We encourage you to review the publicly available information collected to enable you to make an informed decision to accept or reject a particular underwriter. To learn more about companies doing business in your state, visit the Department of Insurance website for that state.

IMPORTANT NOTICE: The Non-Admitted and Reinsurance Reform Act (NRRA) went into effect on July 21, 2011. Accordingly, surplus lines tax rates and regulations are subject to change which could result in an increase or decrease of the total surplus lines taxes and/or fees owed on this placement. If a change is required, we will promptly notify you. Any additional taxes and/or fees must be promptly remitted to Alliant Insurance Services, Inc.

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Member	Payroll (00's)	Estimated Pollution Premium 2021/22
Amador City	$350	$4
Arcata	$100,042	$1,257
Avalon	$52,500	$660
Belvedere	$26,380	$331
Blue Lake	$5,039	$63
California City	$71,361	$896
Calimesa	$26,981	$339
Calistoga	$57,027	$716
Citrus Heights	$180,000	$2,261
Clearlake	$47,728	$600
Cloverdale	$43,120	$542
Coalinga	$69,253	$870
Cotati	$40,415	$508
Eureka	$161,512	$2,029
Ferndale	$6,934	$87
Fort Bragg	$40,898	$514
Fortuna	$54,682	$687
Grass Valley	$71,250	$895
Healdsburg	$166,448	$2,091
Highland	$33,647	$423
Lakeport	$35,481	$446
Menifee	$183,157	$2,301
Nevada City	$28,021	$352
Placentia	$172,528	$2,167
Placerville	$69,291	$870
Plymouth	$6,600	$83
Point Arena	$2,950	$37
Rancho Cucamonga	$325,123	$4,084
Rancho Cucamonga FD	$201,502	$2,531
Rancho Santa Margarita	$26,829	$337
Rohnert Park	$226,402	$2,844
San Juan Bautista	$8,800	$111
Sebastopol	$51,786	$651
Sierra Madre	$62,192	$781
Sonoma	$34,177	$429
South Lake Tahoe	$215,138	$2,703
St. Helena	$77,001	$967
Tehama	$720	$9
Trinidad	$3,570	$45
Truckee	$134,682	$1,692
Twentynine Palms	$26,750	$336
Ukiah	$204,802	$2,573
Watsonville	$405,720	$5,097
Wheatland	$17,240	$217
Wildomar	$31,224	$392
Willits	$35,776	$449
Windsor	$101,083	$1,270
Yountville	$38,859	$488
Yucaipa	$54,071	$679
Yucca Valley	$34,970	$439
	$4,072,010	$51,153

SURPLUS LAND ACT

SUMMARY: PARSAC owns an 8,500 square foot (sf) building and since 2005 staff has been the sole occupant. The building is an asset that has the potential to generate additional revenue forits members. Approximately two-thirds of the facility is vacant and in Mar. 2019 staff engaged a broker to lease the vacant space. When PARSAC began marketing the building for lease, vacancy rates in the area were above average and has significantly increased the past year due to the pandemic. There has been minimal interest from prospective tenants. However, with interest rates at historical lows, a few inquired about buying the building. A medical group has made an offer to purchase the building for $1,550,000 and this was accepted by the Board during the April 22, 2021 Special Board meeting.

The California Surplus Land Act (Gov. Code 54220) requires local agencies, prior to disposing of property, declare the property surplus and to offer to sell or lease that property to certain entities for specified uses, including affordable housing, parks and recreation, and schools uses.

Surplus land is means land owned in fee simple by any local agency for which the local agency's governing body takes formal action in a regular public meeting declaring that the land is surplus ***and is not necessary for the agency's use.*** Land shall be declared either "surplus land" or "exempt surplus land," as supported by written findings, before a local agency may take any action to dispose of it consistent with an agency's policies or procedures. Originally, PARSAC's position was the Act does not apply to this property as it does not fall within the definition of "surplus land". Additionally, PARSAC's position is that if the land is deemed to be "surplus" the property is exempt from the Act under section 54221(f)(1)(C) of the Act, which states that "exempt surplus land means … [s]urplus land that a local agency is exchanging for another property necessary for the agency's use."

The State Department of Housing and Community Development (HCD) did not accept PARSAC's legal position and ruled that PARSAC must comply with the Act (see attachment).

RECOMMENDATION: Board approve Resolution 2020-09 declaring PARSAC's building exempt surplus land, and rescind Resolution 2020-08.

DISCUSSION: Subsequent to HCD's ruling, staff discovered the Covenants, Conditions and Restrictions (CC&R) relating to the property. Sections 6.01 and 6.09 state the following:

<u>6.01 – Permitted Uses:</u> The property shall be used and maintained as an office park wherein each Building shall be used and occupied exclusively as business and professional offices and for the conduct of activities incidental to such use, and the Common Area shall be devoted to such landscaping, parking, private driveways and other facilities as are necessary and desirable for accommodation of the office occupants. **No Building or any portion of a Building shall be sold, leased, subleased, or rented for any non-office use such as, but not limited to, manufacturing, industrial, or residential purposes.**

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6.09- Enforcement – These use restrictions may be enforced by proceeding at law or in equity against any person or persons violating or attempting to violate the provisions of this Article, either to restrain the violation or to recover the damages, including reasonable attorneys' fees for the prevailing party. The Association, as well as an Owner, shall have the right to determine that any tenant within the Properties is in violation of these restrictions and, upon such determination, the Association shall have the right to terminate tenancy upon 30 days written notice to the tenant.

Staff requested HCD reconsider PARSAC's exempt status and upon review of the restrictions in the CC&R, HCD determined PARSAC is exempt from the Surplus Land Act regulations. As such, the proposed Resolution 2020-09 declaring PARSAC's building exempt surplus land will now replace the formerly approved Resolution 2020-08, attached as a reference. PARSAC can now complete the sale the with Medical Group, which includes executing the sales agreement, buyer completing its due diligence and closing escrow no later than Sept. 30, 2021.

FISCAL IMPLICATIONS: Below is a 5 and 20 year estimate return on investment via the sale of the building:

Sales Price	$1,550,000
Less 6% Broker Commission	-$93,000
Less Seller's Est. Closing Costs	-$10,000
Net Proceeds	$1,447,000
Interest at 3%	$233,960
5 year ending value	$1,680,960
Interest in year 20 at 3%	$1,187,632
20 year ending value	$2,634,632

ATTACHMENT: Resolution 2020-09, Resolution 2020-08, PSA, Preliminary Title Report, CC&R, and email communication from HCD.

RESOLUTION NO. 2020-09

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY (CIRA) DECLARING THE HEADQUARTERS BUILDING OF THE FORMER PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA (PARSAC) LOCATED AT 1525 RESPONSE ROAD, IN SACRAMENTO, CALIFORNIA AS EXEMPT SURPLUS LAND UNDER SECTION 54221(f)(1)(G) OF THE SURPLUS LAND ACT, GOVERNMENT CODE, SECTION 54220 ET SEQ.,; APPROVING THE PURCHASE AND SALE AGREEMENT BETWEEN PARSAC AND MICHAEL J. FAZIO, M.D. INC.; AND FINDING THE ACTION EXEMPT FROM CEQA

WHEREAS, as of July 1, 2021 (the "Effective Date"), PARSAC merged with the Redwood Empire Municipal Insurance Fund ("REMIF") to form CIRA (the "Merger").

WHEREAS, prior to the Merger, PARSAC owned and was the sole occupant of a building located at 1525 Response Road, Sacramento, CA 95815, which it used as its headquarters (the "PARSAC Headquarters Building").

WHEREAS, after the Merger and as of the Effective Date, disposition of the PARSAC Headquarters Building will be administered by CIRA pursuant to the PARSAC Joint Powers Agreement, as provided in Article VI of the CIRA Joint Powers Agreement.

WHEREAS, the PARSAC Headquarters Building is subject to that certain Declaration of Covenants, Conditions and Restrictions, recorded on September 29, 1977 in the Official Records of Sacramento County as Document No. BK 77-09-29 and attached hereto as **Exhibit 1** and incorporated herein by reference (the "CC&Rs").

WHEREAS, prior to the Merger, PARSAC agreed to terms with Michael J. Fazio, M.D. Inc. ("Buyer") for the purchase and sale of the PARSAC Headquarters Building, as reflected in that certain "Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential)" attached hereto as **Exhibit 2** (the "PSA").

WHEREAS, the PARSAC Headquarters Building is no longer necessary for CIRA's use and is therefore "surplus land" as that term is defined in section 54221(b)(1) of the Surplus Land Act (Government Code section 54220 *et seq.*) (the "Act").

WHEREAS, the CC&Rs, at section 6.01, permit the PARSAC Headquarters Building site to be "used and maintained as an office park wherein each Building [including the PARSAC Headquarters Building] shall be used and occupied exclusively as business and professional offices and for the conduct of activities incidental to such use," and prohibit any "Building or any portion of a Building [to] be sold, leased, subleased, or rented for any non-office use such as, but not limited to, manufacturing, industrial, or ***residential*** purposes." (Emphasis added.)

WHEREAS, the CC&Rs appear on title for the PARSAC Headquarters Building, as can be seen on Schedule B (No. 2) of the Preliminary Title Report for the PARSAC Headquarters

Building, issued by Stewart Title of Sacramento, dated May 4, 2021, which is attached hereto as **Exhibit 3** and incorporated herein by reference (the "PTR").

WHEREAS, section 54221(f)(1)(G) of the Act exempts from its requirements the disposition of "[s]urplus land that is subject to valid legal restrictions that are not imposed by the local agency and that would make housing prohibited, unless there is a feasible method to satisfactorily mitigate or avoid the prohibition on the site" (the "Exemption").

WHEREAS, there is no feasible method to satisfactorily mitigate or avoid the CC&Rs' prohibition on residential development on the property where the PARSAC Headquarters Building is located.

WHEREAS, on June 1, 2021, pursuant to sections 103(c) and 400(e) of the Surplus Land Act Guidelines (Final) (April 2021) (the "Guidelines"), PARSAC submitted a draft copy of this resolution (the "Resolution"), the CC&Rs, and the PTR to the Department of Housing and Community Development ("HCD"), seeking a determination on PARSAC's use of the Exemption.

WHEREAS, on June 2, 2021, HCD issued a Notice of Exemption Determination to PARSAC, approving use of the Exemption.

NOW THEREFORE, BE IT RESOLVED THAT, the Board of Directors of the California Intergovernmental Risk Authority hereby finds, determines and resolves as follows:

SECTION 1. That all facts and findings as set forth in the recitals of this Resolution are true and correct.

SECTION 2. That the PARSAC Headquarters Building is not necessary for CIRA's use and is therefore "surplus land" as that term is defined in section 54221(b)(1) of the Act.

SECTION 3. That, notwithstanding the surplus nature of the PARSAC Headquarters Building, it and its disposition are exempt from the Act under section 54221(f)(1)(G), because the property on which the PARSAC Headquarters Building is located is (as evidenced by the PTR) subject to the CC&Rs, which, among other things, explicitly prohibit residential development and use thereon, and such prohibition cannot feasibly be mitigated or avoided.

SECTION 4. That, pursuant to section 54222.3 of the Act, the Act "shall not apply to the disposal of exempt surplus land as defined in Section 54221 by … any local agency."

SECTION 5. That the PSA is hereby approved, and the General Manager is authorized to execute the PSA and any other documents necessary to effectuate the purpose of the PSA.

Effective Date. This Resolution shall become effective upon its adoption.

ADOPTED this 1st day of July, 2021.

ATTEST:

_____
John Gillison, CIRA President

_____
Kin Ong, CIRA Board Secretary

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RESOLUTION NO. 2020-08

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA (PARSAC) DECLARING ITS CURRENT HEADQUARTERS BUILDING AS NON-EXEMPT SURPLUS LAND;; APPROVING THE FORM OF NOTICE OF AVAILABILITY; DIRECTING THE GENERAL MANAGER TO COMPLY WITH THE REQUIREMENTS OF THE SURPLUS LAND ACT, GOVERNMENT CODE, SECTION 54220 ET SEQ.; AND FINDING THE ACTION EXEMPT FROM CEQA

WHEREAS, PARSAC owns, is the sole occupant of, and currently uses as its headquarters a building located at 1525 Response Road, Sacramento, CA 95815, as more particularly described in **Exhibit A**, which is incorporated herein by reference (the "Current Headquarters Building").

WHEREAS, PARSAC has identified another commercial building located at 80 Iron Point Circle, Folsom, CA that would be more appropriate to serve as PARSAC's headquarters (the "New Headquarters Building"). PARSAC staff has determined that in the current real estate market, it is economically preferable to lease rather than own its office space. PARSAC intends to lease the same amount of space in the New Headquarters Building (2,500 square feet) as it currently occupies in the Current Headquarters Building.

WHEREAS, PARSAC seeks to ultimately exchange the Current Headquarters Building for the New Headquarters Building, and to that end, is considering an offer from a medical group (the "Offer") to purchase the Current Headquarters Building. During the escrow period, if the Offer is accepted, PARSAC would finalize its plan to lease and occupy the New Headquarters Building.

WHEREAS, PARSAC does not believe the Current Headquarters Building is "surplus land" as that term is defined in section 54221(b)(1) of the Surplus Land Act (Government Code section 54220 *et seq.*) (the "Act"), and, in the alternative, that if the Current Headquarters Building is "surplus land," it is exempt from the Act under section 54221(f)(1)(C) of the Act, which states that "exempt surplus land means … [s]urplus land that a local agency is exchanging for another property necessary for the agency's use."

WHEREAS, on April 23, 2021, pursuant to the Act's final guidelines (the "Guidelines") issued by the State's Department of Housing and Community Development ("HCD"), PARSAC submitted its proposed resolution declaring the Current Headquarters Building as non-surplus land or, in the alternative, exempt surplus land.

WHEREAS, on May 7, 2021, HCD responded to PARSAC's submission, stating its disagreement with PARSAC's interpretation of the Act and has directed PARSAC to declare the Current Headquarters Building as non-exempt surplus land, subject to the Act.

NOW THEREFORE, BE IT RESOLVED THAT, the Board of Directors of the Public Agency Risk Sharing Authority of California hereby finds, determines and resolves as follows:

SECTION 1. That all facts and findings as set forth in the recitals of this Resolution are true and correct.

SECTION 2. That the Current Headquarters Building is not necessary for PARSAC's use, as defined under the Act, section 54221(c), and does not qualify as "exempt surplus land" under the Act, section 54221(f).

SECTION 3. That the form of Notice of Availability, attached hereto as **Exhibit B** (the "Notice"), is approved, and the General Manager shall comply with the requirements of the Act, including but not limited to, issuing the Notice to those statutorily entitled to receive it (section 54222) and negotiating in good faith with those entities, if any, who submit qualified Notices of Interest (sections 54222.5 and 54223).

SECTION 4. The action authorized by this Resolution does not authorize or approve the actual disposition or sale of the Property. Thus, this action does not commit PARSAC to any future action, nor does this action approve a particular project, or grant any specific approval that would have a direct or reasonably foreseeable indirect environmental impact pursuant to the California Environmental Quality Act ("CEQA"). (*See* 14 California Code of Regulations Sections15060(c); 15378(b).) As such, the mere declaration of surplus land and authorization to proceed under the Act do not constitute the approval of a "project" under CEQA, and no further action under CEQA is required.

SECTION 5. Severability. If any provision of this Resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications, and to this end the provisions of this Resolution are declared to be severable.

SECTION 6. Effective Date. This Resolution shall become effective immediately.

APPROVED and **ADOPTED** by the Board of Directors and signed by the Chair and attested by the Board Secretary this ___ day of _____ 2021.

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STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE

(Non-Residential)

Dated: March 15, 2021

1. Buyer.

1.1 Michael J. Fazio, M.D. Inc. , ("**Buyer**") hereby offers to purchase the real property, hereinafter described, from the owner thereof ("**Seller**") (collectively, the "**Parties**" or individually, a "**Party**"), through an escrow ("**Escrow**") to close ~~30 or~~ by September 30, 2021 ~~days~~ after the waiver or satisfaction of the Buyer's Contingencies, ("**Expected Closing Date**") to be held by Stewart Title (Attn: c/o Ruth Alexander) ("**Escrow Holder**") whose address is 555 Capitol Mall, Sacramento, CA 95814 , Phone No. 916.441.4950 , Facsimile No. ____ upon the terms and conditions set forth in this agreement ("**Agreement**"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "**Date of Agreement**" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. Property.

2.1 The real property ("**Property**") that is the subject of this offer consists of (insert a brief physical description) approximately ±8,525 SF Office is located in the County of Sacramento , is commonly known as (street address, city, state, zip) 1525 Response Road, Sacramento, CA and is legally described as: ____ (APN: 277-0287-008).

2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of ____ ("**Title Company**"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and connections only); space heaters; heating, ventilating, air conditioning equipment ("**HVAC**"); air lines; fire sprinkler systems; security and fire detection systems; carpets; window coverings; wall coverings; and ____ (collectively, the "**Improvements**").

