City of South San Francisco

P.O. Box 711
South San Francisco, CA

Regular Meeting Agenda

Wednesday, August 10, 2022

6:00 PM

HYBRID IN-PERSON/VIRTUAL MEETING

Municipal Services Building, Council Chambers
33 Arroyo Drive, South San Francisco, CA

City Council

HYBRID IN-PERSON/VIRTUAL MEETING NOTICE

The purpose of conducting the meeting as described in this notice is to provide the safest environment for staff and the public while allowing for public participation.

Councilmembers Coleman, Flores and Addiego, Vice Mayor Nicolas and Mayor Nagales and essential City staff may participate via Teleconference.

Pursuant to Ralph M. Brown Act, Government Code Section 54953, all votes shall be by roll call due to council members participating by teleconference.

The City Council may meet by teleconference, consistent with the Brown Act as amended by AB 361 (2021). Under the amended rules, the City will not provide a physical location for members of the public to participate in the teleconference meeting.

American Disability Act:

The City Clerk will provide materials in appropriate alternative formats to comply with the Americans with Disabilities Act. Please send a written request to City Clerk Rosa Govea Acosta at 400 Grand Avenue, South San Francisco, CA 94080, or email at all-cc@ssf.net. Include your name, address, phone number, a brief description of the requested materials, and preferred alternative format service at least 72-hours before the meeting.

Accommodations: Individuals who require special assistance of a disability-related modification or accommodation to participate in the meeting, including Interpretation Services, should contact the Office of the City Clerk by email at all-cc@ssf.net, 72-hours before the meeting.

Notification in advance of the meeting will enable the City of South San Francisco to make reasonable arrangements to ensure accessibility to the meeting.

ZOOM LINK BELOW -NO REGISTRATION REQUIRED

Join Zoom meeting
https://ssf-net.zoom.us/j/81299211268
(Enter your email and name)

Join by One Tap Mobile :
US: +16694449171,,81299211268# or +16699006833,,81299211268#

Join by Telephone:
Dial (for higher quality, dial a number based on your current location):
US: +1 669 444 9171 or +1 669 900 6833 or +1 253 215 8782

Webinar ID: 812 9921 1268

How to observe the Meeting (no public comment):

1) Local cable channel: Astound, Channel 26, Comcast, Channel 27, or AT&T, Channel 99
2) https://www.ssf.net/government/city-council/video-streaming-city-and-council-meetings/city-council

How to submit written Public Comment before the City Council Meeting:

Members of the public are encouraged to submit public comments in writing in advance of the meeting via the eComment tab by 4:00 p.m. on the meeting date. Use the eComment portal by clicking on the following link: https://ci-ssf-ca.granicusideas.com/meetings or by visiting the City Council meeting's agenda page. eComments are also directly sent to the iLegislate application used by City Council and staff.

How to provide Public Comment during the City Council Meeting:

1) By Phone: (669) 900-6833. Webinar ID is 812 9921 1268. Click *9 to raise a hand to speak. Click *6 to unmute when called.
By One tap mobile: US: +16694449171,

2) Online at: https://ssf-net.zoom.us/j/81299211268
a. Enter an email address and name. The name will be visible online and will be used to notify you that it is your turn to speak.
b. When the Clerk calls for the item on which you wish to speak, click on "raise hand." Speakers will be notified shortly before they are called to speak.
c. When called, please limit your remarks to the time limit allotted.

IN-PERSON: Please complete a Digital Speaker Card located at the entrance to the Council Chamber's. Be sure to indicate the Agenda Item # you wish to address or the topic of your public comment. When your name is called, please come to the podium, state your name and address (optional) for the Minutes. COMMENTS ARE LIMITED TO THREE (3) MINUTES PER SPEAKER. Thank you for your cooperation.

PEOPLE OF SOUTH SAN FRANCISCO

The City Council's regular meetings are held on the second and fourth Wednesday of each month at 6:00 p.m.

MARK NAGALES, Mayor (District 2)
BUENAFLOR NICOLAS, Vice Mayor (At-Large)
JAMES COLEMAN, Councilmember (District 4)
EDDIE FLORES, Councilmember (At-Large)
MARK ADDIEGO, Councilmember (At-Large)
ROSA GOVEA ACOSTA, City Clerk
FRANK RISSO, City Treasurer
MIKE FUTRELL, City Manager
SKY WOODRUFF, City Attorney

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item, and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the City Clerk's Office located at City Hall. If, however, the document or writing is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting, as listed on this agenda. The address of City Hall is 400 Grand Avenue, South San Francisco, California 94080.

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA REVIEW

ANNOUNCEMENTS FROM STAFF

PRESENTATIONS

1. Proclamation Recognizing September as National Preparedness Month. (Mark Nagales, Mayor)

2. Presentation from California Department of Insurance (CDI). (Tonya Martin, Supervisor, Community Relations, and Outreach Branch)

3. Presentation from Star Vista on 988 Suicide & Crisis Lifeline (Taylor Georgina Coutts, ASW, Program Manager - Crisis Intervention and Suicide Prevention Hotline)

PUBLIC COMMENTS

Comments received by the deadline will be included as part of the meeting record but will not be read aloud during the meeting.

The Public Comment portion of the meeting is reserved for persons wishing to address the Council on any matter NOT on the agenda. Comments on agenda items will be taken when that item is called. If joining the conference by phone you may raise your hand by dialing *9 and *6 to unmute.

State law prevents Council from responding to public comments or taking action on matters not on the agenda. The Council may refer comments to staff for follow-up. Speakers are limited to three minutes. If there appears to be a large number of speakers, the Mayor may reduce speaking time to limit the total amount of time for public comments (Gov. Code sec. 54954.3.(b)(1).). Speakers that are not in compliance with the City Council's rules of decorum will be muted.

COUNCIL COMMENTS/REQUESTS

CONSENT CALENDAR

4. Motion to approve the Minutes for the meeting of July 11, 2022. (Rosa Govea Acosta, City Clerk)

5. Report regarding an ordinance amending the South San Francisco Zoning Map (RZ20-0001) to create a Planned Development District to allow the construction of a multi-family residential development consisting of 292 units on 40 Airport Boulevard. (Christopher Espiritu, Senior Planner and Tony Rozzi, Chief Planner)

5a. Ordinance amending the South San Francisco Zoning Map (RZ20-0001) to create a Planned Development District to allow the construction of a multi-family residential development consisting of 292 units on 40 Airport Boulevard.

6. Report regarding a resolution authorizing the City Manager to execute an amendment to the consulting services agreement with MuniServices, LLC to extend its terms for an additional two-year period ending on June 30, 2024, for access to the Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services and a resolution authorizing the examination of sales or transactions and use tax records by MuniServices, LLC. (Karen Chang, Director of Finance)

6a. Resolution authorizing the City Manager to execute an amendment to the consulting services agreement with MuniServices, LLC to extend its terms for an additional two-year period ending on June 30, 2024, for access to the Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services.

6b. Resolution authorizing the examination of sales or transactions and use tax records by MuniServices, LLC, and authorizing the City Manager to execute a contract amendment with MuniServices, LLC.

7. Report regarding a resolution authorizing submission of the 2022 Infill Infrastructure Grant (IIG) Program to the California State Department of Housing and Community Development. (Ernesto Lucero, Acting Deputy Director, Economic and Community Development Department)

7a. Resolution of the City Council of the City of South San Francisco authorizing an application for the 2022 Infill Infrastructure Grant ("IIG") Program.

8. Report regarding a resolution to continue conducting City Council and advisory body meetings remotely due to health and safety concerns for the public and making related findings (Sky Woodruff, City Attorney)

8a. Resolution of the City Council of the City of South San Francisco declaring the continuing need for the City legislative bodies to meet remotely to ensure the health and safety of the public and making related findings.

9. Report regarding approval of a resolution authorizing the acceptance of $3,200 in donation funding from the Stanford Gardner Center to support Healthy Places for a Healthy City, and approving Budget Amendment #23.005. (Tamiko Huey, Management Analyst II)

9a. Resolution authorizing the acceptance of $3,200 in donation funding from the Stanford Gardner Center to support Healthy Places for a Healthy City, and approving Budget Amendment #23.005.

10. Report regarding a resolution approving Amendment No. 23 to the Professional Services Agreement with Meyers Nave. (Mike Futrell, City Manager)

10a. Resolution approving Amendment No. 23 to the Professional Services Agreement Between the City of South San Francisco and Meyers Nave

11. Report regarding a resolution authorizing the City Manager to execute a First Amendment to the banking services agreement with JPMorgan Chase Bank N.A. for an additional two year term ending on August 31, 2024. (Karen Chang, Director of Finance)

11a. Resolution authorizing the City Manager to execute a First Amendment to the banking services agreement with JPMorgan Chase Bank N.A. for an additional two year term ending on August 31, 2024.

12. Report regarding adoption of an ordinance authorizing the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution. (Sky Woodruff, City Attorney)

12a. An ordinance authorizing the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution.

ADMINISTRATIVE BUSINESS

13. Report regarding a Resolution authorizing up to two members of the City Council to submit an argument in favor of a proposed ballot measure seeking voter authorization for the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution and to submit a rebuttal argument if an argument against the measure is filed. (Sky Woodruff, City Attorney and Mike Futrell, City Manager)

13a. Resolution authorizing up to two members of the City Council to submit an argument in favor of a proposed ballot measure seeking voter authorization for the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution and to submit a rebuttal argument if an argument against the measure is filed.

14. Report regarding approval and support of Assembly Bill 2407 (O'Donnell), Assembly Bill 1740 (Maratsuchi), Assembly Bill 2682 (Gray), Senate Bill 986 (Umberg), and Senate Bill 1087 (Gonzalez) to combat catalytic converter thefts (Tamiko Huey, Management Analyst II)

15. Report regarding adoption of an ordinance adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and adoption of an urgency ordinance to immediately establish a temporary prohibition of the unlawful possession of used catalytic converters and establishing penalties for violation. (Sky Woodruff, City Attorney)

15a. Ordinance of the City of South San Francisco adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and establishing penalties for violation.

15b. Urgency ordinance of the City of South San Francisco temporarily adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and establishing penalties for violation.

16. Report regarding receipt of an Impact Report on a Citizens Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs and adoption of a Resolution Calling for the submission to South San Francisco voters of an Initiative Ordinance to Enact an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs at the General Municipal Election of November 8, 2022, establishing the schedule for submission of Ballot Arguments, and Authorizing the County of San Mateo Elections Division to Conduct the election. (Mike Futrell, City Manager; Sharon Ranals, Assistant City Manager; Sky Woodruff, City Attorney)

16a. Resolution Calling for the submission to South San Francisco voters of an Initiative Ordinance to Enact an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs at the General Municipal Election of November 8, 2022, establishing the schedule for submission of Ballot Arguments, and Authorizing the County of San Mateo Elections Division to Conduct the election.

ITEMS FROM COUNCIL – COMMITTEE REPORTS AND ANNOUNCEMENTS

17. Council discussion on designation of voting delegates and alternates for the League of California Cities Annual Conference & Expo on September 7-9, 2022. (Mark Nagales, Mayor)

ADJOURNMENT

Legislation Text

File #: 22-633
Version: 1

Agenda Date: 8/10/2022
Item #: 1.

Proclamation Recognizing September as National Preparedness Month. *(Mark Nagales, Mayor)*

RECOGNITION OF NATIONAL PREPAREDNESS MONTH
SEPTEMBER 2022

***WHEREAS**, National Preparedness Month is an observance each September to raise awareness about the importance of preparing for disasters and emergencies that could happen at any time; and*

***WHEREAS**, this year's theme: **A Lasting Legacy**, aims to shed light on the life you've built is worth protecting. It focuses on preparing for disasters to create a lasting legacy for you and your family; and*

***WHEREAS**, recognition of this month encourages all of us to make a plan today. Your family may not be together if a disaster strikes, so it is important to know which types of disasters could affect your family. Know how you'll contact one another and reconnect if separated. Establish a family meeting place that's familiar and easy to find; and*

***WHEREAS**, after a disaster you may not have access to a medical facility or even a drugstore. It's crucial to plan for your daily needs and know what you would do if they become limited or unavailable; and*

***WHEREAS**, disability intersects every demographic group – there are people with disabilities of all ages, races, genders or national origin. Disabilities can impact a person in a variety of ways – both visible and invisible. For people with disabilities and their families, it is important to consider individual circumstances and needs to effectively prepare for emergencies and disasters; and*

***WHEREAS**, being prepared for disasters starts at home. Everyone can be part of helping to prepare for emergencies. Young children and teens alike can be a part of the process. As a parent, guardian, or other family member, you have an important role to play when it comes to protecting the children in your life and helping them be prepared in case disaster strikes; and*

***WHEREAS**, Americans at all income levels have experienced the challenges of rebuilding their lives after a disaster or other emergency. In these stressful times, having access to personal financial, insurance, medical and other records is crucial for starting the recovery process quickly and efficiently.*

***NOW, THEREFORE, BE IT RESOLVED,** that the City Council of the City of South San Francisco does hereby recognize September 2022 as National Preparedness Month to enhance public awareness of what to do in an emergency and to encourage all to be prepared.*

_____
Mark Nagales, Mayor

_____
Buenaflor Nicolas, Vice Mayor

_____
Mark Addiego, Councilmember

_____
James Coleman, Councilmember

_____
Eddie Flores, Councilmember

Dated: August 10, 2022

Legislation Text

File #: 22-632
Version: 1

Agenda Date: 8/10/2022
Item #: 2.

Presentation from California Department of Insurance (CDI). *(Tonya Martin, Supervisor, Community Relations, and Outreach Branch)*

CALIFORNIA DEPARTMENT OF INSURANCE

CALIFORNIA'S LOW COST AUTO INSURANCE

Tonya Martin,
Supervisor, Community Relations & Outreach Branch
August 10, 2022

PRESENTATION OVERVIEW

- California Department of Insurance (CDI) Overview
- CDI Senior Resources
- California Law (DMV)
- California's Low Cost Auto Insurance Program (CLCA)
- How You Can Partner with CDI & CLCA
- Q&A



CALIFORNIA DEPARTMENT OF INSURANCE (CDI)

- Regulate all lines of insurance
- Regulate Insurance Companies, Agents, & Brokers
- California is the largest insurance market in the U.S.
  - ✓ $340 billion collected annually in premiums
- Protect Consumers from Fraud and Abuse



UPDATED CONSUMER PROTECTIONS FROM CALIFORNIA DEPARTMENT OF INSURANCE

Safer From Wildfires

Current Outcome

The number of homeowners non-renewed by insurance companies fell by 10 percent statewide in 2020 compared to the previous year — a decrease of 22,870 policies.

Premium discounts now available to 2 out of every 5 consumers, with up to 20 percent discounts for wildfire-hardened homes – 6x increase since 2019



SENIOR RESOURCES FROM CDI

SENIOR GATEWAY

One-Stop Website – Hosted by CDI

A partnership between governmental and local agencies

- Abuse & Neglect
- Fraud & Scams
- Health Care
- Your Rights
- Other Resources

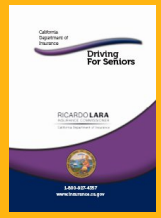


www.seniors.insurance.ca.gov

SENIORS INFORMATION CENTER

Department of Insurance Senior Information Center

- Alerts
- Before You Buy Insurance
- Long Term Care
- Senior Information Guides
- Health Insurance
- Other Resources

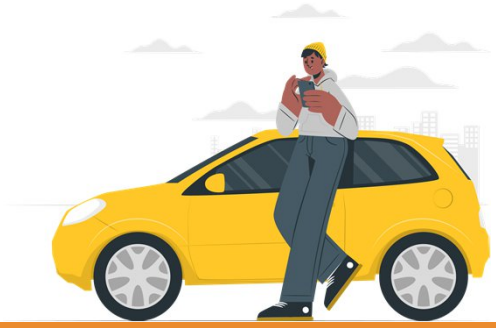


www.insurance.ca.gov/0150-seniors

CALIFORNIA AUTO INSURANCE LAW

CALIFORNIA'S LOW COST AUTO INSURANCE

- All drivers must have proof of financial responsibility
- Liability Insurance
- Penalties of driving without insurance



CALIFORNIA LOW COST AUTO PROGRAM OVERVIEW

CALIFORNIA'S LOW COST AUTO INSURANCE

What is California Low Cost Auto Program?

- A state program which was established by the Legislature in 1999 as a state-sponsored program that requires insurance companies to offer affordable liability auto insurance to licensed drivers that meet certain requirements.

HOW DO YOU QUALIFY?

CALIFORNIA'S LOW COST AUTO INSURANCE



Valid CDL/ AB60 for Undocumented Drivers



Vehicle Value $25,000 or Less



Meet Income Guidelines



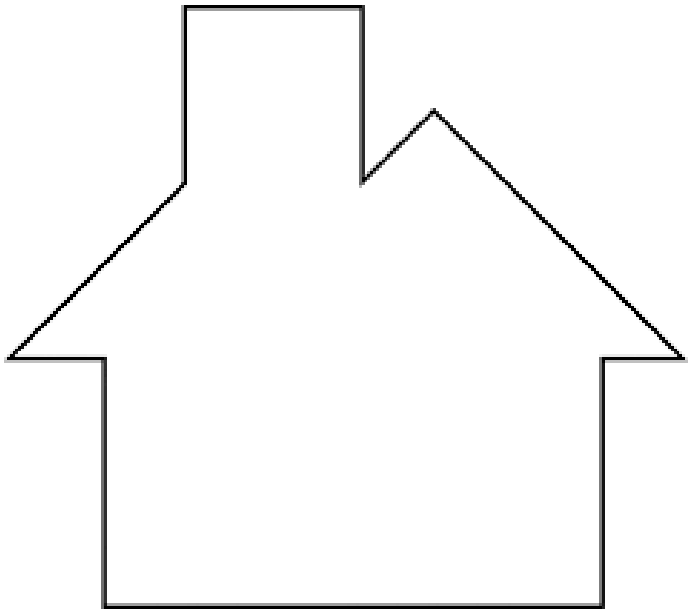
Be at least 16 years old

***Can't have bad driving record for past 3 years**

INCOME ELIGIBILITY GUIDELINES

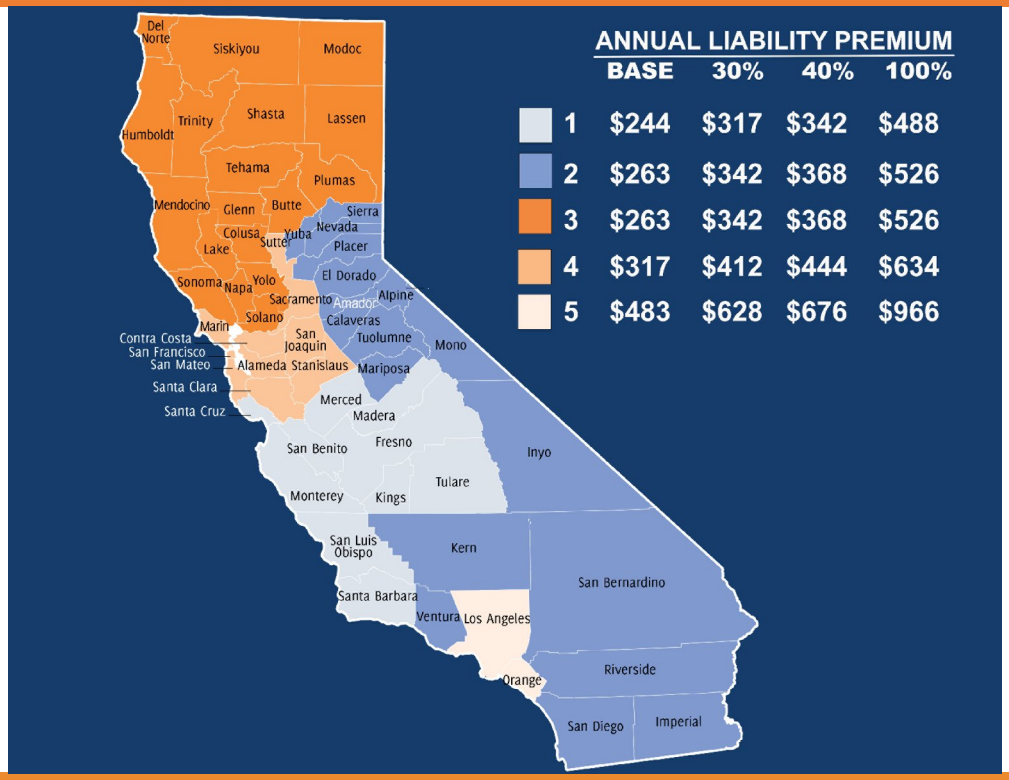
CALIFORNIA'S LOW COST AUTO INSURANCE

1 Person in household – up to $33,975
2 People in household – up to $45,775
3 People in household – up to $57,575
4 People in household – up to $69,375
5 People in household – up to $81,175
6 People in household – up to $92,975
10 People in household – up to $140,175



STATEWIDE PREMIUMS

CALIFORNIA'S LOW COST AUTO INSURANCE



Premiums in your county start at $638

- Base: Good Drivers with 3+ yrs
- 30%: Single drivers 19-24 yrs
- 40%: Drivers less than 3 yrs
- 100%: Drivers 16-18 yrs

PROOF OF INCOME

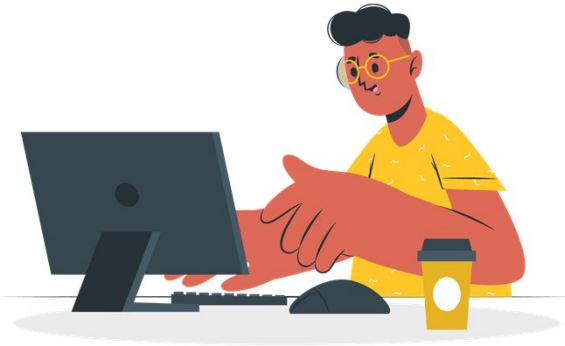
CALIFORNIA'S LOW COST AUTO INSURANCE

- **Only need one of the following:**
  - Paycheck stub, W-2, 1099
  - SSI statement, etc.
- **Currently enrolled in other state, county programs:**
  - CalFresh, CalWorks, MediCal/Medicaid, CA Lifeline
- **Complete list is available at mylowcostauto.com**

HOW TO APPLY

CALIFORNIA'S LOW COST AUTO INSURANCE

- Apply at MyLowCostAuto.com
  - Take the Eligibility Questionnaire
  - Application process is 100% online
- Chat is available M-F 8am – 4pm
  - Website and Chat are available in English & Spanish
- Call 866-602-8861



HOW CAN YOU PARTNER WITH CDI & CLCA?

CALIFORNIA'S LOW COST AUTO INSURANCE



Help us disseminate **CLCA** educational materials in your community



Share **CLCA** through your website and social media platforms



Invite us to community outreach events in your area



Let us present to your staff or community group



And please refer us to any collaborative group or partners that serve low to moderate income households

QUESTIONS?

CALIFORNIA'S LOW COST AUTO INSURANCE

For more information about CLCA visit:
www.mylowcostauto.com
866-602-8861

For Questions or Problems with Insurance:
www.insurance.ca.gov
Consumer Hotline 800-927-4357

Thank You!



Legislation Text

File #: 22-673
Version: 1

Agenda Date: 8/10/2022
Item #: 3.

Presentation from Star Vista on 988 Suicide & Crisis Lifeline *(Taylor Georgina Coutts, ASW, Program Manager - Crisis Intervention and Suicide Prevention Hotline)*

STAR VISTA



Introduction to 988

Taylor Coutts, Hotline Program Manager
Crisis Intervention and Suicide Prevention Hotline
taylor.coutts@star-vista.org

StarVista Crisis Center

THE STARVISTA CRISIS CENTER

StarVista Crisis Center

Youth Stabilization Opportunity and Support (YSOS)

24/7 Mobile Response for SMC Youth ages 0-25
Partners with Family Urgent Response System (FURS)

24/7 Crisis Intervention and Suicide Prevention Hotline

Receives local crisis calls
Receives calls into 988 with 650 and some 415 area codes

Teen Crisis Services

Peer-supported crisis text and chat for teens 13 years old and up

24/7 Crisis Hotline

24/7 Suicide Crisis Hotline for San Mateo County

650-579-0350

- ✓ 3rd suicide hotline created in California
- ✓ Oldest program of StarVista
- ✓ We answer around 13,000 calls annually

What We Provide:

- Over-the-phone crisis intervention
- Local resources and information
- Suicide risk assessment
- Dispatching of Youth SOS
- Emotional support
- Limited follow-up



Founded in 1966 by suicide prevention pioneer Charlotte Ross

Meet The Hotline Team



Taylor Coutts, ASW
Program Manager

- Been with CISPC since May 2021
- Foster mama and military spouse
- Lover of dogs, appetizers, baseball, warm weather and the beach

David Hoekenga
Lead Counselor

- Been with CISPC since 2006
- Trains all new counselors
- Teaches Philosophy at Foothill College



Hotline Workers

- 9 Hotline Staff Counselors
- 6 Youth SOS Staff
- 4 Active Volunteers
- Volunteer Coordinator









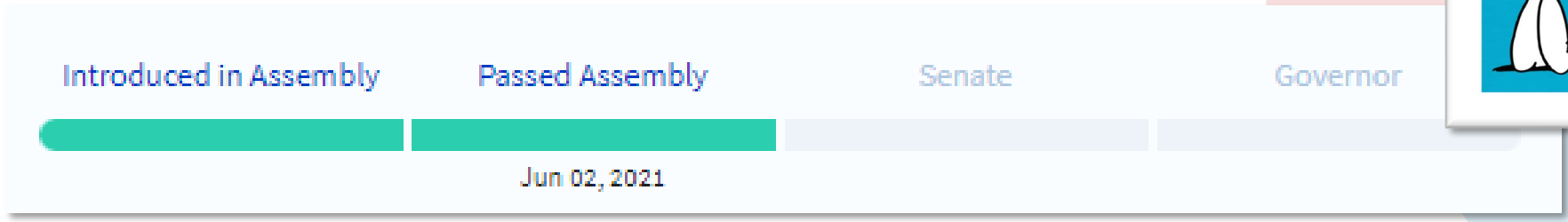
988: “I’m Just A Bill”

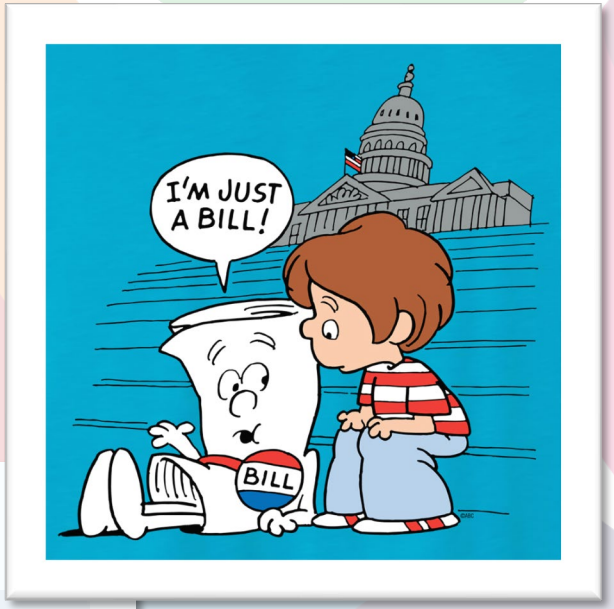
What is AB988 and the Miles Hall Lifeline Act?

California bill that aligns with federal mandate to implement a 3-digit number for mental health crisis response and will initiate the state to promote collaboration between 911, 988 and county behavioral health crisis services

Goals of the Bill:

- 3-digit number for anyone experiencing or know someone experiencing a suicidal, mental health and/or substance use crisis
- Collaboration between all parts of the crisis system- including mobile crisis teams
- Crisis Lines to have access to bed/service availability
- Data collection across systems to understand efficacy
- Diversion of mental health calls without imminent safety concerns from 911 to 988

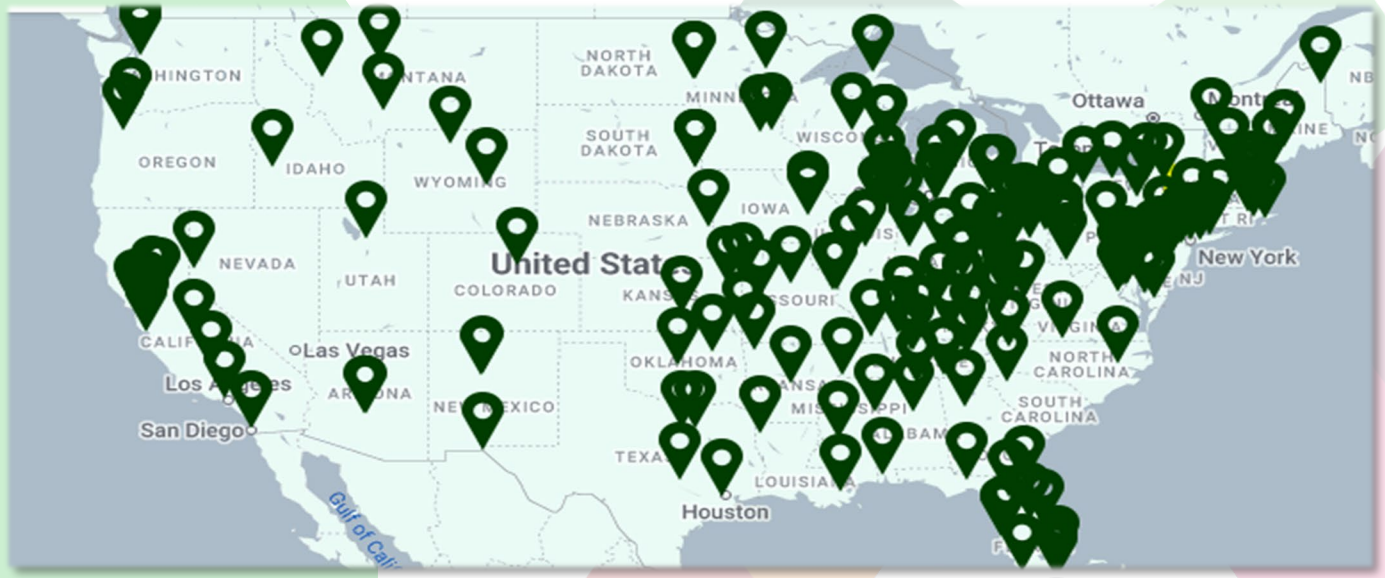




Introducing the 988 Suicide & Crisis Lifeline

WHAT IS 988?

- 988 is now the 3-digit number for anyone experiencing a suicidal, mental health and/or substance use crisis
- Calls to 988 are forwarded to the nearest Crisis Center based on the area code of the caller.
- At this time, most local calls to the National Suicide & Crisis Lifeline with the 650-area code are routed to the StarVista Crisis Center



The National Lifeline: A network of 200 call centers providing 24/7, free and confidential support. In FY21, the Lifeline received roughly 3.6 million contacts.

988 Roadmap

988 SUICIDE & CRISIS LIFELINE

Short-Term Goal (Now)

A strengthened and expanded Lifeline infrastructure to respond to crisis calls, texts, and chats anytime

Long-Term Vision (Next 5+ Years)

A robust system that provides the crisis care needed anywhere in the country

June 2022
System consultation with all 13 California Crisis Center began

July 2023
StarVista Crisis Center to start 988 text services

July 2024
Increased coordination between crisis centers, 911, 988



July 16th, 2022
988 Crisis Line launches

July-Dec 2022
Potentially receiving new technology on how to route calls and training platform

Next 5+ Years
Statewide direction on 911, 988, and county behavioral crisis services collaboration and new technologies on how to route calls

HIGHLIGHTS OF 988 ON STARVISTA'S CRISIS CENTER



Call Volume

Expected **30%** increase in call volume, many being first time callers

Currently up **30-70** calls per week since 988 launch



Hiring

We have hired **three** additional counselors and are hiring for one more as well as **one** volunteer coordinator



Intervention

We practice **least invasive interventions** for callers in crisis with most of our calls ending in successful phone de-escalation, agreement to safety, and connecting the caller to next avenues of support.

Currently, the number of calls we need to refer to 911 is around **2%** and we plan to continue this practice with the introduction of 988

The StarVista Crisis Center and 988 does not have the ability to use geolocation or "track" a caller

File #: 22-664
Version: 1

Agenda Date: 8/10/2022
Item #: 4.

Motion to approve the Minutes for the meeting of July 11, 2022. *(Rosa Govea Acosta, City Clerk)*

MINUTES
SPECIAL MEETING

CITY COUNCIL
CITY OF SOUTH SAN FRANCISCO

MONDAY, JULY 11, 2022
4:00 p.m.

TELECONFERENCE MEETING

The City Council will meet by teleconference, consistent with the Brown Act as amended by AB 361 (2021). Under the amended rules, the City will not provide a physical location for members of the public to participate in the teleconference meeting.

CALL TO ORDER Mayor Nagales called the meeting to order at 4:00 p.m.

ROLL CALL

Councilmember Addiego, present
Councilmember Coleman, present
Councilmember Flores, present
Vice Mayor Nicolas, present
Mayor Nagales, present

AGENDA REVIEW No changes.

PUBLIC COMMENTS No public comments.

CLOSED SESSION

Entered into Closed Session: 04:04 p.m.

1. Conference with Labor Negotiators
   (Pursuant to Government Code Section 54957.6)
   Agency designated representatives: Mike Futrell, City Manager; Leah Lockhart, Director of Human Resources, Donna Williamson and Lisa Charbonneau, Liebert Cassidy Whitmore
   Employee organizations: AFSCME Local 829, IAFF Local 1507, Police Association, Public Safety Managers, Teamsters Local 856 – Confidential, Teamsters Local 856 – Mid-Management
   Unrepresented employees: Executive Management

Resumed from Closed Session: 05:30 p.m.

Report out of Closed Session by Mayor Nagales: Direction given. No reportable action.

ADJOURNMENT

Being no further business Mayor Nagales adjourned the meeting at 5:31 p.m.

Submitted by:

Rosa Govea Acosta, MMC, CPMC
City Clerk

Approved by:

Mark Nagales
Mayor

Approved by the City Council: ____/____/____

File #: 22-634 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 5.

Report regarding an ordinance amending the South San Francisco Zoning Map (RZ20-0001) to create a Planned Development District to allow the construction of a multi-family residential development consisting of 292 units on 40 Airport Boulevard. (Christopher Espiritu, Senior Planner and Tony Rozzi, Chief Planner)

RECOMMENDATION

It is recommended that the City Council waive a second reading and adopt an Ordinance amending the Zoning Map (RZ20-0001) to rezone the parcel at 40 Airport Boulevard (APN 015-126-010) as a Planned Development.

BACKGROUND/DISCUSSION

On July 27, 2022, the City Council of South San Francisco held a public hearing to solicit public comment and introduced an ordinance amending the Zoning Map to revise the zoning district designation from Freeway Commercial (FC) to a Planned Development for 40 Airport Boulevard.

The City Council found that the proposed development is demonstratively superior to the development that could occur under the standards applicable to the underlying base district, and will achieve superior community design, environmental preservation and/or substantial public benefit.

The City Council considered the amendment to the South San Francisco Zoning Map, as shown in the accompanying Ordinance Exhibit A, to reflect the proposed Zoning Map Amendment. All other areas of the Zoning Map that are not amended by this Zoning Map Amendment are not included in the accompanying Ordinance Exhibit A and shall remain in full force and effect.

The City Council voted to introduce this ordinance, as amended, which now requires a second reading.

(Introduced 7/27/22; Vote 5-0)

CONCLUSION

The ordinance is now ready for adoption.

File #: 22-635 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 5a.

Ordinance amending the South San Francisco Zoning Map (RZ20-0001) to create a Planned Development District to allow the construction of a multi-family residential development consisting of 292 units on 40 Airport Boulevard.

WHEREAS, the applicant has proposed construction of a high-density mixed-use residential development, consisting of 292 dwelling units, and 308 parking spaces ("Project") on one parcel at 40 Airport Boulevard (APN 015-126-010 and approximately 1.63 acres) referred to as
"Project Site" in the City; and,

WHEREAS, the proposed Project is located partially within the southwestern portion of the Downtown Station Areas Specific Plan ("DSASP") area; and

WHEREAS, the applicant seeks approval of a Downtown Station Area Specific Plan Amendment (SP21-0001), Rezoning Map (RZ20-0001) to create a Planned Development District, Design Review (DR20-0037), and Transportation Demand Management Plan (TDM22-0005) for the Project; and

WHEREAS, the applicant seeks adoption of a resolution approving a General Plan Amendment (GPA20-0003); and

WHEREAS, approval of the applicant's proposal is considered a "project" for purposes of the California Environmental Quality Act, Pub. Resources Code §21000, et seq. ("CEQA"); and,

WHEREAS, on June 16, 2022, the Planning Commission for the City of South San Francisco held a lawfully noticed public hearing to solicit public comment and consider the Sustainable Communities Environmental Assessment ("SCEA-IS")(ND20-0002) and the proposed entitlements, take public testimony, and approve the Project; and,

WHEREAS, on July 27, 2022, the City Council for the City of South San Francisco held a lawfully noticed public hearing to solicit public comment and consider the proposed entitlements and environmental effects of the Project and take public testimony; and

WHEREAS, on July 27, 2022, the City Council for the City of South San Francisco reviewed and carefully considered the information in the SCEA-IS (ND20-0002), and by resolution adopted the SCEA-IS (ND20-0002), as an objective and accurate document that reflects the independent judgment and analysis of the City in relation to the Project's environmental impacts, and find that the SCEA-IS satisfies the requirements of the California Environmental Quality Act and no further environmental review is necessary; and

WHEREAS, on July 27, 2022 the City Council for the City of South San Francisco held a lawfully noticed public hearing to solicit public comment and consider the SCEA (ND20-0002), and Downtown Station Area Specific Plan Amendment (SP21-0001), Ordinance for the Rezoning Map (RZ20-0001) to create a Planned

Development District, Design Review (DR20-0037), and Transportation Demand Management Plan (TDM22-0005).

NOW, THEREFORE, BE IT RESOLVED that based on the entirety of the record before it, as described below, the City Council of the City of South San Francisco does hereby ORDAIN as follows:

SECTION 1 FINDINGS

A. General Findings

1. The foregoing recitals are true and correct and made a part of this Ordinance.

2. The Record for these proceedings, and upon which this Ordinance is based, includes without limitation, Federal and State law; the California Environmental Quality Act, Public Resources Code §21000, et seq. ("CEQA") and the CEQA Guidelines, 14 California Code of Regulations §15000, et seq.; the South San Francisco General Plan and General Plan EIR; the Downtown Station Area Specific Plan and the Downtown Station Area Specific Plan EIR; the South San Francisco Municipal Code; the Project applications; the Project Plans, as prepared by Architecture Design Collaborative, dated April 2, 2021; the Sustainable Communities Environmental Assessment, as prepared by Raney Planning & Management, Inc., dated June 2022; all site plans, and all reports, minutes, and public testimony submitted as part of the Planning Commission's duly noticed June 16, 2022, meeting; all reports, minutes, and public testimony submitted as part of the City Council's duly noticed July 27, 2022 meeting; and any other evidence (within the meaning of Public Resources Code §21080(e) and §21082.2).

3. The Draft Zoning Map Amendment attached as **Exhibit A** to this Ordinance is incorporated by reference and made a part of this Ordinance, as if set forth fully herein.

4. By Resolution No. 126-2022, the City Council, exercising its independent judgment and analysis, has found that a Sustainable Communities Environmental Assessment (ND20-0002), consistent with the 2040 Plan Bay Area Environmental Impact Report, in accordance with Section 21155.2 of the California Public Resources Code was prepared for the Project, which SCEA adequately discloses and analyzes the proposed Project's potentially significant environmental impacts. For those impacts that could potentially exceed CEQA thresholds of significance, the City has identified and imposed mitigation measures that avoid or reduce the impact to a level of less-than-significant. Accordingly, the City Council has concluded that the SCEA is the appropriate environmental document for the Project and no further environmental review is required.

5. The documents and other material constituting the record for these proceedings are located at the Planning Division for the City of South San Francisco, 315 Maple Avenue, South San Francisco, CA 94080, and in the custody of the Chief Planner, Tony Rozzi.

B. Zoning Map Amendment Findings

1. The Zoning Map will be amended to revise the zoning district designation from Freeway Commercial (FC) to a Planned Development for 40 Airport Boulevard.

2. The subject property is physically suitable for the type and intensity of the land use being proposed in

terms of access, size of parcel, relationship to similar or related uses, and other considerations deemed relevant by the Planning Commission and City Council; and

3. The proposed development is not detrimental to the use of land in any adjacent zone and will not have a substantial adverse effect on surrounding land uses and will be compatible with the existing and planned land use character of the surrounding area; and

4. The development generally complies with applicable adopted design guidelines; and

5. The proposed development is demonstratively superior to the development that could occur under the standards applicable to the underlying base district, and will achieve superior community design, environmental preservation and/or substantial public benefit. In making this determination, the City Council considered the following factors:

   a. Appropriateness of the use(s) at the proposed location.
   b. The mix of uses, housing types, and housing price levels.
   c. Provision of units affordable to persons and families of low and moderate income or to lower income households.
   d. Provision of infrastructure improvements.
   e. Provision of open space.
   f. Compatibility of uses within the development area.
   g. Quality of design, and adequacy of light and air to the interior spaces of the buildings.
   h. Overall contribution to the enhancement of neighborhood character and the environment of South San Francisco in the long term.
   i. Creativity in design and use of land.

SECTION 2 AMENDMENTS.

The City Council hereby amends the South San Francisco Zoning Map, as shown in Exhibit A to reflect the proposed Zoning Map Amendment. All other areas of the Zoning Map that are not amended by this Zoning Map Amendment are not included in Exhibit A, and shall remain in full force and effect.

SECTION 3. SEVERABILITY.

If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, the remainder of this Ordinance, including the application of such part or provision to other persons or circumstances shall not be affected thereby and shall continue in full force and effect. To this end, provisions of this Ordinance are severable. The City Council of the City of South San Francisco hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases be held unconstitutional, invalid, or unenforceable.

SECTION 4. PUBLICATION AND EFFECTIVE DATE.

