BAY CITIES JOINT POWERS INSURANCE AUTHORITY

SPECIAL BOARD OF DIRECTORS MEETING

AGENDA

Monday, December 4, 2023
2:00 p.m.

Via Zoom Teleconference
Zoom Link

Meeting ID: 899 8077 9442
Passcode: 436146

All or portions of this meeting will be conducted by teleconferencing in accordance with Government Code Section 54953(b). Teleconference locations are as follows:

City of Albany, 1000 San Pablo Avenue, Albany, CA; City of Berkeley, 2180 Milvia Street, Berkeley, CA; City of Brisbane, 50 Park Place, Brisbane, CA; Central Marin Fire Authority 250 Doherty Drive, Larkspur, CA; Central Marin Police Authority, 250 Doherty Drive, Larkspur, CA; Town of Corte Madera, 300 Tamalpais Drive, Corte Madera, CA; City of Emeryville, 1333 Park Avenue, Emeryville, CA; Town of Fairfax, 142 Bolinas Road, Fairfax, CA; City of Larkspur, 400 Magnolia Avenue, Larkspur, CA; City of Los Altos, 1 N. San Antonio Road, Los Altos, CA; City of Menlo Park, 701 Laurel Street, Menlo Park, CA; City of Mill Valley, 26 Corte Madera Avenue, Mill Valley, CA; City of Monte Sereno, 18041 Saratoga-Los Gatos Road, Monte Sereno, CA; Cit of Novato, 922 Machin Avenue, Novato, CA; City of City of Pleasanton, 123 Main Street, Pleasanton, CA; City of Piedmont, 120 Vista Avenue, Piedmont, CA; City of Redwood City, 1017 Middlefield Road, Redwood City, CA; Town of San Anselmo, 525 San Anselmo Avenue, San Anselmo, CA; City of Sausalito, 420 Litho Street, Sausalito, CA; City of Union City 34009 Alvarado-Niles Road, Union City, CA.

Each location is accessible to the public, and members of the public may address the Bay Cities Joint Powers Insurance Authority (BCJPIA) from any teleconference location.

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation to participate in this meeting, please contact John Burdette at (916) 244-1169 or John.burdette@sedgwick.com. Requests should 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 provided to the Bay Cities Joint Powers Insurance Authority (BCJPIA) less than 72 hours prior to a regular meeting will be available for public inspection. Please contact John Burdette at (916) 244-1169 or John.burdette@sedgwick.com.

Page **1. CALL TO ORDER**

2. INTRODUCTIONS

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

* Reference materials enclosed with staff report.

4. **PUBLIC COMMENTS** - The Public may submit any questions in advance of the meeting by contacting John Burdette at: John.burdette@sedgwick.com. This time is reserved for members of the public to address the Board relative to matters of the BCJPIA not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person and twenty minutes in total.

5. **FINANCIAL MATTERS**

4 *A. Consideration of Changes to the BCJPIA Investment Policy
Recommendation: Approve the changes to the Investment Policy for the 2023/24 Program Year.

6. **ADMINISTRATIVE MATTERS**

23 *A. Review of Draft Agreement between BCJPIA and the City of Sausalito
Recommendation: Review and approve the agreement between BCJPIA and the City of Sausalito for the City's voluntary withdrawal from BCJPIA as of June 30, 2024.

29 *B. Review of Draft Endorsement #5 for the 2023/24 BCJPIA Pooled Liability Program Memorandum of Coverage
Recommendation: Approve Endorsement #5 to the 2023/24 BCJPIA Pooled Liability Program Memorandum of Coverage.

7. **CLOSED SESSION** – Pursuant to Government Code Section 54956.95(a), the Committee will hold a closed session to discuss the claims for the payment of tort liability losses, workers' compensation losses, or public liability losses incurred by the Joint Powers Authority:

Liability Claims
Frankel v. Central Marin Police Authority
Rose v. City of Larkspur
Portje v. City of Sausalito
Pellegrino v. City of Union City

REPORT FROM CLOSED SESSION - Pursuant to Government Code Section 54957.1, the Committee must report in open session any action taken, or lack thereof, in closed session.

8. **EXECUTIVE DIRECTOR'S REPORT**

A. Report by Executive Director
Recommendation: None.

* Reference materials enclosed with staff report.

