

A JOINT POWERS AGREEMENT

AMONG

Those public agencies signatory to this agreement for the purpose of establishing, operating and maintaining a Self-Insurance Program for Workers' Compensation.

WHEREAS, this agreement is entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500, et seq.) of the California Government Code, relating to joint exercise of powers between the public agencies signatory hereto (and also those which may hereafter become signatory hereto) for the purpose of operating a program to be known and designated as THE SAN MATEO COUNTY CITIES INSURANCE GROUP hereinafter designated as the Group; and

WHEREAS, it is to the mutual benefit of the parties herein subscribed and in the best public interest of said parties to join together to establish this Joint Powers Agreement to accomplish the purposes hereinafter set forth; and

WHEREAS, the development, organization and implementation of such a program is of such magnitude that it is desirable for aforesaid parties to join together in this Joint Powers Agreement in order to accomplish the purposes hereinafter set forth; and

WHEREAS, the signatories hereto have determined that there is a need by public agencies for a self-insurance system for Workers' Compensation; and

WHEREAS, a feasibility study has been conducted which does recommend that the public agencies agree to self-insure under a Joint Powers Agreement that provides that the cost will be apportioned by losses and administrative expense as determined by the Governing Board; and

WHEREAS, Title 1, Division 7, Chapter 5, of the Government Code of the State of California authorizes the joint exercise by two or more public agencies of any power common to them; and

WHEREAS, it is the desire of the signatories hereto to jointly provide for a Self-Insurance System for Workers' Compensation for their mutual advantage and concern;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL ADVANTAGES TO BE DERIVED THEREFROM, AND IN CONSIDERATION OF THE EXECUTION OF THIS AGREEMENT BY OTHER PUBLIC AGENCIES AS DEFINED, EACH OF THE PARTIES HERETO DOES HEREBY AGREE AS FOLLOWS:

1. CREATION OF THE SAN MATEO COUNTY CITIES INSURANCE GROUP - Pursuant to Section 6500 of Title 1, Division 7, Chapter 5, of the Government Code, there is hereby created a public entity, separate and apart from the parties hereto, to be known as the San Mateo County Cities Insurance Group, hereinafter designated as the Group. The debts, liabilities, or obligations of the Group do not constitute debts, liabilities or obligations of any party to this agreement.

The Group shall have the powers common to public agencies set forth in Section 1 of this agreement, and is hereby authorized to do all acts necessary for the exercise of said common powers, including, but not limited to, any or all of the following: to make and enter into contracts; to incur debts, liabilities or obligations which shall not constitute debts, liabilities or obligations to any party to this agreement; to acquire, hold or dispose of property; to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity; and to sue and be sued in its own name. Said powers shall be exercised in the manner provided in the law, and except as expressly set forth herein, subject only to such restrictions upon the manner of exercising such powers as are imposed upon public agencies in the exercise of similar powers.

2. PURPOSE - The purpose of the Group shall be to provide to the members the capabilities of self-insurance, pooling, and joint purchases of insurance; establishment and maintenance of a fund to pay self-insured losses; establishment and maintenance of a fund to pay for desired insurance coverages; claims adjustment and administration, safety engineering, and other risk management services; and to provide a self-insurance plan and system for Workers' Compensation claims against members and as such, to perform, or contract for the performance of, the financial administration, policy formulation, claim service, legal representation, safety engineering, and other development as necessary for the payment and handling of all Workers' Compensation claims against members as required by State law, and be required to purchase and maintain a policy of excess insurance, said Fund being used to pay the deductible portion thereof. Said payment and handling for any member shall be for all Workers' Compensation claims filed under the laws of the State of California arising out of facts occurring during the period of membership in the Group. The Group shall not pay or handle for a member any Workers' Compensation claims which arise out of facts occurring before membership commences or after membership terminates.

3. MEMBERSHIP - Each party to this agreement must be eligible for membership as defined in the Bylaws, and becomes a member on the effective date of this agreement, and is entitled to the rights and privileges, and is subject to the obligations of membership, all as are provided in this agreement. Public agencies desiring membership after initial operation has begun shall apply under the provisions of the Bylaws.