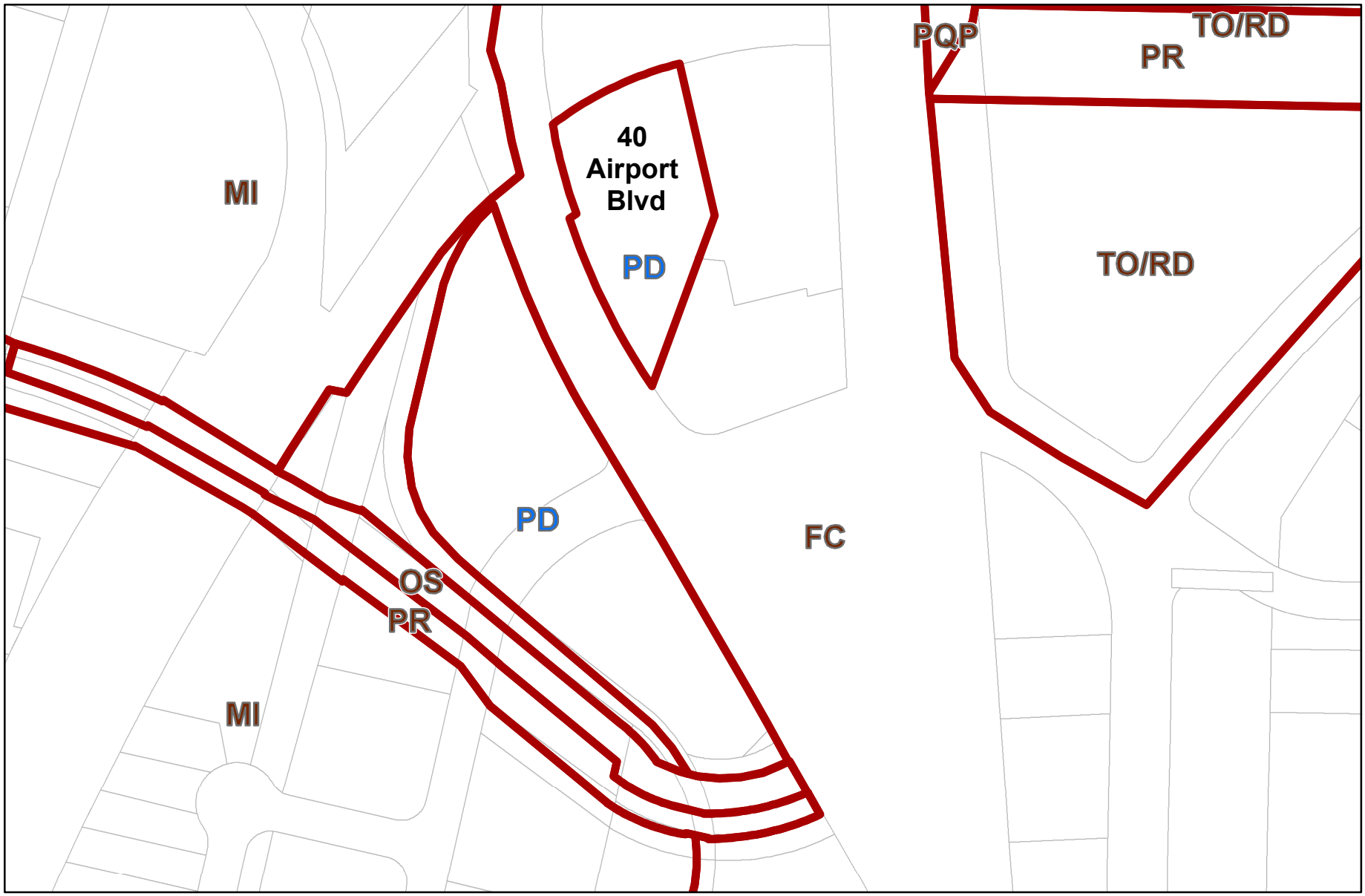
Pursuant to the provisions of Government Code Section 36933, a summary of this Ordinance shall be prepared by the City Attorney. At least five (5) days prior to the Council meeting at which this Ordinance is scheduled to be adopted, the City Clerk shall (1) publish the Summary, and (2) post in the City Clerk's Office a certified

copy of this Ordinance. Within fifteen (15) days after the adoption of this Ordinance, the City Clerk shall (1) publish the summary, and (2) post in the City Clerk ’s Office a certified copy of the full text of this Ordinance along with the names of those City Council members voting for and against this Ordinance or otherwise voting. This Ordinance shall become effective thirty (30) days from and after its adoption.

Attachments:

Exhibit A - Rezoning Map

40 Airport Blvd



BTP	Business Tech. Park	S	School
MI	Mixed Industrrial	PR	Parks and Recreation
PQP	Public / Quasi Public	OS	Open Space
FC	Freeway Commercial	TO/RD	Transit Office / R&D Core
BC	Business Commercial	PD	PD Zoning

File #: 22-642 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 6.

Report regarding a resolution authorizing the City Manager to execute an amendment to the consulting services agreement with MuniServices, LLC to extend its terms for an additional two-year period ending on June 30, 2024, for access to the Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services and a resolution authorizing the examination of sales or transactions and use tax records by MuniServices, LLC. *(Karen Chang, Director of Finance)*

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing the City Manager to execute an amendment to the consulting services agreement with MuniServices, LLC to extend for an additional two -year period ending on June 30, 2024, for access to the Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services, and a resolution authorizing the examination of sales or transactions and use tax records by MuniServices, LLC.

BACKGROUND/DISCUSSION

The City and MuniServices, entered into a Consulting Services Agreement on or about July 1, 2017 (hereinafter "Agreement") for a five-year term ending on June 30, 2022, with an option to extend for an additional two-year period, to perform Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services. Over the past 5 years, MuniServices was successful to recover over $5 million ($4.6 million of Bradley Burns and $0.4 million of District tax) in sales tax revenues. Based on the quality of services provided, the City desires to exercise the option contained in the Agreement and extend the contract term for an additional two years. The proposed Amendment No. 1 would memorialize this extension.

Pursuant to Ordinance Nos. 02-2016, the City of South San Francisco entered into a contract with the State Board of Equalization ("Board") to perform all functions incident to the administration and collection of the Transactions and Use Tax Ordinances and the local sales and use taxes. The City deems it necessary for authorized representatives of City to examine confidential sales and transactions and use tax records of the Board or its successor agency, the California Department of Tax and Fee Administration, (collectively, or in the alternative, the "Agency") pertaining to sales and transactions and use taxes collected for the City by the Agency.

Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Agency records and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from sales or transactions and use tax records of the Agency. Section 7056 of the California Revenue and Taxation Code requires that any person designated by City shall have an existing contract to examine City's sales and transactions and use tax records. The proposed amendment to the contract will include additional language that complies with Section 7056 requirements. The extension of the current contract will require adoption of a resolution to designate MuniServices as such authorized reviewer, which is

also included with this staff report.

FISCAL IMPACT

For Fiscal Year 2022-23, the fee for quarterly Sales, Transaction & Use Tax Reporting service will be $1,454.14 per quarter which is an increase of 7.05% (CPI) from 2021 to 2022. The current price for Sales, Use and Transaction Tax Auditing services is up to a contingency fee of 15% depending on the total sales tax recovered. Sales tax adjustment/correction fees of:

- 15 percent for recoveries up to $1 million,
- 10 percent for recoveries between $1 million and $2 million, and
- 5 percent for recoveries over $2.0 million.

RELATIONSHIP TO STRATEGIC PLAN

Sales tax revenues are general fund revenues of the City and supports Priority Area 3, Financial Stability.

CONCLUSION

Approval of an amendment extending the services agreement with MuniServices, LLC will permit the City of South San Francisco to receive prudent, timely and insightful sales tax advisory services and auditing services at a competitive rate.

File #: 22-644 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 6a.

Resolution authorizing the City Manager to execute an amendment to the consulting services agreement with MuniServices, LLC to extend its terms for an additional two-year period ending on June 30, 2024, for access to the Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services.

WHEREAS, the City and MuniServices, entered into a Consulting Services Agreement on or about July 1, 2017 (hereinafter "Agreement") to perform, among other things, Sales and Use Tax Audit Services; and

WHEREAS, the City and MuniServices desire to extend the term of the Agreement pursuant to an option under the Agreement and have prepared an Amendment No. 1 for this purpose attached as Exhibit A; and

WHEREAS, on or about November 8, 2016 the City adopted the Measure W - So. San Francisco Fiscal Stability & Essential Services T&U (SSFR), which became effective on or about April 1, 2017 (the "District Tax"); and

WHEREAS, the California Department of Tax and Fee Administration (collectively, or in the alternative, the "Agency" formerly known as, the State Board of Equalization) has taken the position that general references to "sales and use tax" in an agreement that authorizes access to tax records held by the Authority are insufficient to allow access to information relating the collection of the District Tax by the Agency; and

WHEREAS, the City and MuniServices, without conceding the correctness of the Agency's interpretation, deem it prudent to comply with the interpretation by amending the Agreement to specifically refer to the District Tax; and

WHEREAS, Section 7056 of the California Revenue and Taxation Code imposes conditions on the access to information related to the collection of sales, transaction, and use tax by the Agency; and

WHEREAS, the proposed Amendment No. 1 contains additional language in compliance with Section 7056 and the City Council, by separate resolution, designates and authorizes MuniServices LLC to examine all of the sales and transactions and use tax records of the Agency pertaining to all sales and use taxes collected for City and any transaction and use taxes collected for City and takes additional related actions consistent with Section 7056.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of South San Francisco that the City Council hereby approves Amendment No. 1 to the consulting services agreement with MuniServices LLC, attached hereto and incorporated herein as Exhibit A, for a two-year period ending on June 30, 2024.

BE IT FURTHER RESOLVED that the City Council of the City of South San Francisco authorizes the City Manager to execute Amendment No. 1 in substantially the same form as Exhibit A, and to make any revisions, amendments, corrections and modifications, subject to the approval of the City Attorney, deemed necessary to carry out the intent of this Resolution and which do not materially alter or increase the City's obligations thereunder.

BE IT FURTHER RESOLVED that the City Council of the City of South San Francisco authorizes the City Manager to take any related action reasonably necessary to carry out the intent of this Resolution.

EXHIBIT A

AMENDMENT 1 TO CONTRACT BETWEEN
CITY OF SOUTH SAN FRANCISCO AND MUNISERVICES, LLC

THIS CONTRACT AMENDMENT No. 1 (the "Amendment") is entered into between City of South San Francisco ("City") and MuniServices, LLC ("MuniServices"), (collectively the "Parties").

The City and MuniServices agree as follows:

WHEREAS, the City and MuniServices, entered into a Consulting Services Agreement on or about July 1, 2017 (hereinafter "Agreement") to perform, among other things, Sales and Use Tax Audit Services;

WHEREAS, on or about November 8, 2016 the City adopted the ***Measure W - So. San Francisco Fiscal Stability & Essential Services T&U (SSFR),*** which became effective on or about April 1, 2017 (the "District Tax");

WHEREAS, the California Department of Tax and Fee Administration (collectively, or in the alternative, the "Agency" formerly known as , the State Board of Equalization) has taken the position that general references to "sales and use tax" are insufficient to allow access to information relating the collection of the District Tax by the Agency;

WHEREAS, the City and MuniServices, without conceding the correctness of the Agency's interpretation, deem it prudent to comply with the interpretation by amending the Agreement to specifically refer to the District Tax;

WHEREAS, section 7056 of the California Revenue and Taxation Code imposes conditions on the access to information related to the collection of sales, transaction, and use tax by the Agency;

NOW THEREFORE, in order to satisfy the requirements of section 7056 and further extend the Term of the agreement, the parties hereby amend the Agreement as follows:

1. Section 10.15 is hereby added to the Agreement to comply with state California Department of Tax and Fee Administration requirements to read as follows :

   Transaction and Use Tax
   "MuniServices qualifies under Section 7056 of the Revenue and Taxation Code to review (Bradley-Burns) confidential taxpayer information and documentation before the State Board of Equalization (BOE) or its successor agency, the Department of Tax and Fee Administration (collectively, or in the alternative, the "Agency".). MuniServices is hereby authorized by this Agreement to examine transaction tax, sales tax and use tax records of the Agency, including but not limited to the transaction and use tax that becomes effective on or about April 1, 2017 known as the ***Measure W - So. San Francisco Fiscal Stability & Essential Services T&U (SSFR)*** *pertaining to the ascertainment of those sales or transactions and use taxes to be collected for the City.*

   MuniServices is required to disclose information contained in, or derived from, those transaction, sales and use tax records only to an officer or employee of the City who is authorized by resolution to examine the information.

MuniServices is prohibited from performing consulting services for a retailer during the term of this Agreement.

MuniServices is prohibited from retaining the information contained in, or derived from, those transaction, sales and use tax records, after this Agreement has expired."

The City and MuniServices agree that although the scope of work generically refers to "sales and use tax" those references are meant to include "sales, transaction, and use tax" as part of the scope of work, including but not limited to any transaction and use taxes adopted after the effective date of the Agreement.

The Parties agree that Agreement is applicable to all Sales, Transaction and Use Tax Ordinances currently enacted in the City and which may become enacted while the Agreement is in effect.

The Parties agree that the City will adopt an updated resolution in substantially the same form as the template provided as Exhibit A to this Amendment.

2. That section 1.1 in said Agreement entitled "Term of Services" is hereby amended to read as follows:

   By way of this Amendment No. 1, City will exercise the option to extend this agreement for additional two-year periods and it will remain in effect through June 30, 2024.

3. Except as herein modified, all other provisions of the Agreement, including any exhibits and subsequent amendments thereto, shall remain in full force and effect. This Amendment No. 1 constitutes the entire agreement between the Parties with respect to the issues identified herein and supersedes any prior written or oral amendment.

4. In case of a conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall strictly prevail.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives as of the date set forth below.

DATED: _____, 2017

CITY OF SOUTH SAN FRANCISCO

By: _____

Name: _____

Title: _____

MUNISERVICES, LLC

By: _____
Carl Kumpf
CFO

APPROVED AS TO FORM:

_____
Office of the City Attorney

Exhibit A

RESOLUTION NO._____

A Resolution Authorizing the Examination of Sales or Transactions and Use Tax Records

WHEREAS, pursuant to Ordinance Nos. _____, the City of South San Francisco entered into a contract with the State Board of Equalization to perform all functions incident to the administration and collection of the Transactions and Use Tax Ordinances and the local sales and use taxes; and

WHEREAS, City deems it necessary for authorized representatives of City to examine confidential sales and transactions and use tax records of the Board or its successor agency, the California Department of Tax and Fee Administration, (collectively, or in the alternative, the "Agency") pertaining to sales and transactions and use taxes collected for City by the Agency; and

WHEREAS, Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Agency records and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from sales or transactions and use tax records of the Agency; and

WHEREAS, Section 7056 of the California Revenue and Taxation Code requires that any person designated by City shall have an existing contract to examine City's sales and transactions and use tax records.

NOW, THEREFORE IT IS RESOLVED AND ORDERED AS FOLLOWS:

Section 1. That the [insert title (i.e. Finance Director)], or other officer or employee of City designated in writing by the [insert title (i.e. Finance Director) to the Agency is hereby appointed to represent City with authority to examine all of the sales and transactions and use tax records of the Agency pertaining to sales and transactions and use taxes collected for City by the Agency pursuant to the contract between City and the Agency. The information obtained by examination of Agency records shall be used for purposes related to the collection of City's sales and transactions and use taxes by the Agency pursuant to the contract.

Section 2. That the [insert title (i.e. Finance Director), or other officer or employee of City designated in writing by the [insert title (i.e. Finance Director) to the Agency, is also hereby appointed to represent City with the authority to examine those sales and transactions and use tax records of the Agency for purposes related to the following governmental functions of City:

a) tracking and economic development
b) forecasting and budget related functions
c) detection of misallocations and deficiencies

The information obtained by examination of Agency records shall be used only for those governmental functions of City listed above.

Section 3. That MuniServices, LLC is hereby designated and authorized to examine all of the sales and transactions and use tax records of the Agency pertaining to all sales and use taxes collected for City and any transaction and use taxes collected for City under the following Transactions and Use Tax Ordinances and any future Transactions and Use Tax Ordinances that may be enacted in the City:

Measure W - So. San Francisco Fiscal Stability & Essential Services T&U (SSFR)

The person or entity designated by this section meets all of the following conditions:

a) has an existing contract with City to examine sales and transactions and use tax records;

b) is required by that contract to disclose information contained in, or derived from those sales and transactions and use tax records only to an officer or employee authorized under Section 1 (or Section 2) of this resolution to examine the information;

c) is prohibited by that contract from performing consulting services for a retailer during the term of that contract;

d) is prohibited by that contract from retaining the information contained in, or derived from those sales and transactions and use tax records after that contract has expired.

BE IT FURTHER RESOLVED that the information obtained by examination of Agency records shall be used only for purposes related to the collection of City's sales and transactions and use taxes by the Agency pursuant to the contracts between City and the Agency and for purposes relating to the governmental functions of City listed in Section 2 of this resolution.

Section 4. This resolution supersedes all prior sales and transactions and use tax resolutions of City adopted pursuant to subdivision (b) of Revenue and Taxation Code Section 7056.

Introduced, approved and adopted this _____ day of _____, 2017.

_____ _____

(Name & Title) (Attest)

_____ _____

(Signature) (Date)

File #: 22-645 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 6b.

Resolution authorizing the examination of sales or transactions and use tax records by MuniServices, LLC, and authorizing the City Manager to execute a contract amendment with MuniServices, LLC.

WHEREAS, pursuant to Ordinance Nos. 02-2016, the City of South San Francisco entered into a contract with the State Board of Equalization to perform all functions incident to the administration and collection of the Transactions and Use Tax Ordinances and the local sales and use taxes; and

WHEREAS, City deems it necessary for authorized representatives of City to examine confidential sales and transactions and use tax records of the Board or its successor agency, the California Department of Tax and Fee Administration, (collectively, or in the alternative, the "Agency") pertaining to sales and transactions and use taxes collected for City by the Agency; and

WHEREAS, Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Agency records and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from sales or transactions and use tax records of the Agency; and

WHEREAS, Section 7056 of the California Revenue and Taxation Code requires that any person designated by City shall have an existing contract to examine City's sales and transactions and use tax records.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH SAN FRANCISCO RESOLVES AS FOLLOWS:

SECTION I. That the City Manager, or other officer or employee of City designated in writing by the City Manager to the Agency is hereby appointed to represent City with authority to examine all of the sales and transactions and use tax records of the Agency pertaining to sales and transactions and use taxes collected for City by the Agency pursuant to the contract between City and the Agency. The information obtained by examination of Agency records shall be used for purposes related to the collection of City's sales and transactions and use taxes by the Agency pursuant to the contract.

SECTION II. That the City Manager, or other officer or employee of City designated in writing by the City Manager to the Agency, is also hereby appointed to represent City with the authority to examine those sales and transactions and use tax records of the Agency for purposes related to the following governmental functions of City:

a. tracking and economic development
b. forecasting and budget related functions
c. detection of misallocations and deficiencies

The information obtained by examination of Agency records shall be used only for those governmental functions of City listed above.

SECTION III. That MuniServices, LLC is hereby designated and authorized to examine all of the sales and transactions and use tax records of the Agency pertaining to all sales and use taxes collected for City and any transaction and use taxes collected for City under Measure W - So. San Francisco Fiscal Stability & Essential Services T&U (SSFR) and any future Transactions and Use Tax Ordinances that may be enacted in the City. The person or entity designated by this Resolution meets all of the following conditions:

a. has an existing contract with City to examine sales and transactions and use tax records;
b. is required by that contract to disclose information contained in, or derived from those sales and transactions and use tax records only to an officer or employee authorized under Section 1 (or Section 2) of this resolution to examine the information;
c. is prohibited by that contract from performing consulting services for a retailer during the term of that contract;
d. is prohibited by that contract from retaining the information contained in, or derived from those sales and transactions and use tax records after that contract has expired.

BE IT FURTHER RESOLVED that the information obtained by examination of Agency records shall be used only for purposes related to the collection of City's sales and transactions and use taxes by the Agency pursuant to the contracts between City and the Agency and for purposes relating to the governmental functions of City listed in Section 2 of this resolution.

BE IT FURTHER RESOLVED that this resolution supersedes all prior sales and transactions and use tax resolutions of City adopted pursuant to subdivision (b) of Revenue and Taxation Code Section 7056.

File #: 22-646 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 7.

Report regarding a resolution authorizing submission of the 2022 Infill Infrastructure Grant (IIG) Program to the California State Department of Housing and Community Development. *(Ernesto Lucero, Acting Deputy Director, Economic and Community Development Department)*

RECOMMENDATION

Staff recommends that the City Council approve a resolution authorizing submission of the 2022 Infill Infrastructure Grant (IIG) Program to the California State Department of Housing and Community Development (HCD) and authorizing the City Manager to execute related agreements and take related actions.

BACKGROUND/DISCUSSION

In 2007, the former Redevelopment Agency of the City of South San Francisco ("Redevelopment Agency") entered into an agreement with the City and County of San Francisco/San Francisco Public Utilities Commission (SFPUC) to purchase 13.2 acres of land located in the vicinity of El Camino Real and Chestnut (PUC Site). The sale was completed and the property transferred to the Agency on January 31, 2008. Within this 13.2-acre property, the PUC Site consists of two vacant lots totaling approximately 5.9 acres, identified as a portion of APNs 093-312-050 and 093-312-060.

The PUC Site, as envisioned in several policy documents, offers an opportunity for mixed-use development, due to its large contiguous land area, extensive frontage along Mission Road, and direct pedestrian access to the South San Francisco BART station, El Camino Real commercial corridor, Centennial Trail, and other amenities. In late 2011, the City Council adopted the El Camino Real/Chestnut Avenue Area Plan (Area Plan) to help guide future development on the PUC Site and adjacent parcels. The subject site is zoned according to the Area Plan, with the designation for high density residential. The Project contains three vertical development structures on three parcels (with a companion subdivision map). Parcel 1 will have Building C2, Parcel 2 will have Building C1 and Parcel 3 will have Building B. Building C2 will provide 158 units of 100% affordable housing. Other community benefits include an 8,300 SF childcare center, a 13,000 SF market hall with a public plaza and 1.4 acres of public open space in the form of a community park, market hall plaza, and picnic area.

Building upon the existing site amenities, the project will provide a series of linked public open space along the Centennial Trail. Multiple access points from Mission Road to the Community Park will be provided. The Centennial Trail pedestrian/bike trail improvement will include better lighting, new interpretive signs, seating, and bike share stations along the trail.

From the beginning of the Request for Proposals (RFP) process, L37-KASA and BRIDGE Housing factored in receiving IIG funding to help supplement the cost of horizontal and infrastructure work proposed in its offer. During the negotiation of the Purchase and Sale Agreement (PSA) and Development Agreement (DA) with staff. The IIG application is a key funding program that supports the overall financial feasibility of the PUC Site's development. As the applicant, the City would be awarded grant dollars from HCD, which would then be allocated by the City to BRIDGE and L73-KASA, as applicable per the IIG guidelines. These funds will be used to pay for IIG eligible expenses, which are described in greater detail below.

Eligible costs include parking costs for the affordable property, and "horizontal" development costs including storm water, utility relocation and installation, public open space, streetscape, landscaping and site prep and grading for the master plan area overall. As a master-planned site, the project is eligible for $30 million of funding under the IIG program guidelines as a Qualified Infill Area (QIA) application.

Below is a summary of how the IIG grant would be used to fund the development of the PUC site:

Total Eligible IIG Request $30,000,000

- $7,500,000 to support development costs associated with the 158-unit affordable housing project, including required parking, design costs, and impact fees.
- $9,797,640 of infrastructure cost associated with parcels 1, 2, and 3. These costs include rough grading of open space areas, relocating existing utility infrastructure, new wet and dry utilities, storm water control, traffic mitigation devices, site prep and demo, sidewalk and streetscape, street and open space lighting, storm water improvements.
- $3,665,322 of work in the Mission Road ROW, including undergrounding utilities, enclosure of open storm drains and open water mitigation efforts, new and improved sidewalks and streetscape, street grinding, repaving, and restriping to Mission Road, and traffic signal improvements.
- $1,638,624 of landscaping expenses associated with the BART Parcel parks, Centennial Trail improvements, the market hall plaza, the public paseo between buildings C1 and C2 and other landscaped areas around projects.
- $1,760,125 in soft costs that include design and engineering expenses.
- $1,500,000 to support the payment of impact fees required as a condition of project approvals.
- $4,138,290 of infrastructure cost associated with parcels controlled by BART, Kaiser and other third parties. These costs include rough grading of open space areas, relocating existing utility infrastructure, and new wet and dry utilities and storm water control.

The IIG funds will support the development of the new market hall public plaza, Centennial Trail and Colma Creek improvements, a one-acre Community Park behind and between Buildings C1 and C2 and the Colma Creek, 0.2 acres of Picnic Area Building upon the existing site amenities and a series of linked public open spaces arrayed along the Centennial Trail. Multiple access points from Mission Road to the Community Park will be provided. The Community Park will include children's play area, sculpture lawn, adult fitness stations and seating. The Centennial Trail pedestrian/bike trail improvement will include better lighting, new interpretive signs, seating, and bike share stations along the trail.

Due to the competitive nature of these grant funds, the City continues to apply for the Infill Infrastructure Grant (IIG) Program in 2022, as the City was not awarded grant funds in 2021 from HCD.

FISCAL IMPACT

There is no fiscal impact to the General Fund associated with the recommended action. HCD is offering the opportunity to apply for a competitive IIG to that will support the development of public open space and infrastructure improvements at the PUC site.

CONCLUSION

It is recommended that the City Council adopt a resolution authorizing submission of the 2022 IIG Program application to the California State Department of Housing and Community Development and authorizing the

City Manager to execute related agreements and take related actions.

Legislation Text

File #: 22-647
Version: 1

Agenda Date: 8/10/2022
Item #: 7a.

Resolution of the City Council of the City of South San Francisco authorizing an application for the 2022 Infill Infrastructure Grant (“IIG”) Program.

WHEREAS, the California Department of Housing and Community Development ("Department") has issued a Notice of Funding Availability (“NOFA”) dated June 16, 2022, under the IIG Program; and

WHEREAS, the City of South San Francisco (“City”) wishes to apply for and receive an allocation of funds through the IIG Program for the South San Francisco PUC Site; and

WHEREAS, the City is an Eligible Applicant under the IIG Program and wishes to apply for an IIG Program Grant in an amount not to exceed $30,000,000 (“IIG Grant”) to develop infrastructure in support of affordable housing (“IIG Project”) under the above described NOFA.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of South San Francisco that the City Council does hereby authorize and direct the City to act in connection with the Department’s IIG Grant pursuant to the above mentioned NOFA as provided herein.

IT IS FURTHER RESOLVED that in connection with the City’s IIG Grant, the City is authorized and directed to enter into, execute, and deliver a State of California Standard Agreement, and any and all other documents required or deemed necessary or appropriate to carry into effect the full intent and purpose of the above resolution, in order to evidence the IIG Grant, the City's obligations related thereto, and the Department's security therefore; including, but not limited to, an affordable housing covenant, a performance deed of trust, a disbursement agreement, and certain other documents required by the Department as security for, evidence of or pertaining to the IIG Grant, and all amendments thereto (collectively, the "IIG Grant Documents").

IT IS FURTHER RESOLVED that the City Manager or his designee is hereby authorized to execute the IIG Grant Documents, and any amendment or modifications thereto, on behalf of the City.

IT IS FURTHER RESOLVED that this resolution shall take effect immediately upon its passage.

* * * * *

File #: 22-648 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 8.

..Title
Report regarding a resolution to continue conducting City Council and advisory body meetings remotely due to health and safety concerns for the public and making related findings *(Sky Woodruff, City Attorney)*

RECOMMENDATION

Staff recommends that the City Council adopt a resolution to continue allowing the City Council and advisory bodies to conduct meetings remotely due to health and safety concerns for the public and making related findings in compliance with AB 361 (2021).

BACKGROUND/DISCUSSION

Adopted and signed into law on September 16, 2021, Assembly Bill 361 (AB 361) permits local legislative bodies to meet remotely during a declared state of emergency by complying with certain statutory requirements and making certain findings relating to the ability to meet safely in person. After an initial remote meeting utilizing the provisions of AB 361, to continue teleconference meetings the City Council will be required to reconsider the circumstances of the emergency every 30 days that the City's legislative bodies need to be able to continue to meet remotely to ensure the health and safety of the public.

On September 21, 2021, the City Council adopted an initial Resolution No. 166-2021 making findings and declaring the need for the Council and advisory bodies to continue meeting remotely to ensure the health and safety of the public and authorizing remote teleconference meetings pursuant to Government Code section 54953(e). Since the adoption of those resolutions, the City Council has utilized a hybrid in-person/teleconference meeting model. During this time, the Delta and Omicron variants have surged to be a significant risk and caused case spikes throughout the state. The City has continued to review and has adopted subsequent resolutions to reconsider the public health emergency circumstances and made additional findings required by AB 361. State and local governments have continued to monitor and respond to the trends impacting public health circumstances.

The San Mateo County Health Department and the State continues to recommend indoor masking, especially for gatherings that include the elderly, immunocompromised, or people who are not vaccinated. The State of California continues to require masks in certain areas such as public transit, stations, terminals, and airports; healthcare facilities; emergency and homeless shelters; correctional facilities; and long-term care facilities, and continues to recommend masks in indoor public settings, K-12 schools, and childcare facilities. The Centers for Disease Control and Prevention ("CDC") continues to recommend physical distancing of at least six feet (6') from others outside of the household.

The Council is being asked to review the prior AB 361 findings to continue teleconference meetings under AB 361 for the City's legislative bodies. Staff recommends that the City Council adopt a resolution to declare these findings remain true so that these bodies can continue to meet remotely.

RELATIONSHIP TO THE STRATEGIC PLAN

Continued use of teleconference meetings will promote community participation, contributing to the City's Strategic Plan Priority No. 6 - Community Connections.

FISCAL IMPACT
There is no fiscal impact.

CONCLUSION
Staff recommends that the City Council adopt a resolution to continue conducting the City's legislative body meetings remotely due to health and safety concerns for the public and making related findings in compliance with AB 361 (2021).

File #: 22-649 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 8a.

Resolution of the City Council of the City of South San Francisco declaring the continuing need for the City legislative bodies to meet remotely to ensure the health and safety of the public and making related findings.

WHEREAS, on March 4, 2020, Governor Newsom declared a State of Emergency to make additional resources available, formalize emergency actions already underway across multiple state agencies and departments, and help the State prepare for a broader spread of COVID-19; and

WHEREAS, on March 11, 2020, the City Council adopted Resolution No. 35-2020 declaring a local emergency due to COVID-19; and

WHEREAS, on May 13, 2020, the City Council adopted Resolution No. 57-2020 amending and updating a local emergency due to COVID-19; and

WHEREAS, on March 17, 2020, in response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act to allow local legislative bodies to conduct meetings telephonically or by other means; and

WHEREAS, as a result of Executive Order N-29-20, staff set up virtual meetings for all City Council and legislative body meetings; and

WHEREAS, on June 11, 2021, Governor Newsom issued Executive Order N-08-21, which placed an end date of September 30, 2021, for agencies to meet remotely; and

WHEREAS, since issuing Executive Order N-08-21, the Delta variant has emerged, causing a spike in COVID-19 cases throughout the state; and

WHEREAS, on August 3, 2021, in response to the Delta variant, the San Mateo County Health Department ordered all individuals to wear masks when inside public spaces and maintain social distancing; and

WHEREAS, on September 16, 2021, the Governor signed Assembly Bill 361 (AB 361) (2021) which allows for local legislative bodies to continue to conduct meetings via teleconferencing under specified conditions, including that the City Council makes specified findings; and

WHEREAS, since the passage of AB 361, the Omicron variant and sub-variants have spread across the Bay Area, the state and nationwide, causing an additional spike in COVID-19 cases and creating significantly higher risks of infection and hospitalization; and

WHEREAS, in response to the fast-spreading Omicron variant, the California Department of Public Health issued an order on December 15, 2021, requiring everyone in the state to wear masks in indoor public spaces and workplaces, which order and the County Health Department's order are effective through February 15, 2022; and

WHEREAS, the County Health Department continues to recommend indoor masking, especially for gatherings that include the elderly, immunocompromised, or people who are not vaccinated; and

WHEREAS, the State of California continues to require masks in certain areas such as public transit, stations, terminals, and airports; healthcare facilities; emergency and homeless shelters; correctional facilities; and long-term care facilities, and also continues to recommend masks in indoor public settings, K-12 schools, and childcare facilities; and

WHEREAS, the Centers for Disease Control and Prevention ("CDC") continues to recommend physical distancing of at least six feet (6') from others outside of the household; and

WHEREAS, the City cannot maintain social distancing requirements for the public, staff, Councilmembers, and advisory body members in their respective meeting locations; and

WHEREAS, because of the rise in cases due to the Delta and Omicron variants and sub-variants, the City is concerned about the health and safety of all individuals who intend to attend Council and advisory body meetings; and

WHEREAS, on September 21, 2021, the City Council adopted an initial Resolution No. 166-2021 making findings and declaring the need for the Council and advisory bodies to continue meeting remotely in order to ensure the health and safety of the public and authorizing remote teleconference meetings pursuant to Government Code section 54953(e), and thereafter has both utilized a hybrid in-person/teleconference meeting model as well as reviewed and adopted additional resolutions reconsidering the circumstances of the public health emergency and making findings and declaring the need for the Council and advisory bodies to continue meeting remotely in order to ensure the health and safety of the public and authorizing remote teleconference meetings pursuant to Government Code section 54953(e); and

WHEREAS, the City Council has again reconsidered the circumstances of the Governor's state of emergency proclamation pursuant to Government Code section 8625, which remains active; and

WHEREAS, the circumstances described under Resolutions No. 166-2021 and subsequent resolutions continue to exist and the City continues to be concerned about the health and safety of all individuals who intend to attend Council and advisory body meetings; and

WHEREAS, the City shall ensure that its meetings comply with the provisions required by AB 361 (2021) for holding teleconferenced meetings.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH SAN FRANCISCO RESOLVES AS FOLLOWS:

1. The above recitals are true and correct, and incorporated into this Resolution.

2. In compliance with AB 361 (2021), and to continue to conduct teleconference meetings without complying with the usual teleconference meeting requirements of the Brown Act, the City Council makes the following findings:

a) The City Council has reconsidered the circumstances of the state of emergency; and

b) The state of emergency, as declared by the Governor and City Council, continues to directly impact the ability of the City Council and the City's advisory bodies, as well as staff and members of the public, from meeting safely in person; and

c) The CDC continues to recommend physical distancing of at least six feet (6') from others outside of the household; however, the City cannot maintain social distancing requirements for the Councilmembers, advisory bodies, staff and public in the meeting spaces; and

d) The City Council and advisory bodies continue to need to be able to meet remotely due to present imminent risks to the health or safety of attendees.

3. City Council and City's legislative body meetings may continue to be conducted remotely in compliance with AB 361, to better ensure the health and safety of the public.

4. The City Council will revisit the need to conduct meetings remotely within 30 days of the adoption of this resolution.

* * * * *

File #: 22-652 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 9.

Report regarding approval of a resolution authorizing the acceptance of $3,200 in donation funding from the Stanford Gardner Center to support Healthy Places for a Healthy City, and approving Budget Amendment #23.005. (*Tamiko Huey, Management Analyst II*)

RECOMMENDATION

It is recommended that City Council adopt a resolution authorizing the acceptance of $3,200 in donation funding from the Stanford Gardner Center to support future programs and events under the Healthy Places for a Healthy City initiative through the City Manager's Department and approving Budget Amendment 23.005.

BACKGROUND/DISCUSSION

The City of South San Francisco (City) has received a donation of $3,200 from the Stanford Gardner Center for hosting a focus group at the Grand Avenue Library on November 17, 2021, to support San Mateo County's COVID-19 Recovery Initiative. San Mateo County's COVID-19 Recovery Initiative is a collaboration among local government agencies, non-government organizations, private partners, and residents to promote inclusive recovery and leverage the collective capacity of the whole community to build a more equitable, healthy, and connected San Mateo County. The City partnered in this initiative by recruiting South San Francisco residents to participate in the focus group and provide feedback on elements they wished to see prioritized as San Mateo County plans recovery efforts from the COVID-19 pandemic.

The donation amount of $3,200 will be used to support future programs and events under the Healthy Places for a Healthy City initiative, which focuses on uplifting the health and well-being of South San Francisco residents through Healthy Eating and Active Living (HEAL).

FISCAL IMPACT

Donated funds will be used to amend the City Manager's Department's current FY 2022-23 Operating Budget per Budget Amendment #23.005. Receipt of these funds does not commit the City to ongoing funding.

RELATIONSHIP TO STRATEGIC PLAN

Acceptance of this donation will contribute to the City's Strategic Plan under Priority #2: Quality of Life - build and maintain a sustainable city, grounded in racial and social equity anchored by strengthening programs that support active recreation, safe and accessible transportation options, and healthy lifestyles, including wellness and exercise.

CONCLUSION

Receipt of these funds will enable the City to support future programming and events under the Healthy Places for a Healthy City initiative. It is recommended that the City Council accept $3,200 in donation funding and approve Budget Amendment #23.005.

File #: 22-651
Version: 1

Agenda Date: 8/10/2022
Item #: 9a.

Resolution authorizing the acceptance of $3,200 in donation funding from the Stanford Gardner Center to support Healthy Places for a Healthy City, and approving Budget Amendment #23.005.

WHEREAS, the Stanford Gardner Center has awarded the City of South San Francisco (City) $3,200 in donation funding for hosting a focus group at the Grand Avenue Library on November 17, 2021, to support San Mateo County's COVID-19 Recovery Initiative; and

WHEREAS, San Mateo County's COVID-19 Recovery Initiative is a collaboration among local government agencies, non-government organizations, private partners, and residents to promote inclusive recovery and leverage the collective capacity of the whole community to build a more equitable, healthy, and connected San Mateo County; and

WHEREAS, the $3,200 in donation funding will be used to support future programs and events under the Healthy Places for a Healthy City initiative, which focuses on uplifting the health and well-being of South San Francisco residents through Healthy Eating and Active Living (HEAL); and

WHEREAS, acceptance of this donation will contribute to the City's Strategic Plan under Priority #2 Qualify of Life, by strengthening programs that support healthy lifestyles, including wellness and exercise; and

WHEREAS, grant funds will be used to amend the Fiscal Year 2022-2023 Operating Budget per Budget Amendment #23.005.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of South San Francisco that the City hereby accepts $3,200 in donation funding from the Stanford Gardner Center to support Healthy Places for a Healthy City.

BE IT FURTHER RESOLVED, that the City Council approves Budget Amendment #23.005 to amend the Fiscal Year 2022-2023 Operating Budget.

BE IT FURTHER RESOLVED, that the City Council hereby authorizes the City Manager to execute the documents necessary to accept the grant funding and take any other actions necessary to carry out the intent of this resolution on behalf of the City Council, subject to approval as to form by the City Attorney.

* * * * *

File #: 22-656 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 10.

Report regarding a resolution approving Amendment No. 23 to the Professional Services Agreement with Meyers Nave. *(Mike Futrell, City Manager)*

RECOMMENDATION

Recommendation

It is recommended that the City Council adopt a resolution approving Amendment No. 23 to the Professional Services Agreement with Meyers Nave.

BACKGROUND/DISCUSSION

The City Council is hereby requested to consider and approve Amendment No. 23 to the Professional Services Agreement between the City of South San Francisco/South San Francisco Successor Agency (City) and Meyers Nave. The proposed amendment modifies the amount paid by the City for the range of legal services included in the current Professional Services Agreement.

Meyers Nave has served as the City Attorney for the City since September of 1994. The City Attorney rates were last adjusted in January 2021. The proposed contract amendment and proposed rate adjustments are shown in Amendment No. 23 (attached to the associated resolution as Exhibit A), and would be effective August 1, 2022, with additional adjustments on July 1, 2023.

The proposed hourly rate represents an 8% increases and are in line with changes in inflation since January 1, 2021.

FISCAL IMPACT

Sufficient funds are included in the Fiscal Year 2022-2023 General Fund Budget in Account 100-04110-5003.

No additional appropriation is needed at this time.

CONCLUSION

Approval of this resolution will amend the agreement with Meyers Nave for City Attorney services, effective August 1, 2022, with additional adjustments on July 1, 2023.

File #: 22-657
Version: 1

Agenda Date: 8/10/2022
Item #: 10a.

Resolution approving Amendment No. 23 to the Professional Services Agreement Between the City of South San Francisco and Meyers Nave

WHEREAS, the City and Meyers Nave entered into a professional services agreement in March 1994; and

WHEREAS, the parties desire to amend said agreement to modify the compensation provided to Meyers Nave.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of South San Francisco does hereby:

1. Approve Amendment No. 23 to the Professional Services Agreement, as set forth in Exhibit A hereto; and

2. Authorize the City Manager to sign, on behalf of the City, Amendment No. 23.

AMENDMENT NO. 23 TO THE PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF SOUTH SAN FRANCISCO AND MEYERS NAVE

WHEREAS, the City of South San Francisco ("City") and Meyers Nave entered into a Professional Services Agreement in March 1994; and

WHEREAS, the City and Meyers Nave have approved twenty-two amendments to the Professional Services Agreement; and

WHEREAS, the City and Meyers Nave desire to amend said agreement to modify the compensation provided to Meyers Nave for basic and special legal services.

Effective August 1, 2022, the City and Law Firm do hereby agree as follows:

1. Section 4 "Compensation - Basic Services" shall be amended to read as follows:

Beginning August 1, 2022, City shall compensate Law Firm for all Basic Services as described in Section 1 on an hourly basis at the rate of $307 per hour for Principals and "Of Counsel" attorneys and $271 per hour for Associate attorneys.

Beginning July 1, 2023, City shall compensate Law Firm for all Basic Services as described in Section 1 on an hourly basis at the rate of $322 per hour for Principals and "Of Counsel" attorneys and $285 per hour for Associate attorneys.

Beginning August 1, 2022, in addition to Basic Services compensation, Law Firm shall also be paid for: 1) successor agency services or redevelopment legal services at the rate of $337 per hour for Principals and "Of Counsel" attorneys and $271 per hour for Associate attorneys; 2) enterprise fund matters (e.g., Sewer, Storm water and Solid Waste) at the rate of $366 per hour for Principal and "Of Counsel" attorneys, $337 per hour for Senior Associate attorneys, and $289 per hour for Junior Associate attorneys; 3) labor and employment matters at the rate of $350 per hour for Senior Principal attorneys, $345 per hour for Junior Principal attorneys, $340 per hour for Senior Of Counsel attorneys, $335 per hour for Of Counsel attorneys, $325 per hour for Senior Associate attorneys, and $310 per hour for Associate attorneys; and 4) cost recovery matters involving land use entitlements at the rate of $422 per hour for Senior Principal attorneys, $366 per hour for Junior Principal and Of Counsel attorneys, $337 per hour for Senior Associate attorneys, and $289 per hour for Junior Associate attorneys, and $173 per hour for paralegals, with the City's costs reimbursed by the development applicant.

Beginning July 1, 2023, in addition to Basic Services compensation, Law Firm shall also be paid for: 1) successor agency services or redevelopment legal services at the rate of $354 per hour for Principals and "Of Counsel" attorneys and $285 per hour for Associate attorneys; 2) enterprise fund matters (e.g., Sewer, Storm water and Solid Waste) at the

rate of $384 per hour for Principal and "Of Counsel" attorneys, $354 per hour for Senior Associate attorneys, and $303 per hour for Junior Associate attorneys; 3) labor and employment matters at the rate of $368 per hour for Senior Principal attorneys, $362 per hour for Junior Principal attorneys, $357 per hour for Senior Of Counsel attorneys, $352 per hour for Of Counsel attorneys, $341 per hour for Senior Associate attorneys, and $326 per hour for Associate attorneys; and 4) cost recovery matters involving land use entitlements at the rate of $443 per hour for Senior Principal attorneys, $384 per hour for Junior Principal and Of Counsel attorneys, $354 per hour for Senior Associate attorneys, and $303 per hour for Junior Associate attorneys, and $182 per hour for paralegals, with the City's costs reimbursed by the development applicant.