2.4 The fire sprinkler monitor: ☐ is owned by Seller and included in the Purchase Price, ☐ is leased by Seller, and Buyer will need to negotiate a new lease with the fire monitoring company, ☑ ownership will be determined during Escrow, or ☐ there is no fire sprinkler monitor.

2.5 Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and ____ all of which shall be removed by Seller prior to Closing.

3. Purchase Price.

3.1 The purchase price ("**Purchase Price**") to be paid by Buyer to Seller for the Property shall be $1,550,000 , payable as follows:
(Strike any not applicable)

(a) Cash down payment, including the Deposit as defined in paragraph 4.3 (or if an all cash transaction, the Purchase Price): TBD

(b) Amount of "New Loan" as defined in paragraph 5.1, if any: Rate and Terms acceptable to Buyer.

~~(c) Buyer shall take title to the Property subject to and/or assume the following existing deed(s) of trust ("**Existing Deed(s) of Trust**") securing the existing promissory note(s) ("**Existing Note(s)**"):~~
~~(i) An Existing Note ("**First Note**") with an unpaid principal balance as of the Closing of approximately: ____~~
~~Said First Note is payable at ____ per month, including interest at the rate of ____ % per annum until paid (and/or the entire unpaid balance is due on ____).~~
~~(ii) An Existing Note ("**Second Note**") with an unpaid principal balance as of the Closing of approximately: ____~~
~~Said Second Note is payable at ____ per month, including interest at the rate of ____ % per annum until paid (and/or the entire unpaid balance is due on ____).~~
~~(d) Buyer shall give Seller a deed of trust ("**Purchase Money Deed of Trust**") on the property, to secure the promissory note of Buyer to Seller described in paragraph 6 ("**Purchase Money Note**") in the amount of: ____~~

Total Purchase Price: $1,550,000

3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment

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of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agrees to pay such fees up to a maximum of 1.5% of the unpaid principal balance of the applicable Existing Note.

4. Deposits.

4.1 ☐ Buyer has delivered to Broker a check in the sum of ____, payable to Escrow Holder, to be delivered by Broker to Escrow Holder within 2 or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, or ☑ within 5 ~~2~~ or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder Buyer shall deliver to Escrow Holder a check in the sum of $25,000. If said check is not received by Escrow Holder within said time period then Seller may elect to unilaterally terminate this transaction by giving written notice of such election to Escrow Holder whereupon neither Party shall have any further liability to the other under this Agreement. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) Within 5 business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of ____ to be applied to the Purchase Price at the Closing.

(b) Within 5 business days after the contingencies discussed in paragraph 9.1 (a) through (m) are approved or waived, Buyer shall deposit with Escrow Holder the additional sum of $50,000 to be applied to the Purchase Price at the Closing.

(c) If an Additional Deposit is not received by Escrow Holder within the time period provided then Seller may notify Buyer, Escrow Holder, and Brokers, in writing that, unless the Additional Deposit is received by Escrow Holder within 2 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "**Deposit**"), in a State or Federally chartered bank in an interest bearing account whose term is appropriate and consistent with the timing requirements of this transaction. The interest therefrom shall accrue to the benefit of Buyer, who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Buyer's Federal Tax Identification Number is ____. NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

4.4 Notwithstanding the foregoing, within 5 days after Escrow Holder receives the monies described in paragraph 4.1 above, Escrow Holder shall release $100 of said monies to Seller as and for independent consideration for Seller's' execution of this Agreement and the granting of the contingency period to Buyer as herein provided. Such independent consideration is non-refundable to Buyer but shall be credited to the Purchase Price in the event that the purchase of the Property is completed.

4.5 Upon waiver of all of Buyer's contingencies the Deposit shall become non-refundable but applicable to the Purchase Price except in the event of a Seller breach, or in the event that the Escrow is terminated pursuant to the provisions of Paragraph 9.1(n) (Destruction, Damage or Loss) or 9.1(o) (Material Change).

5. Financing Contingency. *(Strike if not applicable)*

5.1 This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least Rate and Terms acceptable to Buyer % of the Purchase Price, on terms acceptable to Buyer. Such loan ("**New Loan**") shall be secured by a first deed of trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.

5.2 **If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within 60 days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.**

5.3 If Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.

~~**6. Seller Financing.** (Purchase Money Note). *(Strike if not applicable)*~~

~~6.1 If Seller approves Buyer's financials (see paragraph 6.5) the Purchase Money Note shall provide for interest on unpaid principal at the rate of ____ % per annum, with principal and interest paid as follows: ____. The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.~~

~~6.2 The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 10.3 (b)):~~

~~(a) *Prepayment*. Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.~~

~~(b) *Late Charge*. A late charge of 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.~~

~~(c) *Due On Sale*. In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.~~

~~6.3 If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.~~

~~6.4 **WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.**~~

~~6.5 Seller's obligation to provide financing is contingent upon Seller's reasonable approval of Buyer's financial condition. Buyer to provide a current financial statement and copies of its Federal tax returns for the last 3 years to Seller within 10 days following the Date of Agreement. Seller has 10 days following receipt of such documentation to satisfy itself with regard to Buyer's financial condition and to notify Escrow Holder as to whether or not Buyer's financial condition is acceptable. If Seller fails to notify Escrow Holder, in writing, of the disapproval of this contingency within said time period, it shall be conclusively presumed that Seller has approved Buyer's financial condition. If Seller is not satisfied with Buyer's financial condition or if Buyer fails to deliver the required documentation then Seller may notify Escrow Holder in writing that Seller Financing will not be available, and Buyer shall have the option, within 10 days of the receipt of such notice, to either terminate this transaction or to purchase the Property without Seller financing. If Buyer fails to notify Escrow Holder within said time period of its election to terminate this transaction then Buyer shall be conclusively presumed to have elected to purchase the Property without Seller financing. If Buyer elects to terminate, Buyer's Deposit shall be refunded less Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.~~

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7. Real Estate Brokers.

7.1 Each Party acknowledges receiving a Disclosure Regarding Real Estate Agency Relationship, confirms and consents to the following agency relationships in this transaction with the following real estate broker(s) ("**Brokers**") and/or their agents ("Agent(s)"):

Seller's Brokerage Firm Kidder Mathews License No. 01946490 is the broker of (check one): ☑ the Seller; or ☐ both the Buyer and Seller (dual agent).

Seller's Agent Jim Gray and Nahz Anvary License No. 00775072, 01468557 is (check one): ☑ the Seller's Agent (salesperson or broker associate); or ☐ both the Seller's Agent and the Buyer's Agent (dual agent).

Buyer's Brokerage Firm Colliers International License No. ____ is the broker of (check one): ☑ the Buyer; or ☐ both the Buyer and Seller (dual agent).

Buyer's Agent Thomas Walcott, Sofie Babic License No. 01121178, 02123950 is (check one): ☑ the Buyer's Agent (salesperson or broker associate); or ☐ both the Buyer's Agent and the Seller's Agent (dual agent).

The Parties acknowledge that other than the Brokers and Agents listed above, there are no other brokers or agents representing the Parties or due any fees and/or commissions under this Agreement. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the date inserted for reference purposes at the top of page 1.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker, agent or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers and Agents named in paragraph 7.1, and no broker, agent or other person, firm or entity, other than said Brokers and Agents is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charges which may be claimed by any broker, agent, finder or other similar party, other than said named Brokers and Agents by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, including any counteroffers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions restating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions. In the event that there is any conflict between the provisions of the Agreement and the provisions of any additional escrow instructions the provisions of the Agreement shall prevail as to the Parties and the Escrow Holder.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "**Closing**") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance. (See also paragraph 11.)

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 9.1 subparagraphs (b), (c), (d), (e), (g), (i), (n), and (o), 9.4, 12, 13, 14, 16, 18, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in Paragraph 9.2 or disapproval of any other matter subject to Buyer's approval, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall, subject to the provisions of paragraph 8.10, be promptly refunded all funds deposited by Buyer with Escrow Holder, less only the $100 provided for in paragraph 4.4 and the Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation. If this transaction is terminated as a result of Seller's breach of this Agreement then Seller shall pay the Title Company and Escrow Holder cancellation fees and costs.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and said Date is not extended by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 5 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this Escrow is terminated for any reason other than Seller's breach or default, then as a condition to the return of Buyer's deposit, Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property.

9. Contingencies to Closing.

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. **IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT**. Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (m) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

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(a) *Disclosure*. Seller shall make to Buyer, through Escrow, all of the applicable disclosures required by law (See AIR CRE ("**AIR**") standard form entitled "**Seller's Mandatory Disclosure Statement**") and provide Buyer with a completed Property Information Sheet ("**Property Information Sheet**") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or ____ days following the Date of Agreement. Buyer has 10 days from the receipt of said disclosures to approve or disapprove the matters disclosed.

(b) *Physical Inspection*. Buyer has ~~10 or~~ 45 days following ~~the receipt of the Property Information Sheet or~~ the Date of Agreement~~, whichever is later,~~ to satisfy itself with regard to the physical aspects and size of the Property.

(c) *Hazardous Substance Conditions Report*. Buyer has ~~30 or~~ 45 days following ~~the receipt of the Property Information Sheet or~~ the Date of Agreement, ~~whichever is later~~, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "**Hazardous Substance**" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "**Hazardous Substance Condition**" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) *Soil Inspection*. Buyer has ~~30 or~~ 45 days following ~~the receipt of the Property Information Sheet or~~ the Date of Agreement, ~~whichever is later~~, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days following the Date of Agreement.

(e) *Governmental Approvals*. Buyer has ~~30 or~~ 45 days following the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters.

(f) *Conditions of Title*. Escrow Holder shall cause a current commitment for title insurance ("**Title Commitment**") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("**Underlying Documents**"), and a scaled and dimensioned plot showing the location of any easements to be delivered to Buyer within 10 ~~or~~ ____ days following the Date of Agreement. Buyer has 10 days from the receipt of the Title Commitment, the Underlying Documents and the plot plan to satisfy itself with regard to the condition of title. The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) *Survey*. Buyer has ~~30 or~~ 45 days following the receipt of the Title Commitment and Underlying Documents to satisfy itself with regard to any ALTA title supplement based upon a survey prepared to American Land Title Association ("**ALTA**") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. Any such survey shall be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto.

~~(h) *Existing Leases and Tenancy Statements*. Seller shall within 10 or ____ days following the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "**Existing Leases**") affecting the Property, and with a tenancy statement ("**Estoppel Certificate**") in the latest form or equivalent to that published by the AIR, executed by Seller and/or each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.~~

~~(i) *Owner's Association*. Seller shall within 10 or ____ days following the Date of Agreement provide Buyer with a statement and transfer package from any owner's association servicing the Property. Such transfer package shall at a minimum include: copies of the association's bylaws, articles of incorporation, current budget and financial statement. Buyer has 10 days from the receipt of such documents to satisfy itself with regard to the association.~~

(j) *Other Agreements*. Seller shall within 10 or ____ days following the Date of Agreement provide Buyer with legible copies of all other agreements ("**Other Agreements**") known to Seller that will affect the Property after Closing. Buyer has 10 days from the receipt of said Other Agreements to satisfy itself with regard to such Agreements.

(k) *Financing*. If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.

~~(l) *Existing Notes*. If paragraph 3.1(c) has not been stricken, Seller shall within 10 or ____ days following the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "**Loan Documents**") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("**Beneficiary Statement**") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with such loan. Buyer has 10 or ____ days following the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without acceleration or change in the terms of any Existing Notes or charges to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof. Likewise if Seller is to carry back a Purchase Money Note then Seller shall within 10 or ____ days following the Date of Agreement provide Buyer with a copy of the proposed Purchase Money Note and Purchase Money Deed of Trust. Buyer has 10 or ____ days from the receipt of such documents to satisfy itself with regard to the form and content thereof.~~

(m) *Personal Property*. In the event that any personal property is included in the Purchase Price, Buyer has 10 or ____ days following the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or ____ days following the Date of Agreement.

(n) *Destruction, Damage or Loss*. Subsequent to the Date of Agreement and prior to Closing there shall not have occurred a destruction of, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than $10,000.00 to repair or cure. If the cost of repair or cure is $10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss costing more than $10,000.00 to repair or cure, to either terminate this Agreement or to purchase the Property notwithstanding such loss, but without deduction or offset

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against the Purchase Price. If the cost to repair or cure is more than $10,000.00, and Buyer does not elect to terminate this Agreement, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing, Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.

(o) *Material Change*. Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "**Material Change**" shall mean a substantial adverse change in the use, occupancy, tenants, title, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

(p) *Seller Performance*. The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(q) *Brokerage Fee*. Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("**Brokerage Fee**"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

9.2 All of the contingencies specified in subparagraphs (a) through (m) of paragraph 9.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "**Buyer's Contingencies**."

9.3 If any of Buyer's Contingencies or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("**Disapproved Item**"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("**Seller's Election**"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the right, within 10 days after Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this Agreement. Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this Agreement. The above time periods only apply once for each Disapproved Item. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions or to the Financing Contingency. Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 business days following the expiration of: (a) the applicable contingency period(s), (b) the period within which the Seller may elect to cure the Disapproved Item, or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.

9.4 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on the Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.

10. Documents and Other Items Required at or Before Closing.

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer.

(b) If applicable, the Beneficiary Statements concerning Existing Note(s).

(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the AIR or its equivalent.

(d) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

(e) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a ''nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(f) If applicable, a bill of sale, duly executed, conveying title to any included personal property to Buyer.

(g) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 Buyer shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder in immediately collectable funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date provided, however, that Buyer shall not be required to deposit such monies into Escrow if at the time set for the deposit of such monies Seller is in default or has indicated that it will not perform any of its obligations hereunder. Instead, in such circumstances in order to reserve its rights to proceed Buyer need only provide Escrow with evidence establishing that the required monies were available.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of the full replacement cost naming Seller as a mortgage loss payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

(c) The Assignment and Assumption of Lessor's Interest in Lease form specified in paragraph 10.2(c) above, duly executed by Buyer.

(d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.

(e) If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.

(f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 9.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

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IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 *Taxes*. Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 *Insurance*. **WARNING**: Any insurance which Seller may have maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 *Rentals, Interest and Expenses*. Scheduled rentals, interest on Existing Notes, utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 *Security Deposit*. Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.

11.5 *Post Closing Matters*. Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

11.6 *Variations in Existing Note Balances*. In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the closing will be more or less than the amount set forth in paragraph 3.1(c) hereof ("**Existing Note Variation**"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 3.1(a) shall be reduced or increased by the amount of such Existing Note Variation.

11.7 *Variations in New Loan Balance*. In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 5.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

11.8 *Owner's Association Fees*. Escrow Holder shall: (i) bring Seller's account with the association current and pay any delinquencies or transfer fees from Seller's proceeds, and (ii) pay any up front fees required by the association from Buyer's funds.

12. Representations and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 6 months ~~3 years~~, and any lawsuit or action based upon them must be commenced within such time period. Seller's warranties and representations are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) *Authority of Seller*. Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

(b) *Maintenance During Escrow and Equipment Condition At Closing*. Except as otherwise provided in paragraph 9.1(n) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted.

~~(c) *Hazardous Substances/Storage Tanks*. Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.~~

~~(d) *Compliance*. Except as otherwise disclosed in writing, Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement be performed on the Property.~~

(e) *Changes in Agreements*. Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) *Possessory Rights*. Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) *Mechanics' Liens*. There are no unsatisfied mechanics' or materialmens' lien rights concerning the Property.

(h) *Actions, Suits or Proceedings*. Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same.

(i) *Notice of Changes*. Seller will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(o)) affecting the Property that becomes known to Seller prior to the Closing.

(j) *No Tenant Bankruptcy Proceedings*. Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) *No Seller Bankruptcy Proceedings*. Seller is not the subject of a bankruptcy, insolvency or probate proceeding.

(l) *Personal Property*. Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement, Buyer is purchasing the Property in its existing condition and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soils reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the sufficiency, accuracy, completeness, and/or validity of said documents, all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.

Possession of the Property shall be given to Buyer at the Closing subject to the rights of tenants under Existing Leases.

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14. Buyer's Entry.
At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the re-compaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

15. Further Documents and Assurances.
The Parties shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. The Parties agree to provide all further information, and to execute and deliver all further documents, reasonably required by Escrow Holder or the Title Company.