9. CLOSING COMMENTS

This time is reserved for comments by Bay Cities Joint Powers Insurance Authority members and/or staff and to identify matters for future Bay Cities Joint Powers Insurance Authority business.

A. Board of Directors
B. Staff

10. ADJOURNMENT

NOTICES:

- The next BCJPIA Executive Committee meeting will be held on Thursday, December 14, 2023, via Zoom.
- The next BCJPIA Board of Directors Meeting will be held on Thursday, February 8, 2024, via Zoom.
- The next CARMA Board of Directors meeting will be held on Friday, January 12, 2024, in Napa, CA. The BCJPIA representative to the CARMA Board is Dan Schwarz, City of Larkspur, and the Alternate is Daria Carrillo, Town of Corte Madera.
- The next ERMA Board of Directors meeting will be held on Friday, February 2, 2024, in Sacramento. The BCJPIA representative to the ERMA Board is Jason Castleberry, City of Union City and the Alternate is Jon Maginot, City of Los Altos.

* Reference materials enclosed with staff report.

Agenda Items 5.A.

FINANCIAL MATTERS

SUBJECT: Consideration of Changes to the BCJPIA Investment Policy
Prepared and Presented by Kara Hooks, Chandler Asset Management

BACKGROUND AND STATUS:

Although an annual review of the Investment Policy is no longer required under California Government Code Section 53646(a)(2), as a matter of prudent policy and best practice, on an annual basis the Investment Policy is presented to the Board for review and approval.

Kara Hooks, Chandler Asset Management, reviewed the Policy and recommend the proposed changes as outlined in the attached memorandum.

RECOMMENDATION:

Approve the changes to the Investment Policy for the 2023/24 Program Year.

REFERENCE MATERIALS ATTACHED:

- Memorandum from Chandler Asset Management, dated October 10, 2023
- Draft BCJPIA Investment Policy in redline/strikeout

October 10, 2023

Lam Le, Finance Manager
Sedgwick for Bay Cities Joint Powers Insurance Authority

Dear Lam,

We have completed our annual review of Bay Cities Joint Powers Insurance Authority (BCJPIA) investment policy for compliance with the statutes of California Government Code (Code) that govern the investment of public funds, as well as for inclusion of current best practices. BCJPIA's investment policy continues to be well-written and effective for the management of the Authority's funds. There were changes to California Government Code for 2023 and Chandler Asset Management is recommending minor modifications to incorporate these changes to Code. Please find a brief summary of the changes below:

- **Prohibited Investment Vehicles and Practices**: We recommend including language addressing the prohibition of purchasing securities with a forward settlement date exceeding 45 days from the time of purchase.

- **Reporting**: We recommend updating the amount of time allowed to submit a quarterly report from 30 days to 45 days.

Please do not hesitate to contact us with any questions you may have, or if further review is needed.

Sincerely,

Kara Hooks	Carlos Oblites
Associate Portfolio Strategist	Senior Portfolio Strategist
Chandler Asset Management	Chandler Asset Management

BAY CITIES JOINT POWERS INSURANCE AUTHORITY
INVESTMENT POLICY
October 2021

INTRODUCTION

Bay Cities Joint Powers Insurance Authority ("BCJPIA" or "Authority") is a joint powers insurance authority created in 1986 consisting of public entities within 100 miles of Emeryville, California. The Authority is governed by a Board of Directors.

The purpose of this investment policy is to identify various policies and procedures with regard to investing the Authority's financial assets of the Administrative and Trust Funds that will foster a prudent and systematic investment program designed to seek the BCJPIA's objectives of safety, liquidity and yield through a diversified investment portfolio. This policy also serves to organize and formalize the Authority's investment-related activities, while complying with all applicable statutes governing the investment of public funds.

This investment policy was endorsed and adopted by the Authority's Board of Directors and is effective as of the 29th day of October, 2021 and replaces any previous versions.

SCOPE

This policy covers all Administrative and Trust Funds and investment activities under the direct authority of the Authority, as set forth in the State Government Code, Sections 53600 *et seq*., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the Authority's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.
- Any other funds specifically exempted by the Board of Directors.