2. The first sentence of Section 5 "Compensation – Special Services" is hereby amended to read as follows:

Beginning August 1, 2022, City shall compensate Law Firm for all Special Services as described in Section 2 hereof on an hourly basis at the rate of $429 per hour for Senior Principals, $378 per hour for Junior Principals and Of Counsel attorneys, $323 per hour for Associate attorneys, and $173 per hour for paralegals, except that City shall compensate Law Firm for bond counsel services described in Section 2(g) at the standard market rates for bond counsel at bond closing.

Beginning July 1, 2023, City shall compensate Law Firm for all Special Services as described in Section 2 hereof on an hourly basis at the rate of $450 per hour for Senior Principals, $397 per hour for Junior Principals and Of Counsel attorneys, $339 per hour for Associate attorneys, and $182 per hour for paralegals, except that City shall compensate Law Firm for bond counsel services described in Section 2(g) at the standard market rates for bond counsel at bond closing.

Except as expressly provided herein, all other terms and conditions of the Professional Services Agreement between the City and Meyers Nave shall remain in full force and effect for the term of this Agreement. This amendment shall be effective as of August 1, 2022.

Date:_____

City of South San Francisco, a Municipal Corporation of the State of California and South San Francisco Successor Agency

By:_____
Mike Futrell, City Manager

Attest:

_____

City Clerk

Meyers Nave

By:_____
Sky Woodruff, Principal

File #: 22-659 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 11.

Report regarding a resolution authorizing the City Manager to execute a First Amendment to the banking services agreement with JPMorgan Chase Bank N.A. for an additional two year term ending on August 31, 2024. *(Karen Chang, Director of Finance)*

RECOMMENDATION

Staff recommends that the City Council adopt a resolution authorizing the City Manager to execute the optional two-year extension of the banking services agreement with JPMorgan Chase Bank N.A., period ending on August 31, 2024.

BACKGROUND/DISCUSSION

JPMorgan Chase Bank has provided the City of South San Francisco with commercial banking and merchant services since 2017. To ensure that the City continues to receive high quality services at a competitive rate, the Finance department recommends extending the contract through August 31, 2024 by exercising a two-year option contained in the agreement and through executing a First Amendment. Consistent with best practices, the City plans to issue an RFP for commercial and merchant banking services in 2024.

JPMorgan Chase Bank agrees that the rates set forth in the current Schedule 1 to the Agreement will remain the same until the end date of the Agreement, provided there are no material changes to any of the information provided by City (number of accounts, transaction volume, types of services, etc.) upon which pricing is based. If City requests any service or feature for which pricing is not listed in Schedule 1 to the Agreement, the implementation of such service or feature is subject to additional terms and fees to be mutually agreed upon at the time of City's request and execution of an amendment to the Agreement.

FISCAL IMPACT

Banking fees are combined with interest earnings for allocation purposes. Each fund is allocated interest earnings/bank fees each quarter and is reflected in the revenue estimates for FY 2022-23. No additional funding is needed to account for the cost of the agreement.

RELATIONSHIP TO STRATEGIC PLAN

Commercial banking services play a critical role in the City's business processes and supports Priority Area 3, Financial Stability.

CONCLUSION

Staff recommends exercising the two-year extension to ensure that the City continues to receive high quality services at a competitive rate.

File #: 22-660 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 11a.

Resolution authorizing the City Manager to execute a First Amendment to the banking services agreement with JPMorgan Chase Bank N.A. for an additional two year term ending on August 31, 2024.

WHEREAS, commercial banking services serve a critical role in the City of South San Francisco operations; and

WHEREAS, the City has executed an agreement with the current service provider JPMorgan Chase Bank N.A. since 2017; and

WHEREAS, best practices recommend that such current contract services be extended for two years without disruption; and

WHEREAS, staff recommends executing a First Amendment to the current agreement with JPMorgan Chase Bank N.A. to extend its terms for an additional two years and noting that best practices recommend that contract services be put out for bid every five to seven years.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of South San Francisco that the City Council hereby approves a First Amendment to the Banking Services Agreement with JPMorgan Chase for a two year period ending on August 31, 2024, attached hereto and incorporated herein as Exhibit A and with rates set forth as Schedule 1 attached to said exhibit.

BE IT FURTHER RESOLVED that the City Council of the City of South San Francisco authorizes the City Manager to execute the First Amendment in substantially the same form as Exhibit A and to make any revisions, amendments, corrections and modifications, subject to the approval of the City Attorney, deemed necessary to carry out the intent of this Resolution and which do not materially alter or increase the City's obligations there under; and to take any related action reasonably necessary to carry out the intent of this Resolution.

BE IT FURTHER RESOLVED that the City Council of the City of South San Francisco authorizes the Finance Department to establish an ongoing project budget to include the estimated costs consistent with the information contained in the staff report and Schedule 1 attached to Exhibit A.

FIRST AMENDMENT TO THE AGREEMENT BETWEEN THE CITY OF SOUTH SAN FRANCISCO AND JPMORGAN CHASE BANK, N.A.

THIS FIRST AMENDMENT TO THE BANKING SERVICES AGREEMENT is made at South San Francisco, California, as of August 31, 2022 by and between THE CITY OF SOUTH SAN FRANCISCO ("City"), a municipal corporation, and JPMorgan Chase Bank, N.A. ("Contractor"), (sometimes referred together as the "Parties") who agree as follows:

RECITALS

A. On September 1, 2017, City and Contractor entered that certain Banking Services Agreement ("Agreement") whereby Contractor agreed to provide banking services described in the Scope of Work attached as Exhibit A to the Agreement. A true and correct copy of the Agreement and its exhibits is attached as Schedule 1.

B. City and Contractor now desire to amend the Agreement.

NOW, THEREFORE, for and in consideration of the promises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Contractor hereby agree as follows:

1. All terms which are defined in the Agreement shall have the same meaning when used in this Amendment, unless specifically provided herein to the contrary.

2. Section 1: Term. The August 31, 2022 end date for the term of services identified in Section 1 of the Agreement is hereby replaced with August 31, 2024.

3. Section 2: Compensation. Contractor agrees that the rates set forth in Exhibit B to the Agreement shall remain the same until the end date of the Agreement, provided there are no material changes to any of the information provided by City (number of accounts, transaction volume, types of services, etc.) upon which pricing is based. If City requests any service or feature for which pricing is not listed in Exhibit B to the Agreement, the implementation of such service or feature is subject to additional terms and fees to be mutually agreed upon at the time of City's request and execution of an amendment to the Agreement. The compensation described in Section 2 is in addition to City's obligations under the Global Account and Consolidated Service terms referenced in Section 10.11 "Integration" of the Agreement.

All other terms, conditions and provisions in the Agreement remain in full force and effect. If there is a conflict between the terms of this Amendment and the Agreement, the terms of the Agreement will control unless specifically modified by this Amendment. This Amendment constitutes the entire agreement between the Parties with respect to the issues identified herein and supersedes any prior written or oral amendment.

[*SIGNATURES ON THE FOLLOWING PAGE*]

Dated: _____

CITY OF SOUTH SAN FRANCISCO

By: _____

City Manager

JPMORGAN CHASE BANK, N.A.

By: _____

Alexander Leonard
Authorized Officer

Approved as to Form:

By: _____
City Attorney

BANKING SERVICES AGREEMENT BETWEEN
THE CITY OF SOUTH SAN FRANCISCO AND
JPMorgan Chase Bank, N.A.
(this "Agreement")

THIS AGREEMENT is made by and between the City of South San Francisco ("City") and JPMorgan Chase Bank, N.A. ("Consultant") (together sometimes referred to as the "Parties") as of September 1, 2017 (the "Effective Date").

Section 1. SERVICES. Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in the Scope of Work described in Exhibit A, attached hereto and incorporated herein, and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement, Exhibit A, and any other documents comprising the Agreement, the order of precedence shall be as stated in Section 10.12. It is expressly recognized and agreed that merchant processing services component of the services requested under City's Request for Proposals – Banking Service and Merchant Services distributed April 24, 2017 (the "RFP") are not included within the Scope of Work governed by this Agreement. Rather such services, which have been awarded to Consultant by City, shall be governed by the Select Government Merchant Payment Card Processing Agreement – US Government Agreement as the same may be further negotiated between City and Paymentech, LLC.

1.1 Term of Services. The term of this Agreement shall begin on the Effective Date and shall end on August 31, 2022, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8.

1.2 Standard of Performance. Consultant shall perform all services required pursuant to this Agreement in accordance with the standard of "ordinary care," as such term is defined in the Uniform Commercial Code.

1.3 Assignment of Personnel. Consultant shall assign only competent personnel to serve as members of its Relationship Team assigned to oversee services performed for City under this Agreement. In the event that City, in its reasonable discretion, objects to any person assigned to such Relationship Team serving in such capacity at any time during the term of this Agreement, it may provide written notice of its concerns to Consultant and the latter shall promptly endeavor to correct any performance deficiencies noted with such person to City's reasonable satisfaction or otherwise endeavor to replace such person with a replacement who is reasonably satisfactory to the City.

1.4 Time. Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Sections 1.1 and 1.2 above and to satisfy Consultant's obligations hereunder.

Section 2. COMPENSATION. City hereby agrees to pay Consultant service fees at the rates specified in Exhibit B, notwithstanding any contrary indications that may be contained in Consultant's proposal in response to the RFP (the "Proposal"). In the event of a conflict between this Agreement and

the Proposal, the rates set forth in Exhibit B shall prevail. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified in Exhibit B shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including overhead and salaries and benefits of employees and subcontractors of Consultant. Consequently, the Parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

2.1 Invoices. Consultant shall submit invoices, in the form of an account analysis statement in the format of the sample account analysis statement set forth in Tab X of the Proposal, not more often than once per month during the term of this Agreement, based on the cost for services performed and reimbursable costs incurred prior to the invoice date.

2.2 Monthly Payment. City shall make monthly payments, based on invoices received, for services satisfactorily performed, and for authorized reimbursable costs incurred, net of the application of any Earned Credit Rate (the "ECR") against deposited balances, as described in the Proposal. Absent its receipt of written notice of any discrepancies in the services listed, fees charged and ECR earned for such period, Consultant shall auto debit any fees not otherwise covered by the ECR against City's designated account on the fifteenth (15th) day of the following month, and, in the event of insufficiencies therein, City shall pay the balance within thirty (30) day ECR's shall be applied to the period in which they are earned and will not carry over for subsequent periods. City shall have thirty (30) days from the receipt of an invoice that complies with all of the requirements above to pay Consultant. City shall have no obligation to pay invoices submitted ninety (90) days past the performance of work or incurrence of cost.

2.3 *Intentionally omitted.*

2.4 Total Payment. City shall pay for the services to be rendered by Consultant pursuant to this Agreement. City shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. City shall make no payment for any extra, further, or additional service pursuant to this Agreement.

In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment.

2.5 *Intentionally omitted.*

2.6 Reimbursable Expenses. Reimbursable expenses of Consultant are included in the total amount of compensation provided under Section 2 of this Agreement that shall not be exceeded.

2.7 Payment of Taxes, Tax Withholding. Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any similar federal or state taxes. To be exempt from tax withholding, Consultant must provide City with a valid California Franchise Tax Board form 590 ("Form 590"), as may be amended and such Form 590 shall be attached hereto and incorporated herein as Exhibit D. Unless Consultant provides City with a valid Form 590 or other valid, written evidence of an exemption or waiver from withholding, City may withhold California taxes from payments to Consultant as required by law. Consultant shall obtain, and maintain on file for three (3) years after the termination of this Agreement, Form 590s (or other written evidence of exemptions or waivers) from all subcontractors. Consultant accepts sole responsibility for withholding taxes from any non-California resident subcontractor.

2.8 Payment upon Termination. In the event that the City or Consultant terminates this Agreement pursuant to Section 8, the City shall compensate the Consultant for work performed prior to the effective date of termination, at the rates set forth in Exhibit B.

2.9 Authorization to Perform Services. The Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of authorization from the Contract Administrator.

2.10 *Intentionally omitted.*

Section 3. FACILITIES AND EQUIPMENT. Except as set forth herein, Consultant shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to enable it to perform the services required by this Agreement. City shall make available to Consultant only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

City shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Consultant's use while consulting with City employees and reviewing records and the information in possession of the City. The location, quantity, and time of furnishing those facilities shall be in the sole discretion of City. In no event shall City be obligated to furnish any facility that may involve incurring any direct expense, including but not limited to computer, long-distance telephone or other communication charges, vehicles, and reproduction facilities.

Section 4. INSURANCE REQUIREMENTS. Before beginning any work under this Agreement, Consultant, at its own cost and expense, unless otherwise specified below, shall procure the types and amounts of insurance listed below against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Consultant and its agents, representatives, employees, and subcontractors. Consistent with the following provisions, Consultant shall

provide Certificates of Insurance, attached hereto and incorporated herein as Exhibit C, indicating that Consultant has obtained or currently maintains insurance that meets the requirements of this section. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement. The cost of such insurance shall be included in the Consultant's bid. Consultant shall not allow any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s).

4.1 Workers' Compensation. Consultant shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than ONE MILLION DOLLARS ($1,000,000) per accident. In the alternative, Consultant may rely on a self-insurance program to meet those requirements, but only if the program of self-insurance complies fully with the provisions of the California Labor Code. Determination of whether a self-insurance program meets the standards of the Labor Code shall be solely in the discretion of the Contract Administrator (as defined in Section 10.9). The insurer, if insurance is provided, or the Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against the City and its officers, officials, employees, and volunteers for loss arising from work performed under this Agreement.

4.2 Commercial General and Automobile Liability Insurance.

4.2.1 General requirements. Consultant, at its own cost and expense, shall maintain commercial general ("CGL") and business automobile liability ("AL") insurance for the term of this Agreement in an amount not less than ONE MILLION DOLLARS ($1,000,000.00) per occurrence on the CGL and combined single limit coverage on the AL with coverage for risks associated with the work contemplated by this Agreement. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting there from, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.

4.2.2 Minimum scope of coverage. Commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 00 01. Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90).

4.2.3 Additional requirements. Each of the following shall be included in the insurance coverage or added as a certified endorsement to the policy for coverages listed in this Section 4.2:

a. The insurance shall cover on an occurrence or an accident basis, and not on a claims-made basis.

b. Any failure of Consultant to comply with reporting provisions of the policy shall not affect coverage provided to City and its officers, employees, agents, and volunteers.

4.3 Professional Liability Insurance.

4.3.1 General requirements. Consultant, at its own cost and expense, shall maintain for the period covered by this Agreement banker's professional liability insurance for professionals performing work pursuant to this Agreement in an amount not less than ONE MILLION DOLLARS ($1,000,000) covering the professionals' errors and omissions.

4.3.2 Claims-made limitations. The following provisions shall apply if the banker's professional liability coverage is written on a claims-made form:

a. The retroactive date of the policy must be shown and must be before the date of the Agreement.

b. A copy of the claim reporting requirements must be submitted to the City prior to the commencement of any work under this Agreement.

4.4 All Policies Requirements.

4.4.1 Acceptability of insurers. All insurance required by this section is to be placed with insurers with a Bests' rating of no less than A- (minus):VII.

4.4.2 Verification of coverage. Prior to beginning any work under this Agreement, Consultant shall furnish City with a certificate of insurance.

4.4.3 Additional insured; primary insurance. The Commercial General Liability and Business Auto Liability policies shall list City and its officers, employees, and volunteers as additional insureds as their interests may appear with respect to each of the following: liability arising out of activities performed by or on behalf of Consultant, including the insured's general supervision of Consultant; products and completed operations of Consultant, as applicable; premises owned, occupied, or used by Consultant; and automobiles owned, leased, or used by the Consultant in the course of providing services pursuant to this Agreement.

The Commercial General Liability and Business Auto Liability policies shall be primary insurance with respect to the City and its officers, officials, employees and

volunteers, and that no insurance or self-insurance maintained by the City shall be called upon to contribute to a loss under the coverage.

4.4.4 Wasting Policy. The Commercial General Liability policy shall not include a "wasting" policy limit.

4.4.5 Variation. The City may approve a variation in the foregoing insurance requirements, upon a determination that the coverage, scope, limits, and forms of such insurance are either not commercially available, or that the City's interests are otherwise fully protected.

4.5 Remedies. In addition to any other remedies City may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may, at its sole option exercise any of the following remedies, which are alternatives to other remedies City may have and are not the exclusive remedy for Consultant's breach:

a. Order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof; and/or

b. Terminate this Agreement.

Section 5. INDEMNIFICATION AND CONSULTANT'S RESPONSIBILITIES. To the fullest extent permitted by law, Consultant shall indemnify, defend with counsel selected who is not reasonably objectionable to the City, and hold harmless the City and its officials, officers, employees, agents, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to physical property, or any violation of any federal, state, or municipal law or ordinance, to the extent directly caused by the willful misconduct or negligent acts or omissions of Consultant or its employees, subcontractors, or agents.. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code, subject to the limitations of this Section 5. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages, as described herein, whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration. Notwithstanding the foregoing, neither party shall be liable to the other for any indirect, incidental, consequential, exemplary, punitive or special damages, including lost profits, regardless of the form of action or theory of recovery, even if that party has been advised of the possibility of those damages or the same are reasonably foreseeable. Consultant's liability for indemnified claims relating to damage to physical property under this Agreement shall not exceed, in the aggregate, an amount equal to two times the average annual fees paid or payable to Consultant under the Agreement

Section 6. STATUS OF CONSULTANT.

6.1 Independent Contractor. At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of City. City shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement; however, otherwise City shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of City and entitlement to any contribution to be paid by City for employer contributions and/or employee contributions for PERS benefits, as a consequence of performing services under this Agreement.

6.2 Consultant No Agent. Except as City may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent or to bind City to any obligation whatsoever.

Section 7. LEGAL REQUIREMENTS.

7.1 Governing Law. The laws of the State of California shall govern this Agreement, except to the extent pre-empted by federal law, in which case the latter shall control.

7.2 Compliance with Applicable Laws. Consultant and any subcontractors shall comply with all laws binding upon Consultant in the performance of the work hereunder.

7.3 Licenses and Permits. Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals, including from City, of what-so-ever nature that are legally required to perform the services under this Agreement. Consultant and any subcontractors it engages in the performance of services hereunder, shall, at their sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals that are legally required in order to perform such services.

7.4 Nondiscrimination and Equal Opportunity. Consultant shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by Consultant under this Agreement. Consultant shall comply with all applicable federal and state laws related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of Consultant thereby.

Consultant shall include the provisions of this Subsection in any subcontract approved by the Contract Administrator or this Agreement.

Section 8. TERMINATION AND MODIFICATION.

8.1 Termination. City may cancel this Agreement at any time and without cause upon written notification to Consultant.

Consultant may cancel this Agreement for cause upon 30 days' written notice to City and shall include in such notice the reasons for cancellation.

In the event of termination, Consultant shall be entitled to compensation for services performed prior to the effective date of termination at the rates set forth in Exhibit B.

8.2 Extension. City may, in its sole and exclusive discretion and subject to the concurrence of Consultant, which may be conditioned upon adjustments in pricing and other terms and conditions, extend the end date of this Agreement beyond that provided for in Subsection 1.1 for one (1) renewal period of two (2) years' duration.

8.3 Amendments. The parties may amend this Agreement only by a writing signed by all the Parties.

8.4 Assignment and Subcontracting. City and Consultant recognize and agree that this Agreement contemplates banking services by Consultant and is based upon a determination of Consultant's competence, experience, and banking knowledge. Moreover, a substantial inducement to City for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the Contract Administrator. Consultant shall not assign or subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors noted in the proposal, without prior written approval of the Contract Administrator. Notwithstanding the foregoing, Consultant may assign this Agreement without the prior written consent of City to a successor in interest in connection with a merger, reorganization, consolidation, or a disposition of a particular business to which this Agreement relates, and may assign this Agreement to an affiliate or subsidiary. In the event of such an assignment, Consultant shall notify City and, if City objects to such assignment, it shall have the right to immediately terminate this Agreement. For all purposes under this Agreement, inclusive of all attachments hereto, "subcontractor" and "subcontract" shall refer to a third party or an agreement with such third party, if any and as applicable, engaged by Consultant to specifically aid in the performance of its obligations under this Agreement, but shall not include any third party engaged by Consultant, from time to time, in the performance of certain operational, technological, incidental, or back office functions that assist Consultant in its performance of services, on a common basis, for all or most of its customers utilizing

such services, such latter category of third parties being referred to as Third Party Service Providers. Consultant will obtain prior consent to its use of any "subcontractors" in the performance of services, to the extent and in the manner required under this Agreement, but shall not be required to notify or obtain written consent from City or any other party to its engagement of Third Party Service Providers

8.5 Survival. Sections 2.8, 5, 9.2, 9.3, 9.4, 10.1, 10.2, 10.5, and 10.14 shall survive the termination of this Agreement.

8.6 Options upon Breach by Consultant. If Consultant materially breaches any of the terms of this Agreement, City's remedies shall include, but not be limited to, the following:

8.6.1 Immediately terminate the Agreement;

8.6.3 Retain a different consultant to complete the work described in Exhibit A not finished by Consultant; or

8.6.4 Exercise its remedies at law for breach of contract, subject to the limitations of Section 5.

Section 9. KEEPING AND STATUS OF RECORDS.

9.1 *Intentionally omitted.*

9.2 Consultant's Books and Records. Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement; provided that no records shall be required to be retained for a period longer than Consultant's standard record retention period for such category of records.

9.3 Inspection and Audit of Records. Any records or documents that Section 9.2 of this Agreement requires Consultant to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds TEN THOUSAND DOLLARS ($10,000.00), the Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement, subject to the following. Contractor will allow, at City's expense, City's auditors and independent public accountants, including where state or federal assistance is involved, state and federal auditors identified by City, reasonable access during normal working hours to City's bank records as is reasonably required in connection with their examination specifically pertaining to the City's accounts, and use of funds and services provided by Consultant to City. Any access or examination will be:

requested in writing; specifically describe the scope and records required; mutually agreed upon as to time and scope; and subject to Consultant's security procedures and record retention policies. Consultant may impose reasonable restrictions on the number of individuals allowed access, the frequency and length of access, and the scope of the records made available. City shall reimburse Consultant for the reasonable cost of copying, collating, researching and producing archived information.

9.4 Records Submitted in Response to an Invitation to Bid or Request for Proposals. All responses to a Request for Proposals (RFP) or invitation to bid issued by the City become the exclusive property of the City. At such time as the City selects a bid, all proposals received become a matter of public record, and shall be regarded as public records, with the exception of those elements in each proposal that are defined by Consultant and plainly marked as "Confidential," "Business Secret" or "Trade Secret."

The City shall not be liable or in any way responsible for the disclosure of any such proposal or portions thereof, if Consultant has not plainly marked it as a "Trade Secret" or "Business Secret," or if disclosure is required under the Public Records Act.

Although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City may not be in a position to establish that the information that a prospective bidder submits is a trade secret. If a request is made for information marked "Trade Secret" or "Business Secret," and the requester takes legal action seeking release of the materials it believes does not constitute trade secret information, by submitting a proposal, Consultant agrees to indemnify, defend and hold harmless the City, its agents and employees, from any judgment, fines, penalties, and award of attorneys fees awarded against the City in favor of the party requesting the information, and any and all costs connected with that defense. This obligation to indemnify survives the City's award of the contract. Consultant agrees that this indemnification survives as long as the trade secret information is in the City's possession, which includes a minimum retention period for such documents.

Section 10 MISCELLANEOUS PROVISIONS.

10.1 Attorneys' Fees. If a party to this Agreement brings any action, including arbitration or an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.

10.2 Venue. In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County San Mateo or in the United States District Court for the Northern District of California.

10.3 Severability. If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect to the extent consistent with effectuating the Parties' intentions. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

10.4 No Implied Waiver of Breach. The waiver of any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.

10.5 Successors and Assigns. The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the permitted successors and assigns of the parties.

10.6 Use of Recycled Products. Consultant shall prepare and submit all reports, written studies and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.

10.7 Conflict of Interest. Consultant may serve other clients, but none whose activities within the corporate limits of City or whose business, regardless of location, would place Consultant in a "conflict of interest," as that term is defined in the Political Reform Act, codified at California Government Code Section 81000 *et seq.* Notwithstanding the foregoing, City acknowledges that Consultant provides financial services to numerous customers throughout the globe, some of which may be located within the City and whose interests may be adverse to those of City and that providing financial services to such other persons does not constitute a "conflict of interest under the California Government Code nor the terms of this Agreement. Further, City acknowledges that Consultant is a wholly owned subsidiary of a publicly traded entity, JPMorgan Chase & Co., and City officers or other public officials of California or its political subdivisions and agencies may be shareholders of Consultant's parent.

Consultant shall not employ any City official as a Relationship Team member assigned to oversee the services provided for the City under this Agreement. Subject to the foregoing disclosure relative to indirect ownership interests in Consultant's parent, no officer or employee of City shall have any financial interest in this Agreement that would violate California Government Code Sections 1090 *et seq.*

10.8 Solicitation. Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials; provided that nothing herein shall prohibit Consultant from providing information and/or materials to the City or its designee, relative to additional products or services that Consultant offers which may be beneficial to the City, provided that, in the event that the City has released a solicitation for competitive bidding on any services, Consultant will not violate any resultant cone of silence relative to the offering of such services.

10.9 Contract Administration. This Agreement shall be administered, on the City's behalf, by the Director of Finance ("Contract Administrator"). All correspondence shall be directed to or through the Contract Administrator or his or her designee.

10.10 Notices. All notices and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given (i) when received if personally delivered; (ii) when received if transmitted by telecopy, if received during normal business hours on a business day (or if not, the next business day after delivery) provided that such facsimile is legible and that at the time such facsimile is sent the sending Party receives written confirmation of receipt; (iii) if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and (iv) upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to the respective Parties as follows:

Consultant:

J.P. Morgan Chase Bank, N.A.
560 Mission Street, 4th Floor
San Francisco, CA 94105

City:

City Clerk
City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080

10.11 Integration. This Agreement is comprised of this executed document ("Agreement in Chief"), Exhibits A and B attached hereto, and applicable Global Account and Consolidated Service terms referenced in Consultant's Proposal. In the event of inconsistencies between the documents comprising this Agreement, the following order of precedence shall apply, in which each listed document supersedes and replaces inconsistent provisions of the document that follows it in the listing below:

a. Agreement in Chief
b. Exhibit B – Pricing Schedule
c. Exhibit A – Statement of Work
d. Global Account Terms
e. Applicable Service Terms

These documents represent the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral pertaining to the matters herein.

10.12 Counterparts. This Agreement may be executed in counterparts and/or by facsimile or other electronic means, and when each Party has signed and delivered at least one such counterpart, each counterpart shall be deemed an original, and, when taken together with other signed counterpart, shall constitute one Agreement, which shall be binding upon and effective as to all Parties..

10.13 Construction. The headings in this Agreement are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this Agreement. The parties have had an equal opportunity to participate in the drafting of this Agreement; therefore any construction as against the drafting party shall not apply to this Agreement.

10.14 Use of term "Consultant." The use of the term "Consultant" in referencing JPMorgan Chase Bank, N.A., in no manner whatsoever shall be construed as any admission by the latter that it is a "consultant" as such term is used under the California Government Code, including, without limitation, provisions relative to consultant's adherence to conflicts of interest requirements applicable to government or public officials. No advisory services are to be provided under this Agreement and none of the obligations of or services provided by JPMorgan Chase Bank, N.A. under this Agreement would result in the latter exercising the governmental functions of a public official or influencing any public official's exercise of its governmental functions.

The Parties have executed this Agreement as of the Effective Date.

CITY OF SOUTH SAN FRANCISCO

City Manager

JPMORGAN CHASE BANK, N.A.

NAME: Beverly Correa

TITLE: Vice President

Attest:

City Clerk

Approved as to Form:

City Attorney

2729962.1

Tab D – Demand Deposit Accounts

(Two page maximum preferred.) The City currently uses five (5) accounts. The accounts are described below. The payroll and disbursement accounts have checks issued.

Please describe in detail the ability of the bank to provide the services for the accounts named below:

1. ***City of South San Francisco-General Deposit Account (Main Account that transfers funds to and from ZBA Accounts). This account sweeps nightly. Outgoing wire transfers are recorded in this account.***
2. ***City of South San Francisco-Payroll (ZBA Account) (checks and direct deposit/positive pay)***
3. ***City of South San Francisco-AP Disbursement Account (ZBA Account) (checks and EFT/positive pay)***
4. ***City of South San Francisco-Credit Card Accounts to track bank card activities (ZBA Account) Bank card transactions are in person, online, and over the phone) (Terminal ID for each settlement transaction to help reconcile credit card transaction and settlement)***
5. ***City of South San Francisco – Ambulance Lockbox Account (ZBA Account)***

The City can be confident that J.P. Morgan has the experience and capability in providing the aforementioned services for the City's accounts named above. Services are described in more detail below.

Zero Balance Account (ZBA): We offer the City zero balance accounts (ZBAs) as well as target balance accounts. The bank's ZBA offers fully automated zero balanced sweeping between single-entity owned accounts as well as multi-entity owned accounts. Accounts can be set to concentrate at either a zero or target balance level. Concentration can be set up with two primary options:

- **Zero Balance/Target Balance:** Accounts maintain a relationship-managed balance on a daily basis, with fully automated transfers to bring the accounts to a zero balance end of day. Target balance transfers are supported in the same manner as well.
- **Customized Transfers:** Options include one-way transfers, intraday concentration and time driven-scheduled transfers as well as fixed and variable balance calculations.

Through J.P. Morgan's ability to provide a completely automated end of day concentration process late-posted items are included in the zero balance or target balance transfer.

Wires: The City will have the ability to initiate wire transfers using a variety of payment options with J.P. Morgan ACCESS Online (ACCESS Online), our Internet-based cash management system. ACCESS Online offers a complete range of funds transfer services with strict control over access to functions and accounts facilitating compliance with internal audit requirements, while enhancing security. Details regarding wire transfers are included in our response in Tab F – ACH, Wire and Other Transfers, requirement #3.

Direct Deposit of Payroll: The City's employees can receive automatic electronic payroll payments to a designated checking or savings accounts using J.P. Morgan's ACH system. Please refer to Tab J – Direct Deposit of Payroll for details.

Positive Pay: As part of a complete range of disbursement services available through ACCESS Online, J.P. Morgan offers the City Internet-based positive pay services. Our positive pay service will assist you in managing your check disbursement process, including uploading files, adding manually issued checks, decisioning of exception items and having to ability to view images of your checks. Please refer to Tab H – Account Reconcilement for details.

Credit Card Account: J.P. Morgan can provide the City with a Credit Card account to help you reconcile your credit card activities.

Lockbox: We offer a full range of lockbox services that will allow the City to streamline your remittance processing and accelerate your revenue stream with a fast, cost-efficient, around-the-clock lockbox solution. We own and operate our own nationwide wholesale lockbox network of processing sites to offer the City fully automated wholesale and scannable wholesale lockbox services as well as economy lockbox services. Our centers are full-service processing facilities operated solely by the bank. We offer optimal availability, funds concentration and full information reporting with a 10-year archive. Please refer to Tab P – Lockbox Services for details.

Tab E – Deposit Compensation

(Two page maximum preferred.) The City compensates for bank services primarily with compensating balances and is charged for any deficiencies based on monthly account analysis.

1. List the bank's Earnings Credit Rate (ECR), and how it is calculated and applied.

The City will receive the benefit of our managed earnings credit rate, currently 0.65%

Cash remaining in a non-interest bearing demand deposit account uninvested at the end of the day is used to determine an earnings credit value on account balances. This credit is calculated by J.P. Morgan, and the total credit accrued for the month is reflected on the monthly account analysis statement and is applied to reduce the invoiced amount due for banking service fees.

J.P. Morgan uses the following formula to calculate the monthly earnings credit allowance:

Monthly Earnings Credit Allowance Calculation
$\frac{\text{(Average Monthly Investable Balance x ECR x Actual Number Of Days in Month)}}{\text{Actual Number of Days in Year}}$

2. List the bank's actual ECR for the past 12 months (August 2015 to July 2016), on compensating balances, net of any management spread, if any.

The bank's ECR for the City's requested past twelve months of (August 2015 to July 2016) as well as the past consecutive twelve months of (June 2016 to May 2017) is shown in the chart below.

ECR for the City's requested past twelve months (August 2015 to July 2016)					
	Standard ECR	Premium ECR		Standard ECR	Premium ECR
August, 2015	0.20%	0.30%	February, 2016	0.25%	0.35%
September, 2015	0.20%	0.30%	March, 2016	0.25%	0.35%
October, 2015	0.20%	0.30%	April, 2016	0.25%	0.35%
November, 2015	0.20%	0.30%	May, 2016	0.25%	0.35%
December, 2015	0.20%	0.30%	June, 2016	0.25%	0.35%
January, 2016	0.25%	0.35%	July, 2016	0.25%	0.35%
ECR for the past twelve months (June 2016 to May 2017)					
	Standard ECR	Premium ECR		Standard ECR	Premium ECR
June, 2016	0.25%	0.35%	December, 2016	0.25%	0.35%
July, 2016	0.25%	0.35%	January, 2017	0.25%	0.35%
August, 2016	0.25%	0.35%	February, 2017	0.25%	0.35%
September, 2016	0.25%	0.35%	March, 2017	0.30%	0.40%
October, 2016	0.25%	0.35%	April, 2017	0.30%	0.40%
November, 2016	0.25%	0.35%	May, 2017	0.30%	0.40%

3. Explain, in detail, how and when the FDIC assessment is computed and charged.

Balance Based Charges is a monthly fee assessed against client deposits to address various charges affecting J.P. Morgan. The fee is set by J.P. Morgan and is subject to periodic review and adjustment. As with other eligible banking series fees, Balance Based Charges may be offset by the earnings credit allowance.

In calculating the earnings credit rate (ECR), J.P. Morgan currently does not deduct the reserve requirement from the available balance.

Since October 1, 2008, the Federal Reserve has paid interest on reserves held at the Federal Reserve by member banks. J.P. Morgan passes this benefit to clients by basing the earnings credit on 100% of the eligible balance of non-interest bearing demand deposit accounts.

The following formula is used to calculate the Balance Based Charges:

Balance Based Charges
Charge Rate x Monthly Average Positive Ledger Balance x (Actual Days in Month / Actual Days in Year)

4. Detail exactly which types of items and services can be applied against the City's account analysis in addition to standard bank services, i.e., merchant bankcard processing, armored car service, bank courier service, etc.

Please see Tab V – Banking Services Fee Form for a customized price schedule and our pricing Pro Forma Analysis included in Tab W which includes any one-time or set-up charges, research fees and all other fees that may be charged.

Merchant processing and armored car service fees will not be assessed to the City's account analysis.

5. Does the City have the option of compensating on a fees or balances basis or, a combination of both? Describe any differences in related costs to the City with either option.

J.P. Morgan accepts compensation based on fees and/or balances, with no difference in unit prices.

If eligible balances are sufficient, the earnings credit allowance offsets the service charge. Should the level of eligible balances not fully cover the fees, remaining service charges are debited from designated accounts, generally on a monthly basis.

6. What procedure is used to make any adjustments to Account Analysis statements and how long does it take for adjustments to take effect?

Adjustments for prior periods are applied in the current billing cycle and details are provided in separate sections of the current analysis statement.

The City should notify J.P. Morgan in writing of any errors or not receiving an account analysis statement within 60 calendar days after the statement is mailed, transmitted or made available online.

Errors are researched thoroughly so appropriate adjustments can be applied to the account.

Should there be a billing error and adjustments not completed prior to the direct debit, J.P. Morgan will post the difference between the original and corrected service charge as a separate transaction.

Tab F – ACH, Wire and Other Transfers

(One page preferred.) Describe the bank's on-line transfer service capability and what specifically is recommended for the City's use and consideration.

1. ***Indicate what the funding requirement is for ACH payments and whether same-day payments are possible. In addition, indicate if it is possible to schedule payments in advance. Include deadlines for same and next day payments. Describe the acknowledgement you provide and timeline when (a) you receive file transmission, and (b) when a file transmission fails. Is there support available to assist if an electronic transfer fails? What are the customer service hours?***

Funding for ACH credits is required by 1:00 p.m. PT on the date of settlement, which is the Federal Reserve deadline for receipt of domestic wires. In its discretion, J.P. Morgan may require a customer to prefund the amount of ACH credit entries on the transmission date, or otherwise, prior to the settlement date.

Same-day ACH: J.P. Morgan now offers same-day ACH. U.S. ACH credit transactions of $25,000 and under are eligible for same-day processing.

Schedule Payments in Advance: The City will have the ability to schedule ACH payments in advance. For origination files received via direct transmission, the maximum retention time for future-date transactions is 90 days. ACH payments via ACCESS Online can be warehoused for up to 60 days in advance of the value date.

Cutoff times are as follows:

Client Initiation Method	Next Day ACH	Same Day ACH
Direct Transmission1,2	7:00 p.m. PT	9:30 p.m. PT (prefund) & 10:15 a.m. PT
ACH Payments via ACCESS Online1	7:00 p.m. PT	9:00 p.m. PT (prefund) & 10:00 a.m. PT
ACCESS Host-to-Host Payments1	7:00 p.m. PT	9:00 p.m. PT (prefund) & 10:00 a.m. PT

1Same-day settlement will occur if both the debit and credit accounts are held at J.P. Morgan.
Next-day settlement will occur when an involved account is not held at J.P. Morgan.
ACH PPDs must be received two business days in advance.
2 If later deadlines are required, this should be discussed with your relationship team.

Transmission Acknowledgements: To confirm the receipt of the City's direct transmission files, the City may choose to receive any of the following confirmation files:

- **ACH File Receipt Notification Service** is available to clients that provide J.P. Morgan with Direct Send ACH files and sends the City an email notification that their submitted ACH file was either successfully received by the ACH back office and validated, or rejected for further processing. Email notifications can be sent to a maximum of 10 corporate email addresses (personal email addresses are not supported) and does not include notification of successful ACH processing of client files.
- The **ACH Acknowledgement File** automatically transmits a copy of the City's original File Header (1) record and File Control (9) record; allowing the City to reconcile back to their original ACH file processing records.

- The **ACH Companion (Mirror) File** provides a complete copy of the original incoming ACH NACHA detail payment file received by J.P. Morgan. This re-confirms the individual payment instructions that will be processed and is often used as a reconcilement file. Any ACH rejects or returns will be reported back to the City within one to three business days.
- The **ACH Transaction Summary Report (Journal)** is created post-processing and summarizes the settlement results and totals for either an individual file or for the entire business day. The report is sent to the City via secure email or direct transmission delivery and is provided within 90 minutes of receipt of the ACH initiation file. Item count and dollar amount are included in the acknowledgement.
- **ACH InfoDex** offers the City a "hands-on" telephonic method to have authorized users securely verify and release ACH files. This is done by listening to the total dollar amount and number of items and approving that this information conforms to the City's own records.

J.P. Morgan recommends implementing auto-acknowledgements for receipts of the transmission. If the City fails to receive an acknowledgement within 15 minutes of the transmission, you should contact the bank's Transmission Services Group for status and next steps. If the transmission fails, we will work with you to have the ACH or wire released in a timely manner, making sure adjustments will not need to be made to the account.

ACH Operating Hours			
	Monday-Friday	**Saturday**	**Sunday**
Customer Service	4:00 a.m. to 4:00 p.m. PT	Closed	
ACH Operations Center	4:00 am PT Monday to 11:00 p.m. PT Saturday		1:00 p.m. Sunday to 10:00 p.m. PT Monday
ACH Transmission Services Group	12:00 p.m. PT Sunday to 12:00 a.m. PT Saturday		
ACH File Inputs Accepted	24 / 7 / 365		

2. Confirm if the City has the ability to change, add or delete an item after transmitting ACH files. If yes, describe the procedure and cut-off times.

The City can initiate online transaction deletions, reversals or reclamations in a secure manner, using eServe, the bank's Internet-enabled client service tool, or by initiating requests via file transmission. You may delete an entire file by contacting your dedicated client service professional or the ACH Transmission Services Group by phone at (813) 432-3800.

Using J.P. Morgan's ACH File Warehouse service, the City can make modifications to transactions that have been sent to the bank but not released to the ACH operator. ACH File Warehouse provides the City with full, secure online access to delete and modify transactions – including dollar amount, account and routing numbers. The deadline is 1:00 p.m. PT, the day prior to settlement. J.P. Morgan will endeavor to delete a file or item prior to the bank releasing the file or item to the ACH network. According to NACHA rules, reversals must be made within five business days after the settlement of the original ACH entry.

3. Describe the bank's online wire transfer capabilities and process for creating and approving new wire templates, modifying existing templates, and approving wire transfers. Indicate cut-off time (Pacific Standard Time) for initiating wire transfers to ensure same-day execution.

We offer the City ACCESS Online to initiate wires in a secure online environment. ACCESS Online offers a complete range of funds transfer services with strict control over access to functions and accounts facilitating compliance with internal audit requirements, while enhancing security. Accounts can be held with J.P. Morgan or other financial institutions.

ACCESS Online support U.S. dollar and multicurrency payments, using both predefined (repetitive) templates and free-form formats. Your authorized users will have the ability to create their own filters or templates with locked fields for added security.

Our highly automated systems release transactions to the Fed minutes after input. The full wire execution and confirmation process, including release to the Fed, receipt of a Fed reference number and making this reference number available to the City, is completed within minutes of initiation — assuming that adequate balances are available in your account and the payment does not stop for OFAC review. Fed reference numbers are available in near real time after successful processing in eServe; it may take longer to view them in ACCESS Online.

Payment/receipt processing operates from 6:00 p.m. PT each Sunday through 4:00 p.m. PT each Friday, excluding U.S. Federal holidays. By actively participating in the extended CHIPS and Fedwire operating hours, J.P. Morgan provides clients with generous cutoff times to enable same-day execution of their payment instructions.

Type of Transfer via ACCESS Online	Cutoff Times
Fedwire	2:30 p.m. PT
Book transfer/Internal	3:30 p.m. PT
Drawdown (via Fedwire)	12:30 p.m. PT

* Payments that require repair will have a cutoff time 30 minutes prior to the stated times above.

Payment instructions received after cutoff times will be completed on a reasonable-effort basis.

4. Describe the financial institution's incoming and outgoing electronic money transfer services. Include safeguards and security measures offered by your service.

ACCESS Online saves you time by providing a standardized workflow across all payment types. ACCESS Online allows your authorized users to initiate and manage ACH, wire and account/book transfers from the same screen, in the same way. Following single sign-on with just a few clicks, your authorized users can make payments, create templates, view account balances and customize pages

Security: ACCESS Online allows complete flexibility for the City to designate the rights of each user on the platform, and provides comprehensive and configurable user entitlements, limits and approval workflow to provide optimal control. Available services accommodate a wide range of security options, including dual control among users and daily or transaction limits. Each user can be restricted by dollar amount and function. Dollar amounts may be either single transaction, daily aggregate or both.

Additionally, ACCESS Online automatically prevents a single user from performing all actions (create, approve and release) on a single payment, even if the user is entitled to create, approve and release. At the point of release, the application requires that two unique users be involved in the payment life cycle, which includes the creation, approval and release of the payment, as well as the creation, approval and activation of any underlying template. Therefore, even if users have all three entitlements, they will still not be able to take all three actions on a payment on their own.