16. Attorneys' Fees.
If any Party or Broker brings an action or proceeding (including arbitration) involving the Property whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees and costs. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

17. Prior Agreements/Amendments.
17.1 This Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.
17.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

~~**18. Broker's Rights.**~~
~~18.1 If this sale is not consummated due to the default of either the Buyer or Seller, the defaulting Party shall be liable to and shall pay to Brokers the Brokerage Fee that Brokers would have received had the sale been consummated. If Buyer is the defaulting party, payment of said Brokerage Fee is in addition to any obligation with respect to liquidated or other damages.~~
~~18.2 Upon the Closing, Brokers are authorized to publicize the facts of this transaction.~~

19. Notices.
19.1 Whenever any Party, Escrow Holder or Brokers herein shall desire to give or serve any notice, demand, request, approval, disapproval or other communication, each such communication shall be in writing and shall be delivered personally, by messenger, or by mail, postage prepaid, to the address set forth in this agreement or by facsimile transmission, electronic signature, digital signature, or email.
19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered, or transmitted by facsimile transmission, electronic signature, digital signature, or email. Any such communication sent by regular mail shall be deemed given 48 hours after the same is mailed. Communications sent by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed delivered 24 hours after delivery of the same to the Postal Service or courier. If such communication is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.
19.3 Any Party or Broker hereto may from time to time, by notice in writing, designate a different address to which, or a different person or additional persons to whom, all communications are thereafter to be made.

20. Duration of Offer.
20.1 If this offer is not accepted by Seller on or before 5:00 P.M. according to the time standard applicable to the city of Sacramento on the date of ____, it shall be deemed automatically revoked.
20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, that creates an agreement between the Parties as described in paragraph 1.2, shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counteroffer.

21. LIQUIDATED DAMAGES. (This Liquidated Damages paragraph is applicable only if initialed by both Parties).
THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF $25,000 **. UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.**

_____ Buyer's Initials _____ Seller's Initials

22. ARBITRATION OF DISPUTES. (This Arbitration of Disputes paragraph is applicable only if initialed by both Parties.)
22.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("**COMMERCIAL RULES**"). ARBITRATION HEARINGS SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. THE NUMBER OF ARBITRATORS SHALL BE AS PROVIDED IN THE COMMERCIAL RULES AND EACH SUCH ARBITRATOR SHALL BE AN IMPARTIAL REAL ESTATE BROKER WITH AT LEAST 5 YEARS OF FULL TIME EXPERIENCE IN BOTH THE AREA WHERE THE PROPERTY IS LOCATED AND THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT. THE ARBITRATOR OR ARBITRATORS SHALL BE APPOINTED UNDER THE COMMERCIAL RULES AND SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW, THE INTENTION OF

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THE PARTIES AS EXPRESSED IN THIS AGREEMENT AND ANY AMENDMENTS THERETO, AND UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING. PRE-ARBITRATION DISCOVERY SHALL BE PERMITTED IN ACCORDANCE WITH THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST 2 OF THE 3 ARBITRATORS, BE RENDERED WITHIN 30 DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 16 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.

22.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATED DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.

22.3 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

_____ Buyer's Initials

_____ Seller's Initials

23. Miscellaneous.

23.1 **Binding Effect**. This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initialed by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initialed by both Parties at the time that the Agreement is executed. Signatures to this Agreement accomplished by means of electronic signature or similar technology shall be legal and binding.

23.2 **Applicable Law**. This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located. Any litigation or arbitration between the Parties hereto concerning this Agreement shall be initiated in the county in which the Property is located.

23.3 **Time of Essence**. Time is of the essence of this Agreement.

23.4 **Counterparts**. This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

23.5 **Waiver of Jury Trial**. **THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.**

23.6 **Conflict**. Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. **Seller and Buyer must initial any and all handwritten provisions**.

23.7 **1031 Exchange**. Both Seller and Buyer agree to cooperate with each other in the event that either or both wish to participate in a 1031 exchange. Any party initiating an exchange shall bear all costs of such exchange. The cooperating Party shall not have any liability (special or otherwise) for damages to the exchanging Party in the event that the sale is delayed and/or that the sale otherwise fails to qualify as a 1031 exchange.

23.8 **Days**. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2.

24.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:

(a) *Seller's Agent*. A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) *To the Seller:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) *Buyer's Agent*. A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations. (1) *To the Buyer:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) *Agent Representing Both Seller and Buyer*. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not, without the express permission of the respective Party, disclose to the other Party confidential information, including, but not limited to, facts relating to either Buyer's or Seller's financial position, motivations, bargaining position, or other personal information that may impact price, including Seller's willingness to accept a price less than the listing price or Buyer's willingness to pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all

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agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional. Buyer has the duty to exercise reasonable care to protect Buyer, including as to those facts about the Property which are known to Buyer or within Buyer's diligent attention and observation. Both Seller and Buyer should strongly consider obtaining tax advice from a competent professional because the federal and state tax consequences of a transaction can be complex and subject to change.

(d) *Further Disclosures*. Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure. Buyer and Seller each acknowledge receipt of a disclosure of the possibility of multiple representation by the Broker representing that principal. This disclosure may be part of a listing agreement, buyer representation agreement or separate document. Buyer understands that Broker representing Buyer may also represent other potential buyers, who may consider, make offers on or ultimately acquire the Property. Seller understands that Broker representing Seller may also represent other sellers with competing properties that may be of interest to this Buyer. Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this transaction may be brought against Broker more than one year after the Date of Agreement and that the liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 *Confidential Information*. Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

25. Construction of Agreement. In construing this Agreement, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26. Additional Provisions.

Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum or addenda consisting of paragraphs 28 through 33 . (If there are no additional provisions write "NONE".)

28. Buyer shall have one (1) option to extend the close of escrow for up to Forty-Five (45) days by making an additional deposit of $50,000, which shall be deemed non-refundable and applied towards the purchase price. Said option to extend the close of escrow must be received in writing at least 30 days in advance of the request to extend and must be made concurrently with said increased deposit.

29. PSA is subject to review and approval of the Board of Directors of PARSAC.

30. Except as otherwise set forth in this agreement, Buyer acknowledges that it is purchasing the property on an "as-is" basis solely in reliance on: (i) Buyer's inspection of the property; (ii) Buyer's independent verification of the truth of any documents delivered by Seller to Buyer; (iii) Buyer's independent verification of the truth of any statements made by Seller to Buyer concerning the property and its development; (iv) Buyer's due diligence review and inspection of the property, and (v) the opinions and advice concerning the property and its further development of consultants engaged by Buyer. Buyer acknowledges that it will undertake a complete and thorough inspection and study of the property, as Buyer deems necessary and appropriate.
Except with respect to any express representations and warranties by Seller, effective from and after the recordation of the grant deed referred to herein, Buyer hereby waives, releases, acquits, and forever discharges Seller, and Seller's agents, directors, officers, and employees to the maximum extent permitted by law, of and from any and all claims, actions, causes of action, demands, rights, liabilities, damages, losses, costs, expenses, or compensation whatsoever, direct or indirect, known or unknown, foreseen or unforeseen, that it now has or that may arise in the future because of or in any way growing out of or connected with this agreement and the property, including, without limitation, with respect to any past, present or future violations of any rules, regulations or laws, now or hereinafter enacted, regulating or governing use, handling, storage or disposable of Hazardous Materials, including, without limitation (i) any and all remedies Buyer may now or hereafter have under the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA"), as amended, and any similar law, rule or regulation, (ii) any and all rights Buyer may now or hereafter have against Seller under the Carpenter-Presley-Tanner Hazardous Substance Account Act (California Health and Safety Code, Section 25300 et seq.), as amended and any similar law, rule or regulation, and (iii) any and all claims, whether known or unknown, now or hereafter existing, with respect to the Property under Section 107 of CERCLA (42 U.S. C.A. § 9607).

BUYER HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542 ("SECTION 1542"), WHICH IS SET FORTH BELOW:

_____ _____
_____ _____
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"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY"
BY INITIALING BELOW, BUYER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES

Buyer's Initials: _____

31. As used in this agreement, "Hazardous Materials" includes petroleum, asbestos, radioactive materials or substances defined as "'hazardous substances," "hazardous materials" or "toxic substances" (or words of similar import) in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901, et seq.), and under the applicable laws of California. Buyer must rely on its own investigation and not on any representation by Seller regarding Hazardous Materials. Buyer shall rely solely upon its own investigation and inspection of the property and the improvements thereon and upon the aid and advice of Buyer's independent expert(s) in purchasing the property, and shall take title to the property without any warranty, express or implied, by Seller or any employee or agent of Seller. Seller makes no representations regarding Hazardous Materials in, on or under the property.

32. Buyer and Seller to review and decide on the removal of built-in cabinetry by Seller during Buyer's due diligence period as per attached email.

33. Conditions to Seller's Obligations. Seller's obligations hereunder, including, but not limited to, its obligation to consummate the purchase transaction provided for herein, is contingent upon and subject to, in the reasonable opinion of Seller's counsel, this Agreement's compliance with the Surplus Land Act (the "Act") and any applicable requirements imposed by the Department of Housing and Community Development. If, in the reasonable opinion of Seller's counsel Seller's conveyance of the Property would violate the Act, Seller may:

a. Delay the Closing date until ten (10) business days after Seller has, in the opinion of Seller's counsel, fully complied with the Act; or

b. Terminate this Agreement, in which case the Earnest Money shall be returned to Buyer and neither party shall have any further obligation to the other.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY AIR CRE OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:
1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.

WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

NOTE:
1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
2. IF EITHER PARTY IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.

The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

Date: ____

_____ _____
_____ _____
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BROKER

Colliers International

Attn: Thomas Walcott, Sofie Babic
Title: Executive Vice President, Associate

Address: 555 Capitol Mall, Suite 275, Sacramento, CA 95814
Phone: 916.563.3002
Fax: 916.830.4002
Email: thomas.walcott@colliers.com
Federal ID No.: ____
Broker DRE License #: ____
Agent DRE License #: 01121178, 02123950

BUYER

Michael J. Fazio, M.D. Inc.

By: _____
Name Printed: ____
Title: ____
Phone: ____
Fax: ____
Email: ____

By: _____
Name Printed: ____
Title: ____
Phone: ____
Fax: ____
Email: ____

Address: ____
Federal ID No.: ____

27. Acceptance.

27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.

27.2 In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to 6 % of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 3 % and Buyer's Broker 3 %. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.

27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

Date: ____

BROKER

Kidder Mathews

Attn: Jim Gray and Nahz Anvary
Title: Senior Vice Presidents

Address: 455 Capitol Mall, Suite 160, Sacramento, CA 95814
Phone: 916.751.3600
Fax: 916.848.0205
Email: jim.gray@kidder.com, nahz.anvary@kidder.com
Federal ID No.: 46-3921287
Broker DRE License #: 01946490
Agent's DRE License #: 00775072, 01468557

SELLER

Public Agency Risk Sharing Authority

By: _____
Name Printed: Kin Ong
Title: General Manager
Phone: ____
Fax: ____
Email: ____

By: _____
Name Printed: ____
Title: ____
Phone: ____
Fax: ____
Email: ____

Address: ____
Federal ID No.: ____

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Kidder Mathews

DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP
(As required by the Civil Code)

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

Please note that the terms "Seller" and "Buyer" are defined by the CA Civil Code to include a lessor and lessee, respectively.

SELLER'S AGENT

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:
To the Seller:
A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller.
To the Buyer and the Seller:
(a) Diligent exercise of reasonable skill and care in performance of the agent's duties. (b) A duty of honest and fair dealing and good faith.
(c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

BUYER'S AGENT

A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:
To the Buyer:
A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer.
To the Buyer and the Seller:
(a) Diligent exercise of reasonable skill and care in performance of the agent's duties. (b) A duty of honest and fair dealing and good faith.
(c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

AGENT REPRESENTING BOTH SELLER AND BUYER

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:
(a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the buyer.
(b) Other duties to the Seller and the Buyer as stated above in their respective sections.
In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the

transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction.

This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on the reverse hereof. Read it carefully.

AGENCY DISCLOSURE

Kidder Mathews – Jim Gray & Nahz Anvary are the Agents of (check one)

Name of Listing Agent

☒ the seller exclusively; or ☐ both the buyer and seller.

Colliers International – Thomas Walcott, Sofie Babic are the Agents of (check one)

Name of Listing Agent

☒ the buyer exclusively; or ☐ both the buyer and seller.

ACKNOWLEDGMENT OF RECEIPT

I/WE HEREBY ACKNOWLEDGE RECEIPT OF A COPY OF THIS AGENCY DISCLOSURE FORM ON

3/15/2021
(Date)

Check one:
☐ Seller/Lessor
☐ Buyer/Lessee

Kidder Mathews of California, Inc.
Agent

Associate Licensee Signature (Date)

Jim Gray
Associate Licensee Printed Name

00775072
Associate Licensee DRE#

Associate Licensee Signature (Date)

Nahz Anvary
Associate Licensee Printed Name

01468557
Associate Licensee DRE#

Buyer/Lessee Signature (Date)

Michael J. Fazio, M.D.
Buyer/Lessee Printed Name

Seller/Lessor Signature (Date)

Kin Ong
Seller/Lessor Printed Name

2079.13. Definitions. As used in Sections 2079.14 to 2079.24, inclusive, the following terms have the following meanings:

(a) "Agent" means a person acting under provisions of Title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained.

(b) "Associate licensee" means a person who is licensed as a real estate broker or salesperson under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code and who is either licensed under a broker or has entered into a written contract with a broker to act as the broker's agent in connection with acts requiring a real estate license and to function under the broker's supervision in the capacity of an associate licensee. The agent in the real property transaction bears responsibility for his or her associate licensees who perform as agents of the agent. When an associate licensee owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the associate licensee functions.

(c) "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee.

(d) “Commercial real property” means all real property in the state, except single-family residential real property, dwelling units made subject to Chapter 2 (commencing with Section 1940) of Title 5, mobilehomes, as defined in Section 798.3, or recreational vehicles, as defined in Section 799.29.

(e) "Dual agent" means an agent acting, either directly or through an associate licensee, as agent for both the seller and the buyer in a real property transaction.

(f) "Listing agreement" means a contract between an owner of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer.

(g) "Listing agent" means a person who has obtained a listing of real property to act as an agent for compensation.

(h) "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the listing agent.

(i) "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property.

(j) "Offer to purchase" means a written contract executed by a buyer acting through a selling agent which becomes the contract for the sale of the real property upon acceptance by the seller.

(k) "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property that constitutes or is improved with one to four dwelling units, any commercial real property, any leasehold in these types of property exceeding one year's duration, and mobilehomes, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code.

(l) "Real property transaction" means a transaction for the sale of real property in which an agent is employed by one or more of the principals to act in that transaction, and includes a listing or an offer to purchase.

(m) "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer, and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2985, and transactions for the creation of a leasehold exceeding one year's duration.

(n) "Seller" means the transferor in a real property transaction, and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor. (o) "Selling agent" means a listing agent who acts alone, or an agent who acts in cooperation with a listing agent, and who sells or finds and obtains a buyer for the real property, or an agent who locates property for a buyer or who finds a buyer for a property for which no listing exists and presents an offer to purchase to the seller.

(p) "Subagent" means a person to whom an agent delegates agency powers as provided in Article 5 (commencing with Section 2349) of Chapter 1 of Title 9. However, "subagent" does not include an associate licensee who is acting under the supervision of an agent in a real property transaction.

2079.14. Provision of disclosure form to buyer and seller; Acknowledgment of receipt. Listing agents and selling agents shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and, except as provided in subdivision (c), shall obtain a signed acknowledgment of receipt from that seller or buyer, except as provided in this section or Section 2079.15, as follows:

(a) The listing agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement.

(b) The selling agent shall provide the disclosure form to the seller as soon as practicable prior to presenting the seller with an offer to purchase, unless the selling agent previously provided the seller with a copy of the disclosure form pursuant to subdivision.

(c) Where the selling agent does not deal on a face-to-face basis with the seller, the disclosure form prepared by the selling agent may be furnished to the seller (and acknowledgment of receipt obtained for the selling agent from the seller) by the listing agent, or the selling agent may deliver the disclosure form by certified mail addressed to the seller at his or her last known address, in which case no signed acknowledgment of receipt is required.

(d) The selling agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase, except that if the offer to purchase is not prepared by the selling agent, the selling agent shall present the disclosure form to the buyer not later than the next business day after the selling agent receives the offer to purchase from the buyer.

2079.15. Party's refusal to sign acknowledgment of receipt. In any circumstance in which the seller or buyer refuses to sign an acknowledgment of receipt pursuant to Section 2079.14, the agent, or an associate licensee acting for an agent, shall set forth, sign, and date a written declaration of the facts of the refusal.

2079.17. Disclosure of exclusive or dual agency; Confirmation of relationship.

(a) As soon as practicable, the selling agent shall disclose to the buyer and seller whether the selling agent is acting in the real property transaction exclusively as the buyer's agent, exclusively as the seller's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the selling agent prior to or coincident with execution of that contract by the buyer and the seller, respectively.

(b) As soon as practicable, the listing agent shall disclose to the seller whether the listing agent is acting in the real property transaction exclusively as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the listing agent prior to or coincident with the execution of that contract by the seller.

(c) The confirmation required by subdivisions (a) and (b) shall be in the following form:

SAMPLE ONLY – DO NOT FILL OUT

_____ is the Listing agent of (check one): ( ) the seller exclusively; or ( ) both the buyer and seller.
_____ is the Selling agent, *if not the same as the Listing Agent*, of
(check one): ( ) the buyer exclusively; or ( ) the seller exclusively; or ( ) both the buyer and seller.