POOLING OF FUNDS

Except for cash in certain restricted and special funds, the Authority will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

OBJECTIVES

It is the objective of this policy to provide a system which will accurately monitor and forecast revenues and expenditures so that the Authority can invest funds to the fullest extent possible. Funds of the Authority will be invested in accordance with all applicable California Government Code Sections and with sound treasury management principles with the following priorities:

First:	Safety of invested funds;
Second:	Maintenance of sufficient liquidity to meet cash flow needs; and
Third:	Attainment of maximum possible return consistent with the above principles.

1. Safety
   A. To protect the value of the principal and interest of the invested funds, the Authority will invest only in the safest securities which include, but are not limited to, those backed by the U.S. Government or its agencies, those which have insurance on principal backed by the FDIC, the Local Agency Investment Fund or those which have legally required collateral backing of the invested principal.
   B. The Authority's investment portfolio shall be diversified by the type of investment, issuer, and maturity dates to protect against changes in the market.
   C. The Authority will not place any funds with any institution which is less than three (3) years old except

with the approval of the Finance Committee.

D. Securities with maturities of greater than five (5) years may not be purchased unless approval has been granted by the Board of Directors. Any such approval shall be granted no less than 90 days before the first investment.

E. The Authority shall seek to preserve principal by mitigating two types of risk, credit risk and market risk.

2. Liquidity
An adequate percentage of the portfolio will be maintained in liquid short-term securities which can be converted to cash as necessary to meet disbursement requirements. The liquidity requirements will be determined using periodic cash flow projections. Maturity dates of the investment shall be timed to provide funds for scheduled administrative expenses and anticipated claim payments.

3. Yield
The Authority seeks to attain market rates of return on its investments (defined as income plus realized and unrealized capital gains and losses) through various economic cycles on its investments, consistent with constraints imposed by law, its safety objectives, and its cash flow consideration. Purchase and sale of securities should be made on the basis of competitive offers and bids, when practical, to obtain the highest possible rates. The maximization of return will not transcend the objective of capital preservation.

The benchmark for "market-average rate" shall be the rate of return on a benchmark of duration or average maturity similar to the BCJPIA portfolio.

DELEGATION OF AUTHORITY

Authority to manage the Authority's investment program is derived from California Government Code, Sections 53600 *et seq.*

The Board of Directors is responsible for the management of Authority funds, including the administration of this investment policy. Management responsibility for the cash management of Authority funds is hereby delegated to the Treasurer/Auditor.

The Treasurer/Auditor will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. In order to optimize total return through active portfolio management, resources shall be allocated to the investment program. This commitment of resources shall include financial staffing and considerations. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer/Auditor.

The Authority may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the Authority's investment portfolio in a manner consistent with the Authority's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The Authority's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Authority recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the Authority

INVESTMENT RISKS

A. **General Policy:** BCJPIA recognizes that investment risk can result from issuer defaults, market price changes or various technical complications leading to temporary loss of principal. Portfolio diversification is employed as a way to control risk. Investment managers are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. As needed, the Treasurer/Auditor shall periodically meet with the Ad Hoc Finance Committee to establish guidelines and strategies to control credit risk, market risk and liquidity.

Credit Risk, defined as the risk of loss due to failure of the issuer of a security, will be mitigated by:

- Investing only in securities whose credit ratings are commensurate with the minimum credit ratings allowed by the California Government Code at the time of purchase and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the Authority's principal and cash flow.
- The Authority may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or the Authority's risk preferences.
- If securities owned by the Authority are downgraded by an NRSRO to a level below the quality required by this investment policy, it will be the Authority's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
  - If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
  - If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board.

Market Risk, defined as market value fluctuations due to overall changes in the general level of interest rates, will be mitigated by:

- Providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes;
- The Authority recognizes that in a diversified portfolio, occasional sales and measured gains or losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the Authority.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a market benchmark, and index selected by the Authority based on the Authority's investment objectives, constraints and risk tolerances.

B. **Diversification:** An appropriate risk level shall be maintained by primarily purchasing securities that are liquid, marketable, and of high quality. The portfolio will be diversified by the type of investment, issuer, and maturity dates to protect against changes in the market and to avoid incurring unreasonable and avoidable risk regarding specific security types or individual financial institutions. Adequate diversification shall be applied to the individual issuers of debt, both within each class of investment and collectively. The intent is to prevent an undue amount of investments from being at risk with any one institution. No more than 5% of the total portfolio may be deposited with or invested in securities by any single issuer unless otherwise specified in this policy.

PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

BCJPIA adheres to the guidance provided by the "prudent investor standard," as set forth in California Government Code section 53600.3, which specifically addresses public investing, as follows:

> "Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law".

<u>ETHICS AND CONFLICTS OF INTEREST</u>
All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus staff and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the board of directors any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Staff and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the BCJPIA.

<u>INTERNAL CONTROLS</u>
The System on internal control shall be established and maintained in written form (see Appendix B). The controls are designed to prevent losses of public funds arising from fraud, error, misrepresentations of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the BCJPIA. The most important controls are: control of collusion; separation of duties; separation of transaction authority from accounting and bookkeeping; custodial safekeeping; delegation of authority; limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and annual review of investment policy and controls by the Treasurer/Auditor.

<u>REPORTING</u>
The Treasurer/Auditor will on a quarterly basis, submit an investment report to the Board of Directors or the Executive Committee, that is in compliance with the Government Code 53646 and 53607.

The reports shall include, at a minimum, the following information for each individual investment:

- Description of investment instrument
- Issuer name
- Yield on cost
- Purchase date
- Maturity date
- Purchase price

- Par Value
- Current market value and the source of the valuation

The quarterly report shall also (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of BCJPIA's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of BCJPIA to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available. This quarterly report shall be submitted within ~~thirty~~ 45 days following the end of the quarter.

The Treasurer shall render a monthly report of investment transactions to Board.

A benchmark index~~es~~ will be utilized on an annual basis, comparing the investment performance of BCJPIA, and will be reported to the Board.

SAFEKEEPING

All cash and securities in BCJPIA's portfolio shall be held in safekeeping in BCJPIA's name by a third party bank trust department, acting as agent for BCJPIA under the terms of a custody agreement executed by the bank and BCJPIA. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these investments will be held by BCJPIA.

AUTHORIZED FINANCIAL DEALER AND INSTITUTION

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers (at least five years in operation). These may include "primary" dealers or regional dealers that are guaranteed by a primary dealer and qualify under Securities Exchange Commission Rule 15C3-1 (uniform net capital rule). If an investment advisor is used, they may use their own list of approved broker/dealers and financial institutions for investment purposes. The Investment advisor shall make its list of approved brokers and financial institutions to BCJPIA staff upon request.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- audited financial statements or SEC Focus Report-Financial & Operational Combined Uniform Single
    - Report Part II
- proof of National Association of Securities Dealers (NASD) certification,
- proof of state registration, and
- certification of having read the Authority's investment policy.

A competitive bid process shall be used to place all investment transactions. It shall be BCJPIA's policy to purchase securities only from those authorized institutions and firms. No deposit of public funds shall be made except in a qualified public depository as established by state laws.

DELIVERY vs. PAYMENT

All security transactions entered into by BCJPIA shall be conducted on a delivery-versus-payment (DVP) basis. This ensures that securities are deposited in the eligible financial institutions prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

ELIGIBLE SECURITIES AND CRITERIA

The Authority's investments are governed by California Government Code, Sections 53600 *et seq*. Within the investments permitted by the Code, the Authority seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit quality listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. **MUNICIPAL SECURITIES** include obligations of the Authority, the State of California and any local agency within the State of California, provided that:

   - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
   - No more than 5% of the portfolio may be invested in any single issuer.
   - No more than 30% of the portfolio may be in Municipal Securities.
   - The maximum maturity does not exceed five (5) years.
   - Municipal securities issued by members of BCJPIA are NOT authorized for purchase by the Authority

2. **MUNICIPAL SECURITIES (REGISTERED TREASURY NOTES OR BONDS)** of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

   - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
   - No more than 5% of the portfolio may be invested in any single issuer.
   - No more than 30% of the portfolio may be in Municipal Securities.
   - The maximum maturity does not exceed five (5) years.

3. **U.S. TREASURIES** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the Authority may invest in U.S. Treasuries, provided that:

   - The maximum maturity is five (5) years.