4. WITHDRAWAL - Any member, having completed three (3) years as a party to this agreement, may withdraw as a party at the end of any fiscal year provided however that such withdrawing party has provided prior written notice of its intention to withdraw to the Board of Directors of the Group no later than March 1 prior to the fiscal year of withdrawal. The fiscal year of the parties

to this agreement commences on the first day of July and terminates on the 30th day of June. Refunds of the unencumbered portion of the reserve fund contributed by a withdrawing member may be made on an incremental schedule as determined by the Board. Said schedule shall commence no sooner than five years following the date of withdrawal and be completed no later than ten years from the withdrawal date. The Group shall remain responsible only for those claims of withdrawing members which were incurred while a member of the Group.

5. DISSOLUTION OF THE GROUP - At any time the activities of the Group may be suspended or discontinued upon the consent of all the parties hereto. However, the Group shall continue to be responsible for all existing assets and liabilities. No assets may be divided or returned until all outstanding obligations of the Group have been resolved or a paid-up contract has been enacted which will remove any further obligation from the Group. Said contract may provide for the members to accept responsibility for any outstanding claims. Disposition of assets will be made in proportion to the contributions of the then participating public agencies.

6. BYLAWS - The Group shall be governed pursuant to those certain Bylaws, a copy of which is attached hereto as "Exhibit A", and by this reference made a part of this agreement as if fully set forth herein. Wherever in this agreement the Bylaws are referred to, said Bylaws shall be those set forth in Exhibit A. Each party to this agreement agrees to comply with and be bound by the provisions of said Bylaws, and further agrees that the Group shall be operated pursuant to this agreement and said Bylaws.

A two-thirds vote of those entitled to vote shall be sufficient to amend the Bylaws, provided that a quorum is present.

7. GOVERNING BOARD - The Group shall be governed by a board composed of one person appointed by each member agency. Each such agency shall also appoint one alternate. The alternate appointed by an agency shall have the authority to attend, participate in, and vote at any meeting of the Board when the regular member for whom he is an alternate is absent from said meeting. Each member or

alternate of the Board shall serve at the pleasure of the agency by which he has been appointed. The successor in office of any member of the Board or alternate shall be appointed by the agency which appointed the predecessor of such member of the Board or alternate.

Each member agency shall have one vote. A vote of the majority of those entitled to vote shall be sufficient to constitute action, provided that a quorum is present except as otherwise provided herein.

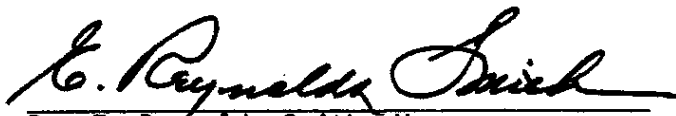
8. AFFIRMATIVE ACTION POLICY STATEMENT - It is the permanent and voluntary policy of this Board to practice fair and impartial employment, recognizing applicants and employees on the basis of personal and professional merit, thereby reaffirming the dignity of individuals without regard to race, color, creed, national origin, ancestry, age, sex, or physical handicap in every aspect of personnel policies, practices, and treatment of personnel.

9. POWERS OF THE BOARD OF DIRECTORS - The Board shall be responsible for the ongoing operations of the Group and is hereby empowered to implement and enforce these Bylaws and such other rules, regulations and procedures as the Board shall adopt. The Board shall study and determine the best method of processing Workers' Compensation claims, and whether claim administration should be contracted for or provided for by staff. The Board shall be empowered to determine contribution rates annually as provided in the Bylaws and the method by which contributions will be paid to the Self-Insurance Fund. The Board shall also be empowered to provide for additional assessments during the year, if necessary, to allow for increased cost due to changes in the law or excessive claim costs. The Board shall insure that a complete and accurate system of accounting of the fund shall be maintained at all times consistent with established accounting procedures.

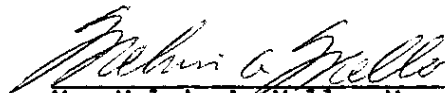
The Board shall determine the manner in which Workers' Compensation claims shall be processed. Such processing shall conform to all provisions of law now in effect or later enacted.