By separating duties, accounts and approval workflows, the City can help reduce the risk of fraud or compromised data. The City's security administrators are the only individuals able to assign users with transaction initiation privileges. For detailed information regarding ACCESS Online's security measures, please refer to Appendix 4.

5. Provide a description or sample of the bank's funds transfer agreement. How are authorization levels established for transfers?

Pease refer to Tab Y – Relevant Contract, Cash Management Agreements and Statements for the banks sample agreements.

The City's security administrators have complete control over establishing user entitlements and authorization levels for all ACCESS Online services.

6. Is your bank both a sending and receiving bank of the National Automated Clearing House Association (NACHA)?

J.P. Morgan is both a sending and receiving bank; and a member of NACHA.

7. Describe your file transmission options for electronic transfers. Indicate if there any restrictions on the software we should know about in order to prepare our payroll and vendor payments to be compatible with your direct deposit service. Confirm if transmissions can be initiated and monitored online.

When it comes to exchanging ACH data files, you want a transmission delivery option that is fast and inexpensive. Our industry-leading ACH services offer two connectivity options: File Transfer Protocol (FTP) and Hypertext Protocol Secure (HTTPS). Both delivery methods use the Internet to make transferring files simple and secure without the added cost of proprietary software. Please refer to Tab O – Electronic Direct Payment Services for detailed information.

The City will have the ability to initiate and monitor ACH transactions online.

8. Indicate assistance you provide in establishing a new ACH transmission. Confirm if access is provided to a database of ACH member institutions and ABA transit routing codes?

A dedicated ACH implementation specialist will work side-by-side with the City personnel on setup. The City can access the complete database of ACH member institutions via eServe or directly from the Federal Reserve and is available free of charge. Additionally, the City can request a direct transmission of the database from J.P. Morgan for a nominal fee.

9. Describe your system security in general and explain how it will guard against unauthorized ACH debits to the City's accounts.

ACCESS Online's multilayer security system was designed to protect privacy, preserve information integrity and maintain strong operational controls. The system deploys with two levels of security: Single sign-on with ID and password for access to the online portal and production functions that do not involve the initiation of value-bearing transactions. As well as digital signature authentication for access to functions involving value-bearing transactions or security activities, e.g. ACH, wires. This requires a SecurID token in addition to a user ID and password. For detailed information regarding ACCESS Online's security measures, please refer to Appendix 4.

To protect the City's accounts from unauthorized ACH debits, we offer both ACH debit blocking and more specific ACH transaction review to help eliminate these risks and improve controls.

10. Articulate what safeguards and security measures does the bank have in place to protect the City, especially against unauthorized use of the system. Indicate whether there daily are limits on wire transfers?

Helping the City prevent wire transfer fraud on your accounts is a high priority for J.P. Morgan. The wire transfer initiation service available through ACCESS Online has separation of duty entitlements, allowing the City to optionally require payment process approvals. Your security administrators configure security, product access and functionality. Using ACCESS Online's Administration Approval Rules, the City can customize the payment approval process by creating rules that determine the number and identity of approvers for different types of transactions, as well as the order in which that review must occur. Elements of an approval rule are: payment type; payment creation method; accounts/account groups; templates; transaction amount limit; approval type (sequential or non-sequential); number, type and priority of approvers. Additionally, money-movement users are required to authenticate at both log-on and funds release via a RSA SecurID® one-time password (digital signature authentication). Transactions are signed using Portable Security Transaction Protocol (PSTP), a digital signing technology. PSTP not only authenticates a user's "signature and identity, it also stores evidence of the transaction in a cryptographically protected log record. This log can be consulted later to verify that the transaction was sent by the originating user and received by the intended recipient.

Daily Limits: As a security measure to help reduce losses associated with erroneous or unauthorized transactions, security administrators must establish maximum individual transaction and daily aggregate limits for all payment functions.

11. With regards to your ACH and wire services, describe the bank's contingency plans in the event of a system failure and whether these services are available by means other than a computer system. Describe any backup processes if internet transmission lines are unavailable. Indicate if the City will be immediately notified of any changes or problems and the ability to re-send a file or delete a file.

We have established policies and assigned responsibilities to verify that appropriate contingency plans are developed and maintained for each business area that supports ACCESS Online. The intent of these contingency plans is to support the continued operation of critical systems in the event of a disaster, emergency or other unforeseen events threatening interruption of these systems.

ACH: If the City is unable to transmit your ACH data to the bank, you may contact your dedicated client service team and they may be able to provide a solution on a case-by-case basis. You may also contact our ACH Transmission Services Group by phone at (813) 432-3800.

Wire: The bank will accept phone wires; however, please note this service must be set up prior to a disaster. A callback arrangement or test keys must be used for both repetitive and non-repetitive phone transfers. For all other services, J.P. Morgan can work with the City to determine the nature of the problem and advise accordingly.

Communication: During a business disruption, it is imperative that we keep our clients informed on a regular basis. J.P. Morgan relies on both written and verbal communications to deliver timely information. Clients should expect similar communication mechanisms as utilized during normal business operations.

12. Please describe the bank's electronic bill payment, e-payable, EFT, ACH services as they relate to Accounts Payable.

To assist the City in reducing your costs of paper transactions, you can be confident that J.P. Morgan is at the leading edge in providing solutions to our clients and meeting their specific ACH disbursement needs. With the City's volume of individual ACH debit and credit transactions, including your vendor payments, our ACH processing will efficiently accommodate the delivery of this volume without any problem. ACH initiation via ACCESS Online supports and maintains more than 140 pre-established templates for vendor payments, payroll, travel and entertainment reimbursements, federal and state taxes, corporation and consumer payments and collections. Please refer to Tab O – Electronic Direct Payment Services for detailed information.

Tab G – Deposit Transmittal Process

(Two page maximum preferred.) The City currently utilizes an armored car service for 7 locations. The armored car picks up either 2 or 3 times per week.

1. ***Provide the cut-off times for deposits at the bank's Processing Center to ensure same day credit. Indicate where the Processing Center/cash vault is located.***

We recommend the City utilize our Milpitas vault site. Cutoff times for the Milpitas vault is 8:00 p.m. PT for cash only deposits and 3:30 p.m. PT for mixed and check only deposits.

2. ***Provide the cut-off times for deposits at the bank's local branch to ensure same day credit. Confirm if there is an additional charge for after banking hours processing fee.***

While we are recommending our vault services to the City, cutoff times at Chase branches vary by location and are normally between 5:00 and 6:00 p.m. For branch night drop deposits cutoff time is 7:30 a.m. with select branches offering a second opening in the early afternoon. Deposit cutoff times are clearly indicated on the face of each depository, as required by law.

The City will have the ability to make smaller cash deposits through the depository vault (night depository) at commercially-enabled Chase branches. Smaller deposits are defined (per day, per branch) as: less than $10,000 in cash, maximum of 10 deposits, and a maximum of 100 checks per deposit. Please note that coin deposited at a branch must be in separate coin bags.

There are no additional fees for after banking hours processing. For cash vault processing fees, please refer to the Analysis Pro Forma included in Tab W – Standard Bank Fee Schedule for Government/Corporate Client.

3. ***Confirm if there is a required deposit preparation for checks.***

Confirmed, there is a required deposit preparation for checks.

4. ***Describe the bank's deposit requirements. Describe how the coin and currency deposits should be prepared. Can checks, currency and coin be included in the same deposit or are split deposits required?***

The required deposit bag is a tamper-evident, two-pouch, "cash and check" plastic security bag. One pouch is re-sealable, and the other is tamper-evident. One side of the bag must be clear to verify the contents, and the bag number must be barcoded on the outside of the bag.
J.P. Morgan also requires the City to use disposable plastic coin bags for coin deposits greater than $10. The City will be provided with a number of materials, including deposit preparation procedures, during the initial implementation meeting.

Checks, currency and coin can be included in the same deposit; however, separating checks from cash allows couriers to deliver the checks directly to the check-processing center to meet ledger cutoff and availability deadlines. Deposit deadlines are later for separate cash and check deposits than for mixed deposits. Separate bags also provide a security measure. They reduce the possibility of combining cash with checks and inadvertently sending cash to the check-processing center.

5. Describe in detail the bank's procedures for handling deposit adjustments. What documentation on discrepancies does the bank provide?

J.P. Morgan identifies all discrepancies. We internally manage adjustments in our vault below a predetermined sundry amount without posting the corrected entries and related fees to the City's account. Branches process all client adjustments regardless of the dollar amount. Our standard practice is to credit the City for the dollar amount reflected on the deposit ticket or in the electronic file. If an adjustment is warranted once the deposit is verified, the adjustment amount is then posted to the City's account.

The standard delivery method for adjustment advices is the U.S. Postal Service. J.P. Morgan mails adjustment advices within one business day of verification. The bank mails the advice to the address listed on the deposit ticket. The location number can be included on the adjustment advice. J.P. Morgan also posts the adjustment as a deposit credit or debit adjustment to ACCESS Online information reporting and the bank statement with the dollar amount and location number whether the deposit is delivered to a vault or branch.

Vault deposit adjustment advices also include the original deposit amount, original deposit date, processing vault ID and adjustment reason.

6. Describe the bank's returned item handling and notification procedures. Is an automatic re-clearing option available? How long does it take for returned items to be sent to the City? Can the bank provide returned item information that references the City department that deposited it, i.e., by identification or location number?

The bank can provide a variety of optional services to meet the City's needs for handling return items, including automatically redepositing eligible checks returned for the first time. The City's return item handling instructions are maintained within a comprehensive database at J.P. Morgan. The bank routes most returned items through the Federal Reserve System to regional return processing areas.

After processing the City's return items per your handling instructions, the return system generates a debit to the designated demand deposit account (DDA). The bank matches the actual return items to a return item advice and mails them to the DDA statement address via First Class U.S. mail. The return advice lists the dollar amount and the reason for return for each item. Additionally, ACCESS Online provides the City with next-day access to return and redeposit item information and images.

The City is provided the location number for return item reporting if the deposit ticket includes the location number in the MICR line.

7. What is the bank's procedure for ordering currency? Can currency delivery be coordinated with the scheduled armored car service?

We offer the City our Web Currency Services, our online solution for your coin and currency needs. Available 24 hours a day, Web Currency Services is online real time with the bank's nationwide vault network. Authorized users can log in and place coin and currency orders 24 hours a day and up to six months in advance. Authorized users may place orders on an individual order basis or establish a recurring standing order for preset days and amounts.

Orders placed prior to 1:00 p.m. PT will be available for armored car pick up by the end of the business day in the vault. Vault standing orders can be prepared for a predetermined amount and delivered on predetermined delivery days that you coordinate with your armored car service provider.

We only release change orders to an approved armored car if they are picked up at one of the bank's vaults. The City must contract with a local armored car to act as an agent to transport currency orders. You need to notify us of the specific armored car for each location. Currency-order delivery is based on armored car commitments. It is typically scheduled for the following day or within two or three days from when the currency order was picked up at the vault.

8. Does the bank offer electronic check conversion? Is there a charge for the scanning equipment? If you have this program, please describe the procedures and cost. The city currently does not use this process.

Virtual Remit, one of J.P. Morgan's remote deposit solutions, is an efficient and cost-effective electronic alternative to paper deposits. It is an end-to-end hardware, software and processing solution for eliminating paper check payments at branch locations, drop boxes, and internal retail and consumer lockboxes. To use Virtual Remit, the City needs a high-speed Internet connection, a desktop scanner and a Windows-based PC. Features include:

- Virtual Remit accepts checks drawn only on U.S. financial institutions as well as business, government and consumer checks, U.S. Postal Money Orders, Western Union Money Orders, demand drafts, government warrants, etc.
- The City scans images of checks and transmits them electronically to J.P. Morgan for clearing.
- Transmissions are conducted through secure HTTP protocols employing 128-bit encryption.
- The bank maintains check images in an archive for online access.
  - Duplicates are detected when checks already scanned for deposit over 14 days are identified at scan time.
  - The City can remove a suspected duplicate check from the deposit or choose to continue to deposit it.
- J.P. Morgan provides same-day ledger credit for checks received by the deadline.

Please refer to Tab V – Banking Services Fee Form for pricing and equipment costs.

9. Does the bank allow for the digitized storage and access to paid checks and statements? What security does the bank afford around these technologies? How long are they archived?

The City will receive images of all on-us transactions (paid checks, deposit tickets, advices/adjustments) and ARP reports through ACCESS Online. Check images and ARP reports are stored for seven years (standard) with an option to extend retention up to ten years.

Bank statements and account analysis statements are also available through ACCESS Online. The online portal stores historical statements for up to seven years for bank statements and thirteen months for account analysis statements.

The City can be confident that ACCESS Online's multilayered security framework will protect the privacy and identity of users, while maximizing data and transaction integrity.

10. Describe the security for wires coming into the City. When a customer wires money to the City, will the City have to provide the customer both the City's account number and routing number?

Incoming wires with the correct wire instructions will be posted to the City's account. The City will need to provide their customer with both the City's account number and routing number for it to be credited.

The City's security is very important to us. In addition to all of the security measures in place on our service platforms, we have a number of fraud prevention options available to combat misuse of your account information. Your relationship team can work with you to find the right solutions.

11. Currently, an armor car picks up at 7 different address physical sites in South San Francisco:

- ***Annex – 315 Maple Avenue;***
- ***Orange Avenue Library – 840 West Orange Avenue;***
- ***Joseph A. Fernekes Recreation Building – 781 Tennis Drive;***
- ***Fire Department Station 61 – 480 North Canal Street;***
- ***Municipal Services Building – 33 Arroyo Drive;***
- ***Finance Department – 400 Grand Avenue; and***
- ***Corporation Yard – 550 North Canal Street.***

Those collections are posted to the deposit account. The armor car costs are currently included in the banks client analysis. Can your bank provide the armor car service and include it on your bank's client analysis statement?

J.P. Morgan does not provide ground-based armored car services for the pickup and delivery of domestic paper check or cash deposits. The City should contract independently with an armored car. Fees for armored car services are not included on the account analysis statement.

12. Currently, we have location codes printed on each deposit ticket. When we run a previous day's report, the deposit shows up on the report with a location code. This helps in reconciling from the bank to our books by department. Does your bank's previous day's report list deposits by location code?

We can provide, and recommend the use of, deposit slips that are preprinted with a Unique Location ID (ULID) for each City location. With these deposit slips, deposit history information is sorted by account and ULID.

13. Currently for the deposit account, we download a monthly report that shows daily activity of deposits into Excel. This would be available at the end of the month. Can your bank provide similar reports that can be downloaded into Excel? We also download a monthly report that shows debit transactions such as wires and fees into Excel. This helps in doing our bank reconciliation.

The City will have the ability to download monthly reports that show daily activity of deposits as well as debit transactions such as wires and fees into Excel with ACCESS Online. Several master reports form the foundation of ACCESS Online centralized reporting capability allowing your authorized users to create, customize and run up-to-the-minute reports on your accounts tailored to your specific needs. Reports include: Balance and Transactions Report, Checks Paid Report, Returns and Exceptions Report, Wire Detail Report, Payment and Template Reports.

14. Currently for the credit card account, we download a monthly report that shows detail credit card activity into Excel. Can your bank provide similar reports that can be downloaded into Excel? This helps in performing monthly bank reconciliation.

The City will have the capability to download detailed credit card activity via our Merchant Services online portal in an Excel format and will also have the capability to download an Excel monthly report for the credit card account deposits via ACCESS Online.

15. Currently, we have a lockbox account for ambulance service provided by the city. We may need to have long term archival in the event we are audited by government agencies. How long can you archive digital deposit information?

J.P. Morgan offers a long-term lockbox image archive where images are stored for 10 years. Please refer to Tab P – Lockbox Services for details.

Tab H – Account Reconcilement

(Two page maximum preferred.) The City currently issues Accounts Payable and Payroll checks, as well as ACH Payroll transactions and A/P electronic funds transfers. See information in the attached December 2016 and March 2017 bank statements for monthly volume of these activities. The related accounts utilize full Account Reconcilement on-line reporting from the bank for items paid information.

1. ***Does the bank offer full Account Reconciliation services whereby "check issue" files that the City provides the bank via direct data transmission are used to generate a list of both paid and outstanding checks, generating a list of outstanding items for assisting with monthly bank reconciliation? If so, describe the services and what is recommended for the City's consideration.***

J.P. Morgan offers and recommends the City our full reconciliation services. With full reconciliation we will provide the City outstanding and paid checks, with the option of reconciling accounts by the week, month, fiscal or calendar year in a format tailored to meet your needs. You provide us with detailed check issue data, including account numbers, check numbers, issue dates, dollar amounts and reference information (up to 15 bytes). The City chooses how you wish to supply this data: in a file transmission, by upload or manual key entry to ACCESS Online, as warranted by the check activity in each account.

With check issued data, J.P. Morgan will perform a full reconciliation of activity in the account, delivering a reconciliation report package online via ACCESS Online within five business days from the close of a cutoff cycle. The standard full reconciliation package includes an account statement, balance sheet, paid and outstanding check listing, plus a summary including check number, issue date, amount paid and paid date.

2. ***Does the bank offer Positive Pay services whereby "check issue" files that the City provides the bank via direct data transmission are used to allow the bank to only pay checks listed in that "check issue" file, with exactly the same specifications as listed in the "check issue" file (amount, payee, serial number, etc.)? If so, describe the services and what is recommended for the City's' consideration. Also, are suspicious checks, or checks over a certain dollar amount referred to the City for approval? Describe the parameters and amounts that would trigger a City review for approval.***

As part of complete range of fraud prevention services, the bank offers and strongly recommends the City utilize our Internet-based positive pay, payee name and teller line verification services. Positive pay is one of the strongest defenses available to prevent check fraud. It enables the City to monitor and control the checks presented against your accounts so that only authorized items are paid. We will uncover any payments that do not match the issue file and flag them as exceptions. Exception items are available each morning via ACCESS Online for a pay or return decision by the City. Your authorized users will have the ability to view images of the exception items before authorizing payment.

Maximum dollar exception service is offered in conjunction with our full reconciliation package, where items exceeding a pre-determined maximum dollar amount are reported as positive pay exceptions or automatically returned on non-positive pay accounts.

3. Following a successful submission of the Positive Pay data, can the bank accept subsequent add/delete data to become effective immediately for manual or void checks?

The City can manually enter or upload files containing positive pay information, including voids/cancels and stop payment requests to update issue tables online using ACCESS Online. Our cutoff time for receiving transmitted files for issued checks, adds and deletes is 11:00 p.m. and 7:30 p.m. PT for receiving manual issues through ACCESS Online for that day's effective date.

4. Describe the bank's web-based services as they pertain to stop payments, copies of paid checks, ACH exceptions, and voided checks. How long do stop orders remain if effect?

To streamline multiple disbursement functions into one application, ACCESS Online offers the City a complete suite of disbursement services allowing your authorized users to: place stop payments, view copies of paid and voided checks. ACCESS Online also provides you the ability to view ACH exceptions.

Stop Payments: To streamline the City's stop payment process, the bank offers stop payments online via ACCESS Online, either directly from within the "Stops" function or more efficiently by using the "Inquiry" function where the check numbers are validated against the issued items. ACCESS Online will search 90 days of transaction history to identify if the check has been paid (extended retention periods are available) for payment requests entered manually. If the record shows the check has been paid, the system will report the date the item was paid. The user can choose to continue to place the stop on the paid item. This could prevent a second item from being paid with the same check information. Once the stop payment is submitted, the system can provide confirmation online of successful placement of the stop payment request. The City can print or download details as needed. Furthermore, a stop payment activity report is available through ACCESS Online. The status of the item at the time the stop was placed is available on the activity report.

Stop payment requests remain in effect for one year and are renewable for an additional six years.

Image Access: The City will have online image history inquiry of your paid checks for seven years. The system provides an advanced upfront check search functionality that provides the City with the complete status of each check. You can perform single and range-based searches by account number, check number and amount, sequence number, paid and issue date and payee name. The results tell you whether the check is still outstanding, has an active or revoked stop, is canceled (voided), was returned or has paid.

ACH Exceptions: The City will have the ability to view ACH return items via the Return and Exception Report via ACCESS Online. J.P. Morgan helps provide complete and accurate data on each return by using key fields from the returned items to retrieve the original record sent to J.P. Morgan from a historical file. This file contains records for ACH transactions initiated in the past 15 months.

5. Describe the account reconciliation services offered by the financial institution.

Our account reconciliation service simplifies and automates the City's reconciliation and reporting process to save you the expense and time associated with the manual balancing of your bank statements. We offer a broad range of account reconcilement services – from robust reports with detailed information on all checks issued and posted to a simple listing of paid checks – that gives you fast access to account information and help protect the City from fraud.

In addition to our full account reconciliation service, as described in response to requirement #1 above, the bank also offer partial reconciliation. Partial reconciliation provides the City with a detailed listing of checks paid against a disbursement account over a City-defined period of time. This service also details certain other categories, such as stopped checks. Checks are typically listed in check serial number sequence; with the amount and date each check was paid. The reports are available via ACCESS Online

6. What is the bank's policy regarding Daylight Overdrafts (DODs)? Is there a charge for DODs and if so, how is it calculated? Will the bank guarantee that all items drawn on City accounts be paid regardless of the balance in the funding account? What is the charge for covering these items? Be comprehensive in your response.

Recognizing the City's credit standing and reputation, an appropriate intraday credit limit will be made available to make sure your transactions flow smoothly and efficiently through our systems. This limit is electronically verified by our Funds Transfer Balance Control System. Payments made within the limit, plus the current cash position in your account, will instantly flow through to the appropriate execution mechanism.

Should a payment take your account balances over the intraday limit, the transfer will be stored electronically and referred to your funds control officer in the Transaction Approval Group (TAG) for approval. If covering funds are received while the payment is stored, the transfer will be automatically released without manual intervention.

One important feature of our system is the ability to group designated accounts together into a single relationship for intraday credit purposes. This provides for the release of payments when the total balance and intraday limit in your grouped accounts is sufficient.

Daylight or intra-day overdrafts will be paid without charge and are subject to J.P. Morgan's credit approval process. End-of-day or inter-day overdrafts will be charged at J.P. Morgan prime + 3%.

7. Are images available online? For how long? How soon after a check has been cashed is the image available? How long is electronic archiving available and is there a fee for retrieving archived items?

ACCESS Online provides online image history inquiry for seven years. Check images are typically available the same day checks are presented. Please refer to Tab V – Banking Services Fee Form for related fees.

8. In the case of stale dated checks, will the bank agree to not honor any checks that have been outstanding (based on the date of the check) for 180 days or more?

The City can use J.P. Morgan's stale-date feature to return checks that are presented for payment past a City-determined number of days from the issue date. Your account must be subscribed to positive pay and we must receive the issue record in advance of the check being presented for payment.

For positive pay accounts, these checks appear as exceptions on the daily positive pay exception report, which allows the City to decide whether each item should be paid or returned. The City may also have the ACCESS Online system automatically return all items prior to having them reported for your review.

Tab I – Direct Deposit Relationship

(One page preferred.) The City transacts with the State of California Local Agency Investment Fund (LAIF) and receives tax apportionments on a regular basis.

1. Is the bank an approved State of California depository?

JPMorgan Chase Bank, N.A. is a qualified depository for public funds in California, showing our commitment to the State of California and to the unique needs of its counties, cities and municipalities.

2. What is the charge per transfer to LAIF? What is the charge per transfer from LAIF?

The City will be assessed a $4.00 fee per transfer to and from LAIF.

3. Describe how the financial institution processes LAIF transfers and subvention payments from the State of California.

Transfers to LAIF: Investment transfers to the State will be initiated by the City via ACCESS Online and posted to the State via wire transfer.

J.P. Morgan works with government clients in the State of California to promote compliance with State procedures for LAIF investment transactions. Note that the following are general procedures, and that the City is encouraged to confirm with LAIF to be sure they are in receipt of contracted instructions specific to the City:

- For same day transactions, LAIF must be contacted by 10:00 a.m. PT.
- 15 total transactions per month are allowed, which include both deposits and withdrawals.
- Transaction amounts should be in thousand dollar increments with a minimum of $5,000.
- Withdrawals of $10 million or more require at least a one-day advance notice to LAIF.
- Future-dated transactions can be requested up to 10 calendar days in advance.
- Verbal acknowledgment must be initiated by authorized the City personnel prior to funds transfer.
- LAIF Online is being rolled out to participants through late 2017.

Transfers from LAIF: Investment transfers from the State will be initiated by the City via LAIF by phone or, when available, online, and posted directly through J.P. Morgan into your designated account.

Tax Apportionments: Tax apportionments typically originate from the State Controller's Office. We recommend that the City use the EFT form located on the State Controllers "Apportionment" website tab to receive future payments via EFT.

4. Does the bank have an office in Sacramento that maintains a direct DDA banking relationship with the State Treasurer's Office and the State Controller's Office?

Yes, J.P. Morgan has an office in Sacramento with a direct DDA banking relationship with the State Treasurer's Office and the State Controller's Office.

Tab J – Direct Deposit of Payroll

(Two page maximum preferred.) Direct Deposit of Payroll is currently in place with a majority of the City's employees participating. The payroll files are transmitted bi-weekly for payroll. Refer to the attached bank statements for a monthly snapshot of the volume of activity.

1. Describe the bank's procedure in detail for receiving electronic payroll data.

One or two days in advance of the designated payday, the City will send the bank a file containing the total amount to be paid electronically to your employees' designated accounts. The offsetting amount will be charged to your designated account at J.P. Morgan on the day-of-settlement (payday).

- For larger volume transactions, we recommend the City use direct transmission. You will create a transaction file in standard NACHA format using industry standard applications. You will then transmit the file to the bank through a common protocol such as FTP. The transmission is encrypted and sent to the bank for final ACH processing.
- Lower volume ACH transactions can be performed using ACCESS Online. Using ACCESS Online, the City's authorized users will be able to enter the required ACH payment details in the fields provided.

2. What are the transmission deadlines for Direct Deposit ACH files? When (day and time) does the bank need the file from the City, and when specifically are funds debited from the City's account?

The City can supply prearranged payment and deposit (PPD) files for-next day credits. However, for your employees to receive funds as available balances for ATM withdrawals on payday, you must deliver the file to J.P. Morgan by 7:00 p.m. PT two business days prior to the settlement date. The file will be processed at the earliest ACH processing cycle so that the receiving depository financial institutions can post the credits to the employees' accounts by open of business on payday. The funds are debited from the City's account at J.P. Morgan on the day-of-settlement (payday).

3. Detail the bank's back-up plans for data transmissions. The City requires immediate notification of any changes or problems and the ability to re-send a file or to delete a file.

As an alternative, the City may initiate your payroll via wires with ACCESS Online either manually or through a file import.

The bank recommends implementing auto-acknowledgements for receipts of the transmission. If the City fails to receive an acknowledgement within 15 minutes of the transmission, you should contact the bank's Transmission Services Group for status and next steps. If the transmission fails, we will work with you to have the ACH or wire released in a timely manner, making sure adjustments will not need to be made to the account.

4. What screening measures does the bank use to minimize errors on files sent to you i.e., pre-notes, ABA screening, etc.?

Although it is not required by NACHA, J.P. Morgan recommends pre-notifications if the City has the time to respond to corrections or returns generated by a notification of change and correct the information prior to the first payment.

While J.P. Morgan recommends pre-notes at least three banking days prior to live-dollar origination, the bank can accommodate most timing scenarios.

Tab K – Payroll Tax Processing

(One page preferred.) Currently, the city transmits payroll taxes via the IRS and California EDD website so that payroll taxes can be pulled from our bank account.

1. If the City uses your services for making tax payment, do you guarantee the timing of the payment? Describe the process and cost for this service.

J.P. Morgan supports the ability to originate a full range of U.S. ACH transactions and related remittance data including the TXP-formatted CCD+ transaction for tax payments. Pay federal, state and municipal business taxes electronically via the Internet or phone. The City can streamline tax payment initiation activities and remain fully compliant with mandates for electronic filing – all without giving the government access to account numbers or funds.

In addition, J.P. Morgan provides payment initiation services through ACCESS Online, our browser-based application. ACCESS Online contains ACH templates for all 50 states and federal taxes, which are periodically updated, as banking instructions and/or formatting changes are made by the taxing authority.

J.P. Morgan also offers repetitive and free-form funds transfer (wire) payments that may be used to create federal and state tax payment transactions.

Please refer to Tab V – Banking Services Fee Form for pricing information.

Tab L – Overnight Sweep

(One page preferred, plus prospectus.) The City utilizes an automatic, overnight Sweep so we can earn interest.

1. Describe the overnight sweep account offered by the financial institution including overnight investment options available to maximize the City's potential earnings.

As a leading liquidity solutions provider, J.P. Morgan offers an extensive array of automated intraday and end-of-day investment sweeps to help the City efficiently invest account balances, maintain full intraday liquidity and meet investment guidelines.

2. Is the bank's sweep an end-of-day or intra-day sweep?

J.P. Morgan offers both end-of-day investment sweep and intraday investment sweep.

3. What sweep investments or funds are available for public funds clients? Does the fund meet the California Government Code for allowable investments?

J.P. Morgan offers various investment options that meet the California Government Code and are available for our public funds clients. J.P. Morgan suggests that the City invest in our Money Market Fund options for investing public funds. For fund information and related prospectus, please visit our website at www.jpmgloballiquidity.com/us/viewproducts.

4. What is the size of the sweep fund(s)? Provide a prospectus and sample financial statements on the fund(s).

Please visit our website at www.jpmgloballiquidity.com/us/viewproducts for fund information and related prospectus.

5. What are the costs associated with sweep (monthly maintenance, set-up charges, fund expenses, transaction fees, etc.)?

Please visit our website at www.jpmgloballiquidity.com/us/viewproducts for costs associated with our investment sweep options. Additionally, J.P. Morgan also charges a monthly investment sweep fee through analysis that will be provided at no cost to the City.

6. Provide historical rates on your sweep fund(s) for the past 12 months (April 2016 to March 2017).

Please visit our website at www.jpmgloballiquidity.com/us/viewproducts for historical rate information.

Tab M – Balance & Detail Reporting

(One page, plus sample reports.) The City currently utilizes web-based reporting (Treasury Information Reporting). The City uses previous day composite and intraday reports to reconcile activity from our books to the bank.

1. ***Describe the bank's on-line information reporting system including cost of web-based reports. The City may request a demonstration of your on-line system.***

The City can count on ACCESS Online for all of your information reporting needs. Whether your cash is in one or multiple accounts held by J.P. Morgan or other financial institutions ACCESS Online puts critical cash management information at your fingertips in a secure, online environment, with the unparalleled experience of J.P. Morgan at your service. ACCESS Online provides you the ability to access prior day information with current day information being available at no additional cost.

ACCESS Online is a highly intuitive and easy-to-use cash management solution that seamlessly integrates more than 90 treasury services product applications including balance reporting, ACH, wires, positive pay, stop payments, and more, through a secure portal using a single authentication process. The City can count on ACCESS Online's multilayer security to protect privacy, preserve information integrity and maintain strong operational controls. For more information, online tours and videos of our ACCESS Online products and services described in this response, visit: http://www.jpmorgan.com/treasury/jpm_access/index.html. We would be happy to provide demonstrations, upon request.

Please refer to Tab V – Banking Services Fee Form and our pricing pro forma included in Tab W for costs related to our online information reporting system.

2. ***Can reports be custom-tailored for the end-user and downloadable into Excel?***

The City can create and save customized reports through a set of filter criteria, e.g., date range, accounts, reference numbers, check numbers, transaction types, etc. that can be downloaded into Excel.

Several master reports form the foundation of ACCESS Online centralized reporting capability allowing your authorized users to create, customize and run up-to-the-minute reports on your accounts tailored to your specific needs. Reports include: Balance and Transactions Report, Checks Paid Report, Returns and Exceptions Report, Wire Detail Report, Payment and Template Reports. A variety of filters can be employed to pinpoint desired transactions for enhanced data management.

3. ***Can the City obtain current day (intra day) information? If so, describe the service.***

Current day information, which is the reporting of memo-posted transactions, is available throughout the day as the transactions complete on processing applications such as lockbox, wire, ACH, returns and DDA. Current day information generally is available within five minutes of receipt or completion.

J.P. Morgan provides updates throughout the business day for established accounts. Current-day information is available based on the operating area of the bank for funds transfer, letters of credit, securities and deposit transactions.

4. What are the computer hardware and software specifications for the bank's on-line system?

Please refer to Appendix 5 for hardware and software specifications.

5. Provide a sample of prior day and intra-day reports that would be the best example of the system's capabilities. Include the reports in this section.

The City's authorized users will have access to useful information 24 hours a day, seven days a week that can aid in the planning, funding and investment strategies including, top-line summaries, detailed transaction records and historical reports for up to two years. Authorized users will have the ability to view, print and/or export information on a daily or specified date range of activity including ACH, wire transfers, checks and statements.

ACCESS Online provides the City a powerful, easy to use reporting tool

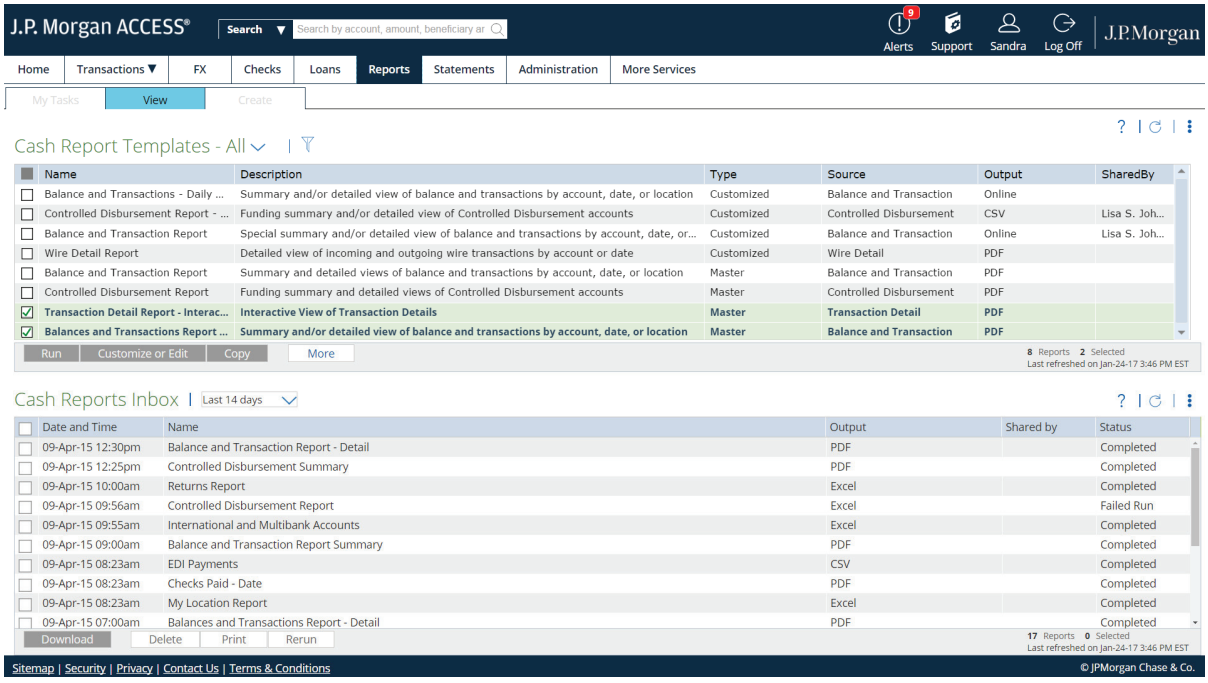


Figure 2

Please refer to the ACCESS Online Sample Reports Guide included in Appendix 6.

6. Can the bank provide credit or deposit information by location or identifier number (i.e. by department) as part of these reports?

ACCESS Online Reports allows the City to create deposit detail reports itemizing the City's deposits by a unique location identifier (ULID). Users can select daily, weekly, monthly, or customized date ranges with totals for each ULID location over the timeframe selected.

7. What is the bank's contingency plan for providing this information in the event of unexpected bank systems problems or natural disasters?

Our client service and technical support teams monitor a number of indicators to measure network availability. Statistics are gathered monthly and reported quarterly on both portal availability and application availability on the portal. In 2016, ACCESS Online uptime was 99.90%. Should a prolonged outage occur the ACCESS Online home page will provide a broadcast message on access and data availability. In addition, your dedicated client service professional team may also notify you regarding any delays and assist you in obtaining account balance information and initiate fund transfer transactions.

8. What other on-line or Internet based systems are currently available to customers?

In addition to the online functionality, ACCESS Online offers Mobile, Insight and Host-to-Host channels designed to save treasury professionals time by integrating everything needed in one place.

- **ACCESS Mobile:** enables your authorized users to log on to ACCESS Online on the move. Your authorized users can use our app on a smartphone or table (Apple iOS 7.0 or later, Android 4.4 or later).
- **ACCESS Insight:** Monitoring daily cash flow is a challenge, but ACCESS Insight makes the process more efficient, flexible and accurate.
- **ACCESS Host-to-Host:** provides a suite of secure and flexible transmission, transaction initiation and reporting solutions.

For detailed information regarding these additional ACCESS Channels, please refer to Appendix 7.

Tab O – Electronic Direct Payment Services

(Two page maximum preferred.)

1. Thoroughly describe the bank's electronic bill payment, EFT and ACH services. Does the bank offer both ACH debit and credit programs as part of this service?

For the City's electronic direct payment needs, you can count on J.P. Morgan's experience and capability in handling all of your ACH debit and credit needs. Based on the City's operational requirements, we recommend:

- ACCESS Online for lower volume transaction files. ACCESS Online is a fully integrated, browser-based platform that provides easy-to-use applications for all of your information, compliance and portfolio management needs.
- The secure file transfer protocol (SFTP) transmission method for large batch origination.

ACCESS Online

The City can create templates to support a complete menu of U.S. ACH transactions, with all template information stored securely with J.P. Morgan. ACCESS Online supports and maintains more than 140 pre-established templates, among them include:

- Consumer payments
- Consumer collections
- Payroll payments
- Corporate/vendor payments
- Corporate/vendor collections
- Cash concentration
- Cash disbursements
- Federal, state and municipal payments
- Child support payments
- Transactions to fund other J.P. Morgan accounts on a same-day basis

Transactions based on templates or entered in free-form mode are created by the City, then batched, approved and released for processing. ACH files generated through ACCESS Online are retrieved and processed several times each business day for next-day processing. For non-repetitive payment, free form ACH payments also can be created without the need to establish a stored template.

ACH NACHA File Format

This automated interface for easy upload of NACHA-formatted files offers the City:

- Future-dated warehousing of up to 60 calendar days.
- Ability to create settlement offset at transaction level or batch level.
- Next-day settlement option for transfers to/from J.P. Morgan accounts.
- Option to create addendum record for all payments.

Originating Large Volume ACH Transactions via Batch File Transmission

- Using any one of industry standard NACHA file formats (e.g., ARC, CCD or PPD), the City sends the file to J.P. Morgan through a common protocol, such as secure file transfer protocol (SFTP).
- The transmission is encrypted and sent to J.P. Morgan for final ACH processing.
- Regular commercial payments to vendors can be submitted on the business day prior to the value date. The City can also warehouse ACH payments for up to 90 days in advance of the value date for direct.
- Once received, J.P. Morgan's ACH system helps bolster data integrity and file edit checks to identify potential duplicate files.
- The bank provides a transaction journal within two hours of receipt of ACH file initiation transmission, including item count and dollar amount.
- J.P. Morgan will maintain an Internet-facing SFTP server and will create a "drop box" directory on the server for the City. The server will be mirrored for disaster recovery.
- The City will be issued a logon and password that gives you access to the directory.
- For inbound data, the City can push files to the directory. The City is responsible for initiating the SFTP session to push and pull data files.
- J.P. Morgan offers a file delivery solution that allows the City to send and receive ACH files using SSL session encryption, browser-based file exchange (HTTPS), SFTP with PGP (Pretty Good Privacy) or GNUPG (GNU Privacy Guard) file encryption or AS2 (Applicability Statement 2).
- These delivery methods leverage the Internet and readily available software packages to make transferring files simple and secure without the added cost of proprietary software installation.
- Additional file transfer solutions, such as VAN (virtual area network) and VPN (virtual private network), are supported.

The bank recommends submitting large batch files containing any consumer credits at least two business days prior to the settlement date. The bank accepts future-dated large batch files containing consumer credits. These should be submitted at least two business days prior to the settlement date. The City can also send same day ACH credits. All ACH credit transactions, except for international transactions (IATs) and transactions above $25,000 will be eligible for same-day processing. All data received after 11:00 a.m. PT is ineligible for same-day.

2. What hardware, software, and special programming are required for the implementation of an ACH credit program for payments to City vendors?

There is no special programming required to use J.P. Morgan's ACH services. Both delivery methods use the Internet to make transferring files simple and secure without the added cost of proprietary software. Please refer to Appendix 5 for ACCESS Online hardware and software requirements.

3. Detail all costs associated with ACH for a vendor payment program.

Please refer to Tab V – Banking Services Fee Form for the related ACH costs.

4. Detail all costs and processes for auto draft (automatic payment deductions).

With J.P. Morgan's Corporate and Consumer Collection Services, the City's customers and vendors authorize the collection of funds from designated accounts whenever a payment is due. Please refer to Tab V – Banking Services Fee Form for costs.

Tab P – Lockbox Services

(One page maximum preferred.)

1. The City has a lockbox for ambulance services. We require long archival services just in case we are audited by government agencies. How long can you archive records?

We offer a full range of lockbox services that will allow the City to streamline your ambulance services remittance processing and accelerate your revenue stream with a fast, cost-efficient, around-the-clock lockbox solution. We own and operate our own nationwide wholesale lockbox network of processing sites to offer the City fully automated wholesale and scannable wholesale as well as economy lockbox services. Our centers are full-service processing facilities operated solely by the bank. We offer optimal availability, funds concentration and full information reporting. We recommend the Pasadena site for the City's lockbox needs.

The City will authorize us to collect, process, deposit and report remittances mailed to a U.S. post office box in the City's name. Payments are processed according to the City's specifications on the same day as they are received. The City can receive images of checks and front-side images of remittance documents including invoices and correspondence via Receivables Edge. Duplex imaging (front and back) of remittance documents is available as an option. Images are available on a next-day basis and are stored and accessible online for 10 years.

Receivables Edge is an Internet-based service that provides electronic images of checks and remittance documents to the City. Through this single portal, the City can access images and information related to payments received in your J.P. Morgan lockboxes as well as electronic payments received via ACH or Fedwire. Easy navigation, advanced queries, payment alerts and workflow tools give your accounts receivable, credit and client service staff the ability to make informed business decisions quickly without handling paper documents.

Tab Q – Conversion Plan

(Two page maximum preferred.)

1. Describe the overall plan your financial institution would coordinate to ensure a smooth transition from current provider.

Among the qualities that differentiate J.P. Morgan are excellent implementation project management and the delivery of exemplary client service. We recognize the critical components necessary for a successful and smooth transition. Our project management methodology is designed to build a strong understanding of your objectives.