4. **FEDERAL AGENCIES** or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the Authority may invest in Federal Agency or Government-Sponsored Enterprises (GSEs), provided that:

   - No more than 30% of the portfolio may be invested in any single Agency/GSE issuer.
   - The maximum maturity does not exceed five (5) years.
   - The maximum percent of agency callable securities in the portfolio will be 20%.

5. **BANKER'S ACCEPTANCES,** provided that**:**

- They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 40% of the portfolio may be invested in Banker's Acceptances.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

6. **COMMERCIAL PAPER**, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

   a. **SECURITIES** issued by corporations:

      (i) A corporation organized and operating in the United States with assets more than $500 million.
      (ii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
      (iii) If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

   b. **SECURITIES** issued by other entities:

      (i) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
      (ii) The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
      (iii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

- No more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of the Authority's investment assets under management may be invested in Commercial Paper. Under a provision sunsetting on January 1, 2026, no more than 40% of the portfolio may be invested in Commercial Paper if the Authority's investment assets under management are greater than $100,000,000.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 270 days.

7. **NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS)**, issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

8. **FEDERALLY INSURED TIME DEPOSITS** (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

    - The amount per institution is limited to the maximum covered under federal insurance.
    - No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
    - The maximum maturity does not exceed two (2) years.

9. **COLLATERALIZED TIME DEPOSITS** (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

    - No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
    - The maximum maturity does not exceed two (2) years.

10. **COLLATERALIZED BANK DEPOSITS.** Authority's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the Authority may invest in collateralized bank deposits.

11. **REPURCHASE AGREEMENTS** collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the Authority may invest, provided that:

    - Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.
    - Repurchase Agreements are subject to a Master Repurchase Agreement between the Authority and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
    - The maximum maturity does not exceed one (1) year.

12. **STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)**, provided that:

    - The Authority may invest up to the maximum amount permitted by LAIF.
    - LAIF's investments in instruments prohibited by or not specified in the Authority's policy do not exclude the investment in LAIF itself from the Authority's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

13. **CORPORATE MEDIUM TERM NOTES (MTNS)**, provided that:

    - The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
    - The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
    - No more than 30% of the total portfolio may be invested in MTNs.
    - No more than 5% of the portfolio may be invested in any single issuer.
    - The maximum maturity does not exceed five (5) years.

14. **ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS FROM ISSUERS NOT DEFINED IN SECTIONS 3 AND 4 OF THE AUTHORIZED INVESTMENTS SECTION OF THIS POLICY**, provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

15. **MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

    a. **MUTUAL FUNDS** that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

    (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
    (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of $500 million.

    - No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

    b. **MONEY MARKET MUTUAL FUNDS** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

    (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
    (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500 million.

    - No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.

    c. No more than 20% of the total portfolio may be invested in these securities.

16. **SUPRANATIONALS**, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

See Appendix A for a description of the above securities.

PROHIBITED INVESTMENT VEHICLES AND PRACTICES

State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options. In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited. Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunsetting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted. Additionally:

- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least $100,000,000 in securities owned and invested.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

COLLATERALIZATION

CERTIFICATES OF DEPOSIT (CDS). The Authority shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The Authority shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

REPURCHASE AGREEMENTS. The Authority requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The Authority shall receive monthly statements of collateral.

MAXIMUM MATURITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The Authority will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the Board has by resolution granted authority to make such an investment.

POLICY REVISION

This policy can be revised whenever necessary and will be reviewed by the Board annually at a public meeting in accordance with Government Code 53646. By adoption of this investment policy, the Board of Directors delegates investment authority to the Treasurer/Auditor for a one-year period in accordance with California Government Code 53607. Such investment authority shall include authority to invest or to reinvest funds of BCJPIA, or to sell or exchange securities so purchased.

REVISED: February 1993
August 1993
August 1996
April 1997
January 1998
October 1998
October 1999
October 2000
October 2001
October 2002
October 2003
October 2004
October 2005
May 2006
May 2007
October 2008
October 2009
October 2010
October 2011
October 2012
October 2013
October 2014
October 2015
June 2016
June 2017
June 2018
June 2019
November 2020
October 2021

Appendix A

Glossary of Investment Allowable Investment Instruments

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues “cash management” bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

Definition of Investment Terms

ASKED. The price at which a seller offers to sell a security.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION. A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Moody's, S&P and Fitch.