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14.

2079.18. Representation of buyer by selling and listing agent. No selling agent in a real property transaction may act as an agent for the buyer only, when the selling agent is also acting as the listing agent in the transaction.

2079.19. Payment of compensation; Effect on determination of particular agency relationship. The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or

commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

2079.20. Selection of specific form of agency relationship as a condition of employment. Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.

2079.21. Nondisclosure responsibilities of dual agents. A dual agent shall not disclose to the buyer that the seller is willing to sell the property at a price less than the listing price, without the express written consent of the seller. A dual agent shall not disclose to the seller that the buyer is willing to pay a price greater than the offering price, without the express written consent of the buyer.
This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

2079.22. Combined listing and selling agents. Nothing in this article precludes a listing agent from also being a selling agent, and the combination of these functions in one agent does not, of itself, make that agent a dual agent.

2079.23. Time for modification of agency contract; Imposing obligations to defend or indemnify lender or auction company.
(a) A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship.
(b) A lender or an auction company retained by a lender to control aspects of a transaction of real property subject to this part, including validating the sales price, shall not require, as a condition of receiving the lender's approval of the transaction, the homeowner or listing agent to defend or indemnify the lender or auction company from any liability alleged to result from the actions of the lender or auction company. Any clause, provision, covenant, or agreement purporting to impose an obligation to defend or indemnify a lender or an auction company in violation of this subdivision is against public policy, void, and unenforceable.

2079.24. Construction of article; Breach of fiduciary duty or duty of disclosure. Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure.

Kidder Mathews

REPRESENTATION CONFIRMATION

Date: 3/15/2021

Seller/Lessor:	Public Agency Risk Sharing Authority
Buyer/Lessee:	Michael J. Fazio, M.D. Inc.
Property Name:	1525 Response Road
Street Address, City, State:	1525 Response Road, Sacramento, CA
Further described as:	approximately ±8,525 SF

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer.

In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:
(a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.
(b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.
The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.
Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction.

Kidder Mathews – **Jim Gray & Nahz Anvary** are the Agents of (check one)
Name of Listing Agent
☒ the seller exclusively; or ☐ both the buyer and seller

Colliers International – **Thomas Walcott, Sofie Babic** are the Agents of (check one)
Name of Listing Agent
☒ the buyer exclusively; or ☐ both the buyer and seller.

SELLER/LESSOR		**BUYER/LESSEE**	
By:		By:	
Print Name:	Kin Ong	Print Name:	Michael J. Fazio, M.D.

Kidder Mathews

REAL PROPERTY DISCLOSURES AND ACKNOWLEDGEMENT (SALES)

Kidder Mathews ("**Broker**") provides this Real Property Disclosures and Acknowledgment ("Notice") in reference to a proposed sales transaction by and between **Public Agency Risk Sharing Authority** ("Seller") and **Michael J. Fazio, M.D. Inc.** ("**Buyer**") regarding certain real property known and described as: **1525 Response Road,** in the City of **Sacramento** , State of California (the "**Property**"). This Notice is intended to apply to any transaction involving any type of real property, whether improved or unimproved.

NATIONAL FLOOD INSURANCE PROGRAM

As a condition of obtaining financing on properties located in certain flood zones, some banks, savings and loan associations, and insurance lenders require flood insurance to be carried. The National Flood Insurance Program provides flood insurance to property owners at a reasonable cost. Cities or counties participating in the National Flood Insurance Program may have adopted building or zoning restrictions, or other measures, as part of their participation in the program. Broker recommends that Buyer contact the city or county in which the Property is located to determine any such restrictions, and your lender and/or insurance carrier for information regarding the extent of coverage available in your area and the cost of this coverage.

HAZARDOUS MATERIALS AND UNDERGROUND STORAGE TANKS

Comprehensive federal and state laws and regulations control the use, storage, handling, clean-up, removal and disposal of hazardous wastes or substances ("Hazardous Materials"). Some of these laws and regulations (such as, for example, the Comprehensive Environmental Response Compensation and Liability Act [CERCLA]) provide for broad liability on the part of owners, tenants, or other users of property for clean-up costs and damages, regardless of fault. Others (such as California Health and Safety Code §25359.7(a)) require disclosure of conditions by a seller of nonresidential real property who knows, or has reason to believe, that any Hazardous Materials may be located on or under the property, and impose liability for damages on the non-disclosing seller. Other laws and regulations set standards for the handling of asbestos, for the use, modification, abandonment, and closure of underground storage tanks ("USTs"), and otherwise regulate any use of property involving any Hazardous Materials. The term "Hazardous Materials" is used herein in its very broadest sense and includes, but is not limited to, petroleum based products, paint and solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonium compounds, asbestos, PCBs and other chemical products.

It is not practical or possible to list all such laws and regulations in this Notice. Therefore, Broker recommends that the parties consult legal counsel to determine their respective rights and liabilities with respect to the issues described in this Notice, as well as all other aspects of the proposed transaction. Hazardous Materials and USTs may be present on all types of property. If Hazardous Materials have been, or are going to be used, stored, handled or disposed on the Property, or if the Property has had or may have USTs, it is essential that legal and technical advice be obtained to determine, among other things, the nature of permits and approvals which have been obtained or may be required; the estimated costs and expenses associated with the use, storage, handling, clean-up, disposal or removal of Hazardous Materials; and the nature and extent of contractual provisions desirable in this transaction for protection of the parties and allocation of liability. Broker recommends expert assistance and site investigation to determine past uses of the Property, which may provide valuable information as to the likelihood of these conditions affecting the Property.

AMERICANS WITH DISABILITIES ACT (ADA)

Owners of real property may be subject to the Americans with Disabilities Act (ADA), a federal law codified at 42 USC Section 12101 et. seq. Among other requirements of the ADA that could apply to the Property, Title III of the Act requires owners of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons. Broker recommends that the parties review with their attorneys the ADA and related regulations, and the proposed transaction, to determine whether and how this law might affect you.

ENERGY DISCLOSURE

Owner acknowledges that, pursuant to Cal. Pub. Resources Code §25402.10 and Cal. Code of Regulations, Title 20, §§1680 et seq., when leasing or selling an entire nonresidential building of at least 5,000 square feet Owner may be required to disclose the energy consumption data of that building to a prospective tenant or buyer at least 24 hours prior to executing a lease or purchase and sale agreement. Broker makes no representation or warranty with respect to what data must be disclosed or whether such an energy disclosure is required with the transaction contemplated herein. For further information concerning the energy disclosure, Broker advises Owner to review the California Energy Commission's website: http://www.energy.ca.gov/ab1103.

ONGOING SELLER DISCLOSURES

Seller agrees to disclose to Broker and to Buyer immediately any and all information which it has regarding present and future zoning and environmental matters affecting the Property and regarding the condition of the Property, including, but not limited to structural, mechanical and soil conditions, ADA-related issues, the presence and location of Hazardous Materials and underground storage tanks, in, on or about the Property.

BROKER DISCLAIMER

The parties expressly acknowledge that Broker has made no independent determination or investigation regarding the following: present or future use or zoning of the Property; ADA-related issues; environmental matters affecting the Property; the condition of the Property, including, but not limited to structural, mechanical and soils conditions, or issues relating to Hazardous Materials; violations of the Occupational Safety and Health Act or any other federal, state, county or municipal laws, ordinances, or statutes; measurements of land and/or buildings. Buyer is advised to contact a professional, such as a civil engineer, industrial hygienist or other persons with experience in these matters, to advise on these matters. Buyer agrees to make its own investigation and determination regarding such items.

FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT (FIRPTA)

Unless an exemption applies, FIRPTA requires that every buyer of real estate in the United States deduct and withhold from the seller's proceeds an amount equal to ten percent (10%) of the gross sales price. This transaction may be exempt from such a requirement, if Seller furnishes to Buyer a certificate, executed by Seller, stating under penalty of perjury the Seller's United States taxpayer identification number and that the Seller is not a foreign person. (A foreign person is any foreign citizen or entity other than a United States resident alien.) However, if Seller provides Buyer with a non-foreign person certificate, Buyer must still withhold the tax if Buyer has actual knowledge that the certificate is false, or if Buyer receives notice from the Buyer's or Seller's agent that the certificate is false.

If the buyer fails to deduct and withhold the correct amount of tax on a non-exempt sale, the buyer will be liable to the Internal Revenue Service (IRS) for that tax. If the initial cash consideration paid by the buyer prior to the transfer of title is not enough to cover the withholding liability, the buyer will be liable for the higher amount unless the buyer and seller obtain a qualifying statement from the IRS before transfer of title.

A seller who is a foreign person should consult with an attorney or accountant familiar with FIRPTA before entering into any negotiations or contracts for the sale of property. If the seller acts promptly, depending on the particular circumstances, it may be possible to have the IRS: (1) determine the seller's maximum tax liability, (2) reduce the amount which the buyer must withhold, (3) issue a qualifying statement, or (4) make an early refund of excess withholding.

NOTICE TO BUYERS AND SELLERS REGARDING CALIFORNIA TAX WITHHOLDING

California Revenue and Taxation Code Section 18662 requires that every buyer must, unless an exemption applies, deduct and withhold 3-1/3% of the gross sales price from the seller's proceeds and send it to the Franchise Tax Board, if the seller has a last known address outside of the State of California, or if seller's proceeds will be paid to a financial intermediary of seller. Seller and Buyer therefore agree to execute and deliver any instrument, affidavit, statement, or instruction reasonably to establish an exemption from these requirements, or agree to withholding of taxes under this statute if required.

EARTHQUAKE SAFETY

Sellers or their agents who are involved in the sale of a precast concrete or reinforced or unreinforced masonry building with wood frame floors or roof which was built before January 1, 1975 must deliver to the buyer a copy of "The Commercial Property Owner's Guide to Earthquake Safety" published by the California Seismic Safety Commission. If this transaction involves such a property, Buyer acknowledges that Broker has delivered a copy thereof in accordance with California Government Code Section 8875.6 and Sections 8893 et seq.

WATER HEATER BRACING DISCLOSURE AND CERTIFICATION

Seller hereby certifies that all water heaters in or on the Property are braced, anchored or strapped to resist falling or horizontal displacement due to earthquake motions as required by state and applicable local codes.

REAL ESTATE AGENCY DISCLOSURE

When entering into a discussion with a real estate agent regarding a real estate transaction, buyer and seller should, from the outset, understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being so advised in this transaction, as follows:

(1) **Seller's Agent**. A seller's agent under a listing agreement with the seller may act as the agent for the seller only. A seller's agent or subagent has the following affirmative obligations: (i) to the seller, a fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the seller; and (ii) to the buyer and the seller, diligent exercise of reasonable skill and care in performance of the agent's duties, a duty of honest and fair dealing and good faith, and a duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent representing only the seller is not obligated to reveal to the other party any confidential information obtained from the seller which does not involve the affirmative duties set forth above.

(2) **Buyer's Agent**. An agent can agree to act as agent for the buyer only. In these situations, the agent is not the seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the seller. An agent acting only for a buyer has the following affirmative obligations: (i) to the buyer, a fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the buyer; and (ii) to the buyer and the seller, diligent exercise of reasonable skill and care in performance of the agent's duties, a duty of honest and fair dealing and good faith, and a duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent representing only the buyer is not obligated to reveal to the seller any confidential information obtained from buyer which does not involve the affirmative duties set forth above.

(3) **Agent Representing Both Seller And Buyer**. A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the seller and the buyer in a transaction, but only with the knowledge and consent of both parties. In a dual agency situation, the agent has the following affirmative obligations to both the seller and the buyer: (i) a fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either party; and (ii) other duties to the seller and the buyer as stated above in their respective sections (1) or (2) of this Agency Disclosure. In representing both parties, the agent may not, without the express permission of the respective party, disclose to the other party that the seller will accept a price less than the listing price or that the buyer will pay a price greater than the price offered.

(4) **Agent Not Competent to Give Professional Legal or Tax Advice**. The above duties of the agent in a real estate transaction do not relieve a seller or a buyer from the responsibility to protect their own interests. The parties should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, a competent professional should be consulted.

(5) **Further Disclosures**. Throughout this transaction the parties may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Each party should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure.

(6) **Potentially Competing Buyers and Sellers**. Buyer understands that Broker may also represent other potential buyers, who may consider, make offers on, or ultimately acquire this Property. Seller understands that Buyer may make offers on, or purchase other properties. Buyer and Seller acknowledge and consent to Broker's representation of such potential buyers and sellers before, during, and after Broker's representation of the parties hereto.

Confirmation of Agency Status. The following agency relationships are hereby confirmed for this transaction:

Kidder Mathews – Jim Gray & Nahz Anvary are the Agents of (check one)

Name of Listing Agent

☒ the seller exclusively; or ☐ both the buyer and seller.

Colliers International – Thomas Walcott, Sofie Babic are the Agents of (check one)

Name of Listing Agent

☒ the buyer exclusively; or ☐ both the buyer and seller.

~~**Dual Agency Transactions.** By placing their initials below, the parties confirm that Broker has been and is the agent of both Seller and Buyer. The parties acknowledge that Broker has explained to each client the implications of common representation, including the risks involved. The parties understand that the agent representing both parties must be impartial between clients. Except as expressly provided below, Broker as a dual agent was and is obligated to disclose to both parties all material facts or confidential information that could affect either party's decision to enter into this transaction. The parties have consented to this dual representation. **Notwithstanding the foregoing,** the parties agree that Broker, acting as such a dual agent, has not and will not, without the express permission of Seller, disclose to Buyer that the Seller is willing to sell the Property at a price that is less than the listing price. Conversely, the parties agree that Broker, acting as such a dual agent, has not and will not, without the express permission of Buyer, disclose to Seller that Buyer will pay a price that is greater than the price offered.~~

_____ _____

Seller's initials Buyer's initials

A real estate broker is qualified to advise on real estate matters, but is not authorized to give legal or tax advice. No representation or recommendation is made by KIDDER MATHEWS or its agents or employees as to the legal sufficiency, legal effect or tax consequences of this document, the purchase and sale agreement, or any transaction relating thereto since these are matters which should be discussed with your attorney.

***** SIGNATURES ON FOLLOWING PAGE *****

Kidder Mathews

ACKNOWLEDGMENT OF RECEIPT

SELLER/LESSOR		BUYER/LESSEE	
By:	_____	By:	_____
Print Name:	Kin Ong	Print Name:	Michael J. Fazio, M.D.

stewart title
of sacramento
555 Capitol Mall, Suite 545
Sacramento, Ca 95814
Phone (916) 441-4950
Fax (916) 564-5840

Preliminary Report

Issued For The Sole Use Of:
• Colliers International Inc.
•
•

Escrow Officer: Antigone Vaccaro
Escrow No.: **CM-15018513-AV**

Reference:

Property Address:
1525 Response Road, Sacramento, CA 95815

In response to the above referenced application for a policy of title insurance, **Stewart Title Guaranty Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown referred to as an Exception in Schedule **B** or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit "B" of this report carefully. Limitations on covered risks applicable to the CLTA/ALTA Homeowner's Policy of Title Insurance which establish a deductible amount and a maximum dollar limit of liability for certain coverages are set forth in Exhibit "B". The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a binder or commitment should be requested.

Dated as of **May 4, 2021** **at 7:30 a.m.** *Don Wilkerson*

Title Officer
Don Wilkerson / ck

CLTA Preliminary Report (Effective 1-1-84)

Escrow No.: CM-15018513-AV

Schedule A

The form of policy of title insurance contemplated by this report is:

CLTA STANDARD
ALTA LENDERS

The estate or interest in the land hereinafter described or referred to covered by this Report is: A Fee

Title to said estate or interest at the date hereof is vested in:

Public Agency Risk Sharing Authority of California, A Joint Powers Authority Duly Organized Under The Laws of The State of California

The land referred to in this Report is situated in the State of California, County of Sacramento, City of Sacramento, and is described as follows:

See Exhibit "A" attached hereto and made a part hereof.

Escrow No.: CM-15018513-AV

Exhibit "A"
Legal Description

Parcel D, as shown on the Parcel Map entitled "Lot 3, Plat of Point West Office Park recorded in Book 98 of Maps, Map No. 14", filed in the office of the Recorder of Sacramento County, California, on November 26, 1976, in Book 29 of Parcel Maps, Map No. 19.

EXCEPTING therefrom all deposits of minerals, including oil and gas, lying below the depth of 500 feet, without however, the right to drill or mine through the surface thereof, as contained in Quitclaim Deed executed by the State of California, recorded June 31, 1971 in Book 71-06-30, Page 525, Official Records.

APN 277-0287-008

Schedule B

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this report would be as follows:

A. Taxes for the Fiscal Year 2021-2022, a lien not yet due or payable.

B. The herein described land lies within the boundaries of the Sacramento Area Flood Control Agency and is subject to an assessment being collected with the County Taxes.

The amount included in the taxes is $752.50, for the Sacramento City 1915 Act Bond – Safca Consolidated Capital Assessment #2.