The City will be assigned a dedicated implementation project manager who will serve as your primary point of contact and is responsible for coordinating the implementation of your services. Your implementation project manager is also the contact between all levels of the City's staff (e.g. management, users, technical staff and external partners) and J.P. Morgan.

Your implementation project manager will work with your staff to validate the requested solutions, establish timelines for implementation, and then coordinate with the necessary teams across both organizations to complete the setup. All key tasks, assignments and time frames are documented and shared with all project team members. Subsequent meetings will be scheduled to track and support the progress of the implementation. The City decides how often these meetings are held. We recommend meeting weekly for complex implementations.

From the moment you award the contract to J.P. Morgan our commitment is to integrate our products and services into the City's organization smoothly and efficiently. We are committed to:

- Clearly understanding your product and service requests
- Serving as your primary point of contact throughout the implementation process
- Developing clear implementation plans and goals for product start-up
- Coordinating the setup and installation of our products
- Earning your satisfaction throughout the implementation process

2. Identify each of the systems for which the City would need training. Describe the on-site training to the City's staff for the operation and use of these services and automated systems.

Your dedicated implementation project manager will work with you and internal partners as needed to determine the appropriate training needed for each area of the implementation and coordinate scheduling. Comprehensive, customized training is provided as part of the on-boarding process for the City's security administrators and users.

We offer the City a variety of methods for training without any cost to you, such as webinars, phone and short step-by-step prerecorded videos. There is self-paced training available via ACCESS Online's Community and Academy that users may take at any time. On-site training can also be arranged if required.

Our objective is for you to fully understand our products so you can take complete advantage of their benefits and features.

3. Provide a time line schedule and applicable charges for the conversion plan.

A sample timeline schedule is included in Appendix 9. Please note, actual timelines and resources will be outlined once the scope of work has been completed. Your implementation project manager will provide you with a project plan that will be very specific to each service being implemented. It will also identify responsibilities for tracking throughout implementation.

Please refer to Tab V – Banking Services Fee Form and our pricing pro forma included in Tab W for costs related to implementation of the transition.

Tab R – Security of On Line Data

(One page maximum preferred.) All of the following must be addressed:

1. Describe the structure of your On Line Security/Fraud Division.

The IT Risk & Security Management (ITRSM) organization is responsible for governance and oversight of the firm's Information Security Program which is designed to:

- Ensure the security and confidentiality of customer and employee information
- Protect against anticipated threats or risks to the security or integrity of such information
- Protect against unauthorized access to, or use of, such information that could result in harm or inconvenience to any customer or employee
- Ensure the proper storage, transport and disposal of customer and employee information
- Help employees understand their responsibilities with respect to the protection of customer information and security of our systems
- Require that our key third-party service providers adhere to specific security policies and standards, as well as regulatory obligations as applicable
- Adhere to all customer notification and restitution requirements regarding information protection

2. How many staff are employed in this division?

There are about 1,000 employees in the Global Cybersecurity organization.

3. What is the length of employment of these personnel?

The length of employment of these employees ranges from months to several years.

4. How much depth is there in the event of staff vacancy?

Our staffing philosophy is designed to ensure adequate coverage in the event of unexpected vacancies.

5. What screening has been done for these personnel?

Firm Access performs appropriate background checking and screening of new employees. Employees are granted access rights to systems necessary to perform their job responsibilities. Users are granted minimum access rights necessary to perform their job functions. Employees are trained on their security roles and responsibilities. Periodic security awareness messages are communicated to users to educate and strengthen compliance with policy.

Firm Access follows the same controls/procedures with third party vendors and consultants around background checks and pre-employment process requirements). Not treated any different than employees would be. The third party vendors are under contractual obligations to follow our procedures.

6. What type of training are they required to attend?

The firm has an Information Security training program in place to ensure employees and contractors are aware of requirements. Testing to ensure awareness is part of the testing program. If a firm employee or contractor fails the automated test at the end of required training, a report is escalated to their line manager for appropriate follow up.

7. Describe any outside consulting/auditing services that the bank contracts to test the integrity of the bank's systems.

Firm Audit uses a risk-based audit approach designed to ensure an appropriate mix of audit coverage focused on key risks and controls of each business. Auditing of the technology controls is performed either through Information Technology (IT) stand-alone audits of specific applications, IT processes, or infrastructure components (e.g. data centers, networks) or as part of the integrated audits that cover business processes in conjunction with one or more application systems or technology-related components utilized by the business.

The firm has specialized teams within the Audit group allowing for coverage of different aspects of the IT environment. Audit results are confidential and proprietary to the firm and not for public disclosure.

External audits such as SOC/SSAE 16/ ISAE 3402 reviews are conducted where appropriate.

Tab S – Service Enhancements

(One page maximum preferred.) Based on the information provided in the RFP and your bank's knowledge of the public sector, describe any services or technological enhancements, not previously mentioned, that may be considered for further improving the effectiveness of the City's monetary management operations.

We offer the City the following services to augment and complement the requirements included in the RFP. This is incremental to the solutions presented in the body of our response.

- ACCESS Online – Free Products and Services
- Corporate Quick Pay
- Corporate Quick Collect
- Same-day ACH
- Virtual Reference Number

ACCESS Online Free Products and Services

J.P. Morgan strongly believes in delivering value without charging clients additional costs to use our services:	
Alerts	• Event notifications, including Payment Needs Repair, Transaction Completed, Balance Threshold, User Pending Approval, and many more (over 50) to help manage your accounts.
J.P. Morgan ACCESS Insight	• An integrated cash management tool using Microsoft Excel. • It allows ACCESS Online users to auto-populate their own spreadsheets with balances and transactions, as well as initiate payments from their spreadsheets.
J.P. Morgan ACCESS eServe for Wires	• Provides seven years of wire details for both incoming and outgoing wires, at no additional cost.
J.P. Morgan ACCESS eServe for ACH	• Offers 15 months of historical ACH transaction information on all ACH-originated payments.
ACCESS Mobile	• Provides authorized ACCESS Online users with mobile access to account activity, the ability to approve and release wire payments, the ability to manually add check issue or cancel records, and most recently the ability to decision positive pay exceptions. • The mobile app uses voice recognition as part of the authentication process, eliminating the need for a token.
J.P. Morgan ACCESS Support	• The City is invited to join training webinars on ACCESS Online. Our webinars are live facilitator-led web conferences that include question and answer sessions that allow full participation between the audience and the presenter. • You can register for training webinars via ACCESS Online Support.
Online Bank Statements	• Provides retention for seven years of bank statements, at no cost.
ACH Debit Block Email Notification	• Email notification accessible via smart phone. • When a payment is returned as a result of a debit block, J.P. Morgan will send an email notification of the incident, allowing users to proactively contact their own customers.
File Management	• Email notifications provide up-to-the-minute status on receipt, delivery, availability, or failure of a file transmission.

Corporate Quick Pay

J.P. Morgan has introduced Corporate Quick Pay, a new mobile and web-based payment solution that allows your customers to accept payments via email. This innovative solution not only makes accepting payments easier for your customers, but it is more efficient for the City as well.

The Corporate Quick Pay solution:

- **Makes Migration to Electronic Easy:** Corporate Quick Pay overcomes customer account and remittance data constraints the City may face when the migration from check to electronic forms of payment takes place.
- **Delivers Economic Value:** the City can reduce the total cost of payments by settling via Automated Clearing House (ACH).

You simply supply J.P. Morgan with the customer's email address, payment amount, name and desired remittance data on Quick Pay Central via online entry, file upload or direct transmission. Corporate Quick Pay then generates an email for the customer to accept the payment for deposit into their personal bank account.

Enrollment is easy. Your customer creates a profile on Chase Payments that will be used to accept future payments from the City or any other payer using Corporate Quick Pay into that customer's personal bank account. This provides a better and quicker experience for your customers, allowing them to accept a payment without having to provide bank account information each time.

In addition to sending an email notification to your customer to accept a payment, J.P. Morgan has enhanced our Corporate Quick Pay solution with text messaging this year.

Corporate Quick Collect

J.P. Morgan's Corporate Quick Collect is a mobile and web-based solution enabling you to request electronic payments from your customers using their email address. You can initiate requests through online manual entry, file upload or transmission. Accepted requests are processed from your customer's bank account at any U.S. financial institution as quickly as the next business day. Corporate Quick Collect allows the City to save time and reduce total processing costs for low-frequency collections, while improving payment security. You can also generate four types of on-demand reports using the administration portal. The solution can easily integrate into the City's existing corporate payment platforms, making reconciliation simple and efficient. **Corporate Quick Collect is expected to be available later in 2017. Please note that product availability, features and functionality are subject to change.**

Same-day ACH

J.P. Morgan is highly engaged with NACHA and the ACH industry. Together with The Clearing House and other key NACHA members, J.P. Morgan worked to design, develop and champion the recently approved same-day ACH rule change. With same-day ACH, all receiving financial institutions are required to provide same-day settlement of ACH transactions for their consumer and corporate clients. The rule is being introduced in phases, enabling financial institutions and other stakeholders to improve capabilities and adjust to the faster payment speed. In Phase 1, which began in September 2016, ACH credit transactions of $25,000 and under became eligible for same-day processing. This allows for payroll, bill payments, person-to-person payments and other types of credit transactions to be processed faster. In September 2017, the second phase will include ACH debit payments, affecting consumer bill payments for items like mortgages and credit card payments. The last phase, to be introduced in March 2018, requires funds availability earlier in the day.

J.P. Morgan ACH originators will automatically be enabled to initiate same-day transactions by using the Effective Entry Date within the batch header record on the ACH File; an opt-out process is available for clients who do not want same-day processing.

Additional fees are charged for off-us same-day ACH origination. All data received after 11:00 a.m. PT is ineligible for same-day.

Note: Transactions above $25,000 and IAT (cross-border ACH) transactions are not eligible for same-day ACH. The $25,000 per transaction limit is in effect for all three phases of the implementation, but will be reexamined by NACHA following the completed rollout of same-day ACH.

Virtual Reference Number

J.P. Morgan's Virtual Reference Number solution allows the City to further increase the efficiency of your receivable reconciliation and cash application processes. By providing the capability to effectively track each incoming electronic transaction by uniquely identifying the remitter, you can reconcile receivables almost immediately.

A Virtual Reference Number solution can help alleviate the following common payment challenges:

- Payers making one payment for multiple invoices
- Payers making partial payments for one invoice
- Incomplete information given for payments received

Our Virtual Reference Number solution enables the City to manage your portfolio of receivables by allotting unique identifiers, also known as Virtual Reference Numbers (VRN), to each of your payers. Electronic receipts are paid quoting these unique VRNs, which are linked to your physical account with J.P. Morgan, thereby enabling automated and clear identification of your payers without the onerous task of manual reconciliation.

How it Works

We provide the City a range of unique reference numbers you can assign to each of your payers. After you assign a VRN to each of your payers, each payer's VRN becomes a unique identifier. Your customers quote the VRN in place of the City's current account number to be credited when they make the payment to the City.

All payments are automatically credited to a single operating account held with J.P. Morgan by the relevant City entity. Each credit contains the associated reference number so that it can be easily identified and applied to your specific customers.

The City can access the VRN in the transaction postings to your account. Reference numbers are reported on standard reports via ACCESS Online, Host-to-Host solutions and Receivables Edge.

Being that VRNs are not actual accounts, there is no individual account needed for each VRN account. Furthermore, providing payers with reference numbers to use on their payments instead of your bank account number helps reduce the opportunity for fraudulent activity on your account.

Tab T – Business Continuity Plan

(One page maximum preferred.) The City requires assurance of ability to provide financial services in the event of a major emergency and during the disaster recovery period.

1. Describe in detail, the bank's compliance with state and federal regulations pertaining to this area.

As an integral part of normal business operations within J.P. Morgan, every manager in the firm is responsible for developing and maintaining resiliency plans as part of the firm wide Resiliency Management Program, part of the firm's Global Resiliency and Information Technology Risk Management department.

Resiliency activities of J.P. Morgan must comply with and are governed by several agencies that have laws, rules and regulations. Within the firm's policy, requirements have been defined for each critical business process to provide essential business and technology service levels to comply with resiliency requirements of the Office of the Comptroller of the Currency, the Federal Financial Institutions Examination Council (FFIEC), the Interagency White Paper on Sound Practices to Strengthen the Resilience of the U. S. Financial System and regulatory agencies within the different geographic regions. Resiliency planning is also commonly referred to by terms within the industry as business continuity, disaster recovery and contingency planning; they all represent the process whereby financial institutions ensure the maintenance or recovery of operations and service to their clients.

Resiliency plans must explicitly address the business, operations and technology components of a business process, including those critical processes and functions provided by outside service providers and industry utilities. Contingency locations are an integral part of resiliency planning. In combination with the firm's testing program the locations ensure that the business resiliency plans remain accurate, relevant and operable to minimize disruption to our clients. Critical resiliency plans are tested annually, at a minimum, to verify the effectiveness of alternate locations and to demonstrate that the plans remain accurate and executable.

J.P. Morgan's resiliency plans are subject to reviews by J.P. Morgan's Internal Audit Department and the Resiliency Risk Management group, which acts as the firm's governing body for Business Resiliency measures. The plans must address and comply with documented organizational requirements. All findings are escalated to the business units, Risk Management and division executive for review. The firm's Board of Directors reviews the status of the overall resiliency program on an annual basis.

J.P. Morgan's exercises commercially reasonable efforts to ensure that the firm meets our obligations to you and to all of our clients. The firm's resiliency program provides comprehensive business impact analysis, risk assessment, resiliency planning and testing to ensure we can manage our risk and our clients risk within a reasonable time period.

A summary overview of J.P. Morgan's CIB business resiliency planning is provided for your review in Appendix 10. If you require more detail regarding our business resiliency planning methodology, we will be pleased to arrange a meeting for you with members of our business resiliency staff.

2. Describe testing of core service applications and system that assure information backup, anti-intrusion, and other privacy requirements.

Critical resiliency plans are tested annually or when there are significant changes in the environment. The level of testing is determined by the RTO (Recovery Time Objective) of the business function it supports. Any issues that arise during testing are addressed and resolved, and retested where necessary, prior to the end of the test or within an appropriate timeframe.

3. Describe operational diversification and geographic dispersal of service centers.

J.P. Morgan's global footprint provides built-in redundancy for many core processing, operations and service delivery functions. J.P. Morgan has strategically located data centers and operation centers throughout the world. This geographic distribution helps to reduce the impact of a local disruption on our business. Each location has at least one defined and tested recovery site with connectivity to applications and a tested plan for relocating to the alternate site and resuming business.

Further minimizing the likelihood of a full-scale business disruption, J.P. Morgan's data centers and data storage procedures have been designed to minimize the likelihood of a disruption in the event of a disaster:

- Data centers have on-site backup processing resources to address local equipment issues.
- Data centers and major operations facilities are designed to receive electrical power from two separate substations and are also equipped with backup power generation and surge suppression systems.
- Buildings feature stringent physical security, using highly sophisticated systems to prevent against and detect fire, smoke, water and intrusion. These measures help to reduce the risk and minimize the consequences of these events. Each building is secured, requiring electronic ID cards for access. In addition, a trained and equipped security staff provides 24-hour coverage.
- In major facilities, telephone service is delivered from two separate switching stations and delivered to the building so that an interruption to one of the switching stations would not affect the entire building's workspace.

J.P. Morgan maintains a proprietary telecommunications network across our global operating facilities and data centers, which is designed to maintain communications in the event of a disaster. We have redundant components for each connection (e.g., routers, switches, etc.) which allow us to immediately correct device failures. We have configured our network with multiple diversely routed paths that allow us to re-direct traffic in the event of a disruption. This enables us to revert to additional options in the event of a provider outage.

Tab X – Various Reports

Submit with proposal responses:

1) Sample Account Analysis Statement and User's Guide

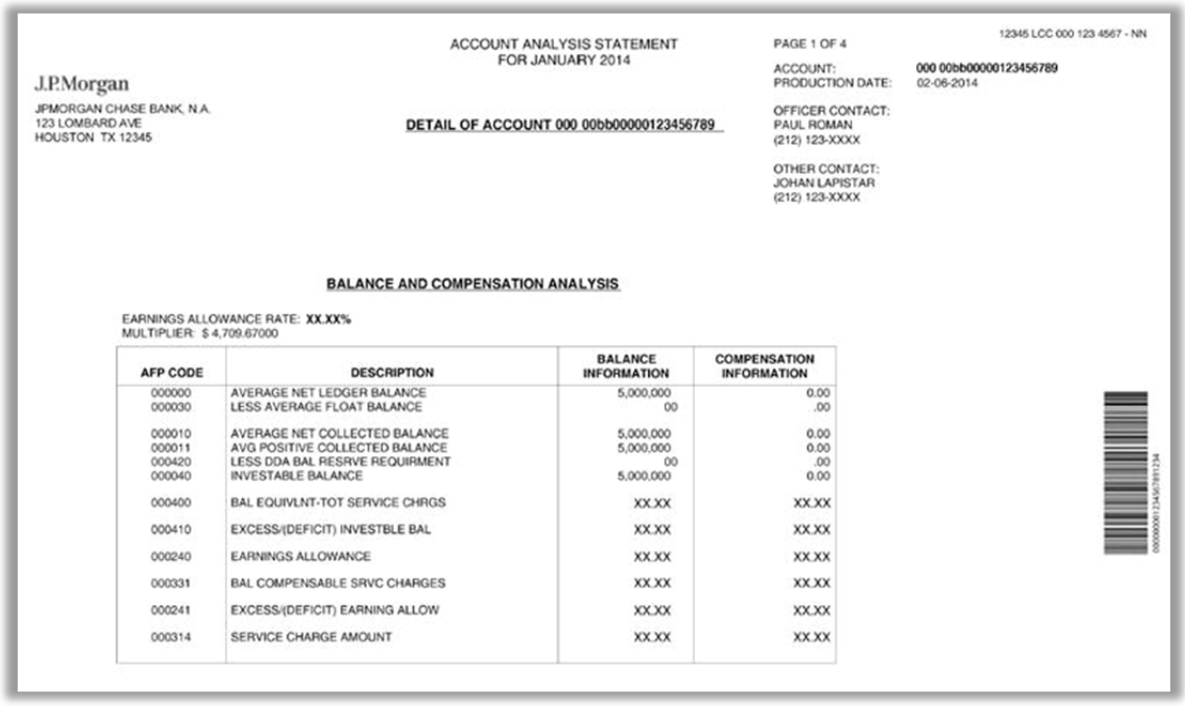
The City will receive an account analysis statement each month identifying all services provided, product volumes and the resulting service charge incurred. The statement captures a monthly summary of your balances and service charges. Analysis statements are provided for each account and on a group summary basis.

The City can retrieve electronic account analysis statements via ACCESS Online on the sixth business day after the close of the billing period; up to 13 months of statements are available. All sections of your account analysis statement may be viewed, printed, and exported through ACCESS Online. Analysis statements are available in PDF, Excel and CSV formats. The City can group specific accounts and billing relationships together for online analysis purposes and create user profiles giving access to specific accounts or billing relationships, as required.

Sample Account Analysis in Adobe PDF Format

Account analysis statements in PDF format show each section of billing information in a separate table. Total charges are displayed at the end of each table for clarity.

Balance and Compensation Analysis Section



ACCOUNT ANALYSIS STATEMENT
FOR JANUARY 2014

PAGE 1 OF 4

12345 LCC 000 123 4567 - NN

J.P.Morgan

JPMORGAN CHASE BANK, N.A.
123 LOMBARD AVE
HOUSTON TX 12345

ACCOUNT: 000 00bb00000123456789
PRODUCTION DATE: 02-06-2014

DETAIL OF ACCOUNT 000 00bb00000123456789

OFFICER CONTACT:
PAUL ROMAN
(212) 123-XXXX

OTHER CONTACT:
JOHAN LAPISTAR
(212) 123-XXXX

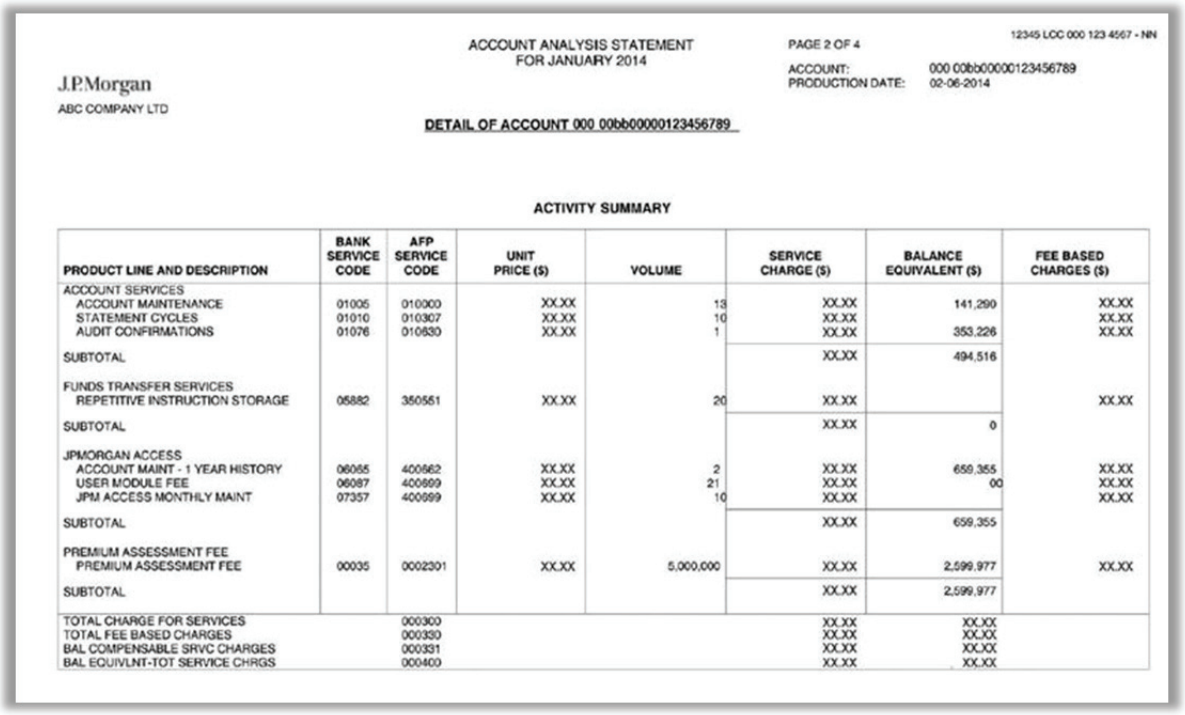
BALANCE AND COMPENSATION ANALYSIS

EARNINGS ALLOWANCE RATE: XX.XX%
MULTIPLIER: $ 4,709.67000

AFP CODE	DESCRIPTION	BALANCE INFORMATION	COMPENSATION INFORMATION
000000	AVERAGE NET LEDGER BALANCE	5,000,000	0.00
000030	LESS AVERAGE FLOAT BALANCE	00	.00
000010	AVERAGE NET COLLECTED BALANCE	5,000,000	0.00
000011	AVG POSITIVE COLLECTED BALANCE	5,000,000	0.00
000420	LESS DDA BAL RESRVE REQUIRMENT	00	.00
000040	INVESTABLE BALANCE	5,000,000	0.00
000400	BAL EQUIVLNT-TOT SERVICE CHRGS	XX.XX	XX.XX
000410	EXCESS/(DEFICIT) INVESTBLE BAL	XX.XX	XX.XX
000240	EARNINGS ALLOWANCE	XX.XX	XX.XX
000331	BAL COMPENSABLE SRVC CHARGES	XX.XX	XX.XX
000241	EXCESS/(DEFICIT) EARNING ALLOW	XX.XX	XX.XX
000314	SERVICE CHARGE AMOUNT	XX.XX	XX.XX

Figure 3

Activity Summary Section



12345 LCC 000 123 4567 - NN

ACCOUNT ANALYSIS STATEMENT
FOR JANUARY 2014

PAGE 2 OF 4

ACCOUNT: 000 00bb00000123456789
PRODUCTION DATE: 02-06-2014

J.P.Morgan

ABC COMPANY LTD

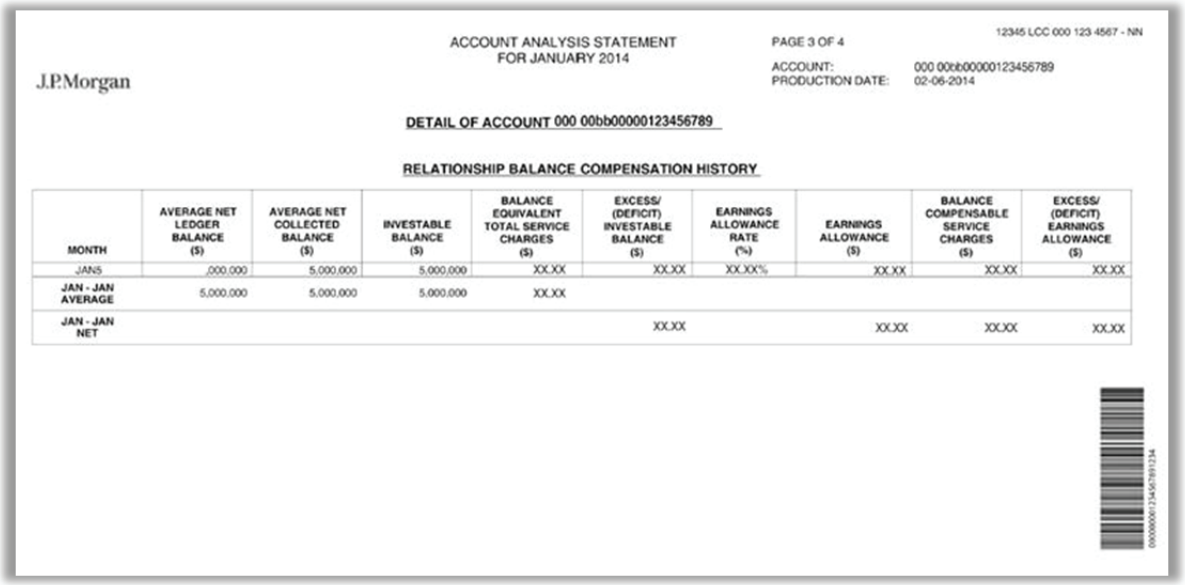
DETAIL OF ACCOUNT 000 00bb00000123456789

ACTIVITY SUMMARY

PRODUCT LINE AND DESCRIPTION	BANK SERVICE CODE	AFP SERVICE CODE	UNIT PRICE ($)	VOLUME	SERVICE CHARGE ($)	BALANCE EQUIVALENT ($)	FEE BASED CHARGES ($)
ACCOUNT SERVICES							
ACCOUNT MAINTENANCE	01005	010000	XX.XX	13	XX.XX	141,290	XX.XX
STATEMENT CYCLES	01010	010307	XX.XX	10	XX.XX		XX.XX
AUDIT CONFIRMATIONS	01076	010830	XX.XX	1	XX.XX	353,226	XX.XX
SUBTOTAL					XX.XX	494,516	
FUNDS TRANSFER SERVICES							
REPETITIVE INSTRUCTION STORAGE	05882	350551	XX.XX	20	XX.XX		XX.XX
SUBTOTAL					XX.XX	0	
JPMORGAN ACCESS							
ACCOUNT MAINT - 1 YEAR HISTORY	06065	400562	XX.XX	2	XX.XX	659,355	XX.XX
USER MODULE FEE	06087	400699	XX.XX	21	XX.XX	00	XX.XX
JPM ACCESS MONTHLY MAINT	07357	400699	XX.XX	10	XX.XX		XX.XX
SUBTOTAL					XX.XX	659,355	
PREMIUM ASSESSMENT FEE							
PREMIUM ASSESSMENT FEE	00035	0002301	XX.XX	5,000,000	XX.XX	2,599,977	XX.XX
SUBTOTAL					XX.XX	2,599,977	
TOTAL CHARGE FOR SERVICES		000300			XX.XX	XX.XX	
TOTAL FEE BASED CHARGES		000330			XX.XX	XX.XX	
BAL COMPENSABLE SRVC CHARGES		000331			XX.XX	XX.XX	
BAL EQUIVLNT-TOT SERVICE CHRGS		000400			XX.XX	XX.XX	

Figure 4

Relationship Balance Compensation History Section



12345 LCC 000 123 4567 - NN

ACCOUNT ANALYSIS STATEMENT
FOR JANUARY 2014

PAGE 3 OF 4

ACCOUNT: 000 00bb00000123456789
PRODUCTION DATE: 02-06-2014

J.P.Morgan

DETAIL OF ACCOUNT 000 00bb00000123456789

RELATIONSHIP BALANCE COMPENSATION HISTORY

MONTH	AVERAGE NET LEDGER BALANCE ($)	AVERAGE NET COLLECTED BALANCE ($)	INVESTABLE BALANCE ($)	BALANCE EQUIVALENT TOTAL SERVICE CHARGES ($)	EXCESS/ (DEFICIT) INVESTABLE BALANCE ($)	EARNINGS ALLOWANCE RATE (%)	EARNINGS ALLOWANCE ($)	BALANCE COMPENSABLE SERVICE CHARGES ($)	EXCESS/ (DEFICIT) EARNINGS ALLOWANCE ($)
JAN5	,000,000	5,000,000	5,000,000	XX.XX	XX.XX	XX.XX%	XX.XX	XX.XX	XX.XX
JAN - JAN AVERAGE	5,000,000	5,000,000	5,000,000	XX.XX					
JAN - JAN NET					XX.XX		XX.XX	XX.XX	XX.XX

Figure 5

2) Sample Account Reconcilement Reports

Please refer to Appendix 12 for the sample account reconcilement reports.

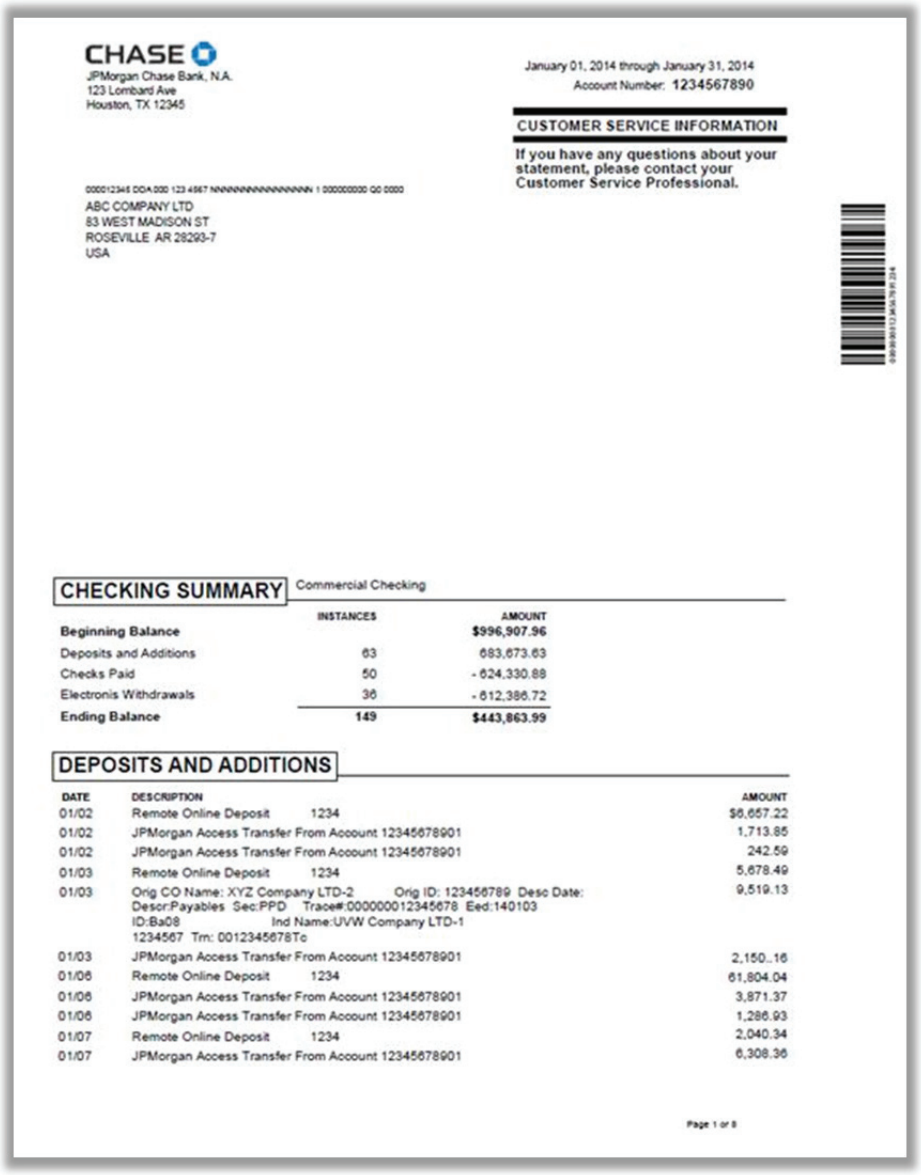
3) Account Statements and Positive Pay Report

The City's authorized users will have access to account statements and positive pay reports via the Internet with ACCESS Online.

Account Statements

J.P. Morgan's account statements are available via secure Internet delivery with ACCESS Online within two to three business days after the statement cutoff. This provides the City with comprehensive reporting in a timely and efficient manner. The account statements include all transactions posted to the account including all checks paid by check number with paid amount. Online bank statements also include images of checks paid during the statement cycle. Correction entries made by the bank will be included on the statement, as well.

The account statement in PDF format shows each section of the statement in a separate section: Summary, Grouped Transactions (e.g. checks paid, electronic withdrawals) and Daily Ending Balance. Totals are displayed at the end of each section for clarity.



CHASE

JPMorgan Chase Bank, N.A.
123 Lombard Ave
Houston, TX 12345

January 01, 2014 through January 31, 2014
Account Number: 1234567890

CUSTOMER SERVICE INFORMATION

If you have any questions about your statement, please contact your Customer Service Professional.

000012345 DDA 000 123 4567 NNNNNNNNNNNNNNN 1 000000000 00 0000

ABC COMPANY LTD
83 WEST MADISON ST
ROSEVILLE AR 28293-7
USA

CHECKING SUMMARY — Commercial Checking

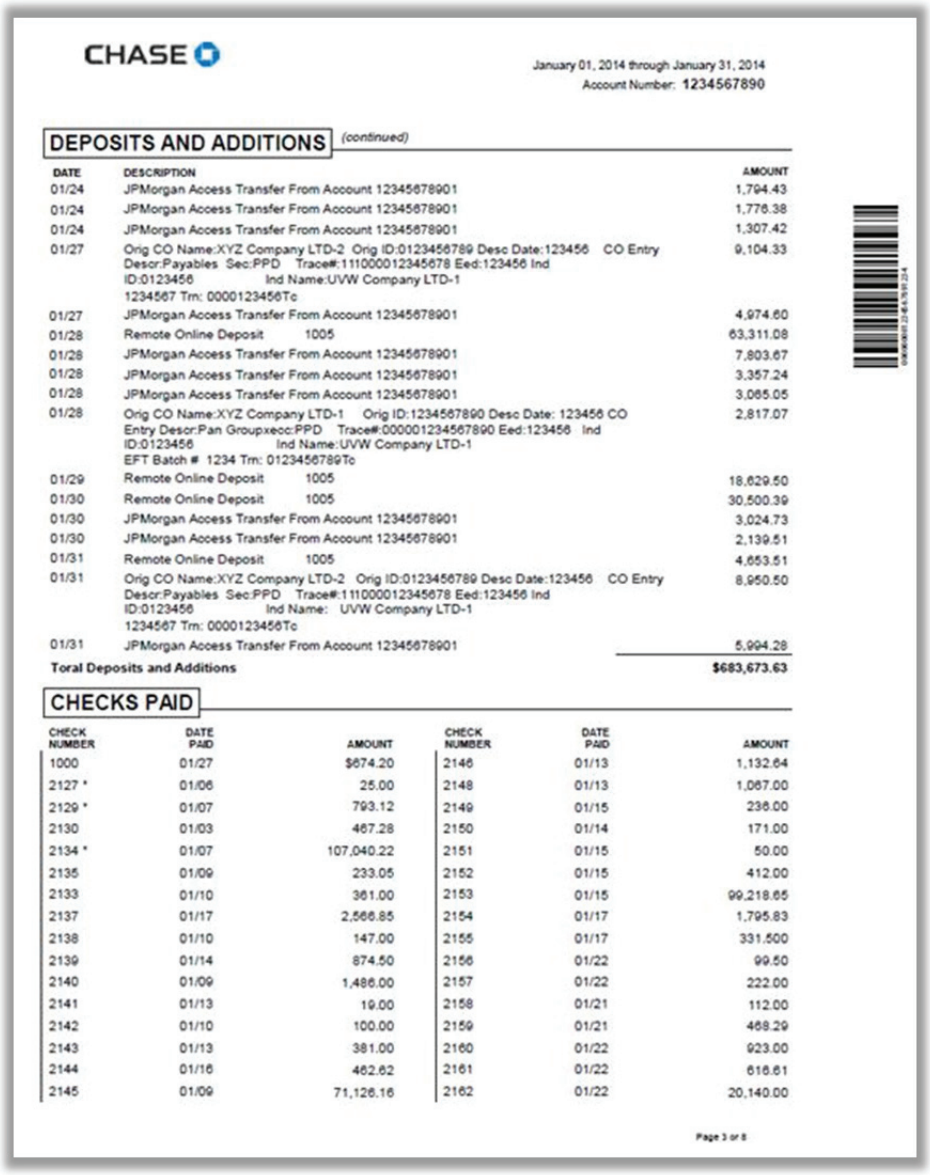
	INSTANCES	AMOUNT
Beginning Balance		**$996,907.96**
Deposits and Additions	63	683,673.63
Checks Paid	50	- 624,330.88
Electronis Withdrawals	36	- 612,386.72
Ending Balance	**149**	**$443,863.99**

DEPOSITS AND ADDITIONS

DATE	DESCRIPTION	AMOUNT
01/02	Remote Online Deposit 1234	$6,657.22
01/02	JPMorgan Access Transfer From Account 12345678901	1,713.85
01/02	JPMorgan Access Transfer From Account 12345678901	242.59
01/03	Remote Online Deposit 1234	5,678.49
01/03	Orig CO Name: XYZ Company LTD-2 Orig ID: 123456789 Desc Date: Descr:Payables Sec:PPD Trace#:000000012345678 Eed:140103 ID:Ba08 Ind Name:UVW Company LTD-1 1234567 Trn: 0012345678Tc	9,519.13
01/03	JPMorgan Access Transfer From Account 12345678901	2,150..16
01/06	Remote Online Deposit 1234	61,804.04
01/06	JPMorgan Access Transfer From Account 12345678901	3,871.37
01/06	JPMorgan Access Transfer From Account 12345678901	1,286.93
01/07	Remote Online Deposit 1234	2,040.34
01/07	JPMorgan Access Transfer From Account 12345678901	6,308.36

Page 1 of 8

Figure 6



CHASE

January 01, 2014 through January 31, 2014
Account Number: 1234567890

DEPOSITS AND ADDITIONS (continued)

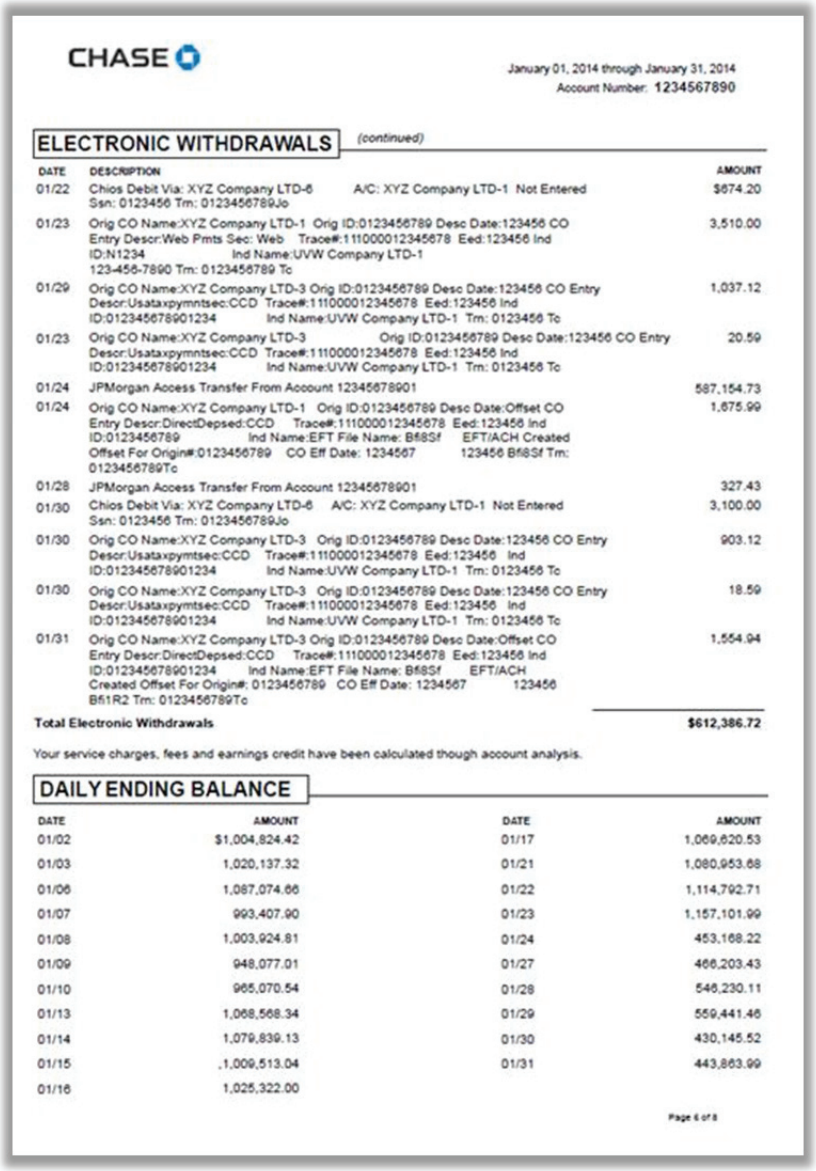
DATE	DESCRIPTION	AMOUNT
01/24	JPMorgan Access Transfer From Account 12345678901	1,794.43
01/24	JPMorgan Access Transfer From Account 12345678901	1,776.38
01/24	JPMorgan Access Transfer From Account 12345678901	1,307.42
01/27	Orig CO Name:XYZ Company LTD-2 Orig ID:0123456789 Desc Date:123456 CO Entry Descr:Payables Sec:PPD Trace#:111000012345678 Eed:123456 Ind ID:0123456 Ind Name:UVW Company LTD-1 1234567 Trn: 0000123456Tc	9,104.33
01/27	JPMorgan Access Transfer From Account 12345678901	4,974.60
01/28	Remote Online Deposit 1005	63,311.08
01/28	JPMorgan Access Transfer From Account 12345678901	7,803.67
01/28	JPMorgan Access Transfer From Account 12345678901	3,357.24
01/28	JPMorgan Access Transfer From Account 12345678901	3,065.05
01/28	Orig CO Name:XYZ Company LTD-1 Orig ID:1234567890 Desc Date: 123456 CO Entry Descr:Pan Groupxecc:PPD Trace#:000001234567890 Eed:123456 Ind ID:0123456 Ind Name:UVW Company LTD-1 EFT Batch # 1234 Trn: 0123456789Tc	2,817.07
01/29	Remote Online Deposit 1005	18,629.50
01/30	Remote Online Deposit 1005	30,500.39
01/30	JPMorgan Access Transfer From Account 12345678901	3,024.73
01/30	JPMorgan Access Transfer From Account 12345678901	2,139.51
01/31	Remote Online Deposit 1005	4,653.51
01/31	Orig CO Name:XYZ Company LTD-2 Orig ID:0123456789 Desc Date:123456 CO Entry Descr:Payables Sec:PPD Trace#:111000012345678 Eed:123456 Ind ID:0123456 Ind Name: UVW Company LTD-1 1234567 Trn: 0000123456Tc	8,950.50
01/31	JPMorgan Access Transfer From Account 12345678901	5,994.28
Toral Deposits and Additions		**$683,673.63**

CHECKS PAID

CHECK NUMBER	DATE PAID	AMOUNT	CHECK NUMBER	DATE PAID	AMOUNT
1000	01/27	$674.20	2146	01/13	1,132.64
2127 *	01/06	25.00	2148	01/13	1,067.00
2129 *	01/07	793.12	2149	01/15	236.00
2130	01/03	467.28	2150	01/14	171.00
2134 *	01/07	107,040.22	2151	01/15	50.00
2135	01/09	233.05	2152	01/15	412.00
2133	01/10	361.00	2153	01/15	99,218.65
2137	01/17	2,566.85	2154	01/17	1,795.83
2138	01/10	147.00	2155	01/17	331.500
2139	01/14	874.50	2156	01/22	99.50
2140	01/09	1,486.00	2157	01/22	222.00
2141	01/13	19.00	2158	01/21	112.00
2142	01/10	100.00	2159	01/21	468.29
2143	01/13	381.00	2160	01/22	923.00
2144	01/16	462.62	2161	01/22	616.61
2145	01/09	71,126.16	2162	01/22	20,140.00

Page 3 of 8

Figure 7



CHASE

January 01, 2014 through January 31, 2014
Account Number: 1234567890

ELECTRONIC WITHDRAWALS *(continued)*

DATE	DESCRIPTION	AMOUNT
01/22	Chios Debit Via: XYZ Company LTD-6 A/C: XYZ Company LTD-1 Not Entered Ssn: 0123456 Tm: 0123456789Jo	$674.20
01/23	Orig CO Name:XYZ Company LTD-1 Orig ID:0123456789 Desc Date:123456 CO Entry Descr:Web Pmts Sec: Web Trace#:111000012345678 Eed:123456 Ind ID:N1234 Ind Name:UVW Company LTD-1 123-456-7890 Tm: 0123456789 Tc	3,510.00
01/29	Orig CO Name:XYZ Company LTD-3 Orig ID:0123456789 Desc Date:123456 CO Entry Descr:Usataxpymntsec:CCD Trace#:111000012345678 Eed:123456 Ind ID:01234567890 1234 Ind Name:UVW Company LTD-1 Tm: 0123456 Tc	1,037.12
01/23	Orig CO Name:XYZ Company LTD-3 Orig ID:0123456789 Desc Date:123456 CO Entry Descr:Usataxpymntsec:CCD Trace#:111000012345678 Eed:123456 Ind ID:01234567890 1234 Ind Name:UVW Company LTD-1 Tm: 0123456 Tc	20.59
01/24	JPMorgan Access Transfer From Account 12345678901	587,154.73
01/24	Orig CO Name:XYZ Company LTD-1 Orig ID:0123456789 Desc Date:Offset CO Entry Descr:DirectDepsed:CCD Trace#:111000012345678 Eed:123456 Ind ID:0123456789 Ind Name:EFT File Name: Bf8Sf EFT/ACH Created Offset For Origin#:0123456789 CO Eff Date: 1234567 123456 Bf8Sf Tm: 0123456789Tc	1,675.99
01/28	JPMorgan Access Transfer From Account 12345678901	327.43
01/30	Chios Debit Via: XYZ Company LTD-6 A/C: XYZ Company LTD-1 Not Entered Ssn: 0123456 Tm: 0123456789Jo	3,100.00
01/30	Orig CO Name:XYZ Company LTD-3 Orig ID:0123456789 Desc Date:123456 CO Entry Descr:Usataxpymtsec:CCD Trace#:111000012345678 Eed:123456 Ind ID:01234567890 1234 Ind Name:UVW Company LTD-1 Tm: 0123456 Tc	903.12
01/30	Orig CO Name:XYZ Company LTD-3 Orig ID:0123456789 Desc Date:123456 CO Entry Descr:Usataxpymtsec:CCD Trace#:111000012345678 Eed:123456 Ind ID:01234567890 1234 Ind Name:UVW Company LTD-1 Tm: 0123456 Tc	18.59
01/31	Orig CO Name:XYZ Company LTD-3 Orig ID:0123456789 Desc Date:Offset CO Entry Descr:DirectDepsed:CCD Trace#:111000012345678 Eed:123456 Ind ID:01234567890 1234 Ind Name:EFT File Name: Bf8Sf EFT/ACH Created Offset For Origin#: 0123456789 CO Eff Date: 1234567 123456 B51R2 Tm: 0123456789Tc	1,554.94
Total Electronic Withdrawals		**$612,386.72**

Your service charges, fees and earnings credit have been calculated though account analysis.