10. ADDITIONAL PARTIES - Additional parties to this agreement may be added as provided in the Bylaws.

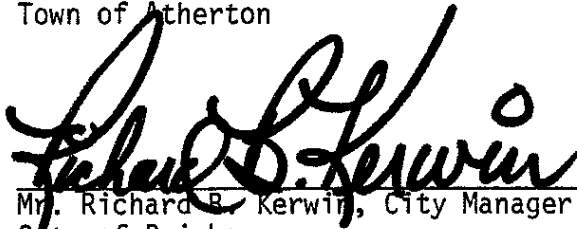
UPON EXECUTION BY ALL OF THE OFFICIALS DESIGNATED IN THE FOLLOWING, THIS AGREEMENT SHALL BECOME EFFECTIVE ON OCTOBER 5, 1978 AND SHALL CONTINUE UNTIL TERMINATED AS HEREIN PROVIDED. INSURANCE PROTECTION UNDER THIS AGREEMENT SHALL COMMENCE EFFECTIVE 12:01 A.M. JANUARY 1, 1979.



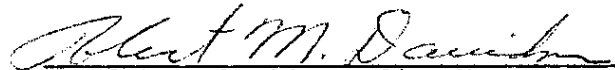
Dr. E. Reynolds Smith, Mayor  
Town of Atherton



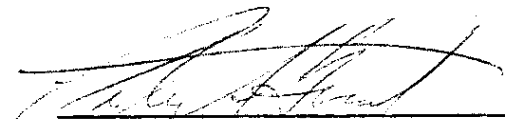
Mr. Melvin A. Mello, Mayor  
City of Half Moon Bay



Mr. Richard B. Kerwin, City Manager  
City of Brisbane



Mr. Robert Davidson, City Manager  
Town of Hillsborough

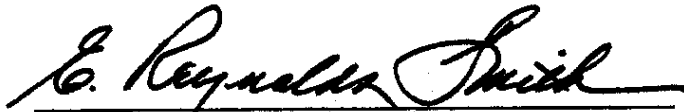


Mr. Peter S. Gilbert, Mayor  
City of Foster City

AGREEMENT AMENDING THE JOINT POWERS AGREEMENT CREATING A SELF-INSURANCE PROGRAM FOR WORKERS' COMPENSATION CALLED THE SAN MATEO COUNTY CITIES INSURANCE GROUP.

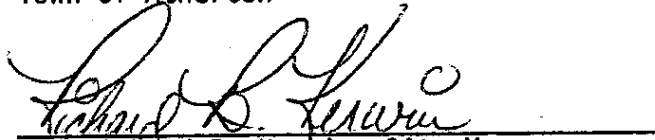
It is hereby agreed by the undersigned cities that the Joint Powers Agreement creating The San Mateo County Cities Insurance Group as executed on October 5, 1978, be amended as follows:

Page six, lines five and six of said Joint Powers Agreement which read: "INSURANCE PROTECTION UNDER THIS AGREEMENT SHALL COMMENCE EFFECTIVE 12:01 A.M. JANUARY 1, 1979" shall be amended to read as follows: "INSURANCE PROTECTION UNDER THIS AGREEMENT SHALL COMMENCE EFFECTIVE 12:01 A.M. DECEMBER 30, 1978".



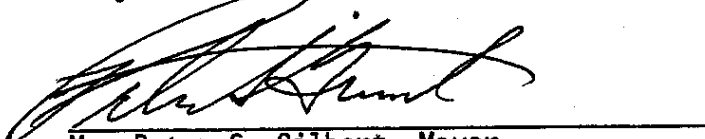
Dr. E. Reynolds Smith, Mayor  
Town of Atherton

Date 20 November, 1978



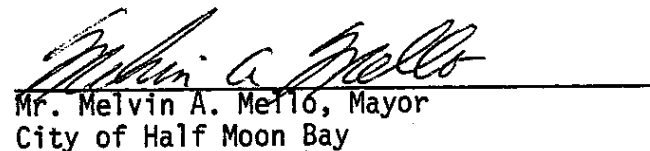
Mr. Richard B. Kerwin, City Manager  
City of Brisbane

Date November 17, 1978



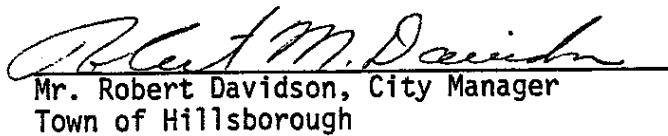
Mr. Peter S. Gilbert, Mayor  
City of Foster City

Date November 13, 1978



Mr. Melvin A. Melto, Mayor  
City of Half Moon Bay

Date November 20 - 1978



Mr. Robert Davidson, City Manager  
Town of Hillsborough

Date November 14, 1978

**AGREEMENT ADDING ADDITIONAL PARTY TO  
SAN MATEO COUNTY CITIES JOINT POWERS AGREEMENT**

THIS AGREEMENT is entered into pursuant to San Mateo County Cities Insurance Group By-Laws Section VI.