For further information, please contact the Sacramento Area Flood Control Agency at (916) 874-7606.

C. Any and all liens and assessments that may be levied as disclosed by the recordation of the Boundary Map, City of Sacramento, Neighborhood Park Maintenance Community Facilities District No. 2002-02, Future Annexation Area, filed December 13, 2010, in Book 111 of Maps of Assessment and Community Facilities District at Page 28, and recorded December 13, 2010, by Assessment Map Filing Page in Book 20101213, Page 1512, Official Records.

D. Any and all liens and assessments that may be levied as disclosed by the recordation of the Proposed Boundary Map, City of Sacramento, SB 555 Contractual Assessment District, filed September 19, 2012, in Book 114 of Maps of Assessment and Community Facilities District at Page 10, and recorded September 19, 2012, by Assessment Map Filing Page in Book 20120919, Page 89, Official Records.

E. Any and all liens and assessments that may be levied as disclosed by the recordation of the Proposed Boundary Map, City of Sacramento, Community Facilities District No. 2012-01 (Clean Energy), filed October 3, 2012, in Book 114 of Maps of Assessment and Community Facilities District at Page 13, and recorded October 3, 2012, by Assessment Map Filing Page in Book 20121003, Page 418, Official Records.

F. Any and all liens and assessments that may be levied as disclosed by the recordation of the Boundaries of the Territory within the County of Sacramento proposed for Annexation in the future to the California Home Finance Authority Community Facilities District No. 2014-1 (Clean Energy), filed October 5, 2015, in Book 119 of Maps of Assessment and Community Facilities District at Page 14, and recorded October 5, 2015, in Assessment Map Filing Page in Book 20151005, Page 763, Official Records.

G. The Lien of Special Assessments, assessed pursuant to the procedures of the Mello-Roos Community Facilities Act of 1982 and/or the Landscaping & Lighting Act of 1972, amounts are included and collected with the Taxes shown herein.

H. The Lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.5, Revenue and Taxation Code, Section 75 et seq.

I. Any possible outstanding charges for utility services. Amounts may be obtained by contacting the City and/or County of Sacramento's Utility Services and Billing Department.

1. Dedications as set forth and shown on the official map of said subdivision as follows:

   a. Set back over the Southeasterly 25 feet.
   b. Utility easements over the Southeasterly 8 feet.
   c. Planting and maintaining trees over the Southeasterly 8 feet.

2. Covenants, conditions and restrictions but omitting restrictions, if any, based upon race, sex, color, religion, handicap, familial status or national origin, as contained in instrument recorded in Book 770929, Page 1, Official Records, containing a Mortgagee Protection Clause.

   "Terms, provisions, covenants, conditions, and restrictions, easements, charges, assessments and liens provided in the Covenants, Conditions and Restrictions above, **but omitting any covenant, condition or restriction, if any, based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that the covenant, condition or restriction (a) is exempt under Title 42 of the United States Code, or (b) relates to handicap, but does not discriminate against handicapped persons."**

   Note: Section 12956.1 of the Government Code provides the following: If this document contains any restrictions based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void. *Any person holding an interest in this property may request that the county recorder remove the restrictive language pursuant to subdivision (c) of Section 12956.1 of the Government Code.*

3. Any rights of Parties-in-Possession of said land based upon an unrecorded lease, agreement or contract.

4. The requirement that Stewart Title of Sacramento/Placer Company be provided with a free and clear Affidavit – Verification of Unencumbered Property executed by the vestee(s) herein.

Tax Note: For Proration Purposes Only

- General and Special Taxes for the Fiscal Year 2020-2021, and any assessments and charges collected therewith,

  1st Installment $5,404.94 Paid
  2nd Installment $5,404.94 Paid

  Parcel No. 277-0287-008 Asst. No. 20473578 Code Area 03-073
  Land $329,355.00 Improvements $450,000.00

  Included in the above Taxes, in the amount of $827.22, for the Sacramento City Lighting & Landscaping.

  Included in the above Taxes, in the amount of $248.86, for the Sacramento Area Flood Control.

  Included in the above Taxes, in the amount of $101.34, for the American River Flood Zone B.

Note: If this property lies within the city limits of Sacramento, it is subject upon sale to a tax of .00275 of the value of consideration. The failure to pay will result in the tax being added to the future property tax bills.

Chain of Title:

According to those public records under the recording laws impart constructive notice to the title to the land described herein, the following matters constitute the chain of title for the thirty-six month period preceding the date hereof:

None

Buyer's Note:

If an Alta Residential Owner's Policy is requested and if the property described herein is determined to be eligible for this policy, the following exceptions from coverage will appear in the policy:

1. Taxes or assessments which are not shown as liens by the public records or by the records of any taxing authority.
2. (a) Water rights, claims or title to water; (b) reservation or exceptions in patents or in Acts authorizing the issuance thereof; (c) unpatented mining claims; whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
3. Any rights, interest or claims of parties in possession of the land which are not shown by the public records.
4. Any easements or liens not shown by the public records. This exception does not limit the lien coverage in Item 8 of the Covered Title Risks.
5. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This exception does not limit the forced removal coverage in Item 12 of the Covered Title Risks.

Note: California "Good Funds" Law

Effective January 1, 1990, California Insurance Code Section 12413.1 (Chapter 598, statutes of 1989), prohibits a title insurance company, controlled escrow company or underwritten title company from disbursing funds from an escrow or sub-escrow account, **(except for funds deposited by wire transfer electronic payment or cash)** until the day these funds are made available to the deposit or pursuant to Part 229 Of Title 12 of the code of Federal Regulations, (Reg. CC). Items such as cashier's, certified or teller's checks may be available for disbursement on the business day following the business day of deposit; however, other forms of deposits may cause extended delays in closing the escrow or sub-escrow.

"Stewart Title Of Sacramento will not be responsible for accruals of interest or other charges resulting from compliance with the disbursement restrictions imposed by State Law"

Lenders Supplemental Report

This report (including any supplements or amendments thereto) is hereby modified and or supplemented in order to reflect the following additional items relating to the issuance of an American Land Title Association Loan Form Policy as follows:

( ) ALTA inspection report to follow.

( ) A physical inspection has been made and no survey will be required. Our ALTA Policy when issued will include Endorsement No. 116.

(X) Said land is also known as

1525 Response Road, Sacramento, CA 95815

State of California, County of Sacramento, City of Sacramento

Exhibit "B"

CLTA PRELIMINARY REPORT FORM
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS
(Revised 06/17/06)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy
   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
   (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
   (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
   (c) resulting in no loss or damage to the insured claimant;
   (d) attaching or created subsequent to Date of Policy; or
   (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, Or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors, rights laws.

EXCEPTIONS FROM COVERAGE
SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
   Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof. not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning: a. building; b. zoning; c. land use; d. improvements on the Land; e. land division; and f. environmental protection This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes, This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks: a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records; b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date; c. that result in no loss to You; or d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28,
5. Failure to pay value for Your Title.
6. Lack of a right: a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and b. in streets, alleys, or waterways that touch the Land This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1 % of Policy Amount or $ 2,500.00 (whichever is less)	$ 10,000.00
Covered Risk 18:	1% of Policy Amount or $ 5,000.00 (whichever is less)	$ 25,000.00
Covered Risk 19:	1% of Policy Amount or $ 5,000.00 (whichever is less)	$ 25,000.00
Covered Risk 21:	1% of Policy Amount or $ 2,500.00 (whichever is less)	$ 5,000.00

AMERICAN LAND TITLE ASSOCIATION
RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)
EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1 . Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
• Land use • Improvements on the land • Land division • Environmental protection
This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
• a notice of exercising the right appears in the public records
• on the Policy Date
• the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking

3. Title Risks:
• that are created, allowed, or agreed to by you
• that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
• that result in no loss to you
• that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks

4. Failure to pay value for your title

5. Lack of a right:
• to any land outside the area specifically described and referred to in Item 3 of Schedule A
OR
• in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risk.

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)
WITH ALTA ENDORSEMENT - FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

3. Defects, liens, encumbrances, adverse claims or other matters:
(a) created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
(c) resulting in no loss or damage to the insured claimant;

(d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or
(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.

4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof. which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law,
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
(i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine or equitable subordination; or
(iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
(a) to timely record the instrument of transfer; or
(b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.
The above policy forms may be issued to afford either Standard Coverage or Extended Coverage In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following General Exceptions:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof. which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA LOAN POLICY (06/17106)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
(i) the occupancy, use, or enjoyment of the Land;
(ii) the character, dimensions, or location of any improvement erected on the Land;

(iii) the subdivision of land; or
(iv) environmental protection;
or the effect of any violation of these laws, ordinances, or governmental regulations, This Exclusion I (a) does not modify or limit the coverage provided under Covered Risk 5.
(b) Any governmental police power. This Exclusion I (b) does not modify or limit the coverage provided under Covered Risk 6.

2. Rights of eminent domain, This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8,
3. Defects, liens, encumbrances, adverse claims, or other matters.
(a) created, suffered, assumed, or agreed to by the Insured Claimant;
(b) not Known to the Company, not recorded in the Public Records at Date of Policy. but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
(c) resulting in no loss or damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law,
6. Any claim, by reason of the operation of federal bankruptcy. state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
(a) a fraudulent conveyance or fraudulent transfer, or
(b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records, This Exclusion does not modify or limit the coverage provided under Covered Risk 11 (b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage, In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2.. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof. not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water. whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10/11/92)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect. lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
   (a) created, suffered, assumed or agreed to by the insured claimant;
   (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
   (c) resulting in no loss or damage to the insured claimant;
   (d) attaching or created subsequent to Date of Policy; or
   (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
   (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or 0 fraudulent transfer; or
   (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
   (a) to timely record the instrument of transfer; or
   (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.
   The above policy forms may be issued to afford either Standard Coverage or Extended Coverage, In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage Policy will also include the following General Exceptions:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
   Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA OWNER'S POLICY (06/17/06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (i) the occupancy, use, or enjoyment of the Land;
   (ii) the character, dimensions, or location of any improvement erected on the Land;
   (iii) the subdivision of land; or
   (iv) environmental protection;
   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion I (a) does not modify or limit the coverage provided under Covered Risk 5.
   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters.
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date tile Insured Claimant became an Insured under this policy;
   (c) resulting in no loss or damage to the Insured Claimant;
   (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
   (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
   (a) a fraudulent conveyance or fraudulent transfer; or
   (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

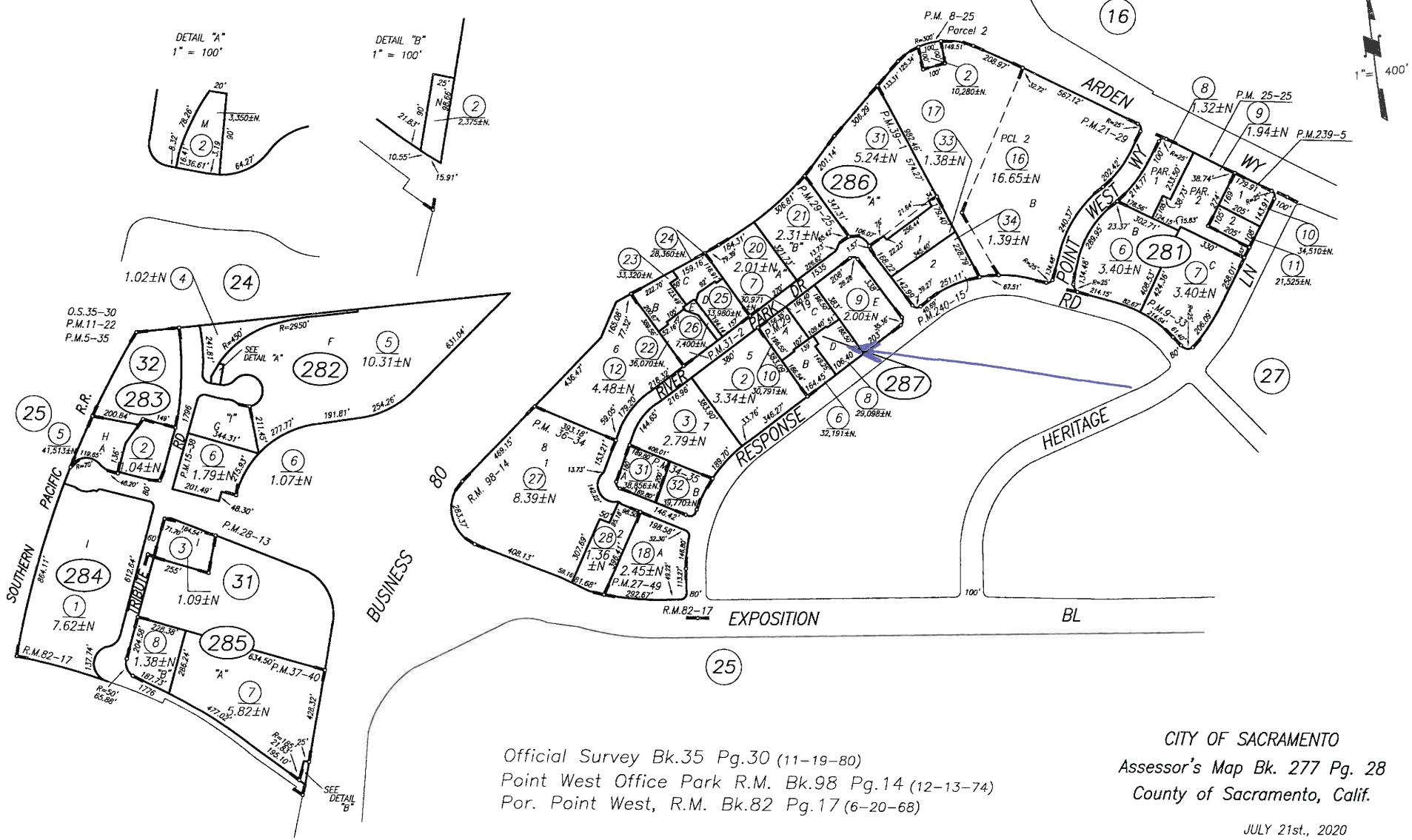
This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

DISCLAIMER: ASSESSORS PARCELS ARE FOR TAX ASSESSMENT PURPOSES ONLY AND DO NOT INDICATE EITHER PARCEL LEGALITY OR A VALID BUILDING SITE. THE COUNTY OF SACRAMENTO ASSUMES NO RESPONSIBILITY ARISING FROM USE OF THIS INFORMATION.

POR. SEC. 14, 15, 66, & 68, RANCHO DEL PASO

277-28



Official Survey Bk.35 Pg.30 (11-19-80)
Point West Office Park R.M. Bk.98 Pg.14 (12-13-74)
Por. Point West, R.M. Bk.82 Pg.17 (6-20-68)

CITY OF SACRAMENTO
Assessor's Map Bk. 277 Pg. 28
County of Sacramento, Calif.

JULY 21st., 2020

"IMPORTANT: This plat is not a survey. It is merely furnished as a convenience to locate the land in relation to adjoining streets and other lands and not to guarantee any dimensions, distances, bearings, or acreage."

Description: Sacramento,CA Assessor Map 277.28 Page: 1 of 1
Order: map Comment:

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BK 77-09-29 PG 1

06725-013
130777 SKE:nc
Lot 3

145675

RECORDED AT REQUEST OF
TITLE INSURANCE AND TRUST COMPANY

SEP 29 1977 8:00 A.M.

Ronald J. Hooper
SACRAMENTO COUNTY RECORDER

23.00

DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION is made on the date hereinafter set forth by POINT WEST ASSOCIATES, a general partnership, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of that certain Property in the County of Sacramento, State of California, which is more particularly described in Exhibit "A" attached hereto and incorporated herein;

WHEREAS, Declarant is causing the Property to be improved with four separate office buildings and incidental improvements, which may hereafter be separately conveyed, subject to the protective covenants, conditions and restrictions set forth herein;

NOW THEREFORE, Declarant hereby covenants, agrees and declares that all of the Property referred to above shall be held, sold and conveyed subject to the following covenants, conditions, restrictions and easements which are for the purpose of protecting the value and desirability of, and which shall run with the real Property and be binding on all parties having any right, title or interest in the described Properties or any part thereof, their successors and assigns whether or not said restrictions are set forth or referred to in a deed conveying said Properties or any part thereof. These covenants, conditions, restrictions and easements are

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for the benefit of the entire property and are imposed upon the property and every parcel thereof as a servitude in favor of each and every parcel thereof as the dominant tenement or tenements.

ARTICLE 1. DEFINITIONS.

1.01. "Association" shall mean and refer to POINT WEST OFFICE OWNERS ASSOCIATION, NO. 3, a nonprofit corporation, created and functioning pursuant to certain Articles of Incorporation for the purpose of maintaining and administering the Common Area, and administering and enforcing these Covenants, Conditions and Restrictions.

1.02. "Building" shall mean and refer to any of the four office buildings constructed by the Declarant on Parcels A, B, C and D as shown in Exhibit "A".