DAILY ENDING BALANCE

DATE	AMOUNT	DATE	AMOUNT
01/02	$1,004,824.42	01/17	1,069,620.53
01/03	1,020,137.32	01/21	1,080,953.68
01/06	1,087,074.66	01/22	1,114,792.71
01/07	993,407.90	01/23	1,157,101.99
01/08	1,003,924.81	01/24	453,168.22
01/09	948,077.01	01/27	466,203.43
01/10	965,070.54	01/28	546,230.11
01/13	1,068,568.34	01/29	559,441.46
01/14	1,079,839.13	01/30	430,145.52
01/15	,1,009,513.04	01/31	443,863.99
01/16	1,025,322.00		

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Figure 8

Positive Pay Reports

The City will have the ability to monitor and control the checks presented against your accounts so that only authorized items are paid. Exception items will be reported for your decision online via ACCESS Online. In addition to providing your positive pay decisions online to the bank, the City will also have access to positive pay activity reports.

Positive Pay Exception Activity History

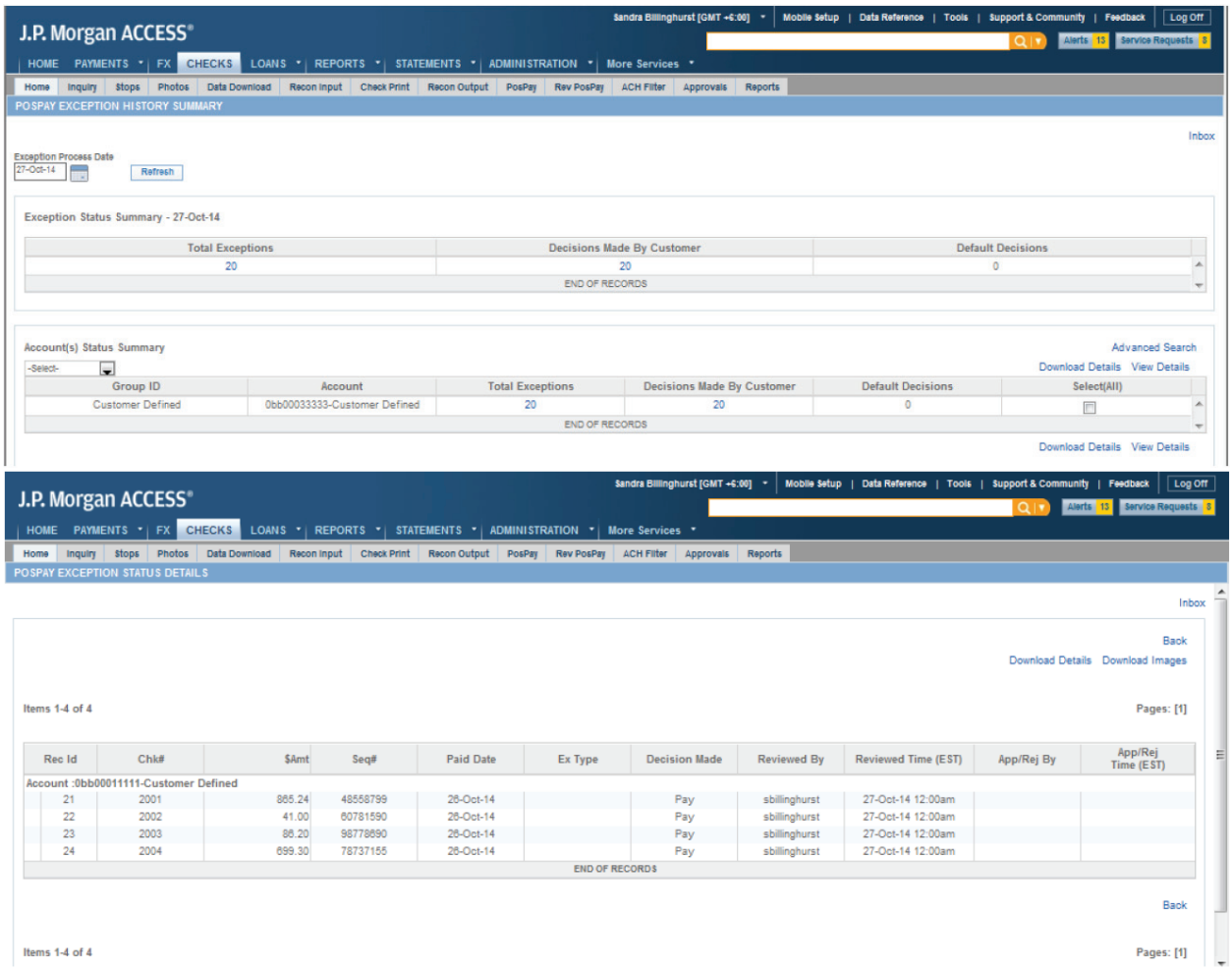


Figure 9

You may download the MICR detail on selected accounts by clicking the checkboxes next to the accounts, and then clicking Download Details.

Tab Y – Relevant Contract, Cash Management Agreements and Statements

Submit with proposal responses.

1) Sample Banking Services Contract

2) Sample Funds Transfer Agreement

3) Sample Merchant Services Statement

4) Samples – Other as necessary

J.P. Morgan has received RFP for Banking Service and Merchant Services, (the "Solicitation"), issued by City of South San Francisco ("Issuer") and is submitting its proposal or requested information in response to (the "Response"), which outlines its product and service capabilities and/or pricing as requested in the Solicitation. The Solicitation may also include requests that the bidder/proposer provide certain certifications or sworn statements (collectively "Certifications") and/or specific comments to or modifications of included standard terms and conditions, sample agreements, incorporated procurement rules, laws, and the like referenced in the Solicitation (collectively, "Issuer's Standard Terms"). In addition, the Solicitation may indicate that any response provided by bidders/proposers constitutes an acceptance of all Issuer's Standard Terms and concurrence with Certifications, unless expressly modified or objected to within the response.

J.P. Morgan has robust internal procedures under which Certifications and Issuer's Standard Terms are thoroughly reviewed and vetted, from a legal, business, and factual perspective prior to entering any agreement or offer that confirms the accuracy of Certifications and/or agreement to Issuer's Standard Terms. We have not invoked that internal review process in connection with any Certifications or Issuer's Standard Terms that may be included within this Solicitation. Rather, in lieu of any agreement to Issuer's Standard Terms or attestation of matters contained within the Certifications, we have enclosed within the Response our standard Global Account Terms and Consolidated Service Terms ("Account and Service Terms"), which include terms applicable to the services and the types of accounts that are the subject of the Solicitation. These are provided in addition to the other components of our Response, relative to product/service descriptions and pricing. If we are awarded the business referenced in the Solicitation, or conditionally awarded such business, subject to agreement between us as to terms and conditions under which the services are to be performed and the certifications to be provided by J.P. Morgan, we will discuss modifications to these Account and Service Terms and incorporation of specific Certifications, where appropriate, to try to meet your needs and specific legal requirements applicable to you. These will be incorporated within a mutually agreeable contract between us. Please keep in mind, however, that J.P. Morgan's policies do not allow for:

- the provision of unlimited indemnities;
- conveyance of intellectual property rights;
- acceptance of liability except to the extent caused by our breach of contract, negligence, or willful misconduct;
- acceptance of consequential, incidental, or special damages;
- liquidated damages;

- agreement to miscellaneous laws, regulations, ordinances, codes, etc. that do not on their face apply to J.P. Morgan as provider of the services that are the subject of the Solicitation; or
- deviations from the insurance coverage J.P. Morgan carries

Except as modified by our negotiations following notification of award or conditional award of the business referenced in the Solicitation and set forth in the final agreement between us, we anticipate that the Account and Service Terms, as applicable to services and accounts contemplated by the Solicitation will be incorporated within such final agreement. Any Certifications that the Solicitation may otherwise impute to any bidder/proposer submitting a response thereto, are not incorporated into, and may not be inferred, as a result of this Response.

Finally, J.P. Morgan is required to know its customers and adhere to policies and procedures intended to meet those regulatory requirements that apply to safety and soundness, to fight against the funding of terrorism, money laundering and sanction related activities and to perform certain transaction screenings. This means J.P. Morgan will request information about the Issuer and its management and those having authority to transact business with J.P. Morgan in order for J.P. Morgan to comply with these policies and procedures. This is an ongoing requirement and the provision of services pursuant to this proposal and any additional products or services that may be requested is subject to and conditioned upon the ongoing satisfaction of these policies and procedures and compliance by the Issuer with applicable law with respect to the services provided and with J.P. Morgan's policies of which the Issuer is informed.

Sample Account Terms and Service Agreements

Please keep in mind that J.P. Morgan also requires execution of all applicable account opening documents, as well as all applicable product and service agreements. As part of our efforts to manage our environmental footprint in an efficient and sustainable manner, sample documents are being provided through the links below. Please note these documents may be modified by J.P. Morgan from time to time.

- Sample Account Opening: http://www.chase.com/content/dam/chasecom/en/commercial-bank/documents/us_account_opening_package.pdf
- Sample Product and Service Terms and Agreements: https://www.chase.com/content/dam/chasecom/en/commercial-bank/documents/account_terms_ghhn.pdf

The sample documents provided cover the comprehensive set of products and services that may be offered to our Commercial Banking clients in general, and many of those in the standard package may not apply to the services currently proposed to the City. At the time of your implementation and based on the specific services you elect to use, you will receive the applicable agreements to be executed from your implementation project manager.

In addition to the account opening documents and service terms, there may be additional signature required documentation needed to initiate electronic banking or information reporting services as noted below:

- Security Administrator Designation Form (SADF) - provides the bank authorization to setup the individuals listed on the form as security administrators.
- Third Party Access (TPA) Authorization Form - required when setting up accounts with different tax IDs under the same ACCESS Online ID

Please refer to Appendix 13 for the Merchant Services Sample Statement.

Please refer to Appendix 14 for the sample Merchant Services Agreement.

Tab V – Banking Services Fee Form

Attached are bank statements for the deposit account, disbursement account, payroll account, credit card account, and lockbox account for the month of December 2016 and March 2017. Also attached is a Banking Services Fee Form. This form has identified the tabs from the proposal that would likely have fees associated with the described services. The specific fee line items have not been listed. Complete this form, identifying the services offered within the area of account services, and identify the annual fee for the specific service. Use the December 2016 and March 2017 data as a basis for a typical monthly fee.

On the Banking Services Fee Form, an arbitrary number of rows have been left blank for each proposal account service, by tab; use more, or less rows as required to identify all fees and services. At the end of the form is a row to calculate the net monthly cost for services (or compensating balance earnings, net of management spread) for the month of December 2016 and March 2017.

In addition to submitting a hard copy of this form with the proposal responses, this form must also be submitted in Excel format. The file is available by request from Justine Buenaflor in the Finance Department, at Justine.Buenaflor@ssf.net. It is to be returned with the proposal package or it may be transmitted by e-mail on June 16, 2017 to Richard.Lee@SSF.net.

The Banking Services Fee Form is provided on the following pages, as well as in Excel format included in Appendix 11.

City of South San Francisco - *Banking Services Fee Form*	
Use attached December 2016 and March 2017 data from the Deposit, Disbursement, Payroll, Credit Cards, and Lockbox accounts for the fee calculation.	
Account Service	**Monthly Fee**
Deposit Compensation - Tab E	
BALANCES BASED CHARGES (FDIC Fee bassed on $3,000,000 Average Ledger Balance)	*$320.54*
ACH, Wire and Other Transfers - Tab F	
TRANS REVIEW MAINTENANCE	*$24.00*
TRANS REVIEW FILTER EXCEPTION	*$0.00*
ACH MAINTENANCE (Transmission service)	*$50.00*
CREDIT ORIGINATED	*$112.60*
CREDIT RECEIVED	*$10.80*
RETURN ITEM	*$3.00*
JPM ACCESS ACH MAINTENANCE (Online service)	*$30.00*
ACH BATCH/FILE PROCESSED	*$90.00*
ELECTRONIC FED DEBIT S/T	*$16.00*
FED CREDIT S/T	*$4.00*
** ACH IMPLEMENTATION-DIRECT SEND (One time implementation fee for ACH Transmission)*	*$1,000.00*
Deposit Transmittal Process - Tab G	
VAULT DEPOSIT	$174.00
VAULT DEPOSIT STD STRAP - NOTE	$77.40
VAULT DEP NON STD STRAP - NOTE	$154.76
VAULT STANDARD ORDERS	$5.00
VAULT ORDER CURR NON STD STRAP	$0.73
VAULT DEPOSIT STD COIN BAG	$70.00
VAULT DEPOSIT ADJUSTMENT	$5.00
WNLB ECONOMY LOCKBOX IMAGE	$155.00
Account Reconcilement - Tab H	
CHECK CASHING NON-ACCT HOLDER	*$56.00*
STOP PAYMENT AUTOMATIC RENEWAL	*$54.00*
CHECK / DEBIT POSTED	*$72.87*
IMAGE STORAGE PER ITEM	*$18.32*
CHECK INQUIRY MAINTENANCE	*$30.00*
RECON REPORT / STATEMENT MAINT	*$0.00*
IMAGING MAINTENANCE	*$0.00*
EXCEPTION NOTIFICATION - ACCT	*$20.00*
STOP PAYMENT - ELECTRONIC	*$24.00*
DATA DOWNLOAD	*$40.00*
ISSUE INPUT UPLOAD	*$1.50*
FULL RECONCILEMENT - PER ITEM	*$55.10*
FULL RECONCILEMENT - MAINT	*$80.00*
PARTIAL RECONCILEMENT - MAINT	*$80.00*
POSITIVE PAY MAINTENANCE	*$0.00*
EXCEPTION ITEM	*$1.00*
ISSUE INPUT FILE WITH RECON	*$40.00*
CHECK EXCEPTION RETURN	*$10.00*
OUTPUT FILE	*$20.00*
IMAGE CAPTURE PER ITEM	*$22.90*
Direct Deposit Relationship - Tab I	
ELECTRONIC FED DEBIT S/T (fee listed above under Tab F)	
Direct Deposit of Payroll and Payroll Tax Processing - Tab J and K	
ACH MAINTENANCE (fee listed above under Tab F)	
CREDIT ORIGINATED (fee listed above under Tab F)	
ACH BATCH/FILE PROCESSED (fee listed above under Tab F)	
JPM ACCESS ACH MAINTENANCE (fee listed above under Tab F)	
*** CREDIT ORIGINATED - JPM ACCESS (per transaction fee for submitting tax payment via our online service)*	*$0.08*

City of South San Francisco - *Banking Services Fee Form*	
Overnight Sweep - Tab L	
INVESTMENT SWEEP - MAINT	*$0.00*
Balance and Detail Reporting - Tab M	
MONTHLY SERVICE	*$50.00*
ACCOUNTS REPORTED	*$125.00*
TRANSACTIONS REPORTED - 90 DAY	*$66.30*
EXTENDED TRANSACTION DETAIL	*$0.00*
Merchant Services and Bankcard Processing - Tab N	
Please see Merchant Service Processing Proposal provided as Appendix 8	
Electronic Direct Payment Services - Tab O	
ACH MAINTENANCE (fee listed above under Tab F)	
CREDIT ORIGINATED (fee listed above under Tab F)	
ACH BATCH/FILE PROCESSED (fee listed above under Tab F)	
JPM ACCESS ACH MAINTENANCE (fee listed above under Tab F)	
***CREDIT ORIGINATED - JPM ACCESS (per transaction fee for originating an ACH payment Online)*	$0.08
Lockbox Services - Tab P	
WNLB ECONOMY LOCKBOX IMAGE (fee listed above under Tab G)	
Conversion Plan - Tab Q	
**ACH IMPLEMENTATION-DIRECT SEND (fee listed above under Tab F)*	
Merchant Service Equipment Swap Fees (please see Merchant Service Processing Proposal provided as Appendix 8)	
Service Enhancements – Tab S	
***Corporate Quick Pay/Collect Program Maintenance*	$150.00
***Corporate Quick Pay/Collect Transaction Decline/Expiration*	$0.20
***Corporate Quick Pay/Collect Transaction Accepted*	$0.90
***ACH Originated Same Day Credit*	$0.50
***JPM ACCESS ACH Credit - Same Day*	$0.75

City of South San Francisco - *Banking Services Fee Form*	
Use attached December 2016 and March 2017 data from the Deposit, Disbursement, Payroll, Credit Cards, and Lockbox accounts for the fee calculation.	
Account Service	**Monthly Fee**
Total Fees (monthly):	$2,169.82
Balance earnings (monthly):	$1,602.74
Total MONTHLY charges for bank services (difference of two items above):	$567.08

** Denotes a one-time fee that is not included in the Total Monthly cost.*
*** Denotes fees for services without data provided and is not included in the monthly cost.*

Please also see our attached "Proforma Analysis" for a full estimate of costs for services rendered according to March 2017 data.

Pro Forma Analysis

June 2017

J.P.Morgan

City of South San Francisco

ECR Rate: 0.6500%

Estimated cost based on March 2017 Analysis Statement Data

Balance Analysis*

Average Ledger Balance			$3,000,000.00
Less Average Float			$0.00
Average Collected Balance			$3,000,000.00
Less Reserve Requirement	Rate	0.00%	$0.00
Average Available Balance			$3,000,000.00
Less Balance Required			$5,192,022.05
Net Available Balance			$2,192,022.05
Earnings Credit Allowance	Rate	0.65%	$1,602.74
Total Charge for Services			$2,773.82
Net Credit Amount			$1,171.08
	Service Charge Amount:		$1,171.08

Service Analysis*

Service Description	AFP	Number of Units	Unit Price	Charge For Service	Balance Required
ACCOUNT SERVICES					
1005 - ACCOUNT MAINTENANCE	010000	5	$15.0000	$75.00	$140,384.62
3499 - POST NO CHECKS MAINTENANCE	1500ZZ	0	$4.0000	$0.00	$0.00
7640 - CREDIT POSTED- ELECTRONIC	010101	393	$0.1000	$39.30	$73,561.54
7641 - DEBIT POSTED - ELECTRONIC	010100	0	$0.1000	$0.00	$0.00
7856 - CASH CONCENTRATION MAINTMASTER	010020	1	$25.0000	$25.00	$46,794.87
7857 - CASH CONCENTRATION MAINT SUB	010021	4	$10.0000	$40.00	$74,871.79
8007 - VIRTUAL REFERENCE MAINTENANCE	999999	1	$1.5000	$1.50	$2,807.69
8008 - VIRTUAL REFERENCE TRANSLATION	999999	3	$0.0500	$0.15	$280.77
Subtotal				$180.95	$338,701.28
AUTOMATED CLEARING HOUSE					
2237 - TRANS REVIEW MAINTENANCE	250000	4	$6.0000	$24.00	$44,923.08
2238 - TRANS REVIEW FILTER EXCEPTION	250102	1	$0.0000	$0.00	$0.00
2239 - TRANS REVIEW REJECT - MANUAL	250302	0	$5.0000	$0.00	$0.00
2695 - ACH MAINTENANCE	250000	2	$25.0000	$50.00	$93,589.74
2700 - CREDIT ORIGINATED	250101	2,252	$0.0500	$112.60	$210,764.10
2705 - DEBIT ORIGINATED	250100	0	$0.0500	$0.00	$0.00
** 2714 - ACH IMPLEMENTATION-DIRECT SEND	251000	0	$1,000.0000	$0.00	$0.00
2716 - CREDIT RECEIVED	250201	108	$0.1000	$10.80	$20,215.38
2717 - DEBIT RECEIVED	250200	0	$0.1000	$0.00	$0.00
2720 - RETURN ITEM	250302	1	$3.0000	$3.00	$5,615.38
2722 - NOTIFICATION OF CHANGE	251070	0	$4.0000	$0.00	$0.00
2729 - RETURN NOTIFICATION - ONLINE	250400	0	$1.0000	$0.00	$0.00
2730 - NOTIF OF CHANGE - ONLINE	250400	0	$1.0000	$0.00	$0.00
2742 - CREDIT ORIGINATED - JPM ACCESS	250101	0	$0.0800	$0.00	$0.00
2744 - DEBIT ORIGINATED - JPM ACCESS	250100	0	$0.0800	$0.00	$0.00
2746 - JPM ACCESS ACH MAINTENANCE	250000	1	$30.0000	$30.00	$56,153.85
2753 - DELETION / REVERSAL - ELEC	250620	0	$5.0000	$0.00	$0.00
2765 - ACH BATCH/FILE PROCESSED	250501	9	$10.0000	$90.00	$168,461.54
2796 - ADDENDA RECORD ORIGINATED	250120	0	$0.0300	$0.00	$0.00
2809 - NOTIF OF CHANGE - EMAIL	251070	0	$1.5000	$0.00	$0.00
2810 - RETURN NOTIFICATION - EMAIL	250400	0	$1.5000	$0.00	$0.00
2860 - DEBIT BLOCK MAINTENANCE	251050	0	$6.0000	$0.00	$0.00
2861 - ACH ADA AUTHORIZED ID	251051	0	$0.5000	$0.00	$0.00
5159 - CQP CLIENT PROGRAM MAINTENANCE	250000	0	$150.0000	$0.00	$0.00
5160 - CQP/CQC TRANS DECLINE/EXPIRE	250101	0	$0.2000	$0.00	$0.00
5161 - CQP/CQC TRANS ACCEPTED	250101	0	$0.9000	$0.00	$0.00
8019 - ACH ORIGINATED SAME DAY CREDIT	250101	0	$0.5000	$0.00	$0.00
8021 - ACCESS ACH CREDIT - SAME DAY	250101	0	$0.7500	$0.00	$0.00
8023 - ACH UNAUTHORIZED ENTRY FEE	250312	0	$4.5000	$0.00	$0.00
Subtotal				$320.40	$599,723.08
BALANCE BASED CHARGES					
35 - BALANCE BASED CHARGES	000230	1	$320.5400	$320.54	$599,985.13
Subtotal				$320.54	$599,985.13
DEPOSITORY SERVICES					
501 - CHECK DEPOSITED-ON US	100220	296	$0.2000	$59.20	$110,810.26
513 - CHECK DEPOSITED-TRANSIT	100224	1,180	$0.2700	$318.60	$596,353.85
541 - REMOTE DEPOSIT CAPTURE ITEM	101320	0	$0.1500	$0.00	$0.00
548 - REMOTE DEPOSIT CAPTURE MAINT	101300	0	$50.0000	$0.00	$0.00
1400 - CREDITS POSTED	010101	17	$1.0000	$17.00	$31,820.51
1435 - RETURN ITEM	100400	7	$1.5000	$10.50	$19,653.85
1438 - RETURN ALTERNATE ADDRESS	100401	7	$2.0000	$14.00	$26,205.13
1450 - RETURN ITEM REDEPOSIT	100402	5	$0.7500	$3.75	$7,019.23
Subtotal				$423.05	$791,862.82

DISBURSEMENT SERVICES					
1321 - CHECK CASHING NON-ACCT HOLDER	150501	7	$8.0000	$56.00	$104,820.51
2338 - STOP PAYMENT AUTOMATIC RENEWAL	150412	27	$2.0000	$54.00	$101,076.92
2370 - CHECK / DEBIT POSTED	010100	1,041	$0.0700	$72.87	$136,397.69
3495 - IMAGE STORAGE PER ITEM	151351	916	$0.0200	$18.32	$34,291.28
6618 - CHECK INQUIRY MAINTENANCE	151710	4	$7.5000	$30.00	$56,153.85
6620 - RECON REPORT / STATEMENT MAINT	200306	4	$0.0000	$0.00	$0.00
6621 - IMAGING MAINTENANCE	151350	4	$0.0000	$0.00	$0.00
6625 - EXCEPTION NOTIFICATION - ACCT	150030	4	$5.0000	$20.00	$37,435.90
6639 - STOP PAYMENT - ELECTRONIC	150410	3	$8.0000	$24.00	$44,923.08
6641 - DATA DOWNLOAD	200306	4	$10.0000	$40.00	$74,871.79
6644 - ISSUE INPUT UPLOAD	200201	3	$0.5000	$1.50	$2,807.69
7735 - RETURN ITEMS	150320	0	$9.0000	$0.00	$0.00
Subtotal				$316.69	$592,778.72
JPMORGAN ACCESS					
6040 - MONTHLY SERVICE	400610	1	$50.0000	$50.00	$93,589.74
6041 - ACCOUNTS REPORTED	40044Z	5	$25.0000	$125.00	$233,974.36
6044 - TRANSACTIONS REPORTED - 90 DAY	40066Z	663	$0.1000	$66.30	$124,100.00
6045 - TRANSACTIONS REPORTED - 1 YEAR	40066Z	0	$0.1500	$0.00	$0.00
6053 - EXTENDED TRANSACTION DETAIL	40066Z	1,989	$0.0000	$0.00	$0.00
6076 - ACCT TRANSFER ITEM	400699	0	$2.2500	$0.00	$0.00
Subtotal				$241.30	$451,664.10
LIQUIDITY SERVICES					
7849 - INVESTMENT SWEEP - MAINT	450020	0	$0.0000	$0.00	$0.00
Subtotal				$0.00	$0.00
RECEIVABLES EDGE					
6140 - DOCUMENT IMAGE CAPTURE	05011R	0	$0.1500	$0.00	$0.00
6179 - REC EDGE MAINT-CHK/DOC	050005	0	$150.0000	$0.00	$0.00
6187 - LONG TERM STORAGE-CHECK	050620	0	$0.0300	$0.00	$0.00
6188 - LONG TERM STORAGE-B&W DOC	050620	0	$0.0600	$0.00	$0.00
6198 - REC EDGE ADD'L REPORT	05031Z	0	$25.0000	$0.00	$0.00
Subtotal				$0.00	$0.00
RECONCILIATION SERVICES					
3205 - FULL RECONCILEMENT - PER ITEM	200110	1,102	$0.0500	$55.10	$103,135.90
3207 - FULL RECONCILEMENT - MAINT	200010	2	$40.0000	$80.00	$149,743.59
3209 - PARTIAL RECONCILEMENT - MAINT	200020	2	$40.0000	$80.00	$149,743.59
3210 - PARTIAL RECONCILIATION-PER ITM	200120	0	$0.0400	$0.00	$0.00
3228 - PAYEE NAME VERIFICATION	150122	0	$0.0200	$0.00	$0.00
3262 - POSITIVE PAY MAINTENANCE	150030	2	$0.0000	$0.00	$0.00
3263 - EXCEPTION ITEM	150300	1	$1.0000	$1.00	$1,871.79
3269 - ISSUE INPUT WITHOUT RECON	200201	0	$10.0000	$0.00	$0.00
3271 - ISSUE INPUT FILE WITH RECON	200201	8	$5.0000	$40.00	$74,871.79
3272 - CHECK EXCEPTION RETURN	150320	1	$10.0000	$10.00	$18,717.95
3291 - OUTPUT FILE	200301	2	$10.0000	$20.00	$37,435.90
3294 - DATA ENTRY - MANUAL	200210	0	$2.5000	$0.00	$0.00
3386 - IMAGE CAPTURE PER ITEM	151351	916	$0.0250	$22.90	$42,864.10
Subtotal				$309.00	$578,384.62
VAULT SERVICES					
1310 - VAULT DEPOSIT	100100	116	$1.5000	$174.00	$325,692.31
1461 - VAULT DEPOSIT RECEIPT MAILERS	100154	0	$0.7500	$0.00	$0.00
1482 - VAULT DEPOSIT STD STRAP - NOTE	100115	3,870	$0.0200	$77.40	$144,876.92
1486 - VAULT DEP NON STD STRAP - NOTE	100114	3,869	$0.0400	$154.76	$289,678.97
1495 - VAULT STANDARD ORDERS	100141	1	$5.0000	$5.00	$9,358.97
1499 - VAULT ORDER CURR NON STD STRAP	100148	29	$0.0250	$0.73	$1,366.41
1525 - VAULT DEPOSIT STD COIN BAG	100113	35	$2.0000	$70.00	$131,025.64
1617 - VAULT DEPOSIT ADJUSTMENT	100501	1	$5.0000	$5.00	$9,358.97
1620 - SMART SAFE MAINTENANCE	100199	0	$50.0000	$0.00	$0.00
1621 - SMART SAFE ADVANCE CREDIT	100199	0	$5.0000	$0.00	$0.00
1624 - WEB CUR SVCS-DEPOSIT DETAILS	100199	0	$1.0000	$0.00	$0.00
1627 - WEB CUR SVC-VAULT TREND REPORT	100199	0	$2.0000	$0.00	$0.00
Subtotal				$486.89	$911,358.21
WHOLESALE LOCKBOX					
6101 - LOCKBOX - MAINT	050001	0	$150.0000	$0.00	$0.00
6106 - WHOLESALE ITEM	050100	0	$0.5000	$0.00	$0.00
6114 - UNPROCESSABLE ITEM	050530	0	$0.4000	$0.00	$0.00
6115 - NO CHECK ITEM	05011M	0	$0.4000	$0.00	$0.00
6116 - CHECK CLEARING	10021Z	0	$0.1100	$0.00	$0.00
6117 - INCOMING COURIER PACKAGE	05011P	0	$25.0000	$0.00	$0.00
6119 - WNLB ECONOMY LOCKBOX IMAGE	050005	1	$155.0000	$155.00	$290,128.21
6121 - WNLB CREDIT CARD AUTHORIZATION	05013A	0	$2.0000	$0.00	$0.00
6126 - CHECK MICR CAPTURE	050121	0	$0.0250	$0.00	$0.00
6127 - DATA CAPTURE	050126	0	$0.0120	$0.00	$0.00
6245 - DEPOSIT PREPARATION	050301	0	$2.0000	$0.00	$0.00
6744 - WHOLESALE ITEM - HC	050100	0	$0.5000	$0.00	$0.00
Subtotal				$155.00	$290,128.21

WIRE - U.S.					
5443 - SOFTI STANDARD CALCULATION	409999	0	$8.0000	$0.00	$0.00
5444 - SOFTI NONSTANDARD CALCULATION	409999	0	$16.0000	$0.00	$0.00
5822 - ELECTRONIC BOOK DEBIT S/T	350124	0	$4.0000	$0.00	$0.00
5823 - ELECTRONIC BOOK DEBIT REPAIR	350122	0	$7.5000	$0.00	$0.00
5824 - ELECTRONIC FED DEBIT S/T	350100	4	$4.0000	$16.00	$29,948.72
5825 - ELECTRONIC FED DEBIT REPAIR	350102	0	$15.0000	$0.00	$0.00
5826 - ELECTRONIC CHIP DEBIT S/T	350110	0	$4.0000	$0.00	$0.00
5827 - ELECTRONIC CHIP DEBIT REPAIR	350541	0	$15.0000	$0.00	$0.00
5886 - BOOK CREDIT	350320	0	$3.0000	$0.00	$0.00
5887 - FED CREDIT S/T	350300	1	$4.0000	$4.00	$7,487.18
5888 - FED CREDIT REPAIR	350330	0	$15.0000	$0.00	$0.00
5889 - CHIPS CREDIT S/T	350300	0	$4.0000	$0.00	$0.00
5890 - CHIPS CREDIT REPAIR	350330	0	$15.0000	$0.00	$0.00
5958 - DRAWDOWN BOOK DEBIT	350523	0	$5.0000	$0.00	$0.00
5959 - DRAWDOWN BOOK CREDIT - ELEC.	350523	0	$7.5000	$0.00	$0.00
5961 - DRAWDOWN FED DEBIT	350521	0	$16.2500	$0.00	$0.00
5962 - ELEC. DRAWDOWN FED REQUEST	350521	0	$3.5000	$0.00	$0.00
Subtotal				$20.00	$37,435.90
Total Charge for Services				**$2,773.82**	**$5,192,022.07**

Pro forma Notes, Assumptions & Disclaimers

Assumptions:

> Average Ledger Balance of $3,000,000 maintained in analysis accounts in order to take advantage of our Bank Managed 0.65% Earnings Credit Rate offer to offset fees.

Rates / Incentives

> Earnings Credit Rate (ECR)	J.P.Morgan is offering the City our Bank Managed Earnings Credit Rate of 0.65% or 65bps.
> ECR Calculation	Avg. Investable Balance x ECR X Actual Days in Cycle / Actual Days in Year = Earnings Credit Allowance
> Balance Based Charge Fee (Recoupment Fee)	The Balance Based Charge Fee is a monthly administrative fee assessed to address various regulatory and other charges affecting J.P. Morgan. The fee is set by J.P. Morgan in its sole discretion and is subject to periodic review and adjustment. J.P. Morgan's Premium Assessment Fee Rate has been 0.13% since January 2, 2010.
> Balance Based Calculation	Balance Based Charge Fee Rate x Avg. Positive Ledger Balance x Actual Days in Month / Actual Days in Year
> Account Analysis Transition Credit	Twelve months of analysis credits up to $30,000 to be used towards banking services.

* Volumes and Balances on this Pro Forma are estimated. Actual volumes and balances may be different, which will result in different charges than are specified above.

* Please note that while every attempt is made to identify each applicable service code, depending on the services that the City selects, additional service price codes could apply.

ACCOUNT TERMS

V1.4_02_24_15

INTRODUCTION

This document, as amended or supplemented by account addenda for each country in which the Accounts are held, (collectively, the "Account Terms") contains the general terms, conditions and disclosures for the Accounts and Services selected by the Customer and constitutes an agreement between the Bank and the Customer. References to "the Bank" shall mean **JPMorgan Chase Bank, N.A.**, and any of its affiliates. References to the "Customer" shall mean the entity to which the Bank, as an independent contractor, provides Accounts and Services, including any entity that is bound by a Subsidiary Election Agreement (not applicable in all jurisdictions), as may be amended from time to time. All accounts subject to the Account Terms are, regardless of their location, referred to as "Accounts". The Account Terms may be supplemented or amended as set forth in Section 17.6 (*Amendments; Supplement; Waivers*) herein. References to "Services" shall mean services offered by the Bank and subject to the Account Terms and any applicable Service Terms. References to "Service Terms" shall mean any terms and conditions regarding specific types of Accounts or Services that are subject to the Account Terms. In addition to the Account Terms and Service Terms, the Accounts are subject to other Account-related documentation, including signature cards and application forms (the "Account Documentation").

The Customer shall not transfer any of its rights and obligations in an Account or with respect to a Service, or create any form of security interest over such rights and obligations in an Account, without the prior written consent of the Bank. Failure to obtain the Bank's prior written consent constitutes a breach of these Account Terms by the Customer and may result in immediate closure of Accounts.

The Account Terms, Account Documentation and Service Terms may vary applicable law to the maximum extent permitted under any such law. Any provision of applicable law that cannot be varied shall supersede any conflicting term of the Account Terms, Account Documentation or Service Terms.

1. Authorized Persons.

1.1 Authorized Persons. The Bank is authorized to rely upon any document that identifies a person authorized to act on behalf of the Customer ("Authorized Person") with respect to the Accounts and Services, until the authority for such Authorized Person is withdrawn by the Customer upon written notice to the Bank, and the Bank has had a reasonable opportunity to act on such notice. The Customer will provide a specimen signature for each Authorized Person in the manner requested by the Bank.

1.2 Authorizations. Each Authorized Person is independent of the Bank, and, subject to any written limitation provided by the Customer and received and accepted by the Bank, is authorized on behalf of the Customer to: open, operate and close Accounts; overdraw Accounts as permitted by the Bank; appoint and remove Authorized Persons; execute or otherwise agree to any form of agreement relating to the Accounts or Services, including Account Documentation; execute guarantees, indemnities or other undertakings to the Bank in relation to guarantees, letters of credit or other financial transactions, or in relation to missing documents; draw, accept, endorse or discount checks, drafts, bills of exchange, notes and other financial instruments ("Items"); receive materials related to security procedures; and give instructions ("Instructions"), including requests and payment orders, by means other than the signing of an Item, with respect to any Account transaction. Without limitation, such Instructions may direct: (i) the payment, transfer or withdrawal of funds; (ii) the disposition of money, credits, items or property at any time held by the Bank for account of the Customer; (iii) the provision of access as described in Section 1.4 (*Third Party Access*) and Section 2.1 (*Third Party Instructions*) below; or (iv) any other transaction of the Customer with the Bank.

1.3 Facsimile Signatures. If the Customer provides the Bank with facsimile signature specimens, or if the Customer issues Items with a facsimile signature on one or more occasions, the Bank is authorized to pay Items signed by facsimile signature (including computer generated signatures) if the actual or purported facsimile signature, regardless of how or by whom affixed, resembles the specimens filed with the Bank by the Customer, or resembles a specimen facsimile signature otherwise employed for the Customer's benefit.

1.4 Third Party Access. The Customer may request that the Bank permit a third party to have access to an Account by submitting an access request in a form acceptable to the Bank (an "Access Request", and the third party designated in such form will be referred to as a "Third Party"). Each Third Party is authorized by the Customer to issue Instructions to the Bank in relation to an Account, including to initiate payments and transfers against an Account, and to access and receive balance and transaction information (including account statements, information reporting and transaction advices) by any method of communication, including the Bank's electronic channels, facsimile transmission, in writing, by telephone and SWIFT, and the Bank is authorized to act on such Instructions and provide such access as described in this Section and Section 2.1 (*Third Party Instructions*) below. Subject to the Third Party's completion of documentation required by the Bank, the Bank is authorized to act upon any Instructions issued in the name of any authorized person of the Third Party who has been nominated by the Third Party in a form acceptable to the Bank, and such authorized person shall be deemed an Authorized Person with respect to the provisions of these Account Terms relating to the use of the Accounts and the giving of Instructions with respect to the Accounts. The Customer may revoke an Access Request at any time by giving the Bank written notice of such revocation.

2. Instructions; Security Procedures.

2.1 Security Procedures Generally. When issuing Instructions, the Customer is required to follow the Bank's security procedures as communicated to the Customer by the Bank from time to time, including the procedures set forth herein, and shall be bound by such security procedures for use of the Service. Upon receipt of an Instruction, the Bank will use the security procedures to verify that the Instruction is effective as that of the Customer. A security procedure may require the use of algorithms or other codes, identifying words or numbers, encryption, call back procedures or similar security devices. It is understood that the purpose of the security procedure is to verify the authenticity of, and not to detect errors in, Instructions. The Customer shall safeguard the security procedure and make it available only to persons that it has authorized. Any Instruction, the authenticity of which has been verified through such security procedure, shall be effective

as that of the Customer, whether or not authorized. An authenticated SWIFT or host-to-host (secure communications channel for data transfer) message issued to the Bank in the name of the Customer shall be deemed to have been given by an Authorized Person.