By execution of this Agreement the City of San Carlos shall, and hereby does, become a party to that certain Joint Powers Agreement and By-Laws dated October 5, 1978 and Amended on November 20, 1978, and agrees to, and shall on and after May 1, 1989, be bound by all of the terms and conditions thereof.

DATED: 10/24/89

TOWN OF ATHERTON

BY Richard J. Moore

DATED: 7-12-89

CITY OF BRISBANE

BY Raja A. Salil

DATED: 7-12-89

CITY OF FOSTER CITY

BY James C. Hardy

DATED: 7-12-89

CITY OF HALF MOON BAY

BY Mark Wan

DATED: 10/31/89

TOWN OF HILLSBOROUGH

BY Robert M. Dine

DATED: 2/27/89

CITY OF SAN CARLOS

BY Michael P. Sawyer



**AGREEMENT AMENDING THE JOINT POWERS AGREEMENT**  
**CREATING THE SAN MATEO COUNTY CITIES INSURANCE GROUP**

It is hereby agreed by the undersigned that the Joint Powers Agreement creating the San Mateo County Cities Insurance Group as executed on October 5, 1978, and as amended from time to time thereafter, shall be further amended and shall provide as follows:

1. The Joint Powers Authority shall henceforth be known as the "Cities Group". All references in the Joint Powers Agreement and amendments thereto to "San Mateo County Cities Insurance Group" shall henceforth refer to and be construed to mean the "Cities Group".

2. Page one, lines eighteen and nineteen shall be amended and henceforth provide: "WHEREAS, the signatories hereto have determined that there is a need by public entities for self-insurance procedures and the purchase of insurance for the benefit of the parties hereto pertaining to employee benefit and liability programs of every kind and nature; and"

3. Page two, lines four, five, and six shall be amended and henceforth provide: "WHEREAS, it is the desire of the signatories hereto to jointly provide for self-insurance and insurance for employee benefit and liability programs of every kind and nature for their mutual benefit and advantage;"

4. Page three, lines one through seventeen shall be amended and henceforth provide: "PURPOSE - The purpose of the Cities Group shall be to provide to its members the capabilities of self-insurance, pooling, and joint purchases of insurance including but not limited to employee benefit programs of every kind and nature, as for example Workers' Compensation, long term disability, life, health, dental, vision, accidental death and dismemberment and retirement benefits. The Cities Group shall also have authority to provide general liability, property, auto liability, fidelity, crime and other insurance programs on a joint purchase or pooled self insurance basis. The Cities Group shall arrange establishment and maintenance of a fund to pay self-insured losses; establishment and maintenance of a fund to pay for desired insurance coverages; claims adjustment and administration, safety engineering, and other risk management services; and to provide a self-insurance plan and system for Workers' Compensation and other benefit program claims against members and as such, to perform, or contract for the performance of, the financial administration, policy formulation, claim service, legal representation, safety engineering, and other development as necessary for the payment and handling of all employee benefit program claims against members, and be required to purchase and maintain a policy of excess insurance, said Fund being used to pay the deductible portion thereof. Said payment and

handling for any member shall be for all employee benefit or liability programs established by the Cities Group's Board of Directors arising out of facts occurring during the period of membership in the Cities Group. The Cities Group shall not pay or handle for a member's employee benefit or liability program claim which arises out of facts occurring before membership commences or after membership terminates.

DATED: August 19, 1992

TOWN OF AHERTON

By: Christopher E. Coby

DATED: July 30, 1992

CITY OF BRISBANE

By: Richard R. Quinn

DATED: 2/4/93

CITY OF FOSTER CITY

By: Kristin A. Chappelle

DATED: June 15, 1993

CITY OF HALF MOON BAY

By: Mark Wain

DATED: Dec. 15, 1992

TOWN OF HILLSBOROUGH

By: Pat M. P.