1.03. "Common Area" shall mean and refer to all of the Property except that which is covered by a Building. The Common Area shall not be commonly owned, but it shall be maintained and administered by the Association for the common use and enjoyment of all the Owners and their respective employees, invitees and tenants.

1.04. "Conveyance" shall mean and refer to any transfer of fee simple title to any Parcel within the Properties.

1.05. "Declarant" shall mean and refer to Point West Associates, a general partnership, and any of its successors or assigns who acquire some portion of the Property for purposes of development.

1.06. "Deed of Trust" shall mean and refer to the conveyance of any Parcel or other portion of the Property to secure the performance of an obligation.

1.07. "Member" shall mean and refer to every person or entity who holds membership in the Association.

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1.08. "Owner" shall mean and refer to the record owner, whether one or more person or entity, of fee simple title to any Parcel including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

1.09. "Parcel" or "Parcels" shall mean and refer to one or all of Parcels A, B, C and D as shown on the Final Parcel Map recorded in Sacramento County, California, and attached hereto as Exhibit "A". Each Parcel includes a Building and a portion of Common Area.

1.10. "Property" or "Properties" shall mean and refer to all of the real property known as "Lot 3, Plat of the Point West Office Park recorded in Book 98 of Maps, Map No. 14", recorded in the office of the County Recorder of Sacramento County on November 26, 1976, in Book 29 of Parcel Maps, at page 19.

ARTICLE 2. PROPERTY RIGHTS; EASEMENTS.

2.01. Easements for Access, Parking and Surface Drainage. Each Owner, in common with every other Owner, shall have a right and easement of enjoyment in and to the Common Area for: (1) ingress and egress to and from his Building; (2) the passage and parking of vehicles and the passage and accommodation of pedestrians; and (3) the passage and flow of water to any storm drain(s) within the Property. Such easements shall be appurtenant to and shall pass with the title to every Parcel for the Owner's use and for the use of the invitees, licensees, employees and tenants of the Owner and the Owner's tenants. The easements referred to in this Section are located upon the surface of the Common Area, as such surface is graded, paved, or otherwise improved or modified to permit the uses referred to

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herein. The nonexclusive easement for parking is intended to permit flexibility in the location of parking spaces which may be used by any invitees, licensees, employees and tenants of the Owner and the Owner's tenants within the Property. Such easement is not intended to increase the total number of parking spaces allocable to each given Building. The Association shall have the right to establish rules regulating parking privileges within the Common Area to ensure generally equal use for each Building.

2.02. Utility Maintenance and Repair Easements. Wherever and whenever sanitary sewer connections or water connections, or electricity, gas, or telephone lines, or drainage facilities are installed by Declarant or any Owner within the Property which connections, lines, or facilities, or any portion thereof, lie in or upon the Common Area, the Owners of any Parcel(s) served by said connections, lines, or facilities, shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter such Common Area, or to have utility companies enter therein, or any portion thereof, to install, clean, repair, replace, enlarge and generally maintain said connections as and when the same may be necessary.

Wherever sanitary sewer connections and/or water connections or electricity, gas or telephone lines or drainage facilities are installed within the Properties, which connections serve more than one Parcel, the Owner of each Parcel served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as service his Parcel.

All utility companies having easements on the Property covered by this declaration shall have easements for installing, cleaning, repairing, enlarging, replacing and otherwise

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maintaining or causing to be maintained service in all underground utility lines, including, when reasonably necessary, the entry into a Building or incidental improvements upon a Parcel for uncovering any such lines, providing however, that such utility company shall be obligated to restore the improvements to substantially their former condition.

2.03. Association Easements for Maintenance and Repair. The Association shall have an easement in and to every Parcel within the Properties for the limited purpose of maintaining, repairing, painting or otherwise maintaining the Common Area; for watering, planting, cutting, removing, and otherwise caring for the landscaping up to the exterior walls of the Buildings; and for cleaning, repairing, replacing, and otherwise maintaining or causing to be maintained service in underground utility lines within the Common Area.

ARTICLE 3. ASSOCIATION MEMBERSHIP AND VOTING RIGHTS.

3.01. Membership In Association. Every Owner of a Parcel (including Declarant so long as it is an Owner) shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Parcel which is subject to assessment. The foregoing is not, however, intended to include any person or entity holding an interest in any Parcel merely as security for the performance of an obligation.

3.02. Classes of Membership in Association. The Association shall have two classes of voting membership:

Class A: Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Parcel owned. When more than one person or entity holds an interest in any Parcel, all such persons shall be members. The vote for such Parcel shall be exercised as they among themselves

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determine, but in no event shall more than one vote be cast with respect to any Parcel.

Class B. Class B member(s) shall be the Declarant and shall be entitled to four votes for each Parcel owned.

3.03. Termination of Class B Membership. The Class B membership referred to above shall cease if and when the Declarant no longer owns any Parcel within the Properties.

ARTICLE 4. COVENANTS FOR ASSOCIATION ASSESSMENTS.

4.01. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Parcel it owns within the Properties, hereby covenants and each Owner of any Parcel by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) regular assessments or charges and (2) special assessments for capital improvements or unusual expenses to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on and a continuing lien upon the Parcel against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person or entity who was the Owner of such Parcel at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

4.02. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the health, safety, and welfare of the members of the Association and for the improvement and maintenance of the Common Area and facilities therein.

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4.03. Maximum Regular Annual Assessment. Until January 1 of the year immediately following the first conveyance of a Parcel to an Owner, the maximum regular annual assessment for each of Parcels A, B, C and D shall be $900. From and after January 1 of the year immediately following the conveyance of the first Parcel to an Owner, the maximum annual assessment may be increased by the Board of Directors of the Association after giving due consideration to current maintenance and gardening costs and future needs of the Association including a reasonable reserve for anticipated future expenses. Written notice of the amount and payment schedule of assessments shall be sent to each Owner upon determination or redetermination of the Board.

4.04. Special Assessments Upon All Owners. In addition to the annual assessments authorized above, the Board of Directors may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures, landscaping, or personal property within the Common Area, and for the purpose of defraying the cost of any unusual or unanticipated repairs, maintenance or replacement upon the Common Area. Provided, however, that the Board shall not levy any such special assessment, unless such special assessment has first been approved by the majority vote or written assent of Association members.

4.05. Rate of Assessment. Recognizing that maintenance and administration of the Common Area will be of equal benefit to each of the Buildings and to the Owners thereof, both regular and special assessments shall be fixed at a uniform rate for each of Parcels A, B, C and D, and may be collected not more frequently than once each month.

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4.06. Commencement and Due Date of Annual Assessments. The assessments provided for herein shall commence upon all Parcels on the first day of the month following the first conveyance of a Parcel to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Parcel at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors.

4.07. Effect of Nonpayment of Assessments. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of ten percent (10%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose its lien against the Owner's property. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use or abandonment of his Parcel or the Common Area. Foreclosure by the Association of its lien may be by judicial foreclosure or by nonjudicial foreclosure, in the same manner as the foreclosure of a mortgage upon real property under the laws of the State of California. Nonjudicial foreclosure shall be commenced by the Association by recording in the Office of the Sacramento County Recorder a notice of delinquency, which notice shall state all amounts which have become delinquent with respect thereto and the costs (including attorneys' fees), penalties and interest which have accrued thereon, the amount of any assessment which is due and payable although not delinquent, a description of the property in respect to which the delinquent assessment is owed, and the name of the record or reputed Owner thereof.

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BK 77-09-29 PG. 9

The notice shall state the election of the Association to sell the Parcel or other property to which the amounts relate. The recordation of the notice of delinquency shall correspond to the recordation of a notice of default under Section 2924 of the California Civil Code. The Association shall mail a copy of the notice, by certified mail, to the Owner or reputed Owner at the last address appearing on the books or records of the Association, and to any person requesting notice in the manner provided by Section 2924b of the California Civil Code. In the event such notice is given by the Association, the Owner and junior encumbrancers shall have reinstatement rights identical to those provided by law for trustors or mortgagors, which rights must be exercised during the period specified by law for reinstatement of obligations secured by deeds of trust.

After the lapse of such time as may then be required by law following the recordation of a notice of default under a deed of trust, the Association may give notice of sale in the manner and for the period required in the case of deeds of trust. After the giving of notice of sale, the Association, or its agent, without demand on the owner, may sell the Parcel or other property at the time and place fixed in the notice of sale, at public auction to the highest bidder for cash in lawful money of the United States, payable at the time of sale. The Association or its agent may postpone sale by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. The Association shall dethe Parcel or other property so sold, but without covenant or warranty, express or implied. The recitals in such deed shall be conclusive proof of the truthfulness thereof. Any person, including the Association, may purchase at such sale.

After deducting all costs, fees, and expenses of the Association, the Association shall apply the proceeds of

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sale to payment of: all sums secured by its lien at the time of sale, including interest, costs and attorneys' fees, and the remainder, if any, to the person or persons legally entitled thereto.

In the event the delinquent assessment and all other assessments which have become due and payable with respect to the same property, together with all costs (including attorneys' fees), penalties and interest which have accrued on such amounts, are fully paid or otherwise satisfied after recording a notice of delinquency but prior to the completion of any sale held to foreclose the lien provided for in this paragraph, the Association shall record a further notice stating the satisfaction.

4.08. Relation of Lien to Deed of Trust. The lien of the assessments provided for herein shall be subordinate to any first or second deed of trust made in good faith and for value. The sale or transfer of any Parcel pursuant to foreclosure or any proceeding in lieu thereof, of such a deed of trust shall extinguish the lien of assessments as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Parcel or the Owner thereof from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE 5. ARCHITECTURAL CONTROL.

5.01. Approval Required. There shall be no exterior painting, addition, modification, or construction of any type to or upon any Building or within the Common Area until the plans and specifications showing the nature, kind, shape, color, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to the entire Properties by the Architectural Control Committee. Approval or disapproval shall be by a majority of the Com-

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mittee. If the Architectural Control Committee fails to approve or disapprove such proposed design and location within thirty (30) days after such plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

5.02. Composition of Committee. The Architectural Control Committee shall have three (3) members. The members of the Committee shall be Lee C. Sammis, K. Mark Nelson, and Samuel G. Lindsay (or any other person appointed by the Declarant to replace them) until the Board of Directors of the Association shall appoint their replacements.

ARTICLE 6. USE RESTRICTIONS.

6.01. Permitted Uses. The Property shall be used and maintained as an office park wherein each Building shall be used and occupied exclusively as business and professional offices and for the conduct of activities incidental to such use, and the Common Area shall be devoted to such landscaping, parking, private driveways and other facilities as are necessary and desirable for accommodation of the office occupants. No Building or any portion of a Building shall be sold, leased, subleased, or rented for any non-office use such as, but not limited to, manufacturing, industrial, or residential purposes.

6.02. Signs. No sign, billboard or other advertising device shall be displayed to the public view on any Building or within the Common Area, except: (1) such signs as are installed or erected by the Declarant in the initial design and development of the Properties; or (2) such signs the Architectural Control Committee has thereafter approved as to size, design, color, and placement.

6.03. Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept within any Building or in the Common Area.

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5.04. Interference With Access. No one shall interfere with or otherwise restrict the free right of passage of the Owners, their agents, servants, tenants, guests and employees over driveways or passages leading to their respective Buildings.

6.05. Offensive Activities. No noxious or offensive activity shall be carried on within the Properties, nor shall anything be done or placed thereon which may be or become a nuisance, or cause unreasonable embarrassment, disturbance, or annoyance to other Owners in the enjoyment of their property, or in their use and enjoyment of the Common Area.

6.06. Trash. All wastepaper, trash, and garbage shall be regularly removed from the Properties and not allowed to accumulate thereon. There shall be no waste receptacles, containers or storage areas maintained outside of any Building, except those which are approved by the Architectural Control Committee.

6.07. Antennae. No television, radio or other electronic antenna shall be permitted on the outside of any Building without the prior approval of the Architectural Control Committee.

6.08. Landscaping. There shall be no alteration of the landscaping, including addition, removal, or pruning of trees, shrubs, ground cover, or other plants, unless the same is either (1) performed by a landscape architect, gardening service, or landscape maintenance service which has been authorized or engaged by the Association to perform such services, or (2) performed by or on behalf of an Owner after the Architectural Control Committee has approved the proposed alteration(s).

6.09. Enforcement. These use restrictions may be enforced by proceeding at law or in equity against any person or persons violating or attempting to violate the

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provisions of this Article, either to restrain the violation or to recover damages, including reasonable attorneys' fees for the prevailing party. The Association, as well as an Owner, shall have the right to determine that any tenant within the Properties is in violation of these restrictions and, upon such determination, the Association shall have the right to terminate the tenancy upon 30 days written notice to the tenant.

ARTICLE 7. DUTIES AND POWERS.

7.01. Association Duties. In addition to the duties enumerated in its Articles of Incorporation and Bylaws, or provided for elsewhere in this Declaration, the Association shall have the following duties and obligations:

(1) Maintaining or providing for the maintenance and repair of all Common Areas and all improvements located therein, including utility laterals, sprinkling systems, lighting, parking areas, driveways and walkways;

(2) Landscaping and gardening to generally maintain the landscaping within the Common Areas and caring for, cleaning and replacing any and all drainage conduits and inlets on the Common Areas to insure proper and adequate provisions for storm drainage runoff; and

(3) Enforcing the provisions of this Declaration by appropriate means, including the expenditure of Association funds, employment of legal counsel and commencement of legal actions.

7.02. Association Powers. Acting through the Board of Directors and subject only to the limitations expressly set forth in the Articles, the Bylaws and this Declaration, the Association shall have all those powers set forth in its Articles of Incorporation, together with its general powers

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as a nonprofit corporation. Without limiting the generality of the foregoing, the Association shall have the power and authority to:

(1) Contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association;

(2) Obtain, for the benefit of the Common Areas and the Owners, all water, gas and electric services and refuse collection;

(3) Obtain and pay for such insurance coverage as the Board may deem necessary or desirable in furthering the purposes of and protecting the interests of the Association and its members; and

(4) Establish and maintain a working capital and contingency fund in an amount to be determined by the Board.

7.03. Owners' Maintenance Obligations. Each Owner shall be responsible for maintaining the exterior and interior of his own Building in a good, orderly, clean and attractive condition. The maintenance work to be performed by each Owner, rather than the Association, shall include the following: (1) paint, repair and care for exterior and interior Building surfaces including windows and doors; (2) maintain, repair and replace all equipment and appliances servicing his Building; (3) maintain and repair or cause the maintenance and repair of utility lines and connections which are located within and provide service within his Buildings; and (4) rebuild any Building improvements if the same should be damaged or destroyed by any casualty. In performing any painting or other maintenance work to the exterior of his Building each Owner shall be subject to architectural controls and approvals as provided in Article 5 of this Declaration. In the event that any Owner fails

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to meet his maintenance obligations under this paragraph, the Association shall have the right to enter such Owner's Parcel and the Building thereon, without liability to the Owner thereof, and to eliminate any nuisance conditions, repair any windows, do any painting or perform any other maintenance or repair work which, in the judgment of the Association, is necessary or desirable to preserve the aesthetic standards of the Properties. Any costs incurred by the Association in performing any such maintenance work for which the Owner is responsible shall be a lien upon that Owner's Parcel to the same extent and in the same manner as assessments are made liens pursuant to the provisions of Section 4.01 of this Declaration.

ARTICLE 8. GENERAL PROVISION.

8.01. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, except that the Association shall have the exclusive right to enforce assessment liens as provided herein. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

8.02. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way effect any other provisions which shall remain in full force and effect.

8.03. Amendment. The covenants and restrictions of this Declaration shall run with the land and bind the Property for a term of twenty years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten years, unless an

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instrument is recorded by which this Declaration is validly changed or revoked in whole or in part. Any partial or complete revocation of this Declaration, or any amendment hereof shall require (1) the written approval, which shall not be unreasonably withheld, of seventy-five percent (75%) of the then existing holders of first and second deeds of trust secured by some Parcel within the Properties and (2) the affirmative vote or written consent of Owners representing not less than seventy-five percent (75%) of the Association voting power. Any amendment of this Declaration shall be set forth in writing and shall be recorded among the Official Records of Sacramento County.

8.04. Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for integrating the separately owned Parcels as an office park and maintaining the commonly usable facilities therein. Article and section headings have been used for convenience only and shall not limit or control the interpretations of this Declaration.

8.05. Mortgage Protection. No breach of these covenants, conditions or restrictions, nor enforcement of any lien provisions herein, shall defeat or render invalid the lien of any deed of trust made in good faith and for value, but all of the covenants, conditions and restrictions stated herein shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise.

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BK 77-09-29 PG 17

IN WITNESS WHEREOF, Declarant has executed this instrument this 20th day of September, 1977.