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Agenda Items 6.A.

ADMINISTRATIVE MATTERS

SUBJECT: Review of Draft Agreement between BCJPIA and the City of Sausalito
Prepared and Presented by Jaesa Cusimano, Executive Director

BACKGROUND AND STATUS:

Per the direction at the October 26, 2023, Board meeting, staff has worked with the City of Sausalito to provide a draft agreement for the City's voluntary withdrawal as a member of BCJPIA as of June 30, 2024, and to increase the City's self-insured retention in the Pooled Liability Program from $50,000 to $500,000 for claims incurred between October 26, 2023, and June 30, 2024.

The attached agreement has been reviewed by Legal Counsel as well as the City Attorney for the City of Sausalito.

RECOMMENDATION:

Review and approve the agreement between BCJPIA and the City of Sausalito for the City's voluntary withdrawal from BCJPIA as of June 30, 2024.

REFERENCE MATERIALS ATTACHED:

- Draft Agreement between BCJPIA and the City of Sausalito

AGREEMENT

This agreement ("Agreement") is made and entered into by and between the following, who may hereafter be referred to individually as "Party" and collectively as "the Parties": (1) the Bay Cities Joint Powers Insurance Authority ("BCJPIA"); and (2) the City of Sausalito ("the City").

RECITALS

A. The BCJPIA Board of Directors ("the Board") voted on October 26, 2023 to find the City to be in default per Article XIV of the BCJPIA Bylaws, and directed the Executive Director to serve notice of such default. Specifically, the Board voted to find the City to be in default under Article XIV, Section 1, paragraph D: "Excessive losses as determined by the Board."

B. On November 13, 2023, BCJPIA Executive Director Jaesa Cusimano sent Notice of Default to the City pursuant to Article XIV, Section 2, paragraph A ("the Default Notice").

C. Pursuant to Article XIV, Section 2, paragraph A, BCJPIA may exercise any and all remedies available pursuant to law or granted pursuant to the BCJPIA Joint Powers Agreement and the BCJPIA Bylaws, including but not limited to increasing the City's retention, penalty, or assessment, canceling the City's coverage, or expelling the City after the member has been given thirty days' notice of default by the Board.

D. The City has requested that BCJPIA forego exercising any remedies against the City following the Default Notice in exchange for the City's agreement to voluntarily withdraw from BCJPIA effective July 1, 2024 and to increase the City's Retained Limit under the Memorandum of Coverage for the Pooled Liability Program ("the Liability MOC") to $500,000.00 for the remainder of the 2023-2024 Program Year, effective October 26, 2023.

E. On November 7, 2023, the City Council unanimously voted to authorize the City Manager and the City Attorney to work with BCJPIA to draft an agreement consistent with the above.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Parties agree as follows:

TERMS AND CONDITIONS

1. The City will voluntarily withdraw from BCJPIA and all programs provided by BCJPIA, including the Pooled Liability Program, the Auto Physical Damage (APD) Program, the Workers' Compensation Program, the Pooled Property Program, the Employment Practices Liability (EPL) Program through ERMA (the Employment Risk Management Authority), the Risk Control Program, the Cyber Program, and all excess and insurance or reinsurance programs, effective July 1, 2024. BCJPIA will notify all necessary individuals and entities of the City's voluntary withdrawal, including ERMA, LAWCX (Local Agency Workers' Compensation Excess Joint Powers Authority), CARMA (California Affiliated Risk Management Authority), and APIP (Alliant Property Insurance Program).

2. The City's Retained Limit under the Liability MOC will be increased from \$50,000.00 to \$500,000.00 for the remainder of the 2023-2024 Program Year, effective October 26, 2023. For all claims with dates of loss from July 1, 2023 – October 25, 2023, a \$50,000.00 Retained Limit will apply, and for all claims with dates of loss from October 26, 2023 – June 30, 2024, a \$500,000.00 Retained Limit will apply.