DATED: JULY 13, 1992

CITY OF SAN CARLOS

By: S. M. M.  
MAYOR

Agreement Amending The Joint Powers Agreement  
Creating the Cities Group

It is hereby agreed by the undersigned that the Joint Powers Agreement creating the Cities Group as executed on October 5, 1978, and as amended from time to time thereafter, shall be further amended and shall provide as follows:

1. Page 3, Section 4. WITHDRAWAL - Any member, having completed three (3) years as a party to this agreement, may withdraw as a party at the end of any fiscal year provided however that such withdrawing party has a total fund balance in the Group exceeding its liabilities valued on the last day of its membership in the same ratio as the remaining members in total, but in no case less than 1.5:1. Such withdrawing party must provide ~~has provided~~ prior written notice of its intention to withdraw to the Board of Directors of the Group no later than ~~March 1~~ the January 1 prior to the fiscal year of withdrawal. The fiscal year of the parties to this agreement commences on the first day of July and terminates on the 30th day of June. Refunds of the unencumbered portion of the reserve fund contributed by a withdrawing member may be made on an incremental schedule as determined by the Board. Said schedule shall commence no sooner than five years following the date of withdrawal and be completed no later than ten years from the withdrawal date. The Group shall remain responsible only for those claims of withdrawing members which were incurred while a member of the Group.

DATED: July 23, 1997

TOWN OF ATEERTON

By: Donald F. Duly

DATED: 6/23/97

CITY OF BRISBANE

By: W. Clarke Lowrey

DATED: 7/24/97

CITY OF EOSTER CITY

By: Alan Jensen

Attest:

Shereen L. John

DATED: 8/5/97

CITY OF HALF MOON BAY

By: Blair

DATED: 7-15-97

TOWN OF HILLSBOROUGH

By: Anthony Constantino

DATED: 8/20/97

CITY OF SAN CARLOS

By: Michael P. Lowrey

# B Y L A W S

## OF THE

### SAN MATEO COUNTY CITIES INSURANCE GROUP

#### I OFFICERS OF THE BOARD OF DIRECTORS

The Board shall elect a president, vice-president and secretary/treasurer at its first meeting; and thereafter at the first meeting held in each succeeding calendar year, the Board shall elect or re-elect its president, vice-president and secretary/treasurer.

In the event that the president, vice-president or secretary/treasurer so elected ceases to be a member, the resulting vacancy shall be filled at the next regular meeting of the Board held after such vacancy occurs. In the absence or inability of the president to act, the vice-president shall act as president. The president, or in his absence the vice-president, shall preside at and conduct all meetings of the Board and of the Governing Board.

#### II MEETINGS OF THE BOARD

##### A. Regular Meetings

The Board shall provide for its regular, adjourned regular, and special meetings as needed provided, however, that it shall hold at least one regular meeting in each calendar quarter. The dates upon which and the hour and place at which any regular meeting shall be held shall be fixed by resolution of the Board and a copy of such resolution shall be filed with each member agency. The place of the regular meetings shall be such public building or other place as may be designated by the Board.

B. Ralph M. Brown Act

The Board shall adopt rules for conducting its meetings and other business. All meetings of the Board including without limitation regular, adjourned regular, and special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the California Government Code).

C. Minutes

The secretary of the Board shall cause minutes of all meetings to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each member of the Board and to each member agency.

D. Quorum

A majority of the members of the Board shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time.

III MEMBERSHIP

Any City or Special District located within the political jurisdiction of San Mateo County is eligible to apply for membership; said membership shall be subject to the limitations contained in the Bylaws, including Section VI.

IV ACCOUNTS AND RECORDS

The Group shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of law or

any resolution of the Group. Books and records of the Group in the hands of the treasurer shall be open to inspection at all reasonable times by representatives of the parties. The Board, as soon as practical after the close of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to each of the parties. The signature of two of the three officers shall be required to expend funds. The Group shall either make or contract with a Certified Public Accountant, or Public Accountant, to make an annual audit of the accounts and records of the Group. In each case, the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When such an audit of accounts and records is made by a Certified Public Accountant, or Public Accountant, a report thereof shall be filed as public record with each of the parties hereto, and also with the County Auditor of San Mateo. Such report shall be filed within twelve (12) months of the end of the fiscal year under examination.