POINT WEST ASSOCIATES, a California general partnership,

By Intereal Company, a Tennessee corporation doing business in California as Jovencal, Inc., Partner

By Marion B. Smith
President

By D. Allen Pettis, Jr.
Asst. Secretary

By Lee C. Sammis
Lee C. Sammis, Partner

By Samuel G. Lindsay
Samuel G. Lindsay, Partner

By John S. Hagestad
John S. Hagestad, Partner

By K. Mark Nelson
K. Mark Nelson, Partner

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ACKNOWLEDGMENTS

BK 77-09-29 PG 18

State of Tennessee)
) SS
County of Davidson)

On this 20th day of September, in the year 1977, before me Betty Grigsby, a Notary Public in and for said County and State, personally appeared Marion G. Smith, Jr., known to me to be the President and G. Allen Patton, known to me to be the Assistant Secretary of Intereal Company, the corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of said corporation, said corporation being known to me as one of the partners of the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

(SEAL)

Betty Grigsby
Notary Public in and for said County and State

My commission expires:

BETTY GRIGSBY
NOTARY PUBLIC
DAVIDSON COUNTY, TENN.
MY COMMISSION EXPIRES
AUGUST 2, 1980

State of California)
) SS
County of Sacramento)

On this 23rd day of September, in the year 1977, before me Sandra Hosking, a Notary Public in and for said County and State, personally appeared LEE C. SAMMIS, known to me to be one of the partners of the partnership that executed the within instrument, and acknowledged to me that he executed the same as such partner and that such partnership executed the same.

145675

(SEAL)

Sandra Hosking
Notary Public in and for said County and State

OFFICIAL SEAL
SANDRA HOSKING
NOTARY PUBLIC - CALIFORNIA
COUNTY OF SACRAMENTO
My Commission Expires April 29, 1980

My commission expires:

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SACRAMENTO COUNTY

State of California)
) SS
County of Sacramento)

BK 77-09-29-PG 19

On this 23rd day of September, in the year 1977, before me Sandra Hosking, a Notary Public in and for said County and State, personally appeared SAMUEL G. LINDSAY, known to me to be one of the partners of the partnership that executed the within instrument, and acknowledged to me that he executed the same as such partner and that such partnership executed the same.

(SEAL)

Sandra Hosking
Notary Public in and for said County and State

OFFICIAL SEAL
SANDRA HOSKING
NOTARY PUBLIC - CALIFORNIA
COUNTY OF SACRAMENTO
My Commission Expires April 28, 1980

My commission expires:

State of California)
) SS
County of Sacramento)

On this 23rd day of September, in the year 1977, before me Sandra Hosking, a Notary Public in and for said County and State, personally appeared JOHN S. HAGESTAD, known to me to be one of the partners of the partnership that executed the within instrument, and acknowledged to me that he executed the same as such partner and that such partnership executed the same.

(SEAL)

Sandra Hosking
Notary Public in and for said County and State

OFFICIAL SEAL
SANDRA HOSKING
NOTARY PUBLIC - CALIFORNIA
COUNTY OF SACRAMENTO
My Commission Expires April 28, 1980

My commission expires:

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BK 77-09-29 PG 20

State of California)
) SS
County of Sacramento)

On this 23rd day of September, in the year 1977, before me Sandra Hosking, a Notary Public in and for said County and State, personally appeared K. MARK NELSON, known to me to be one of the partners of the partnership that executed the within instrument, and acknowledged to me that he executed the same as such partner and that such partnership executed the same.

(SEAL)

Sandra Hosking
Notary Public in and for said County and State

OFFICIAL SEAL
SANDRA HOSKING
NOTARY PUBLIC - CALIFORNIA
COUNTY OF SACRAMENTO
My Commission Expires April 29, 1980

My commission expires:

145675

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BK 77-09-29 PGC 21

EXHIBIT "A"

Property Description

All that certain real property situate, lying and being in the County of Sacramento, City of Sacramento, State of California, particularly described as follows:

Parcels A, B, C and D, as shown on that certain Parcel Map entitled "Lot 3, Plat of Point West Office Park recorded in Book 98 of Maps, Map #14," recorded in the office of the County Recorder of Sacramento County on November 26, 1976, in Book 29 of Parcel Maps, at page 19.

EXCEPTING AND RESERVING THEREFROM all deposits of minerals, including oil and gas, lying below a depth of 500 feet, without, however, the right to drill or mine through the surface thereof, as contained in Quit-Claim Deed executed by the State of California, recorded June 30, 1971, in Book 7106-30, page 525, Official Records.

145675

Kin Ong

From: Brian Byun <Brian.Byun@bbklaw.com>
Sent: Wednesday, June 2, 2021 2:09 PM
To: Kin Ong
Cc: Ann Siprelle
Subject: FW: PARSAC Exchange of Headquarters Building / Surplus Land Act

Good news!

Brian Byun
Of Counsel
brian.byun@bbklaw.com
T: (619) 525-1360 C: (619) 204-3220
www.BBKlaw.com

From: Sun, Edwin@HCD <Edwin.Sun@hcd.ca.gov>
Sent: Wednesday, June 2, 2021 2:09 PM
To: Brian Byun <Brian.Byun@bbklaw.com>; PublicLands@HCD <publiclands@hcd.ca.gov>
Cc: Ann Siprelle <Ann.Siprelle@bbklaw.com>; Spano, Joseph@HCD <Joseph.Spano@hcd.ca.gov>
Subject: RE: PARSAC Exchange of Headquarters Building / Surplus Land Act

CAUTION - EXTERNAL SENDER.

Thank you for contacting HCD to update us on your findings. We have reviewed the CC&R and draft resolution, and concur with your conclusion that the CC&R document represents a valid legal prohibition against housing on this property, qualifying the transaction for an exemption pursuant to Government Code section 54221(f)(1)(G).

Please send HCD a copy of the approved and executed resolution when it becomes available.

Best,
Eddie

The HCD Public Lands Team
Housing Policy Division
Housing and Community Development
2020 W. El Camino Avenue, Suite 500 | Sacramento, CA 95833

HOUSING IS KEY

From: Brian Byun <Brian.Byun@bbklaw.com>
Sent: Tuesday, June 1, 2021 3:06 PM
To: PublicLands@HCD <publiclands@hcd.ca.gov>

Cc: Ann Siprelle <Ann.Siprelle@bbklaw.com>; Sun, Edwin@HCD <Edwin.Sun@hcd.ca.gov>
Subject: RE: PARSAC Exchange of Headquarters Building / Surplus Land Act
Importance: High

Dear HCD Public Lands Team,

We discovered very recently that there is another basis for exemption that we were unaware of when we first came to you in early May and so come again to you now, pursuant to the Surplus Land Act Guidelines sections 103(c) and 400(e), for a determination on exempt status for the building that PARSAC seeks to dispose of. Namely, the building is located on land that is subject to CC&Rs, recorded in 1977 and that currently appear as an exception on the building's title report, which prohibit the land from being used for, among other uses, residential uses. *See* section 6.01 of the attached CC&Rs. We do not see any feasible method to mitigate or avoid this prohibition and therefore believe that Govt C. sec. 54221(f)(1)(G) applies here to exempt this disposition from the SLA.

I have attached the proposed resolution, the CC&Rs, and the PTR for your reference and review. We respectfully request expedited review, because if HCD determines that the property is *not* exempt, we do not want to lose any more time than necessary to issue the Notice of Availability and otherwise go through the SLA process. PARSAC's next regular meeting is scheduled for July 1.

On another note, effective July 1, 2021, PARSAC will be merging with another public agency called the Redwood Empire Municipal Insurance Fund and, together, the new merged entity will be called the California Intergovernmental Risk Authority or CIRA. The resolution, therefore will likely be revised to reflect the merger and name change.

Many thanks,

Brian

[bbklaw.com]

Brian Byun [bbklaw.com]
Of Counsel
brian.byun@bbklaw.com
T: (619) 525-1360 C: (619) 204-3220
www.BBKlaw.com [bbklaw.com] [linkedin.com] [twitter.com]

From: Sun, Edwin@HCD <Edwin.Sun@hcd.ca.gov>
Sent: Friday, May 7, 2021 11:52 AM
To: Brian.Byun@bbklaw.com; Harrison.Anixter@hcd.ca.gov; Joseph.Spano@hcd.ca.gov; Stephen.Byers@hcd.ca.gov; Mathew.Manweller@hcd.ca.gov; Imaez.Wahid@hcd.ca.gov
Cc: Ann.Siprelle@bbklaw.com
Subject: RE: PARSAC Exchange of Headquarters Building / Surplus Land Act

CAUTION - EXTERNAL SENDER.

Thank you for consulting the Department of Housing and Community Development (HCD) about the Public Agency Risk Sharing Authority of California (PARSAC)'s contemplated transfer of agency-owned land at **1525 Response Rd, Sacramento, CA 95815 (the Property)**.
In 2019, the Legislature enacted AB 1486, amending the Surplus Land Act (SLA) to declare that "a shortage of sites available for housing for persons and families of low- and moderate-income is a barrier to addressing urgent statewide housing needs and that surplus government land, prior to disposition, should be made available for that purpose." The Legislature has tasked HCD with implementing and enforcing the SLA.

LEASE AGREEMENT/CIRA HEADQUARTERS

SUMMARY: The sale of PARSAC's building is anticipated to be completed by Sept. 30, 2021. Over the past two months, staff looked at several properties to lease for CIRA's new headquarters. Staff has chosen a building in the Broadstone Village Office Park in Folsom and has agreed to general terms with the landlord. Staff is finalizing the lease agreement and is requesting the CIRA Board authorize the General Manager to execute the agreement with the landlord, Fox Creek Fund, LLC.

RECOMMENDATION: Authorize the General Manager to execute a lease agreement with the selected building landlord, Fox Creek Fund, LLC.

DISCUSSION: While PARSAC completes the sale of its building with the Fazio Medical Group, staff concurrently sought out alternative office space for CIRA's headquarters. Staff toured eight locations with lease rates ranging from $1.65 to $2.40 per square feet. The $1.65 location required significant tenant improvements to accommodate CIRA's operation. The landlord proposed amortizing construction costs over the lease terms, which would have increased the lease rate to over $1.95 per sf. Two other locations also required tenant improvements and were eliminated from consideration due to the asking rate. The other locations were removed from consideration because their lease rates were too high, landlords were not willing to make concessions, or the locations were not suitable to staff.

Of the eight locations, one building was far superior to the others when considering location, the building itself, and lease rate for CIRA's headquarters. Staff selected a building in Folsom. The suite is approximately 2,400 square feet with five offices, a conference room, and a small break room. The lease rate starts at $1.94 (full service, i.e. includes utilities, janitorial, maintenance, etc.) with a 5-cent annual increase, a six year term, and two months free rent. This is a "turn key" lease with the landlord providing tenant improvements at their expense (build out conference room and break room). Compared to similar Class A buildings in the area, landlords are asking between $2.20 to $2.40 per square feet. It is anticipated staff will relocate no later than Sept. 1.

REMIF is also evaluating the sale of their building as it may no longer meets their needs. Leasing office space the next several years will give CIRA flexibility to evaluate its office/building needs. As CIRA expands services and membership in the future, the CIRA Board will be in better position to align its building requirements with the pool's long term strategic objectives.

FISCAL IMPLICATIONS: CIRA's operating budget for building costs next year is $69,650. The anticipated lease payments next year are $49,850 (including free rent) and well within the budget. Staff's objective is to keep building costs neutral (leasing versus owning) throughout the lease term. Total lease payments over the term are $338,135 compared to approximately $420,000 in operating costs if we continued to own the building (i.e. property taxes, insurance, utilities,

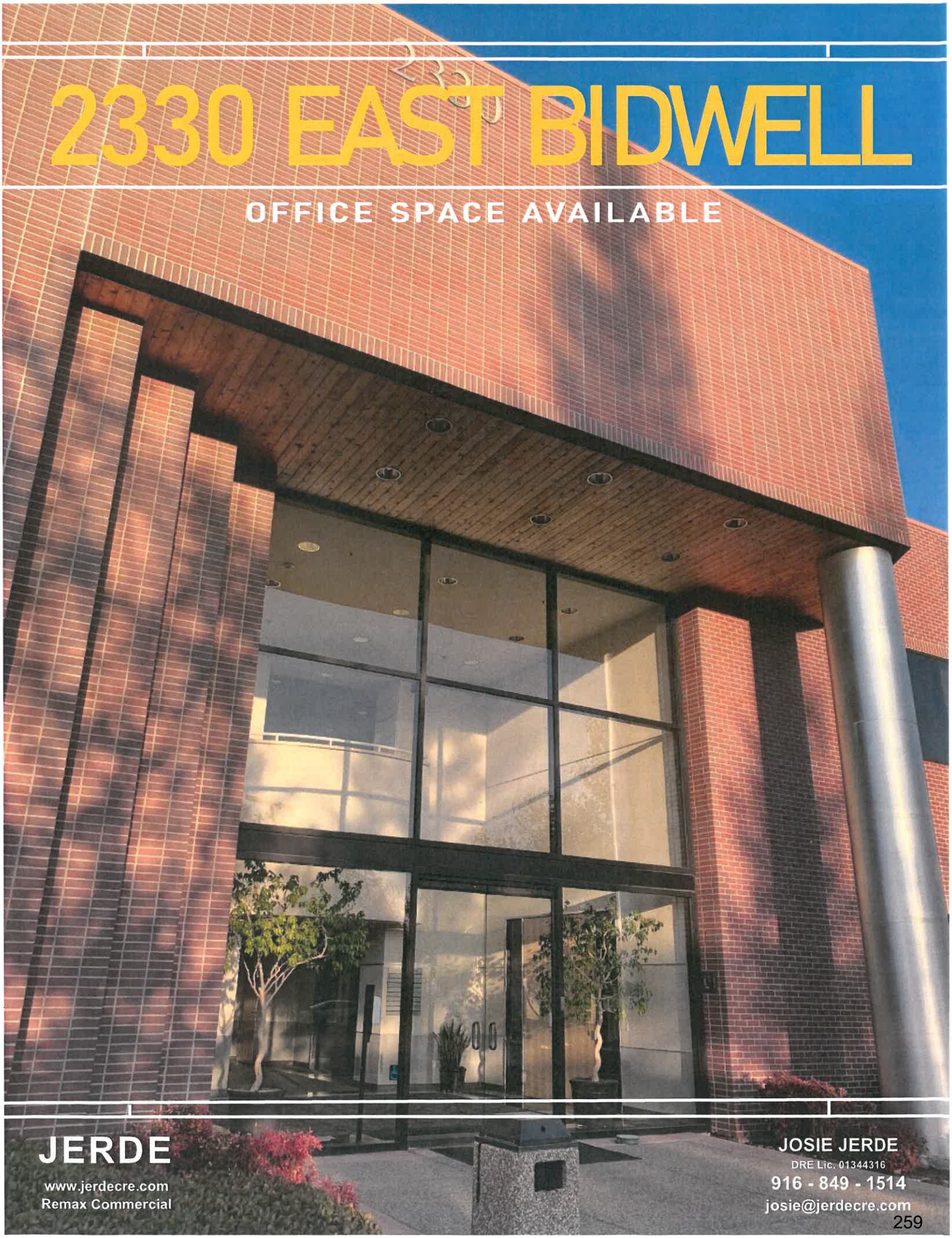
maintenance, etc.). Additionally, the lease will be based on 2022 base year costs. Therefore, should building expenses increase due to higher utilities, property taxes, etc, a percentage of the increased costs are passed on to all tenants of the building. The increase will be reflected on the 2023 lease year payments. Staff is attempting to negotiate a cap on the increases to no more than 4%.

Moving costs is estimated at $10,000.

