

PARSAC
JOINT POWERS AGREEMENT

Revised & Adopted May 25, 2017

**Public Agency Risk Sharing
Authority of California**

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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