Any costs of the audit including contracts with or employment of Certified Public Accountants, or Public Accountants, in making an audit pursuant to this section, shall be borne by the Group and shall be a charge against any unencumbered funds of the Group available for this purpose.

Additionally, the treasurer of the Group shall assume the duties described in California Government Code Section 6505.5 to wit:

1. Receive and receipt for all monies of the Group and place them in the separate bank account as designated

by the Board to the credit of the Group.

2. Be responsible upon his bond for the safe-keeping and disbursement of all Group money so held by him.
3. Pay, when due, out of money of the Group so held by him all sums payable by the Group.
4. Verify and report in writing on the first day of July, October, January, and April of each year to the Board and to the parties to this agreement the amount of money he holds for the Group, the amount of receipts since his last report, and the amount paid out since his last report.

#### V LOSS RECORDS

The Board shall maintain or cause to be maintained accurate loss records for all risks insured against, and all claims paid. Loss reports shall be forwarded to member agencies on, at least, a quarterly basis.

#### VI ADDITIONAL PARTIES

Any other public agency within the political jurisdiction of San Mateo County may become a party to this agreement upon execution of an agreement between such public agency and the Group, the terms of which agreement shall be identical to the terms of this agreement.

Any public agency desiring to join the Group shall submit a properly executed copy of the Joint Powers Agreement to the Board prior to March 1. A two-thirds vote of the Joint Powers Board shall be required for acceptance of such additional member. Such participation shall begin the following July 1, unless the Board shall authorize another date.

Such additional public agencies shall forthwith pay to the Group its current contribution as determined by the Board. Thereafter, such additional party shall be considered a party to the agreement to the same extent as all of the original parties and for all purposes.

#### VII AMENDMENTS

Amendments to these Bylaws may be proposed by the designated representative of any member agency. The proposed amendment shall be referred to the Board for its consideration. A copy of the proposed amendment, with the Board's recommendations and reasons therefore shall be forwarded to each member agency. The Bylaws may then be amended by written agreement signed by all the parties to the Joint Powers Agreement. If two-thirds of the parties to this agreement agree to an amendment, the other parties must also agree to said amendment, or they may be involuntarily terminated as parties to this agreement by using the procedure set forth in Section VIII of the Bylaws.

#### VIII INVOLUNTARY TERMINATION

Upon good cause being established, two-thirds of the Board shall vote for involuntary termination of a member agency.

Such involuntary termination shall be effective at the end of that fiscal year, unless the Board specifies otherwise.

#### IX ENFORCEMENT

The Board is hereby given authority to enforce this agreement. If suit is necessary therefore, a defaulting member shall pay reasonable attorney fees to the Group as adjudicated by the Court.



X            INVALIDITY

Should any portion, term, condition, or provision of this agreement be determined 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.

XI           FINANCE

A. Each member agency shall pay to the Group each fiscal year the annual contribution calculated pursuant to Paragraphs B and C. For the first six months of operation beginning January 1, 1979, the sums appearing in the schedule below will be paid on January 1, 1979. In subsequent years, partial payments shall be made in advance based on an estimated annual cost calculated by the Board. Said partial payments shall be made in the first year or partial fiscal year as follows: Fifty percent (50%) in July or the first month of operation; Twenty-five percent (25%) in December or the middle month of operation; Twenty-five percent (25%) in March or three-quarters through the partial fiscal year, as determined by the Board. Partial payments for subsequent years shall be made in July, December and March at a percentage to be determined by the Board.

- B. The member contribution schedule for the period of January 1, 1979 to June 30, 1979 shall be approximately\*:

<u>City</u>	<u>Amount</u>
Atherton	\$ 20,250
Brisbane	22,500
Foster City	60,000
Half Moon Bay	11,250
Hillsborough	30,000

The Joint Powers Authority shall have no responsibility to pay the State Fund premiums or other liabilities incurred by the member agencies before the effective date of the insurance under this agreement.