ATTACHMENTS: Building Brochure (CIRA will occupy suite 150)

2330 EAST BIDWELL

OFFICE SPACE AVAILABLE



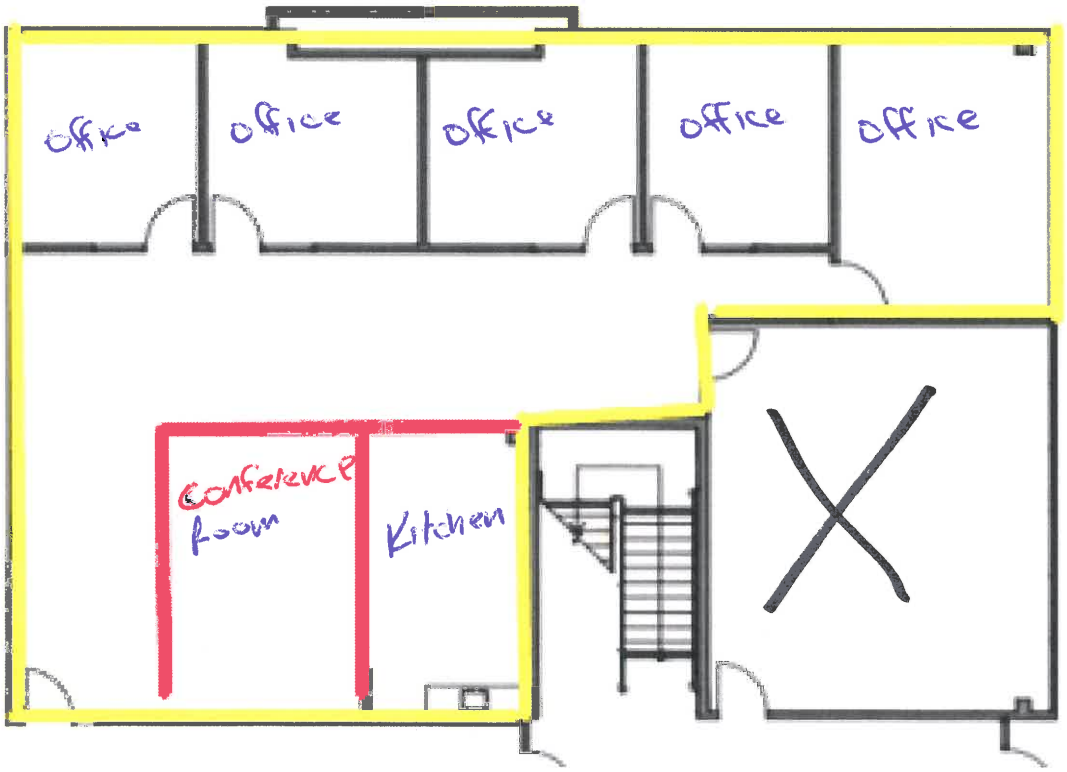
JERDE

www.jerdecre.com
Remax Commercial

JOSIE JERDE
DRE Lic. 01344316
916 - 849 - 1514
josie@jerdecre.com

916.569.2372
jack.blackmon@ngkf.com

Exhibit "A"



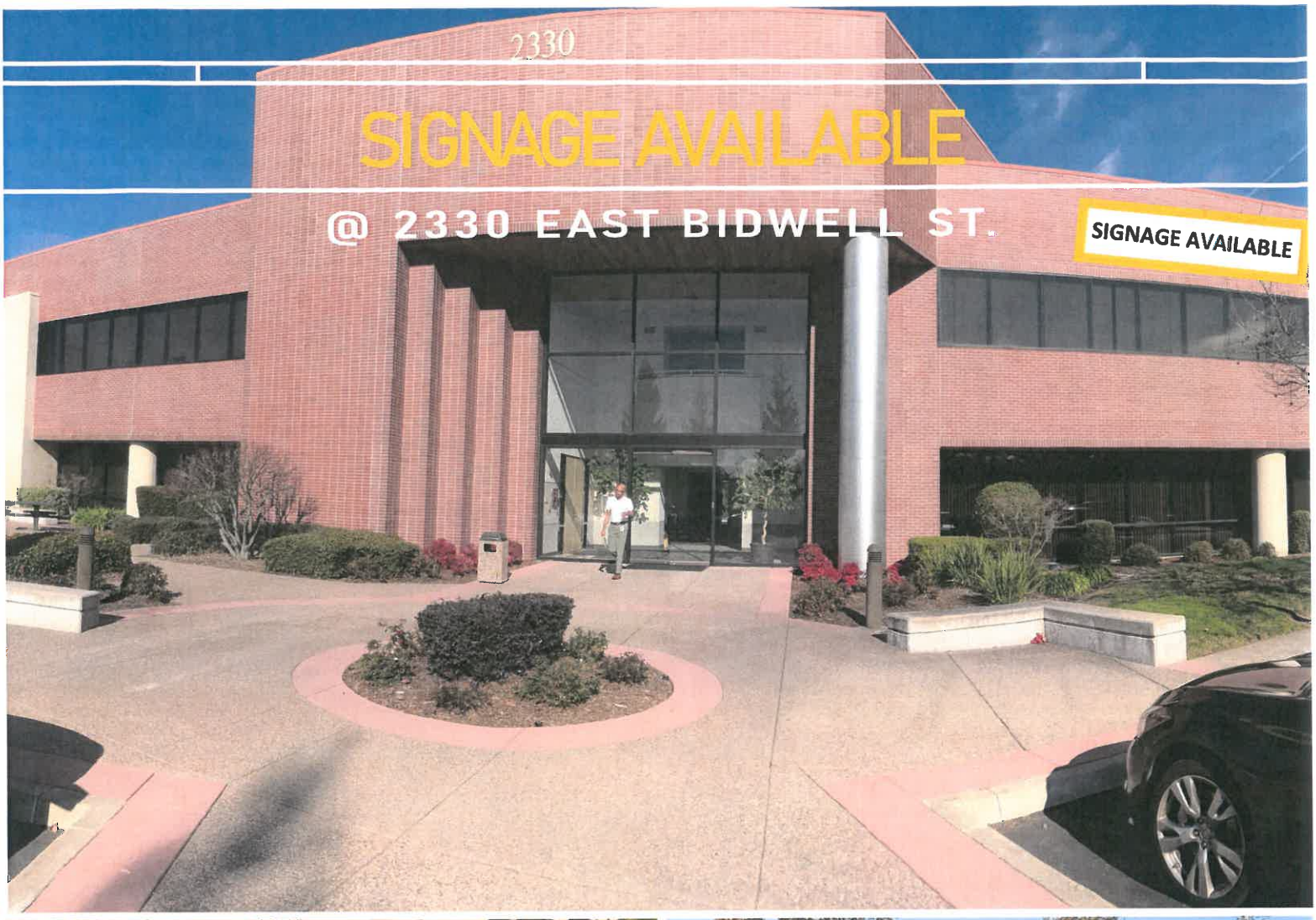
EXTERIOR PHOTOS

@ 2330 EAST BIDWELL ST.

JERDE

www.jerdecre.com
Remax Commercial

JOSIE JERDE
DRE Lic. 01344316
916 - 849 - 1514
josie@jerdecre.com



JERDE

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Remax Commercial

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916 - 849 - 1514
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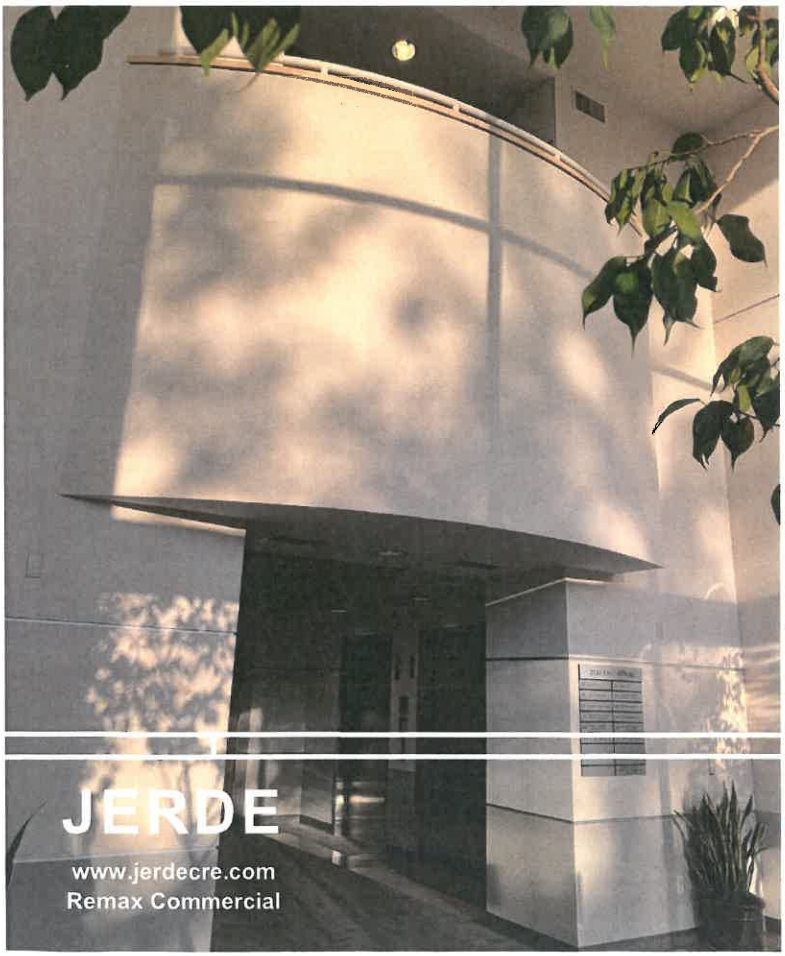
LOBBY PHOTOS

@ 2330 EAST BIDWELL ST.



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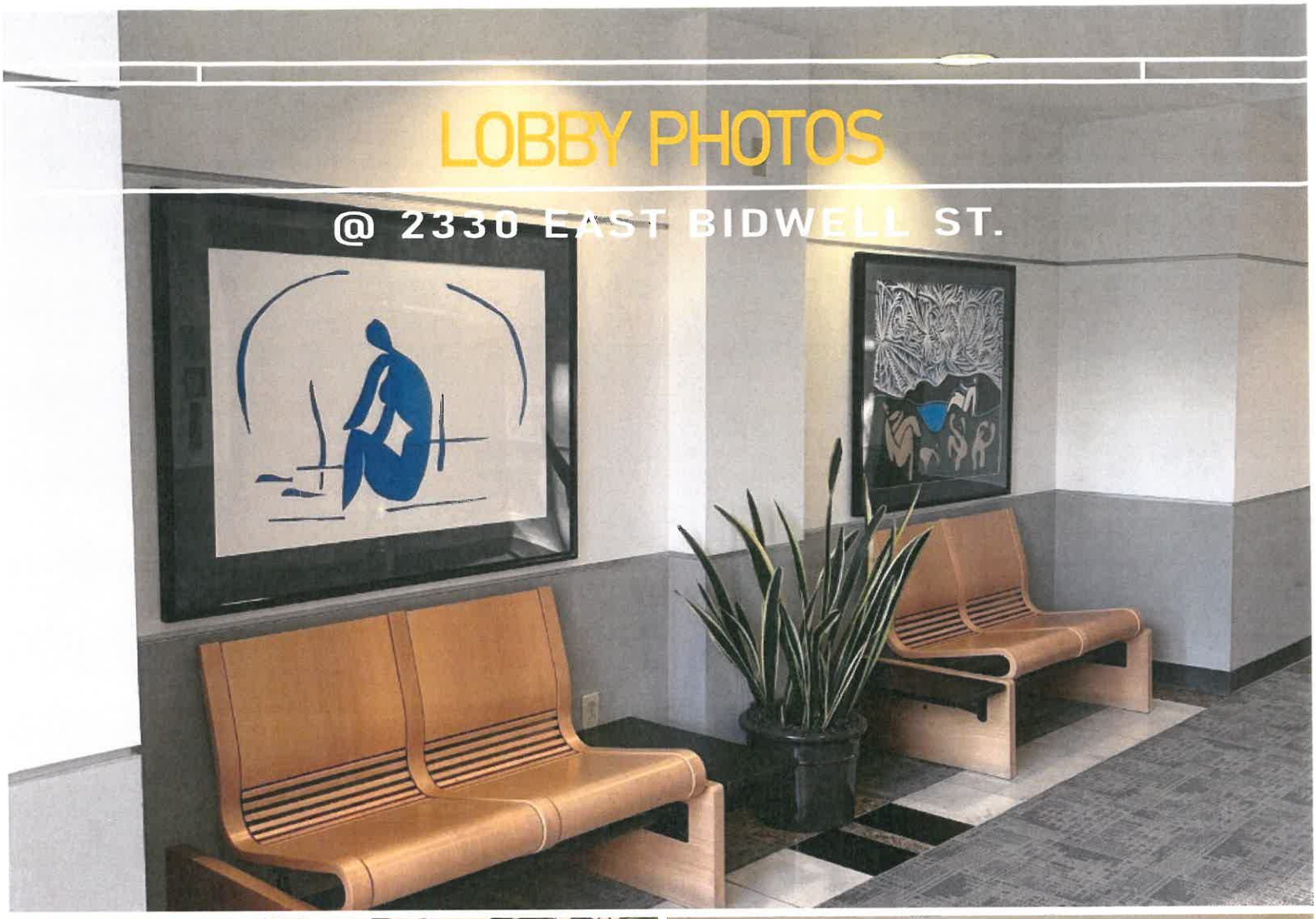

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SUITE PHOTOS

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APPOINT A COMMITTEE FOR OLD PARSAC BUSINESS

SUMMARY: As part of the CIRA Bylaws, Article VII-Committees Section F, requires a PARSAC Committee to be appointed which would make recommendations to the CIRA Board regarding the administration of preexisting obligations. Additionally, Article V-Governing Board Section C of Bylaws, only allows those Directors representing Members who were members of the Authority prior to the formation of CIRA to vote on those preexisting obligation agenda items. As only PARSAC members may be appointed to this committee, it is recommended that the PARSAC Committee to be expanded to 13 members and the prior PARSAC Executive Committee as of June 30, 2021, serve in the PARSAC Committee. The resolution allows the PARSAC Committee Chairperson to fill vacancies.

RECOMMENDATION: Approve.

DISCUSSION: Per the recently adopted JPA Agreement and Bylaws, prior obligations of REMIF and PARSAC will remain with each respective pool until all claims are closed. As agenda items related to prior PARSAC obligations should only be voted on by PARSAC members, the CIRA Bylaws also indicate that "only Directors representing Members who were members of the Authority prior to the Effective Date may vote…".

> ***CIRA Bylaws Article V - Governing Board Paragraph C***
> As to Program-specific agenda items, only the Directors representing Members that participate in that Program may vote, and as to such items a quorum shall be determined by reference to the number of Members participating in the Program. As to agenda items relating to all liabilities and obligations of CIRA existing prior to the Effective Date ("Preexisting Obligations"), only Directors representing Members who were members of the Authority prior to the Effective Date may vote, and as to such items, a quorum shall be determined solely by reference to the number of Members that were members of the Authority prior to the Effective Date.

The Bylaws also require the Board to appoint a PARSAC Committee, which would make recommendations to the CIRA Board regarding the administration of preexisting obligations. These obligations shall include the resolution of claims prior to the merger and distribution of program assets through the Retrospective Premium Adjustment formula. The Bylaws do not specify the number of committee members to be appointed; however, staff is recommending that the PARSAC Committee be expanded to 13 members and the prior PARSAC Executive Committee as of June 30,2021, be appointed. The resolution allows the PARSAC Committee Chairperson to fill vacancies.

CIRA Bylaws Article VII - Committees Section F
PARSAC Committee. The Board shall appoint a committee made up of representatives of Authority members that were members prior to the Effective Date to make recommendations to the Board regarding the administration of the Preexisting Obligations.

FISCAL IMPLICATIONS: None

ATTACHMENT: Resolution No. 2020-07

RESOLUTION NO. 2020-07

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY APPOINTING THE PARSAC COMMITTEE UNDER THE CALIFORNIA INTERGOVERNMENTAL RISK AUTHORITY BYLAWS.

WHEREAS, the governing boards of the Public Agency Risk Sharing Authority of California (PARSAC) and the Redwood Empire Municipal Insurance Fund (REMIF) have agreed to merge operations and create the California Intergovernmental Risk Authority (CIRA), and;

WHEREAS, the governing boards of PARSAC and REMIF have adopted a new CIRA JPA agreement and Bylaws that become effective July 1, 2021, and;

WHEREAS, those obligations of PARSAC and REMIF prior to July 1, 2021 will remain with their respective pools, and;

WHEREAS, Article V of the CIRA Bylaws state "As to Program-specific agenda items, only the Directors representing Members that participate in that Program may vote, and as to such items a quorum shall be determined by reference to the number of Members participating in the Program. As to agenda items relating to all liabilities and obligations of CIRA existing prior to the Effective Date ("Preexisting Obligations"), only Directors representing Members who were members of the Authority prior to the Effective Date may vote, and as to such items, a quorum shall be determined solely by reference to the number of Members that were members of the Authority prior to the Effective Date.", and;

WHEREAS, Article VII of the CIRA Bylaws include the creation of a PARSAC Committee and that "The Board shall appoint a committee made up of representatives of Authority members that were members prior to the Effective Date to make recommendations to the Board regarding the administration of the Preexisting Obligations.", and;

WHEREAS, PARSAC's elected Committee provides recommendations for the disposition of obligations.

NOW THEREFORE, BE IT RESOLVED THAT, the Board of Directors of the California Intergovernmental Risk Authority hereby finds, determines and resolves as follows:

1. The PARSAC Executive Committee members in place as of June 30, 2021 shall be appointed to serve on the PARSAC Committee in accordance with the CIRA Bylaws Article VII and shall maintain a membership of thirteen committee members.

2. The PARSAC Committee will make recommendations to the CIRA Board regarding all PARSAC related business including the resolution of claims and distribution of program assets prior to the merger.

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3. The PARSAC Committee shall elect a chairperson and a vice-chairperson at its first meeting. The chairperson will have the authority to make appointments to fill vacancies.

Effective Date. This Resolution shall become effective July 1, 2021, upon approval by two-thirds of the Board of Directors present and voting.

ADOPTED this 1st , of July 2021.

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John Gillison, CIRA President

ATTEST:

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Kin Ong, Board Secretary

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