Security Procedure for Verbal or Written Instructions. Unless the Customer and the Bank have agreed in writing to an alternate security procedure, the Bank may verify the authenticity of verbal or written (including those transmitted by facsimile) funds transfer Instructions by telephonic call-back to an Authorized Person. The Customer agrees that this security procedure is commercially reasonable for such Instructions.

Third Party Instructions. The security procedures applicable to Instructions from any Third Party shall be those security procedures established by the Bank with the Third Party. Any Instruction that the Bank receives from the Third Party, the authenticity of which has been verified through such security procedure, shall be effective as that of the Customer, whether or not authorized, and shall be deemed an Instruction given on behalf of the Customer for all purposes of these Account Terms. The Bank is authorized to act upon any Instructions received via any of the SWIFT BIC codes specified in an Access Request whether or not such SWIFT BIC codes are associated with the Customer or the Third Party.

2.2 **Confirmations.** If the Customer, other than with respect to security procedures, chooses to confirm an Instruction, any confirmation must be clearly marked as a confirmation, and, if there is any discrepancy between an Instruction and a confirmation, the terms of the Instruction shall prevail. Subject to Section 2.1 (*Security Procedure for Verbal or Written Instructions*), the Bank may, at its option, confirm or clarify any request or Instruction using any means, even if a security procedure appears to have been followed. If the Bank is not satisfied with any confirmation or clarification, it may decline to honor the Instruction.

3. Deposits.

3.1 **Processing Incoming Items.** All Items deposited or cashed are received for collection only, and are received subject to final payment. The Bank may agree with other banks and clearing houses to vary procedures regarding the collection or return of Items, and deadlines to the extent permitted by applicable law or practice. The Bank chooses the method of collecting Items and may use other banks in the process. The Bank will present Items in accordance with the custom and practice of the jurisdiction in which the Items are collected. The Bank is not responsible for actions or omissions of other banks, nor for the loss or destruction of any Item in the possession of other banks or in transit. The Customer shall use reasonable efforts to assist the Bank in locating or obtaining replacements of Items lost while in the Bank's possession.

3.2 **Availability of Funds; Credits Not Received.** Credits and deposits to an Account will be available in accordance with the Bank's availability policy and applicable law. If the Bank credits an Account: (i) in contemplation of receiving funds for the Customer's credit and those funds are not actually received by the Bank, or (ii) in reliance on a transaction which is subsequently returned, reversed, set aside or revoked, or if the Bank does not receive funds for the Customer's credit for value on the date advised by or on behalf of the Customer, or if final settlement is not received by the Bank for any reason, then the Bank shall be entitled to debit any Account of the Customer with the amount previously credited and/or with any other charges incurred, even if doing so creates or increases an overdraft.

3.3 **Collection Basis Processing.** If an Item is processed by the Bank on a collection basis, the Bank may defer credit or payment for a reasonable time, in accordance with its practices, without dishonor; and the Bank shall not be obligated thereon until it has remitted final payment.

4. Payment of Items.

4.1 **Processing Outgoing Items.** The Bank is authorized to pay any Item drawn on the Account, in accordance with the Bank's usual procedures, including any Item that purports to be a substitute check. The Bank is authorized to debit the Account on which the Item is drawn on the day the Item is presented, certified or accepted, or at such earlier time when the Bank receives notice by electronic or other means that an Item drawn on an Account has been deposited for collection. The Bank may determine Account balances in order to decide whether to dishonor an Item for insufficient funds at any time between receiving such presentment or notice and the time of the return of the Item, and need make no more than one such determination.

4.2 **No Inquiry.** The Bank is authorized to pay all Items presented to it or cashed at the Bank, regardless of amount and without inquiry as to the circumstances of issue, negotiation or endorsement or as to the disposition of proceeds, even if drawn, endorsed or payable to cash, bearer or the order of the signer or any Authorized Person or to a lender in payment of the signer's or Authorized Person's obligations.

4.3 **Limitations.** The Customer shall immediately notify the Bank if it becomes aware that any Items (whether completed or blank) are lost or stolen. The Customer shall not allow any third party to issue Items against or otherwise use the Accounts unless specifically agreed to in writing by the Bank. The Customer shall not issue Items that are post-dated, and the Bank shall not be liable for any damages caused by premature payment or certification of a post-dated Item. Further, the Customer shall not put any condition, restriction or legend on any Item, and the Bank is not required to comply with any such condition, restriction or legend.

4.4 **Electronic Processing; Specifications.** The Bank may process any Item by electronic means. All Items issued by the Customer against any Account must comply with industry standards and the Bank's check specifications and image standards, published from time to time. The Bank shall not be liable for damages or losses due to any delay or failure in procuring, collecting or paying Items not conforming to such specifications or standards, except to the extent such losses or damages are the direct result of the Bank's gross negligence or willful misconduct.

5. Funds Transfer Instructions.

5.1 **Processing Funds Transfer Instructions.** The Customer may issue funds transfer Instructions against Accounts, subject to the Bank's acceptance. Funds transfer Instructions will be received, processed and transmitted only on the Bank's funds transfer business days, and within the Bank's established cut-off hours on such days. Communications requesting cancellation or amendment of funds transfer Instructions must be clearly marked as such and received at a time and in a manner affording the Bank a reasonable opportunity to act on the communication. The Customer may reverse, amend, cancel or revoke any Instructions only with the consent of the Bank and, if applicable, the beneficiary's bank. The Bank will debit the Account for the amount of each funds transfer Instruction accepted by the Bank, and the Customer authorizes the Bank to debit the Account for, or deduct from the amount of the funds transfer, all associated fees, including debit and credit processing charges. In processing a funds transfer, other banks may deduct fees from the funds transfer. No restrictions upon the acceptance of funds transfer Instructions by the Bank or upon the Accounts that the Bank may debit shall be binding unless agreed to by the Bank in writing. The Bank shall not be required to inquire into the circumstances of any transaction.

5.2 **Acting on Instructions.** Notwithstanding any Instructions by the Customer to the contrary, the Bank reserves the right to use any funds transfer system and any intermediary bank in the execution of any funds transfer Instruction and may otherwise use any means of executing the funds transfer Instruction that the Bank deems reasonable in the circumstances.

5.3 **Inconsistent Name and Number.** The Bank and other financial institutions, including the beneficiary's bank, may rely upon the identifying number of the beneficiary, the beneficiary's bank or any intermediary bank included in a funds transfer Instruction, even if it identifies a person different from the beneficiary, the beneficiary's bank or intermediary bank identified by name.

5.4 **Foreign Exchange.** If the Bank accepts a funds transfer Instruction issued in the Customer's name for payment in a currency (the "Non-Account Currency") other than the currency of the Account (the "Account Currency"), the Bank is authorized to enter into a foreign exchange transaction to sell to the Customer the amount of Non-Account Currency required to complete the funds transfer and debit the Account for the purchase price of the Non-Account Currency. If the Bank accepts a funds transfer Instruction for payment to the Account in a Non-Account Currency, the Bank is authorized to purchase the Non-Account Currency from the Customer and to credit the purchase price to the Customer's Account in lieu of the Non-Account Currency. The purchase price for the foregoing transactions shall be at a rate and spread as the Bank determines in its discretion and may differ from rates at which comparable transactions are entered into with other customers or the range of foreign exchange rates at which the Bank otherwise enters into foreign exchange transactions on the relevant date. Any such foreign exchange transaction will be between the Bank and the Customer as principals, and the Bank will not be acting as agent or fiduciary for the Customer.

Foreign Exchange Cancellations, Reversals and Buybacks. Notwithstanding any prior action or course of dealing, subject to applicable law, the Bank has no obligation to cancel, reverse or otherwise buy back foreign currencies purchased by the Customer under a Service and the Bank makes no commitment to buy back currencies. The Customer acknowledges that it may not be able to sell back certain foreign currencies once purchased.

5.5 **Cancellation of Foreign Exchange Drafts.** Subject to applicable law, the Bank may cancel any draft issued by the Bank on behalf of the Customer in a Non-Account Currency if the draft is not presented for payment within one hundred eighty (180) calendar days after the date of issuance, and the Customer authorizes the Bank to recredit the Customer's Account with an equivalent amount of Account Currency at a foreign exchange rate and spread, and at such date and time, as the Bank determines in its discretion. Following such cancellation, the Customer shall be responsible for all claims that may be asserted against the Bank in respect of the draft.

6. Interest; Fees; Taxes.

6.1 **Interest.** The Bank may pay interest on balances in interest-bearing Accounts at rates determined by the Bank, subject to any withholding or deduction for tax as required by applicable law, and is authorized to perform any other function (including blocking or suspending the Accounts) as required by applicable law or practice of any relevant tax authority or in accordance with the Bank's usual business practice. The Bank may deduct from the Accounts charges for early withdrawals, which may include a deduction from principal (if permitted or required by law). To the extent market interest rates are negative, the rate applied by the Bank to interest-bearing Accounts may be negative, in which case the Customer may be required to make a negative rate payment, which the Bank shall also be entitled to collect by debiting the Account.

6.2 **Fees and Taxes.**

(a) The Bank may impose and the Customer will pay fees for Accounts and Services provided by the Bank, including transaction, maintenance, balance-deficiency, and service fees and other charges (collectively "Fees"). The Bank may debit any Account for Fees and/or Taxes, even if such debit creates or increases an overdraft of the Account. References to "Taxes" shall mean any taxes (including value added taxes, sales taxes and similar taxes), levies, imposts, deductions, charges, stamp, transaction and other duties and withholdings (together with any related interest, penalties, fines, and expenses) in connection with the Fees, Accounts or Services (including payments or receipts to an Account) except if such Taxes are imposed on the overall net income of the Bank.

(b) All payments (including Fees and interest on overdrafts) from the Customer to the Bank shall be in full, without set-off or counterclaim, and free of any withholding or deduction (collectively, a "Deduction") related to any tax or other claim, unless a Deduction is required by applicable law. If any Deduction is required by applicable law in respect of any payment due to the Bank, the Customer shall:

(i) ensure that the Deduction is made;

(ii) pay the amount of the Deduction as required by applicable law;

(iii) increase the payment in respect of which the Deduction is required so that the net amount received by the Bank after the Deduction shall be equal to the amount which the Bank would have been entitled to receive in the absence of any requirement to make any Deduction; and

(iv) deliver to the Bank, within thirty (30) days after it has made payment to the applicable authority, a certified copy of the original receipt issued by the authority, evidencing the payment to the authority of all amounts required to be deducted.

(c) All Fees are exclusive of Taxes. In addition to any Fees or other amounts due and except to the extent the Bank is otherwise compensated for such Taxes under this Section 6, the Customer will pay or reimburse the Bank for any Taxes which the Bank is required to account for to any tax authority under any applicable law and, where required by applicable law, the Customer shall account for any Taxes directly to the applicable tax authority.

6.3 Documentation and Information. The Customer will provide the Bank with such documentation and information as the Bank may require in connection with taxation, and warrants that such information is true and correct in every respect and shall immediately notify the Bank if any information requires updating or correction.

7. Account Statements.

The Bank will issue Account statements, confirmations, or advices ("Account Statements") at the frequency and in the manner advised to the Customer from time to time. The Customer is responsible for ensuring that an Authorized Person promptly examines each Account Statement and any accompanying Items that are made available to it by the Bank, and reporting any irregularities to the Bank in writing, including any claim of unauthorized funds transfer activity. The Bank shall not be responsible for the Customer's reliance on balance, transaction or related information that is subsequently updated or corrected or for the accuracy or timeliness of information supplied by any third party to the Bank. Internet Account Statements or electronic Account Statements, if applicable, shall be deemed by the Customer and the Bank to be available to the Customer when the Account Statements are posted on the internet and the Bank sends an electronic mail notification of availability to the Customer, or when the Bank sends the electronic Account Statement to the Customer. For purposes of determining when an Item is sent to the Customer, an image of an Item or information identifying the Item (i.e. Item number, amount and date of payment) is a sufficient substitute for the actual Item.

8. Overdrafts.

8.1 Overdrafts. The Bank may debit an Account even if the debit may cause or increase an overdraft. Unless otherwise agreed in writing, any overdraft shall be immediately due and payable by the Customer to the Bank. If the Bank permits an overdraft, the Bank is authorized to charge interest on the amount of the overdraft as long as the overdraft is outstanding, at a rate determined by the Bank, up to the maximum rate permitted by law at the time of the overdraft or at the specific rate agreed in writing between the Customer and the Bank. Subject to applicable law, interest shall accrue on any negative balance in an Account notwithstanding closure of the Account and/or termination of these Account Terms. If the Bank pays an Item that causes or increases an overdraft, the Bank may deduct applicable Fees and expenses from the Account without notice. Unless otherwise agreed in writing, the Bank is under no obligation to permit any overdraft or to continue to permit overdrafts after having permitted an overdraft, notwithstanding any prior action or course of dealing.

8.2 Order of Payment. When Items and other debits to the Account are presented to the Bank for payment on the same day and there are insufficient available funds in the Account to pay all of these transactions, the Bank may choose the order in which it pays transactions, including the largest transaction first or any other order determined by the Bank, in its sole discretion.

9. Set Off.

The Bank may at any time, without prejudice to any other rights which it may have, and without prior notice or demand for payment, combine, consolidate or merge all or any of the Accounts of the Customer or may retain, apply or set off any money, deposits or balances held in, or standing to the credit of, any Account in any currency towards payment of any amount owing by the Customer to the Bank or any of its affiliates. The Bank shall be entitled to accelerate the maturity of any time deposit or fixed term deposit. For the purposes of this Section the Bank may effect currency conversions at such times or rates as it may think reasonable and may effect such transfers between any Accounts as it considers necessary. The Customer grants to the Bank a lien and security interest in any Accounts of the Customer at the Bank, in order to secure any and all obligations and liabilities of the Customer to the Bank or any of its affiliates.

10. Agents; Information.

10.1 Confidential Information. The Bank agrees to take customary and reasonable measures to maintain the confidentiality of Customer confidential information. The Customer authorizes the Bank and its affiliates to disclose Account opening documentation, information with respect to any Account or Service, any banking transaction, and the Customer itself, including Customer confidential information, in order to provide the services under the Account Terms, Account Documentation and Service Terms, for compliance with legal and regulatory requirements, and for the Bank's operational purposes, risk management and compliance with internal policies: (i) to unaffiliated third parties, including the transmission of information to other banks and clearing houses and through channels and networks operated by third parties, and to agents of the Bank, (ii) to a proposed assignee of the rights of the Bank; (iii) to branches and affiliates of the Bank; (iv) to the auditors, legal advisers and consultants of the Bank, its branches and affiliates; (v) to the auditors of the Customer; (vi) to the Bank's or its affiliates' or the

Customer's examiners or other regulators, including tax authorities, law enforcement agencies, courts of competent jurisdiction or other official bodies, anywhere in the world, and (vii) pursuant to subpoena or other court process, or to establish, exercise or defend the legal rights of the Bank and its affiliates.

10.2 **Agents.** The Bank may retain agents to perform data processing, collection and other services in connection with the Accounts and Services.

10.3 **Offshoring.** Subject to applicable laws, processing of Customer confidential information may be performed by any Bank affiliate, including affiliates, branches and units located in any country in which we conduct business or have a service provider. The Customer authorizes the Bank to transfer Customer Information to such affiliates, branches and units at such locations as the Bank deems appropriate.

10.4 **Consents.** The Customer represents and warrants that prior to submitting to the Bank information about natural persons related to the Customer (including Authorized Persons, users of the Bank's electronic access systems, officers and directors, employees, beneficial owners, customers or other personnel), the Customer shall have obtained such consents as may be required by applicable law or agreement, for the Bank to process and use the information for purposes of providing the Services.

11. Liability Limitation; Force Majeure.

11.1 **Liability.** The Bank, its agents, employees, officers and directors, shall not be liable for any damage, loss, expense or liability of any nature which the Customer may suffer or incur, except to the extent of direct losses or expenses resulting from the gross negligence or willful misconduct of the Bank, its agents, employees, officers or directors. The Bank, its agents, employees, officers and directors shall not, in any event, be liable for indirect, special, consequential or punitive loss or damage of any kind (including lost profits), whether or not foreseeable, even if the Bank, its agents, employees, officers or directors have been advised of the likelihood of such loss or damage, and regardless of whether the claim for loss or damage is made in negligence, gross negligence, for breach of contract or otherwise; provided, however, that the foregoing shall not apply to the extent such loss or damage is caused by fraud on the part of the Bank, its agents, employees, officers or directors. Customer shall promptly provide the Bank with a notice of any claims it receives regarding a Service.

11.2 **Force Majeure.** Neither the Bank nor the Customer shall be liable for any loss or damage to the other for its failure to perform or delay in the performance of its obligations resulting from an act of God, act of governmental authority, de jure or de facto, legal constraint, war, terrorism, catastrophe, fire, flood or electrical, computer, mechanical or telecommunications failure, or failure of any agent or correspondent, or unavailability of a payment system, or any cause beyond its reasonable control.

12. Indemnity.

The Customer agrees to indemnify and hold the Bank, and its agents, employees, officers and directors, harmless from and against any and all claims, damages, demands, judgments, liabilities, losses, costs and expenses (including attorneys' fees) (collectively, "Losses") resulting directly or indirectly from: (i) the Bank's acceptance or execution of any request, direction or transaction in connection with any Account or any Service provided to the Customer, including Items and Instructions (a) issued by an Authorized Person, (b) issued in accordance with the agreed upon security procedures or (c) on which the Bank is otherwise permitted to rely; or (ii) the Bank's payment of any taxes, interest or penalty otherwise due from the Customer paid on the Customer's behalf, or for which the Bank has no responsibility under the Account Terms. Notwithstanding the foregoing, the Bank shall not be indemnified for any Losses to the extent resulting directly from its own gross negligence, willful misconduct or fraud.

13. Notices.

All Account Statements and notices may be sent to the Customer by ordinary mail, courier, facsimile transmission, electronic transmission (including SWIFT communication and emails), through internet sites, or by such other means as the Customer and the Bank may agree upon from time to time, at the address of the Customer provided to the Bank. Unless otherwise arranged, all notices to the Bank must be sent to the Bank officer or service representative managing the Account or to any other address notified by the Bank to the Customer in writing from time to time, and must be sent by ordinary mail, by courier, by facsimile transmission, by electronic transmission or by such other means as the Customer and the Bank agree upon from time to time. The Bank shall have a reasonable time to act on any notices received.

14. Termination.

Unless otherwise agreed, either the Bank or the Customer may close an Account or terminate a Service by giving the other party not less than thirty (30) calendar days' prior written notice of intent to close or terminate. Notwithstanding the foregoing, either party may terminate an Account or a Service upon written notice to the other party in the event of: (i) a breach of the Account Terms, Account Documentation or Service Terms by the other party; (ii) the other party's inability to meet its debts as they become due, receivership, administration, liquidation, or voluntary or involuntary bankruptcy; or the institution of any proceeding therefor, any assignment for the benefit of the other party's creditors, or anything analogous to the foregoing in any applicable jurisdiction, or a determination in good faith by the terminating party that the financial or business condition of the other party has become impaired; (iii) a determination by the terminating party, in its sole opinion, that termination is necessary or required by applicable law, or as a result of a court or regulatory agency order or proceeding; or (iv) a good faith belief by the terminating party that the other party is engaged in activities that are inconsistent with the terminating party's policies. The Bank shall have a reasonable opportunity to act upon any termination request. The Bank shall not be precluded from completing a request or Instruction received by it prior to a termination request based on receipt of such termination request. Notwithstanding anything to the contrary in any Service Terms, upon the closing of an Account, all Services linked to such Account are simultaneously terminated (unless otherwise specifically agreed

to by the parties) and the Bank's obligations in respect of such Account or Services will terminate. However, any such closing or termination shall not affect the Customer's liabilities to the Bank arising prior to, or on, such closing or termination, all of which shall continue in full force and effect. In the absence of Instructions from the Customer, the Bank may transfer balances to an unclaimed moneys account, or issue a cashier's check, sending it to the address of the Customer provided to the Bank.

15. Account Disclosures.

15.1 **Rejection of Funds.** The Bank may return or refuse to accept all or any part of a deposit or credit to an Account, at any time, and will not be liable to the Customer for doing so, even if such action causes outstanding Items to be dishonored and returned, or payment orders to be rejected. Refused deposits will be returned to the Customer.

15.2 **Withdrawal.** The Bank may refuse to allow withdrawals from any Account in certain cases, including cases where: (i) there is a dispute about the Account, including any dispute over which persons are authorized to represent or act for the Customer (unless a court or other competent authority has ordered the Bank to allow the withdrawal); provided that the Bank is not required to determine whether a dispute has merit in order to refuse to allow withdrawal of funds; (ii) a legal garnishment or attachment is served, including a levy, restraining notice, court order, or order of a judicial authority or enforcement agency; (iii) the Account is being used as collateral to secure a debt; (iv) documentation related to the Account has not been presented; or (v) the Customer fails to pay its indebtedness to the Bank or its affiliates on time.

15.3 **Payable Branch; Deposits Outside of the U.S.** Any amount standing to the credit of any Account with the Bank is payable exclusively at a branch in the country at which the Account is held; however, payment may be suspended from time to time in order to comply with any applicable law, governmental decree or similar order, in any jurisdiction, for the time period affecting the Bank, its officers, employees, affiliates, subsidiaries, agents or correspondents. The Customer acknowledges that deposits held in a branch of the Bank located outside the United States are not payable in the United States and: (i) are not insured by the Federal Deposit Insurance Corporation or any other United States governmental agency; (ii) are subject to cross-border risks; and (iii) have a lesser preference as compared to deposits held in the United States in the event of a liquidation of the Bank.

15.4 **Commissions and Rebates.** In connection with the provision of any Service by the Bank to the Customer, the Bank may from time to time receive commission, rebate or similar payments from other banks or third parties.

16. Governing Law.

16.1 **Governing Law.** The Account Terms, the relevant Account Documentation and the rights and obligations of the Customer and the Bank in respect of each Account shall be governed by and construed in accordance with the laws of the country in which the branch holding the relevant Account is located.

16.2 **Waiver of Jury Trial; Limitation of Claims.** The Customer and the Bank hereby irrevocably waive all right to, and will not seek, trial by jury in any action, proceeding or counterclaim, of whatever type or nature, arising out of these Account Terms, the Account Documentation or the relationship established hereby. Any claim in connection with any Account or Service, unless a shorter period of time is expressly provided, must be brought against the Bank within two (2) years of the occurrence of the event giving rise to the claim, except as prohibited by applicable law.

16.3 **Venue.** In relation to each Account, the courts of the country or state in which the branch of the Bank at which the Account is held shall have exclusive jurisdiction to settle any disputes that arise out of or are connected with the Account Terms, the Account Documentation and/or the Account and the Customer agrees to submit to the jurisdiction of such courts. This section is for the benefit of the Bank only and does not prevent the Bank from taking proceedings in the courts of any other country or state with jurisdiction including, to the extent allowed by law, concurrently in any number of countries or states.

17. Miscellaneous.

17.1 **Languages.** If the Account Terms, Account Documentation or Service Terms are translated into, or appear in a language other than English, the English language version shall control.

17.2 **Successors.** The term Bank shall include any successors of the Bank, including assignees or successors of JPMorgan Chase Bank, N.A. or its affiliates or any person who has assumed the rights and obligations of the Bank or its affiliates hereunder or to which the same has been transferred.

17.3 **Order of Precedence.** Any terms of any supplement, amendment, agreement, Service Terms or notice that are inconsistent with a provision of the Account Terms or the Account Documentation shall supersede such provision of the Account Terms or the Account Documentation for purposes of the particular Account or Service that is the subject thereof. The Account Terms and Account Documentation supersede and replace any other account conditions previously sent to the Customer.

17.4 **Interpretation.** Section and subsection headings are for convenience only and shall not affect the meaning of the Account Terms. If any provision of the Account Terms shall be held to be illegal, invalid, or unenforceable the validity of the remaining portions of the Account Terms shall not be affected. The term "including" shall in all cases mean "including without limitation" unless otherwise indicated. The term "affiliates" shall mean with respect to any entity, an entity, whether directly or indirectly, that controls, is controlled by, or is under common control with that

entity. The term "applicable laws" or similar terms shall mean any law, statute, order, decree, rule, injunction, license, consent, approval, agreement, guideline, circular or regulation of a government authority.

17.5 Compliance; Transaction Screening. The Customer shall comply with all applicable laws and the Bank's policies notified to the Customer. The Bank is required to act in accordance with Bank policies, the laws of various jurisdictions relating to the prevention of money laundering and the implementation of sanctions, including economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State. The Bank is not obligated to execute payment orders or effect any other transaction where a party to the transaction is a person or entity with whom the Bank is prohibited from doing business by any law applicable to the Bank, or in any case where compliance would, in the Bank's opinion, conflict with applicable law or banking practice or its own policies and procedures. Where the Bank does not execute a payment order or effect a transaction for such reasons, the Bank may take any action required by any law applicable to the Bank including freezing or blocking funds. Transaction screening may result in delays in the posting of transactions and/or funds availability. The Bank may direct the Customer to make changes to the activity in the Customer's Accounts, including to cease and desist from using the Accounts for particular types of transactions or for transactions involving particular parties from time to time. The Customer agrees to comply with such directions.

17.6 Amendments; Supplements; Waivers. The Account Terms may be amended or supplemented on notice to the Customer, including by terms contained in any Service Terms or Account Documentation. The Service Terms may be amended or supplemented on notice to the Customer. These amendments or supplements may impose restrictions on the Accounts and Services, as the Bank deems necessary in the course of its business, and will be effective on notice to the Customer or at such other time to be specified in the notice; provided that amendments or supplements that are required by law may be implemented immediately or as required by law. By signing an Account signature card, Account application or similar document or by using or continuing to use any of the Accounts or Services, the Customer agrees to the Account Terms, the Account Documentation, Service Terms and any amendments or supplements, as applicable. All amendments must be in writing.

The Bank may waive any of provision of these Account Terms, the Account Documentation or the Service Terms, but such waiver shall apply only on that occasion. Such waiver shall not constitute a waiver of any other provision of the Account Terms, the Account Documentation or the Service Terms. Any such waiver shall not affect the Bank's right to enforce any of its rights with respect to other customers or to enforce any of its rights with respect to later transactions with Customer and is not sufficient to modify the terms and conditions of the Account Terms, the Account Documentation or the Service Terms.

17.7 Waiver of Immunity. To the extent that the Customer has or hereafter may acquire any immunity (including sovereign, crown or similar immunity) from jurisdiction of any court, suit or legal process (whether from service of notice, injunction, attachment, execution or enforcement of any judgment or otherwise), the Customer irrevocably waives and agrees not to claim such immunity as against the Bank or its affiliates.

17.8 Internet Services; Notice of Claims. The Customer agrees at its sole expense: (i) to advise each of its employees, officers, agents or other persons accessing any Service by or on behalf of Customer ("Users") of their obligations under the Account Terms, Account Documentation or under any Service Terms or ancillary Service material, including the obligation to refrain from using the Service via the Internet in the countries identified by the Bank; and (ii) to provide the Bank with all information reasonably necessary to setup and provide Services for the Customer, including advising the Bank of the countries from which Users will access any Service via the Internet.

17.9 Recordings. The Bank or the Customer, at its sole discretion, may make and retain recordings of telephone conversations between the Customer and the Bank.

17.10 Instructions. All Instructions, whether Items, payment orders or otherwise, are subject to applicable laws, and rules, policies, operations and practices of the applicable clearing or settlement systems or payment networks.

17.11 Electronic Copies. The Bank may retain copies (paper, electronic or otherwise) of any documents or Items relating to the Accounts and Services in a form preserving an image of any such documents or Items, including signatures, or a regular business record and discard the original documents or Items. The Customer hereby waives any objection to the use of such records in lieu of their paper equivalents for any purpose and in any forum, venue or jurisdiction, including objections arising from the Bank's role or acquiescence in the destruction of the originals.

17.12 Intellectual Property. All intellectual property rights in or relating to a Service, including any trademarks, service marks, logos, and trade names used in conjunction with a Service are the property of the Bank or its licensors and are protected by applicable copyright, patent, trademark and other intellectual property law. Except as provided herein, the Customer shall not reproduce, transmit, sell, display, distribute, establish any hyperlink to, provide access to, modify, or commercially exploit in whole or in part any part of a Service, without the prior written consent of the Bank.

17.13 Know Your Customer. To assist in the prevention of the funding of terrorism and money laundering activities, applicable law may require financial institutions to obtain, verify, and record information that identifies each person who opens an Account. What this means for the Customer: when the Customer opens an Account, the Bank may ask for the Customer's name, address, date of birth (for individuals), and/or other information and documents that will allow the Bank to identify the Customer. The Bank may also request and obtain certain information from third parties regarding the Customer. For purposes of this provision, the Customer, to the extent required by applicable law, shall include any signatory on an Account. If the Customer fails to provide or consent to the provision of any such information, the Bank may close any Account or discontinue providing any Service without further notice.

Information. To fulfill the Bank's "know your customer" responsibilities, the Bank will request information from the Customer from time to time regarding the Customer's organization, business and, to the extent applicable, persons or entities maintaining bank accounts with the Customer. The Bank may also request further information and/or documentation in connection with the provision of the Services. Any information and/or documentation furnished by the Customer is the sole responsibility of the Customer and the Bank is entitled to rely on the information and/or documentation without making any verification whatsoever (except for the authentication under the security procedures, as applicable). The Customer represents and warrants that all such information and/or documentation is true, correct and not misleading and shall advise the Bank promptly of any changes and, except as prohibited by applicable law, the Customer agrees to provide complete responses to the Bank's requests within the timeframes specified. Unless prohibited by applicable law, the Customer agrees to promptly disclose to the Bank activity in the Customer's Accounts that is suspicious or violates applicable laws or sanctions.

17.14 Click-Thru. The Bank may deliver, make available and/or make accessible terms and conditions applicable to Accounts and Services to the Customer via electronic means and channels (including by posting such terms on a Bank website). The Bank may request that the Customer "click" its approval of such terms. Subject to applicable law, the Customer agrees that the act of "clicking" its approval (or any similar act which has the same effect) with respect to any such terms will be evidence of Customer's acceptance of the applicable terms and conditions, to the same extent, and with the same force and effect, as if Customer had manually executed a written version of such terms and conditions.

18. Interpleader.

If there is a dispute regarding the ownership of or entitlement to funds held by the Bank for the account of the Customer, the Bank may apply to an appropriate court for resolution of the dispute and may pay the funds into the court pending resolution. The Customer agrees to reimburse the Bank for any related expenses, including its attorneys' fees and costs.

19. Provisional Recredit.

In connection with any dispute regarding an Account, the Bank may choose to credit the Account pending completion of the Bank's investigation of the dispute. If the Bank determines that the Customer is not entitled to such credit, then, the Bank may reverse the provisional recredit to the Account, even if that reversal results in an overdraft.

ADDENDUM TO GLOBAL ACCOUNT TERMS | United States of America V1.5_02_19_16

This addendum ("Addendum") supplements the Bank's Account Terms and applies solely to Accounts maintained in the United States of America ("U.S.") and to Services provided in connection with such U.S. Accounts, regardless of the location where Services are executed or performed. Capitalized terms used in the Addendum, and not otherwise defined, have the meanings set forth in the Global Account Terms (as defined below). By using any Account maintained in the U.S., the Customer acknowledges receipt of, and agrees to be bound by the Account Terms and this Addendum, each as may be amended or supplemented from time to time. For purposes of this Addendum, references to the "Global Account Terms" means the Account Terms excluding any account addenda for each other country in which the Accounts are held.

The INTRODUCTION to the Global Account Terms is hereby supplemented with the following provision:

The Bank performs Account functions and Service activities in various locations, by various methods including electronic or automated means, and through various interbank and third party collection, payment and data arrangements, including those provided by the U.S. Federal Reserve Bank System, check truncation and image exchange systems, and collection/payment clearinghouses. These functions, services, arrangements and systems are subject to laws, federal regulations, banking system practices and procedures, operating circulars, interbank agreements, and clearinghouse and association rules (collectively, "Rules & Regulations") and the Uniform Commercial Code Official Text and Comments applicable to funds transfers and the bank deposit, collection or payment of negotiable instruments and other items (such text and comments, excluding the choice of law rules, the "UCC").

Section 3 of the Global Account Terms (Deposits) is hereby supplemented with the following provisions:

3.4 Verification; Adjustments. The Bank may provide or make available upon request a receipt or similar document for certain deposits to the Customer's Account. However, the amount on such receipt or similar document is based solely on the deposit ticket. Credits for all deposits (whether or not accompanied by a deposit ticket), including bulk deposits, are subject to verification. Items deposited into an Account, handled for collection or exchanged for currency are received by the Bank as the Customer's collection agent, and are for collection only, subject to the Bank's collection of final payment thereon. The Bank reserves the right to make adjustments to the Account for any errors, including any errors appearing on the deposit ticket or occurring during processing or otherwise, but the Bank has no obligation to do so for *de minimis* discrepancies.

3.5 Foreign Currency Items. The Bank may handle Items drawn on a non-U.S. bank or Items payable in a foreign currency on a collection basis, not for deposit, even if the Bank has received the Items as part of a deposit. The Customer may not receive provisional credit for such Items, or if provisional credit has been given the Bank may revoke it. Credit for Items payable in a foreign currency will be converted into U.S. dollars at a foreign exchange rate and spread, and at such date and time, as the Bank determines in its discretion.

3.6 Endorsements. The Customer must place its endorsement on the back of an Item only in the area within 1.5 inches from the trailing edge of the Item. The trailing edge of the Item is defined as the left-hand edge of the check looking at it from the front. If the Customer is authorized in writing to endorse Items on the Bank's behalf, the Customer agrees to comply with the endorsement standards of the Bank.

3.7 Encoding. If the Customer encodes information on an Item, the Customer warrants to the Bank and to all other collecting and paying banks of that Item that it is properly encoded and the Customer will be liable for any loss related to any encoding error, including any loss due to delay in processing caused by the encoding error.

3.8 Return or Charge Back. The Customer should not use carrier documents (Items placed inside envelopes) in either high-speed forward or return cash letters. The Customer shall be solely responsible for any delays, losses or claims resulting from its use of carrier documents in high-speed forward or return cash letters. If the payor bank, drawer or payee on any Item that was deposited to Customer's Account returns the Item to the Bank, or makes a claim based on an asserted unauthorized signature or endorsement or an asserted alteration, the Bank may accept that return or pay that claim and charge any Customer Account for all or any part of the amount of the Item, even if the claim is made after final payment of the Item. If the Customer deposits or cashes an Item drawn on or by the Bank and the Item or any endorsement is asserted to be forged, unauthorized or altered, the Bank may charge back all or any part of the amount of the Item, even if the charge back is made after the final payment of the Item, or creates an Account overdraft.

3.9 Electronic Collection. The Customer agrees that the Bank may collect any Item deposited to Customer's Account by electronic means, in which case the Bank has no duty to inspect such Item during the automated deposit and collection process.

3.10 Variance. The Bank may agree with other banks and clearing houses to vary procedures regarding the collection or return of Items, and to vary applicable deadlines, to the maximum extent permitted by applicable Rules & Regulations, state law or banking practice.

3.11 Substitute Checks. The Customer will not deposit any substitute checks (that are not returned Items) unless the Bank expressly agrees to accept such Items for deposit. In the event the Bank processes any substitute check deposits in the absence of such express agreement, the Customer agrees that such processing shall not be deemed to be the Bank's agreement to accept any substitute checks for deposit and Customer will be solely responsible for any loss or claim in connection with that deposit.

3.12 Night Depository Deposits. The Bank is not liable for any deposit made through the use of the Bank's night depositories until the Bank issues a deposit ticket or other receipt acknowledging the deposit. The Bank's count of the amount deposited in a night depository will be conclusive. The Customer is solely responsible for any loss incurred from the disappearance, theft, or loss of any envelope, bag, or money before the Bank verifies the contents of the deposit.

3.13 Remotely Created Checks. If the Customer deposits a remotely created check ("RCC"), as such term is defined in Federal Reserve Regulation CC, the Customer warrants to the Bank, with respect to each RCC, that the person on whose account the RCC is drawn, authorized the issuance of such RCC in the amount and to the payee stated on the RCC. The Customer authorizes the Bank to debit the Customer's account for any claim or return based upon an unauthorized RCC and the Customer agrees to indemnify and hold the Bank harmless from and against any claims, liabilities, costs and expenses (including attorneys' fees) resulting directly or indirectly from any breach of the foregoing warranty. All other Account and Service Terms governing an Item will apply to an RCC.

3.14 ATM Cards. The Bank may issue one or more automated teller machine ("ATM") cards ("Cards") and personally identifiable numbers ("PINs") to Customer's employees or agents for use in initiating certain Account transactions at Bank owned ATMs. Unless otherwise agreed by Bank, Customer agrees to use and cause its employees and agents to use the Cards only at ATMs owned by the Bank and Customer shall be responsible for each Card and liable for any transactions and related fees initiated or charged upon using such Card. The Customer agrees that the types of transactions offered through the use of any Card may be limited by the Bank, in its sole discretion. The Bank has the right to cancel any Card at any time and for any reason, and will notify Customer of such cancellation. All ATM transactions are subject to verification. Any deposit transaction through an ATM that is not made on a business day or made after the Bank's designated cut-off time will be processed on the Bank's next business day. The Customer agrees to obtain possession and return to the Bank or destroy all cancelled Cards. If the Customer believes a Card or PIN has been lost or stolen, the Customer shall immediately contact the Bank's ATM call center.

3.15 Internet Gambling. The Bank strictly prohibits the use of any Account or Card to conduct transactions (including the acceptance or receipt of credit or other receipt of funds through an electronic funds transfer, or by check, draft or similar instrument, or the proceeds of any of the foregoing) that are related, directly or indirectly, to unlawful Internet gambling. The term "unlawful Internet gambling," as used in this section, shall have its meaning set forth in 12 C.F.R. Section Part 233, Section 233.2(bb). The Customer agrees not to conduct any transactions through the Account that directly or indirectly involve or are related to unlawful Internet gambling, including the acceptance or receipt of any funds or deposits in connection therewith.

Section 4 of the Global Account Terms (Payment of Items) is hereby supplemented with the following provisions:

4.5 Cashing Items. The Bank may, in its discretion, cash Items drawn on an Account when presented by the holder. If a payee who is not a deposit customer of the Bank presents an Item drawn on the Account for cash, the Bank may refuse to cash the Item, or may charge the payee a fee if the Bank does cash the Item.

4.6 Signatures. Requirements for two or more signatures on Items drawn on the Account or limits on the amount for which any an Item can be drawn are solely for the Customer's own internal control purposes and the Bank will not be liable for paying any Item (i) lacking the required number of signatures, or (ii) drawn in an amount exceeding the maximum limit assigned to the signer, provided the Bank followed its customary procedures when paying the Items.

4.7 Fraudulent Items. The Bank offers the Customer Services reasonably designed to detect and/or deter check fraud and reduce the likelihood that a fraudulent, unauthorized, counterfeit or altered Item will be paid. Customer agrees that if it fails to use such Services, that failure will constitute Customer negligence contributing to the making of an unauthorized signature or payment of an altered Item, and the Customer will assume the risk that Items presented for payment against its Account may be forged or altered. In that event, Customer will be precluded from asserting any claims against the Bank for paying any unauthorized, altered, counterfeit or other fraudulent Items that such Service was designed to detect or deter, and the Bank shall not be required to re-credit Customer's Account or otherwise have any liability for paying such Items to the extent the Service would likely have prevented such loss. In the event the Bank receives or is presented with Items which appear to be duplicates of each other, the Bank may return one or more of such Items.

4.8 Obscured Endorsements. The Customer assumes all responsibility and liability for any claims or losses that the Customer or the Bank may suffer as a result of the Customer's: (i) issuance of an Item in such a manner that information, marks or bands on the back of the Item obscures endorsements; or (ii) placement of an endorsement on the back of the Item which obscures other endorsements; and which thereby causes a delay in the forward and/or return processing of the Item. The Bank retains the right to refuse to accept an Item for deposit if the back of the Item is obscured.

4.9 Negotiation Outside of U.S. If an Item issued by the Customer is transferred or negotiated outside of the U.S. and is subsequently sent to the Bank for deposit, collection or payment in the U.S., the Customer shall be deemed to make, to the Bank, the transfer and presentment warranties under the UCC, as if such Item were negotiated or otherwise transferred in the U.S.

4.10 Stop Payments. A stop payment Instruction from the Customer will be effective on an Item if: (i) the Bank receives the stop payment Instruction with a reasonable opportunity to act on such Instruction, which shall be at least one (1) full Business Day following the Business Day of the Bank's confirmed receipt of the Instructions at the applicable Bank location; (ii) the Instruction is in the form required by the Bank and the information is complete; and (iii) the Item is not yet paid or cashed. For purposes of this Section, "Business Day" means a day on which the Bank is generally open for business in the jurisdiction where the Account is maintained. Stop payment Instructions on Items, unless otherwise provided, will be valid for one (1) year and will automatically renew up to six (6) additional years unless the Bank confirms receipt of the Customer's revocation of a stop payment Instruction. The Customer may request, through the Bank's call center or other authorized

representative, a non-renewable stop payment, which will be effective for a 180-day period. The Bank shall not be liable for any Item properly paid or cashed prior to the effective time of a stop payment request. The Bank may properly return any item which is the subject of a stop payment request. However, the Customer acknowledges that a stop payment instruction does not limit or vary its obligation to pay the subject Item and, notwithstanding a stop payment instruction, the Bank may properly pay such an item to a person entitled to enforce it.

4.11 Standard of Care. Any Item issued by the Customer drawn on its Account shall be deemed to be endorsed in the name of the payee if: the Item is endorsed or deposited into an account in a name that is substantially similar to that of the payee; the payee is a fictitious person; the Customer was wrongfully or erroneously induced to issue the Item payable to the stated payee; the deposit of the item was accomplished by an employee entrusted with responsibility for the Item or person working in concert with such an employee; or the Customer or payee failed to act with ordinary care with respect to the Item. The Bank shall not be liable for any loss arising from any such endorsed or deposited Item, or for the loss caused by the alteration or unauthorized signature on any Item issued by the Customer, unless the Customer establishes that the Bank failed to handle the Item with ordinary care, and that such failure substantially contributed to the loss. If the Bank's failure to act with ordinary care substantially contributed to the loss on the item, the loss shall be allocated between the Customer and the Bank based upon their respective failure to exercise ordinary care which contributed to the loss. For purposes of this section, "employee" shall include Customer and its independent contractors and third parties, and their respective employees, delivery agents, officers, directors, attorneys, fiduciaries, administrators, service providers, and other agents.

4.12 Electronic Processing. The Bank may process any Item for payment from a Customer Account by electronic means, in which case, the Bank's exercise of ordinary care in payment of that item does not obligate the Bank to inspect the Item during the automated payment process.