- C. The yearly premium paid to the Joint Powers Authority by the member agency for the two years following the initial one-half year shall be based upon a percentage of the manual premium according to the applicable WCIRB rate as determined by the Board of the Joint Powers Authority. Thereafter each member agency's premium may be modified by decision of the Board according to the loss experience of each member defined by the WCIRB rating plan. This loss experience mechanism shall operate to ensure that each member returns over a period of time to the Joint Powers Authority the funds paid out on its behalf as paid losses.

- D. The Group shall operate on a fiscal year from July 1 to June 30.

\*To be adjusted according to actual payroll figures.

E. Handling Funds

The Group shall have the power, authority and duty to handle all aspects of Workers' Compensation claims against members arising out of facts occurring during membership in the Group.

F. Contributions

Without in any way limiting the powers otherwise provided for in this agreement or by statute, the Group shall have the power and authority to receive, accept, and utilize property, real or personal, from any member or its agents or representatives; to receive, hold, dispose of, to construct, operate and maintain buildings and other improvements; and to receive, accept, expend and disburse funds by contract or otherwise, for purposes consistent with the provisions of the Group, which funds may be provided by any member or their agents or representatives.

G. Additional Income

The Group shall accept and deposit monies from any of the following sources earned after the date of this agreement:

1. Interest Income
2. Refund of the Group's Excess Workers' Compensation Insurance Premiums
3. Workers' Compensation Subrogation Recoveries
4. Payments by the State of California under State Mandated Reimbursement for Workers' Compensation Legislation
5. Grants from any Agency or Private Company (provided that no conflict of interest is created)

#### H. Debts

Should the projected expenses for a given year exceed the given assets of the pool for that year, each member shall be assessed by the Board an additional amount based upon the percentage of yearly premiums paid by each member relative to the total yearly premiums paid by all members.

#### I. Disposition of Property and Funds

In the event of the dissolution, complete rescission or other final termination of this agreement by all agencies then a party hereto, any property interest remaining in the Group following a discharge of all obligations, shall be returned to the current members.

#### J. Operating Fund

This fund shall be established and maintained out of the member contributions, and shall be for the purpose of paying for the following:

1. Insurance Premiums
2. Claims Management Expenses
3. Salaries of Administrators, if any
4. Safety Engineering
5. Data Processing Costs
6. Investigative Costs
7. Legal Costs
8. Miscellaneous

#### K. Claim Fund

This fund shall be established and maintained out of the member contributions, and shall be solely for the purpose of paying Workers' Compensation claims, except that the Board may authorize a transfer from this fund to the operating fund to cover unexpected expenses.

The Claim Fund shall be the repository of the "reserves" to be used for future Workers' Compensation payments, averaging up to eleven (11) years.

L. The Group shall have authority to seek and recover subrogation monies wherever possible. Such monies shall be deposited in the Claim Fund.

#### XII LIABILITY

Except as otherwise provided by individual contract, pursuant to the provisions of Section 895, et seq., of the Government Code of the State of California, each member of the Group shall be liable for its pro rata share of all debts and liabilities of the Group, and its pro rata share of all debts and liabilities for Workers' Compensation claims against members arising out of facts occurring while a member of the Group. To achieve such purpose, each member indemnifies and holds harmless the other members for any loss, cost or expense that may be imposed upon such member in excess of such pro rata liability. (The rules therefor, as set forth in Civil Code Section 2788 are hereby made a part of these Bylaws.)

XIII EFFECTIVE DATE

These Bylaws shall go into effect immediately upon the effective date of the Joint Powers Agreement.

XIV INVESTING OF RESERVES (Claim Fund)

The Board shall invest or cause to be invested such reserves as are not necessary for immediate operation of the Claim Fund in such securities as are prudent and legal for public agencies.

The level of cash to be retained in the Operating and Claim Funds shall be determined by the Governing Board.

XV GLOSSARY

Unless the context otherwise requires, the terms used herein shall have the following meanings:

BOARD -- shall mean the governing board of the Group.

BROKER -- shall mean the broker engaged by the Board for the purpose of acquiring an insurance policy.

W.C.I.R.B. -- shall mean Workers' Compensation Insurance Rating Bureau.

CLAIM FUND -- shall mean the fund established for the purpose of paying the cost of the deductible portion of Workers' Compensation claims.

CLAIMS ADJUSTER -- shall mean the claims adjuster engaged by the Board for the purpose of determining losses and payments with respect to the Claim Fund.