3. The City's withdrawal from BCJPIA shall not extinguish or affect its continuing obligations to BCJPIA, including as set forth in Article XIII, Section 5 as follows:

> The withdrawal or expulsion of any Member from any pooling program shall not terminate its responsibility to contribute its share of premiums, 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 Executive Director, until all claims, or other unpaid liabilities covering the period of the Member's participation in the risk pooling 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. All past Members shall receive any distribution of dividends based on the same methodology of the current Members. The withdrawal or expulsion of any Member from any program shall not require the re-payment 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 MPD.

4. Effective July 1, 2024, BCJPIA will have no obligations with respect to the City, including any risks, losses, or claims of the City other than those that are covered under a Memorandum of Coverage in effect prior to July 1, 2024 while the City was a member of BCJPIA.

5. The City will not appeal, challenge, oppose, or dispute in any way the Board's October 26, 2023 action, the Default Notice, or anything related to the City's withdrawal from BCJPIA.

6. BCJPIA will forego exercising any remedies against the City in connection with the Default Notice.

7. Each of the undersigned individuals executing this Agreement on behalf of his or her respective Party represents and warrants that he or she is authorized to enter into and execute this Agreement on behalf of such Party, that the appropriate approvals, resolutions, or other consents have been passed or obtained, and that this Agreement will be binding on the Party on whose behalf it is executed.

8. The Parties warrant and represent that they have been fully informed and have full knowledge of the terms, conditions, and effects of this Agreement. The Parties further warrant

and represent that they have either personally or through their attorney or attorneys, fully investigated, to their full satisfaction, all facts surrounding the subject matter of this Agreement and are fully satisfied with the terms and effects of this Agreement. The Parties further warrant and represent that no promise or inducement has been offered or made except as herein set forth, and that this Agreement is executed without reliance upon any statement or representation by any other Party or its agent.

9. This Agreement constitutes a complete and final understanding of the Parties with respect to the subject matter of this Agreement. There are no representations, agreements, arrangements, understandings, oral or written between and among the Parties and any other person with respect to the subject matter of this Agreement except as specifically set forth in this Agreement. This Agreement may not be modified, changed, amended or extended, except pursuant to a writing duly signed by all parties hereto.

10. If, after the date hereof, any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable. In lieu thereof, there shall be added a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

11. Each Party, and/or counsel for each Party, has reviewed and revised, or has had the opportunity to revise, this Agreement. Accordingly, any rules of construction of this state, to the effect that any ambiguities are to be resolved against the drafting party, shall not be employed in the interpretation of the Agreement or any amendment of it.

*** SIGNATURES ON FOLLOWING PAGE ***

Dated: ___________________

____
Name: Jaesa Cusimano
Title: Executive Director
On Behalf of Bay Cities Joint Powers Insurance Authority

Dated: ___________________

____
Name: Chris Zapata
Title: City Manager
On Behalf of the City of Sausalito

Agenda Items 6.B.

ADMINISTRATIVE MATTERS

SUBJECT: Draft Endorsement #5 for General Liability Memorandum of Coverage
Prepared and Presented by Jaesa Cusimano, Executive Director

BACKGROUND AND STATUS:

If the Board approves the agreement outlined in agenda item 6.A., the Board will need to approve Endorsement #5 to the 2023/24 BCJPIA Pooled Liability Program Memorandum of Coverage (MOC) reflecting an increase in the City of Sausalito's self-insured retention from $50,000 to $500,000, effective October 26, 2023.

RECOMMENDATION:

Approve Endorsement #5 to the 2023/24 BCJPIA Pooled Liability Program Memorandum of Coverage.

REFERENCE MATERIALS ATTACHED:

- Draft Endorsement #5 to the 2023/24 BCJPIA Pooled Liability Program Memorandum of Coverage

BAY CITIES JOINT POWERS INSURANCE AUTHORITY

MEMORANDUM OF COVERAGE

LIABILITY COVERAGE

ENDORSEMENT NO. 5

This Endorsement, effective 12:01 a.m., October 26, 2023, forms a part of the BCJPIA Pooled Liability Program Memorandum of Coverage for the 2023-24 Program Year, Form No. BCJPIA 2023-24 GL.

The City of Sausalito's applicable Retained Limit is hereby $500,000.

Attached to and forming part of Form No. BCJPIA 2023-24 GL

Effective Date: October 26, 2023

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AUTHORIZED REPRESENTATIVE