CONTRIBUTION -- shall mean money paid by a member agency to the Group in return for the handling of Workers' Compensation claims.

EXPERIENCE MODIFICATION FACTOR -- shall mean a factor used in determining individual member contributions, derived from the claim activity of the member over the previous three years.

GROUP -- shall mean the San Mateo County Cities Insurance Group created by this agreement.

LOSS REPORTS -- shall mean a Report showing a member's Workers' Compensation claims in detail including current status.

MEMBER -- shall mean an individual member agency which belongs to the San Mateo County Cities Insurance Group.

OPERATING FUND -- shall mean the fund established by the Group for the purpose of paying insurance premiums and administrative and other costs.

RESERVES -- shall mean that part of the member's contribution held by the Group to make future Workers' Compensation payments.

SELF-INSURANCE (Permissively Uninsured) -- shall mean setting aside funds to pay for losses not covered by insurance.

**Amendment to the Cities Group By-Laws as enacted by unanimous  
Vote of the Board of Directors at its duly noticed meeting  
On June 28, 2000**

VIII A. Involuntary Termination

Upon the unanimous vote of all of the Board of Directors except the Director representing the member agency being terminated, a member agency may be involuntarily terminated. Upon the effective date of termination, the terminated member shall be subject to the following:

1. The terminated member shall assume full financial and administrative responsibilities for all pending and future claims against the Group or its programs which are in any way associated with the terminated member's past membership in the Group.

2. The terminated member's equity in the Group shall be reduced by all claim payments and other expenses as of the day termination becomes effective. If following the terminated member's assumption of all claim liabilities valued as of the effective day of termination the member's remaining equity is less than zero, the terminated member shall pay to the Group an amount sufficient to bring its total equity to zero. If the member's final equity is greater than zero, it shall be returned to the member in accordance with section 4. of the Joint Powers Agreement.

VIII B. Agreed Termination

Upon unanimous vote of the full Board of Directors, a member agency may be terminated by agreement. Such termination shall be conditioned upon the terminated member's duly authorized agreement to comply with the provisions of Sections VIII A. 1. and 2. hereof. In addition, the terminated member shall agree to indemnify, release from liability and hold harmless the Cities Group, its Directors, member agencies, officers, agents and their employees from liability for acts prior to the effective date of termination.

In the case of either involuntary or agreed termination, the effective date will be July 1 of each year unless the Board specifies otherwise.



Amendment to the Cities Group Bylaws enacted by Unanimous vote of the Board of Directors at its duly noticed meeting on Nov. 8, 2004.

1. Section III is amended, and shall henceforth provide:

Any City, Special District, or other public agency located within the State of California is eligible to apply for membership; said membership shall be subject to the limitations contained in the Bylaws, including Section VI.

2. The first paragraph of Section VI is amended, and shall henceforth provide:

Any other City, Special District, or public agency within the State of California may become a party to this agreement upon execution of an agreement between such public agency and the Group, the terms of which agreement shall be identical to the terms of this agreement.

Town of Atherton

by: Jynda Kelly

Date: 11-8-04

City of Foster City

by: Greg DeS

Date: 11/8/2004

City of Half Moon Bay

by: Debra Ryan

Date: 11/8/04

Town of Hillsborough

by: Martha DeBy

Date: 11/8/04

City of San Carlos

by: And Greeney

Date: 11/8/04

**AGREEMENT ADDING ADDITIONAL PARTY TO  
CITIES GROUP JOINT POWERS AGREEMENT**

THIS AGREEMENT is entered into pursuant to the Cities Group By-Laws Section VI.

By execution of this Agreement the City of Dublin shall, and hereby does, become a Party to that certain Joint Powers Agreement and By-Laws dated October 5, 1978 and Amended November 20, 1978, May 1, 1989, July 1, 1993 and June 30, 1997, and agrees to, and shall on and after January 1, 2005, be bound by all of the terms and conditions thereof.

Town of Atherton

By Jinda Kelly Date 11.8.04

City of Foster City

By [Signature] Date 11/8/2004

City of Half Moon Bay

By [Signature] Date 11/8/04

Town of Hillsborough

By Martha DeBong Date 11/8/2004

City of San Carlos

By [Signature] Date 11/8/04

City of Dublin

By [Signature] Date 10/12/04