Section 5 of the Global Account Terms (Funds Transfer Instructions) is hereby supplemented with the following provision:

5.6 Funds Transfer by Check. If the Customer, through the Bank's funds transfer services, requests that payment be made by check, the Customer authorizes the Bank to debit the Customer's Account on receipt of the Instruction and to create and issue a check to the name and address provided in the Instruction, signed by the Bank as agent for the Customer as drawer. If the Customer requests the Bank to place a stop payment on the check before the check has been presented for payment, such request must be clearly identified as a stop payment request, including the reference number given for the transaction, and it must be received by the Bank at a time and in a manner designated by the Bank from time to time. If the check is not negotiated within one hundred eighty (180) days after issuance, the Bank may place a stop payment on the check and transfer the funds back to the Account.

5.7 ACH. Automated Clearing House ("ACH") entries will be subject to the rules of the National Automated Clearing House Association and any other applicable Rules & Regulations, to which the Customer agrees to be bound. Credit given by the Bank to the Customer for an ACH credit entry shall be provisional, until the Bank receives final payment. If the Bank does not receive final payment, the Bank may revoke the provisional credit and charge back the amount of the entry to the Account, or obtain a refund from the Customer, in which case the originator of the credit entry shall not be deemed to have paid the Customer the amount of such entry. The Bank shall not be obligated to notify the Customer of the receipt of a payment order or ACH entry for credit or debit to an Account.

5.8 Same Day Amend and Cancel. The Customer may subscribe to a service to enable same day amendment and cancellation of payment orders. All cancellation or amendment messages sent to the Bank shall be in the format specified by the Bank and must be received by the Bank no later than such time as may be established by the Bank upon notice to the Customer.

5.9 Priority/Timed. The Bank will determine the order in which it processes payment orders. If the Customer's payment order bears the codeword "PRIORITY" in such field as the Bank specifies, the Bank will use reasonable efforts to move such payment order in advance of the Customer's standard payment orders. If the Customer's payment order bears the codeword "TIMED" in such field as the Bank specifies, the Bank will endeavor, but will have no obligation, to process the payment order by the time requested by the Customer within the payment order. For "TIMED" payment orders, funds in the Customer's Account are reserved by the Bank on the payment value date until processed. For the avoidance of doubt, all payment orders are subject to the Bank's acceptance, and the Bank will have no liability for failure to process payments by the time requested by the Customer.

Section 7 of the Global Account Terms (Account Statements) is hereby supplemented with the following provisions:

7.2 Images Sufficient. The Customer acknowledges that Account Statements and images of paid Items are available to it and are sufficient to allow it to make all inspections and reports of Account activity including errors, as required in this Section. The Bank is not required to return paid or cancelled Items with the Account Statement.

7.3 Obligation to Inspect. The Customer shall inspect each Account Statement and all payments and charges reported thereon, promptly upon receipt. The Customer must notify the Bank in writing of any unauthorized, improper, or missing endorsements within six (6) months after the date of the Account Statement on which that item was reported to have been paid. The Customer must notify the Bank in writing, within a reasonable period of time not to exceed 60 calendar days of the date of an Account Statement, of (i) the failure to receive the Account Statement, or (ii) of any errors, unauthorized payments, charges, alterations, discrepancies or irregularities reported on the Account Statement ("Errors"). The Customer must provide the Bank with all information necessary for the Bank to investigate any claim based upon an endorsement or Error, and must provide all supporting evidence that the Bank requests. Failure to comply within the time frames set forth above shall be deemed conclusive proof that the Customer failed to exercise reasonable care and promptness in examining Account Statements and paid Items or identifying Errors and that such failure may cause subsequent loss to the Bank. If the Customer fails to comply with the notice requirements set forth above, the Bank is not required to reimburse the Customer for the Customer's claimed loss and the

Customer shall be barred from bringing any action against the Bank.

7.4 Inactive Accounts. If an Account has no activity other than charges assessed or interest credited by the Bank for a period of at least six (6) months, the Bank is not required to provide an Account statement until the Account has additional activity. If an Account has no activity other than charges assessed or interest credited by the Bank for a period of at least twelve (12) months, the Customer may be unable to access the Account until appropriate contact is made between the Customer and the Bank.

7.5 Advice Services. The Customer may subscribe to Bank services for the delivery of account-related activity and information ("Advices"), to a party designated by the Customer, including information relating to credits and debits to a Customer account, and the return or rejection of certain payments. Advices may be sent via SWIFT, electronic mail, facsimile transmission, ordinary mail, phone, through internet sites, or as otherwise agreed upon by the parties. The Customer is responsible for maintaining the accuracy of the information that is required to deliver such Advices, including the address, telephone and/or facsimile number of the recipient and, if applicable, the messaging components and conditions that will trigger the transmission of the Advices.

Section 15 of the Global Account Terms (Account Disclosures) is hereby supplemented with the following provisions:

15.5 Withdrawal Limitations on Certain Account Types. U.S. federal regulations limit the number of pre-authorized or automatic transfers or withdrawals or telephonic/electronic instructions (including check, draft, debit card or similar order payable to third parties) that can be made from a savings account (including a savings sub-account (as described below) and a money market deposit account) to a total of six (6) per calendar month or statement cycle or similar period. The Customer agrees to comply at all times with such restrictions. Exceeding these withdrawal limits may result in the Bank converting the savings account into a non-interest bearing demand deposit account, with any attendant changes in pricing and account terms and conditions. Further, the Bank is required by U.S. law to reserve the right to require at least seven (7) days notice prior to a withdrawal from a savings account (including a savings sub-account) or an interest-bearing negotiable order of withdrawal account ("NOW Account").

15.6 NOW Accounts. The Customer, if eligible, may open a NOW Account. There is no limit on the number of withdrawals that the Customer may make from the demand deposit or NOW sub-account.

15.7 Administrative Subaccounts. The Bank is authorized, for regulatory reporting and internal accounting purposes, to divide an Account: (i) in the case of a demand deposit checking Account, into a non-interest bearing demand deposit sub-account and a non-interest bearing savings sub-account; (ii) in the case of a NOW Account, into an interest bearing NOW sub-account and an interest bearing savings sub-account, and, in both cases, to transfer funds on a daily basis between these sub-accounts in accordance with U.S. law at no cost to the Customer. The Bank will record the sub-accounts and any transfers between them on the Bank's books and records only. The sub-accounts and any transfers between them will not affect the Account number, balance requirement or use of the Account, except as described herein.

15.8 Savings Subaccounts. The Bank will establish a target balance for the Customer's demand deposit or NOW sub-account, which it may change at any time. To the extent funds in the demand deposit or NOW sub-account exceed the target balance, the excess will be transferred to the Customer's savings sub-account, unless the maximum number of transfers from the savings sub-account for that calendar month or statement cycle have already occurred. If withdrawals from the demand deposit or NOW sub-account exceeds the available balance in the demand deposit or NOW sub-account, funds from the Customer's savings sub-account will be transferred to the demand deposit or NOW sub-account up to the entire balance of available funds in the savings sub-account to cover the shortfall and to replenish any target balance that the Bank has established for the demand deposit or NOW sub-account. If a sixth transfer is needed during a calendar month or statement cycle, it will be for the entire balance in the Customer's savings sub-account, and such funds will remain in the demand deposit or NOW sub-account for the remainder of the calendar month or statement cycle.

15.9 Branch Designation. The Bank, for its administrative purposes may designate a branch of the Bank as the branch of record of an Account which may be different from the branch at which the Account is opened. This designation requires no action on the part of the Customer and will not change the Bank's operations, Services or customer support.

15.10 No Fiduciary Relationship. Bank's relationship with Customer concerning the Accounts is that of a debtor and creditor. No fiduciary, quasi-fiduciary or other special relationship exists between Bank and Customer or any third parties regarding the Accounts.

Section 16 of the Global Account Terms (Governing Law) is hereby supplemented with the following provisions:

16.1 **Section 16.1 is replaced with the following provision:** Subject to the UCC as modified by the Rules & Regulations, which shall control, and unless otherwise specifically provided in any Service Terms, the Global Account Terms, the Account Documentation, Service Terms and the rights and obligations of the Customer and the Bank in respect of each Account maintained in the U.S. shall be governed by and construed in accordance with the laws of the State of New York (without regard to its conflict of laws rules), incorporating general commercial bank practices applicable to the type of Account and Services provided to the Customer. The rights and remedies of the Bank under this Addendum, the Account Terms, the Account Documentation, the Service Terms, and any other agreement by the Customer in favor of the Bank are in addition to the rights and remedies of the Bank under applicable law (as provided above in this Section), are cumulative and may be exercised successively or concurrently, and are retained by the Bank.

16.4 In the event the Bank is required to remit funds to any state as abandoned property, the Account may be charged for fees in remitting funds to that state. In addition, the Bank may charge fees in connection with its handling of dormant funds and accounts. These charges are not

refundable.

Section 17 of the Global Account Terms (Miscellaneous) is hereby supplemented with the following provision:

17.15 Payable Through Accounts. If the Customer is a bank or financial institution and is not organized under the laws of the U.S., it shall not permit its customers to conduct banking transactions in the U.S. through the Customer's Account, and shall not provide its customers with check stock, drafts, wire transfer capabilities or any other means by which its customers are able to draw on the Customer's Account. These types of arrangements are typically called "payable through accounts" and are prohibited under these Account Terms. The Customer acknowledges that the sale of U.S. dollar checks or drafts to third parties is explicitly prohibited without the express written approval of the Bank.

AVAILABILITY POLICY - FOR ACCOUNTS MAINTAINED IN THE U.S.

The Bank's policy is to make funds available to the Customer on the same, next or second business day after the day of deposit depending on the type of deposit and when the deposit is made as described below. If the Customer will need the funds from a deposit immediately, the Customer should ask the Bank when the funds will be available.

A. Determining the Day of a Deposit. If a deposit is made to an account on a business day before the Bank's cutoff time established for that location (which will be no earlier than 2 p.m. local time), then the Bank will consider that day to be the day of deposit. However, if a deposit is made after the cutoff time or on a day that is not a business day, then the Bank will consider the deposit to have been made no later than the next business day. For determining the availability of deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. Availability with respect to any deposit will be determined by the location of the banking center or other facility where the deposit was received. For deposits made at the Bank's automated teller machines (ATMs) the cutoff time is 11 p.m. Eastern Time unless otherwise noted on the ATM screen.

B. Same Day Availability. Funds from the following deposits made at a banking center or at an ATM that do not require deposit envelopes will be available on the business day the Bank determines the deposit is made:

- Cash;
- Wire transfers; and
- Electronic direct deposits to an account.

C. Next Day Availability. Funds from the following deposits are available on the first business day after the business day the Bank determines the deposit is made:

- U.S. Treasury checks that are payable to the Customer;
- Checks drawn on a Bank affiliate that holds the applicable account (excluding a Controlled Disbursement site); and
- At least, the first $200 from a day's total deposits.

If the deposit is made in person to a Bank employee, funds from the following deposits are also available on the first business day after the business day the Bank determines the deposit is made:

- State and local government checks that are payable to the Customer, if a special deposit slip, available upon request at any Bank banking center is used;
- Cashier's, certified, and teller's checks that are payable to the Customer, if a special deposit slip, available upon request at any Bank banking center, is used; and
- Federal Reserve Bank checks, Federal Home Loan Bank checks, and postal money orders, if these items are payable to the Customer.

If a special deposit slip is not used, availability of funds from these deposits will follow the schedule identified in the Availability of Other Check Deposits section below.

D. Availability of Other Check Deposits. Generally, funds from all other deposits of checks drawn on banks (as defined in Federal Reserve Regulation CC) will be available no later than the second business day after the day of deposit. Checks that require special handling may receive delayed availability. The amount of funds available to the Customer will be reduced by the amount of any deposited check that is returned unpaid. If the Bank reprocesses the check, the funds will become available no later than the second business day after the business day in which the check is reprocessed.

E. Longer Delays May Apply. In some cases the Bank may not make all of the funds that are deposited by check available. Depending on the type of check deposited, funds may not be available as set forth above. However, the first $200 of the aggregate deposit will be available on the first business day after the day of deposit.

If the Bank is not going to make all of the funds from a deposit available at the times shown above, it will notify the Customer and specify when the funds will be available. If a deposit is not made directly to a Bank employee, or if the Bank decides to take this action after the Customer has left the premises, the Bank will mail or otherwise send the notice to the Customer by the business day after the day of deposit.
Funds deposited by check may be delayed for a longer period under the following circumstances:

- The Bank believes a deposited check will not be paid;

- Deposited checks for all of the Customer's accounts total more than $5,000 in any one day;
- The Customer redeposited a check that has been returned unpaid;
- The Customer has overdrawn one or more of its accounts repeatedly in the last six months; or
- There is an emergency, such as failure of communications or computer equipment.

In such circumstances, funds will generally be available no later than the seventh business day after the day of deposit. Inclement weather or transportation problems may lead to additional delays under certain availability schedules. Customer may have specific availability schedules related to a banking service.

F. Special Rules for New Accounts. If the account is a new account, the following special rules may apply during the first thirty days the account is open:

- Funds from deposits of the first $5,000 of that day's total deposits of cashier's, certified, teller's, traveler's and federal, state and local government checks will be available on the first business day after the day of deposit if the deposit meets certain conditions. For example, the checks must be payable to the Customer. The excess over $5,000 will be available no later than the ninth business day after the day of deposit. If the deposit of checks (other than U.S. Treasury checks) is not made in person to one of the Bank's employees, the first $5,000 may not be made available until the second business day after the day of deposit; and

- Funds from all other check deposits will be made available no later than the fifteen business day after the day of deposit.

This Availability Policy and availability schedules may be changed without notice.

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Consolidated Service Terms

J.P. Morgan Chase provides an array of treasury services to meet your business needs. This booklet contains important information about J.P. Morgan Chase solutions that we provide. If you would like to add a service that is covered in this booklet, please contact your Commercial Banking Representative

TREASURY SERVICES (United States)
Commercial Bank

Welcome to JPMorgan Chase Bank, National Association ("J.P. Morgan", "Chase", or "Bank"). We are pleased that you have decided to maintain a banking relationship with us. This Consolidated Service Terms booklet ("Booklet") contains the terms and conditions for certain cash management services ("Service Terms") J.P. Morgan may provide to you. By executing the Account Terms Acceptance Letter, Certificate Regarding Accounts, Business Signature Card, service implementation form or similar document, or by using or continuing to use any of the services referenced herein after receipt of this Booklet, you agree that the Service Terms included in this Booklet, in addition to the Account Terms and such supplements, amendments, notices and additional service terms provided to you from time to time will govern your existing and future deposit accounts maintained with us, in addition to those services that the Bank provides to you, as applicable.

This booklet includes Treasury Services Service Terms applicable to all Commercial Banking customers. All Service Terms are subject to the Bank's Account Terms. Any modifications to this Booklet, including but not limited to any changes, amendments, deletions, and/or additions, will not be binding upon the Bank unless such modifications are acknowledged and agreed to it writing by an officer of JPMorgan Chase.

We look forward to serving your business needs and thank you again for choosing Chase.

SERVICES FOR COMMERCIAL BANKING CUSTOMERS

- **A. ACH Origination**
- **B. ACH Debit Block and Transaction Review**
- **C. Lockbox**
- **D. Coin & Currency**
- **E. Positive Pay, Reverse Positive Pay & Payee Verification**
- **F. Controlled Disbursement**
- **G. Image Cash Letter**
- **H. Image Deposit Direct**
- **I. Check Print**
- **J. ACH Tax Payment Service Terms**
- **K. Client Access**

The services described herein (each a "Service") are subject to the Bank's Account Terms (as may be amended from time to time), which are hereby incorporated by reference into each Service Terms. By using any of the Services described hereunder, the Customer acknowledges that it has received and agreed to the Account Terms, as supplemented by these Service Terms. Capitalized terms in the Service Terms, unless otherwise defined herein, shall have the meanings set forth in the Account Terms

Service Terms – Consolidated Service Terms Booklet

A. ACH Origination

The Automated Clearing House (ACH) is a batch processing payment system that U.S. banks use to exchange and settle credit and debit transactions on behalf of their clients or themselves. The origination of ACH Entries and the transmission and issuance of related transactions and information will be pursuant to these terms and the Operating Rules and Guidelines (collectively the "Rules") of the National Automated Clearing House Association. Capitalized terms used in this subpart, unless otherwise defined in this subpart shall have the same meanings as set forth in the Rules. The Customer and the Bank agree to comply with and be bound by the Rules as in effect from time to time, including without limitation, the provision making payment of a Credit Entry by an RDFI to the Receiver provisional until receipt by the RDFI of final settlement for such Credit Entry and the Customer acknowledges that it has received notice of such rule and of the fact that if such settlement is not received, the RDFI will be entitled to a refund from the Receiver of the amount credited and the Customer will not be deemed to have paid the Receiver the amount of such Credit Entry.

1. **Service.** Bank provides automated clearing house ("ACH") origination services that will enable Customer to do one or more of the following:

   - originate ACH Debit Entries;
   - originate ACH Credit Entries; and
   - instruct the Bank to issue or transmit prenotifications, reversals, requests for return, notifications of change or other information pertaining to the Entries.

   Origination of ACH Credit Entries and origination of ACH Debit Entries are two separate services and approval or set up for one ACH service does not automatically create the ability to utilize the other. The Rules and these Service Terms shall apply to all Entries, whether or not transmitted through an ACH Operator.

   It is Customer's responsibility to provide Entries and instructions to Bank with all the necessary information to complete Customer's requested transactions. Customer agrees to transmit Entries to Bank in the manner, at the times and in accordance with approved media, content and format as agreed by Bank and Customer. Bank may reject or delay processing transactions or information if instructions are not complete or are inaccurate, contain an inactive Company ID or otherwise do not meet the criteria Bank specifies for acceptance. All requests to Bank must be received by Bank before Bank's established cut-off time in order for processing to commence on that ACH processing day. Any request that is incomplete or that Bank finishes receiving after the relevant cut-off time will be processed by Bank on the next day Bank processes ACH transactions. All transactions are subject to acceptance by Bank. Bank will notify Customer of any transactions or other transmissions that are rejected or returned. If Customer wants Bank to re-process those transactions or transmissions, Customer must correct them and re-submit them. Customer agrees to furnish Bank with copies of any authorizations or notifications, if requested, as well as any other information reasonably requested by Bank relating to Entries originated by the Customer. Customer shall provide Bank's auditors and other personnel with reasonable access at all reasonable times to the Customer's facilities, data and records relating to the initiation of Entries for the purpose of auditing Customer's compliance with these Service Terms and the Rules.

2. **Security and Data Protection Procedures.** All instructions received by Bank in Customer's name are subject to verification pursuant to mutually agreed security procedures. If Bank follows those procedures, Bank may process and transmit transactions or information in Customer's name**.** Unless Customer and Bank both otherwise agree, transmissions to Bank will be authenticated and/or encrypted using commercially reasonable security technologies meeting standards acceptable to Bank. If Customer uses a security procedure other than as described above, Customer acknowledges that Customer refused Bank's security procedure and chose another and Customer agrees to be bound by any transaction, whether or not authorized, issued in Customer's name and accepted by Bank in compliance with the security procedure Customer chose. If Customer elects not to utilize recommended message authentication and/or encryption technology, Customer assumes all responsibility for unauthorized disclosure or unauthorized access to Customer's data that occurs during transmission or while such data is in storage. Customer shall not disclose any Receiver's account number or routing number to any third party for such third party's use, directly or indirectly, in initiating a separate Debit.

3. **Settlement and Exposure Limits.** On the settlement date, Bank will credit Customer's account with Bank that Customer specifies for the total of:

   - Customer's Debit Entries that Bank processed for settlement that day;
   - RCCs issued for deposit to Customer's account on that day; and
   - any returned or reversed Credit Entries.

Bank may delay the availability of funds deposited into Customer's account by Debit Entry or RCC until those transactions cannot be reversed in accordance with the Rules or applicable law.

Bank will debit Customer's account with Bank that Customer specifies for the total of Credit Entries processed in Customer's name and for any returned Debit Entries and RCCs. Bank may require Customer to pay Bank the amount of any Credit Entries on the date of transmission to Bank or otherwise prior to the settlement date. Bank also may require Customer to maintain collateral with Bank in an amount Bank specifies.

Bank may from time to time establish or revise maximum dollar limits for the total value of all outstanding files of Credit Entries and/or Debit Entries and RCCs that Bank will release on Customer's behalf. Bank may change or cancel the limits at any time without prior notice to Customer; although Bank will try to notify Customer before Bank does that.

4. **Warranties; Indemnity.** Except as specified below, Customer will be deemed to make the same warranties to Bank as Bank makes pursuant to the Rules. In the case of an Entry to another account with Bank, warranties will be deemed to be given as of the time Bank first processes the Entry. Customer will not be deemed to warrant the power of the Bank under applicable law to comply with the requirements of the Rules or the conformity of Entries and other data Bank transmits to the file specifications contained in the Rules. The Customer further represents, warrants and covenants that (a) each Entry and RCC it originates will comply with all applicable U.S. laws and regulations and acknowledges that Entries may not be initiated that violate the laws of the United States, (b) unless Customer has identified itself to Bank as a Third Party Sender (as defined in Section 7) and obtained Bank's express consent to originate Entries as a Third Party Sender, Customer will not originate any Entries, or use any of its Company IDs to originate Entries, on behalf of third parties (including, without limitation, any affiliate of Customer), and (c) Customer will not permit a third party to originate Entries using a Customer account as the offset account unless Customer obtains Bank's express consent to do so.

   Customer agrees to indemnify Bank and Bank's employees, officers, directors and agents, and hold all of them harmless from and against any and all claims, demands, losses, liabilities or expenses (including attorneys' fees and costs) resulting directly or indirectly from (a) Customer's breach of any warranty made under these Service Terms and (b) compliance by Bank and the RDFI with any request Customer makes for a cancellation, stop payment, reversal or recall of any Entry or any RCC created by Bank under Section 1 hereof.

   Bank shall have no responsibility for any delay by any ACH Operator or RDFI in processing any Entry the Bank transmits to the ACH Operator or failure to process or credit or debit any such Entry.

5. **Stop Payments; Reversals and Recalls; Rejections.** Customer's instruction to cancel, stop payment of, reverse or recall one or more Entries must be received by Bank in such time and manner as Bank specifies. Bank will process these transactions in accordance with Bank's procedures advised to Customer. Any reversal or recall initiated by Bank is subject to acceptance by the RDFI. Instructions to reverse or recall an ACH Credit Entry that are not initiated by Customer in time to meet the prescribed NACHA deadline for reversals may be originated by Bank as a Debit Entry; Customer shall obtain authorization from the Receiver in accordance with the Rules for any such Debit Entry and all other terms of these Service Terms applicable to Debit Entries shall apply. Entries or other instructions may not be amended or modified.

   If Customer originates Debit Entries to an account or accounts at a financial institution that is not a Participating Depository Financial Institution in the ACH system (such account hereafter called a "Non-ACH Eligible Account"), all such Debit Entries will be rejected unless Customer subscribes to a service, subject to Bank's prior consent, pursuant to which Bank will process each such Debit Entry to a Non-ACH Eligible Account by preparing a remotely created check, as such term is defined in Federal Reserve Regulation CC (an "RCC"), on the Customer's behalf. The RCC will be drawn in the amount and on the Non-Eligible ACH Account of the individual or entity specified as the receiver in the Customer's instructions and will be deposited to the Customer's designated account with Bank, Such RCC will thereafter be processed through the check clearing system. If the Customer is using such service, the Customer hereby authorizes the Bank to create each RCC as described herein and the Customer warrants to the Bank, with respect to each RCC, that the person on whose account the RCC is drawn authorized the issuance of such RCC in the amount and to the payee stated in the RCC. The Customer authorizes the Bank to debit the Customer's account for any claim or return based upon an unauthorized RCC. All other terms herein related to Entries shall also apply to RCCs created under this Section. The Bank shall not create or process RCCs or other paper drafts in lieu of ACH Debits under any circumstances other than for Non-ACH Eligible Accounts and only when the Bank has consented to provide such service, even if the Customer includes an instruction in its file for the Bank to otherwise originate an RCC or paper draft.

6. **Third Party Service Providers.** Customer may choose to use a third party service provider or service bureau to issue Entries or other instructions, handle returned Entries or perform other functions for and on Customer's behalf. If Bank accepts such Entries or other instructions, Customer will be bound by them. Customer is responsible for all actions taken or not taken by Customer's provider and Customer is responsible for all costs and expenses of Customer's provider.

7. **Third Party Sender.** If Customer is a Third Party Sender, as such term is hereafter defined, (a) Customer warrants that the Originator has agreed to be bound by the Rules and has satisfied the obligations of an Originator under the Rules; (b) in any case where the Originator fails to perform its obligations under the Rules as an Originator, Customer shall indemnify, defend and hold Bank harmless from and against any and all claims, demands, losses, liabilities and expenses, including attorneys' fees and costs, that result directly or indirectly from the failure of the Originator to perform its obligations as an Originator under the Rules; (c) Customer agrees to cooperate with Bank regarding any request for information concerning the identity of any Originator; and (d) Customer represents, warrants and covenants that neither these Service Terms nor anything related to the ACH Origination Services violates, contravenes or is inconsistent with any of the terms, conditions or provisions of any agreement, understanding or arrangement between Customer and the Originator. Further, Bank will rely on Customer to evaluate the legitimacy of the Originators and their transactions originated by Customer and for ensuring that instructions do not involve illegal activities. Customer must notify Bank immediately if Customer suspects or become aware of any activity or transaction of an Originator that Customer believes may be of an illegal or illegitimate nature or that involves the proceeds of illegal activity or that was conducted, in part or whole, for the purpose of disguising

the source of funds. Bank will be entitled at any time upon notice to Customer to decline to provide the ACH Origination Services, or terminate the provision of ACH Origination Services, for any Originator on whose behalf are originating Entries if Bank determines that there are excessive returns or reversals of Entries originated on behalf of such Originator or if Bank becomes aware of any information indicating suspicious, fraudulent or illegal activity related to such Originator or for any other reason. As used herein, "Third Party Sender" means an entity that is not an Originator, that has authorized an ODFI or another Third Party Sender to transmit, for the account of the Third Party Sender or another Third Party Sender, (i) a credit entry to the account of a Receiver in order to effect a payment from the Originator (i.e., the third party on whose behalf the Third Party Sender is transmitting the entry) to the Receiver, or (ii) a debit entry to the account of a Receiver in order to effect a payment from the Receiver to the Originator (i.e., the third party on whose behalf the Third Party Sender is transmitting the entry). Without limitation of the foregoing, Third Party Senders include U.S. regulated financial institutions, brokers and other financial intermediaries as well as any other regulated or unregulated payment processors that are customers of the Bank and use their accounts to process payments for third parties (including affiliates of the Customer).

8. **IAT Entries.** If Customer is originating Entries that are required to be formatted under the Rules as IAT Entries, Customer will comply with all applicable Rules relating thereto, and Customer will originate such Entries only through one of Bank's ACH origination channels that support IAT origination. Some of Bank's ACH origination channels do not accommodate IAT Entries; upon request, the Bank will advise Customer as to which of Bank's ACH origination channels can be used for IAT origination.

   If a foreign currency conversion is performed by Bank in connection with an IAT Entry, Customer acknowledges that the foreign currency exchange rates fluctuate, and accepts the risk of such fluctuation, including fluctuations in rate between the time Customer submits the Entry Data Instructions and the time the transaction is executed and/or reversed, returned or recalled. Any payment returns and/or reversals will be credited to Customer's account in the currency in which Customer's account is denominated, and Customer is responsible for any rate fluctuations.

   In the event of an erroneous or duplicate IAT Entry originated for payment to a receiving bank outside the United States, the rights of Bank and Customer with respect to reversal or recall of such Entry are subject to the laws, regulations and payment system rules of the receiving bank's jurisdiction.

   Customer acknowledges and agrees that IAT Entries may be delayed in processing or posting due to the Bank's or RDFI's review of such Entries for OFAC compliance. Further, Customer understands and acknowledges that unlike PPD Credit Entries, there is no requirement under the Rules that IAT Credit Entries that are made available to an RDFI by its ACH operator by 5:00 pm on the banking day prior to the Settlement Date be made available to the Receiver at the opening of business on the Settlement date; cleared IAT Credit Entries must be made available no later than the Settlement Date of the Entry, but funds are not required to be available at opening of business on the Settlement Date.

9. **Incorporation of Account Documentation; Termination.** The provisions of the account documentation, including terms and conditions governing the operation of business accounts and services, are incorporated into these Service Terms by reference. By acknowledging or signing the applicable account documentation or by using or continuing to use the ACH Origination Services, Customer agrees to these Service Terms. In addition to Bank's termination rights under the aforementioned documentation, Bank shall have the right to terminate or suspend these Service Terms and the Services upon notice to Customer in the event of the Customer's breach of the Rules.

B. ACH Debit Block & ACH Transaction Review

ACH Debit Block is a Service that allows a customer to return ACH debit entries originated to the Customer's account with the Bank. ACH Transaction review allows the Customer to review ACH debit and credit entries originated and posted to the Customer's account with the Bank and to instruct the Bank to return some or all of these transactions.

1. ACH Debit Block:

(a) **Service.** The Customer can select from a variety of authorization or blocking criteria and advise the Bank in a manner and form acceptable to the Bank. The Bank will return any blocked transaction indicating that the ACH debit was not authorized.

(b) **Company ID Numbers.** If the Customer elects an option that blocks or allows ACH debits from specified companies, the Customer must supply the Bank with the applicable ACH Company ID Number of the Originator as it appears on the Company/Batch Header Record. The Company ID Number will be the sole criterion for blocking Debit Entries (unless Customer has also set maximum dollar limits) and Bank will have no obligation to take any other steps to determine the identity of the Originator. The Customer will be solely responsible for obtaining the correct Company ID Number for each such Originator.

The Customer understands that Company ID Numbers are not unique and that a Company ID Number may identify more than one Originator and one Originator may have multiple Company ID Numbers. The Customer understands that Company ID Numbers are not a perfect filter and that transactions from Originators may be blocked or allowed if the Originator uses a Company ID Number other than the one Customer identifies. The Bank will not be responsible for transactions blocked or allowed in accordance with the instructions the Customer provides for the Company ID Number.

(c) Debits Not Affected by Blocking. ACH debit blocks do not apply to certain transactions. The following types of ACH-related debits will not be blocked:

- debits to the Customer's account to offset any ACH credit Entries originated by the Customer through Bank;
- reversals of previously received ACH credit Entries;
- returns or reversals by the RDFI of ACH Debit Entries originated by the Customer through the Bank;
- Reclamation Entries;
- debits to the Customer's account initiated by the Bank or Bank's agent to correct processing errors, effect back valuations, make other adjustments or for fees, charges or other amounts the Customer owes the Bank; and
- debits to the Customer's account that the Bank posts pursuant to its internal procedures in order to comply with applicable law, regulations or payment system rules or guidance.

2. ACH Transaction Review:

(a) The Customer shall use filter criteria available through the service to select the types or categories of incoming ACH debit and/or credit transactions to be reviewed or the Customer may elect to review all incoming ACH transactions subject to Section 2(d) below.

(b) Based upon the filter criteria selected by the Customer, ACH transactions meeting that criteria will be made available for the Customer to review not later than a designated time on the banking day following the day on which the transactions are posted to the Customer's account. The details provided by the Bank for each Entry will include account number, dollar amount, company ID, receiver's name, standard entry class code and settlement date.

(c) The Customer shall advise the Bank by means of an agreed upon transmission method not later than the Bank's designated cutoff time on the same day as transaction information is made available for those transactions, if any, that are unauthorized and that the Customer wishes to return. The Bank is entitled to rely on any instructions that it receives and that it reasonably believes to be genuine. The Bank shall return all such transactions and make corresponding adjustments to the Customer's account to which the transactions had been posted. All transactions reported to the Customer as to which Bank does not receive a timely return instruction from the Customer will remain posted.

(d) The following types of ACH transactions will not be made available for the Customer's review and decisioning:

- debits or credits to the Customer's account to offset any ACH Entries originated by the Customer through the Bank;
- reversals of previously received ACH Entries;
- returns or reversals by the RDFI of ACH Entries originated by the Customer through the Bank;
- Reclamation Entries;
- debits or credits to the Customer's account initiated by the Bank or Bank's agent to correct processing errors, effect back valuations, make other adjustments, or to comply with legal requirements or for fees or charges the Customer owes the Bank; and
- if the Customer is also subscribing to the ACH Debit Block service, any transactions blocked and returned pursuant to that service.

(e) Certain transactions reviewed and approved by the Customer may nevertheless be returned by the Bank. This will happen if (i) there are insufficient funds in the Customer's account to cover the amount of an ACH debit or other charge, (ii) a stop payment was previously placed on the transaction or (iii) the Bank determines the transaction must be returned for legal or regulatory reasons. Certain transactions that the Customer advises should be returned may nevertheless be posted by the Bank; these include ACH debits or credits to the Customer's account that the Bank posts pursuant to its internal procedures in order to comply with applicable law, regulations or payment system rules or guidance.

C. Lockbox

Lockbox is a remittance processing Service offered to customers to support their accounts receivables business needs. Through this service, the Customer's remittance deposits are sent to a Post Office Box and picked up by the Bank and delivered to or via courier for further processing and posting to the Customer's deposit account.

1. Service. The Bank will maintain the Post Office Box for the Customer's remittances and will have unrestricted and exclusive access to the Post Office Box while providing the Lockbox Service. Customers requiring Caller Service or Business Reply Mail Service for remittance collection must obtain prior approval from the Bank. Upon approval, the Customer will secure such services directly with the United States Postal Service (the "USPS") and ensure the Bank is authorized to collect the mail. The Bank shall not be responsible for delays in processing due to the Customer's failure to pay the USPS for such services or any other action taken or not taken by USPS. The Bank may direct clients to include specific codes or formats within their assigned address in order to ensure mail is identified correctly. The Customer is responsible for ensuring their customers' remittances are properly addressed in order to prevent delays in processing.

2. Deposit; Endorsement. The Bank will collect all mail delivered to the designated Post Office Box, and will open the mail, process the checks eligible for this service (the "Items") and credit the funds to the Customer account or process for collection the Items received, except: i) Items which the Customer has instructed the Bank in writing, and the Bank has agreed not to process; ii) Items which the Bank believes should receive the Customer's special attention; iii) Items for which the Customer is not the payee, unless the Customer has provided proper authorization to process for credit or collection of such Items; and iv) any other matter or merchandise received. The Bank will not process such excepted Items

or other matters or merchandise, but will forward them to the Customer unprocessed. The Bank assumes no responsibility for the inadvertent processing of Items excepted from processing. The Bank will process credit card payments as point of sale transactions, obtaining authorization as required by applicable card rules; provided, however, the Bank will not place phone calls for authorization of referrals or process credit transactions. The Bank shall not be deemed a merchant processor and shall not be liable for any data entry errors or any chargeback. The Bank assumes no liability for any matter or merchandise received through the Post Office which is not a depositable Item, including cash. Any failure by the Bank to process an Item other than as provided herein does not constitute a failure by the Bank to exercise ordinary care. The Customer shall be liable to the Bank as a general endorser on all Items processed by the Bank.

3. **Differing Amounts.** If the amount of an Item written in words and figures differ, the Item will be processed for amount written in words. If the Item is accompanied by an invoice or statement and the amount on the statement matches the amount written in figures, and the Customer has requested, and the Bank has agreed, to process such Item for the amount written in figures, the Item may be processed for the amount written in figures. In the event the Bank processes the Item for the amount written in figures, the Customer indemnifies the Bank for any claim which may arise from that action.

4. **Foreign Items.** This Service is limited to Items drawn on domestic banks so to the extent the Bank notices that any Items drawn on foreign banks have been deposited, such Items shall be forwarded to Customer as unprocessable.

5. **Returned Items; Re-presentment.** If any Item is returned to the Bank unpaid for any reason or there is a claim involving an Item deposited to the Customer Account, the Bank will charge back that Item, together with any fees or other amounts allowed on such claims or for returned Items, against the Customer Account, regardless of whether such debit causes an overdraft to the Customer Account. If, however, the Bank has been instructed in writing by the Customer to re-present Items which have been dishonored or returned to the Bank unpaid for reasons other than account closed, the Bank may do so automatically and without notice to the Customer, and the Bank reserves the same rights to debit the Customer Account should any such Items remain unpaid after the re-presentment.

6. **Security for Imaged Items.** The Bank has specified Security Procedures for receiving and accessing Imaged Items, Imaged Documents and lockbox transaction data. The Bank is not obligated to send any images or data or allow access through the Delivery Media to any images or data which are not requested or accessed in accordance with the Security Procedures. The Customer acknowledges that once a CD-ROM is received, or it has accessed images by any Delivery Media, persons having access to the Customer's computers and image archives may have access to the Imaged Items, Imaged Documents and lockbox transaction data.

7. **Image Option.** If the Customer elects and this image option is available at the designated Bank processing location, the Bank will provide images of the Items ("Imaged Items") received together with images of related documents ("Imaged Documents"), through the media ("Delivery Media") and at the intervals agreed upon between the Bank and the Customer. The Customer may receive additional service material, including user guides, software licenses and other terms in connection with the selection of this option.

8. **Original Documents; Image Storage.** Unless the Bank has agreed otherwise, the Bank will image all Items and associated remittances and retain original documents on site for no longer than 14 days. All original documents will be destroyed 14 days after processing. If the Customer uses the Bank's Regional Retail Lockbox product, associated original documents are retained on site no longer than 7 days. The Bank will store Imaged Items for a period of seven (7) years from the date of the applicable transaction regardless of any additional imaging service requested by the Customer. If the Customer elects storage of Imaged Documents, the Bank will store Imaged Documents for a period of thirty (30) days (Short Term Storage) to ten (10) years (Long Term Storage) from the processing date of the applicable transaction., per the Customer's selection If the Customer elects to image and not store Imaged Documents with the Bank, such images will be delivered to the Customer via daily Direct Image Transmission.

9. **Accuracy; Legibility.** The information delivered to the Customer through the Delivery Media will be the same as the information in the data entry file provided to the Customer for the applicable time period. If the data entry file contains errors, those errors will also occur on the Delivery Media. The Bank will provide images that are as legible as possible given the legibility of the underlying remittance documents and the selected Delivery Media. The Bank has no liability or responsibility for the condition of the original remittance items provided to the Bank, and it reserves the right to review and approve sample remittance items for legibility prior to providing this service. The Customer is responsible for reviewing images obtained through the Delivery Media and to promptly notify the Bank of any images that are not clear.

10. **Disclosures.** As between the Customer and the Customer's clients, if applicable, certain payments collected hereunder may be subject to various cut-off times and payment deadlines (the "Disclosures"). The Customer acknowledges and agrees that the Bank has no duty to inquire as to the content of any such Disclosures, is not bound by them, and makes no representations or warranties, explicitly or implicitly, regarding same. The Customer is responsible for ensuring that the processing and payment cut-off times established by the Bank are in compliance with the Disclosures and Customer's responsibilities under applicable laws and regulations. The Customer further acknowledges and agrees that the data processed by the Bank belongs to the Customer or the Customer's clients.

D. Coin & Currency

Coin and Currency Services, also referred to as Cash Vault Services, provides coin and currency delivery and deposit services to companies that use large quantities of cash. With a nationwide vault network, Customers can place orders for coin and currency, make deposits and track activity by location through electronic reporting options.

1. Cash Orders

1.1. **Placement of Cash Orders.** The Customer may issue written instructions for the Bank to release United States coin and currency ("Cash") to an armored courier service (the "Courier") as designated by the Customer in accordance with the Bank's guidelines ("Cash Order"). The Customer acknowledges that Cash Orders may be transmitted to the Bank only during such times as set forth in the guidelines. The Bank is authorized to debit the account of the Customer designated in the Cash Order for the amount set forth in the Cash Order. If the Bank has agreed to such an arrangement, the Customer may also place a Cash Order directly at one of the Bank's branch locations by issuing a check to debit the Customer's account at the Bank or as a "cash for cash" exchange. If there are insufficient funds in the designated account, the Bank is authorized to refuse the Cash Order, to fill a partial Cash Order or to debit the designated account even if such debit causes an overdraft, or to debit any other account of the Customer at the Bank.

1.2. **Cash Order Limits.** The Bank and the Customer may agree to limit the amount of Cash that may be delivered pursuant to a Cash Order ("Cash Limit").

1.3. **Discrepancies for Cash Orders.** All Cash Orders must be validated by the Customer within 24 hours of receipt. If a currency strap, coin bag or wrapped coin discrepancy is identified, the Customer may contact Cash Services Customer Support at 888-872-0517 to request a Cash Order Claim Form. The completed form and proper documentation must be sent to the Bank and post marked within 48 hours of receipt of the Cash Order. Any claims post marked after the 48 hour period may be denied and the Customer will have no right to refuse or receive an adjustment after such time period.

1.4. **Cancellations and Amendments.** A Cash Order may be cancelled by the Customer telephonically, electronically or in writing by a person the Bank reasonably believes to be authorized to act on behalf of the Customer and only if the cancellation is received within a reasonable time before the Cash is delivered to the Courier ("Cancellation"). A Cash Order may only be amended telephonically and the Bank will not be responsible for any change in a Cash Order it has received. Any attempt to amend a Cash Order electronically may result in duplicate Cash being delivered.

1.5. **Notice of Rejection/Execution.** If the Bank rejects a Cash Order request, it will promptly notify the Customer of the reason. The Bank will notify the Customer when it has executed a Cash Order. Unless, within three (3) business days after receipt of notification of the execution of a Cash Order the Customer notifies the Bank in writing that a Cash Order was unauthorized or otherwise unenforceable against the Customer, the Bank shall not be liable for executing the Cash Order as notified, including any loss of interest.

1.6. **Security Procedure.** The Bank must receive a Cash Order using a touch-tone telephone, or other electronic communications device mutually agreed upon by the Customer and the Bank, based upon codes assigned by the Bank to the Customer that identify the Customer and the location (collectively, "Codes"). The Customer agrees that use of the Codes constitutes a security procedure for verifying the authenticity of the Cash Order as being that of the Customer ("Security Procedure")... The Customer and the Bank will maintain reasonable security and control of the Codes. The Bank is not responsible or liable for detecting any error in the transmission or content of any Cash Order or Cancellation and the Security Procedure is not intended to detect any such error. No agreement or instruction of the Customer restricting acceptance of any Cash Order or Cancellation is binding on the Bank, except as set forth in these Service Terms or in a writing signed by the Customer and the Bank. These Security Procedures do not apply to Cash Order requests made by the Customer at one of our branch locations when the Customer is making a "cash for cash" exchange or issuing a check to debit the Customer's account at the Bank.

1.7. **Geographical Limitations.** The Customer represents and warrants that all Cash Orders will be used by Customer in its normal course of business at the Customer's store/office locations in the United States**.**

2. Cash Deposits

2.1. **Standard Courier Service.** The Customer may deliver and pick up shipments of Cash or checks to or from the Bank by using the services of a Courier that has been authorized by the Bank, who will act solely as the Customer's agent. The Courier must comply with the Bank's guidelines, as amended from time to time, and must maintain all licenses and permits required by law in addition to adequate insurance to cover its liabilities in providing courier services to the Customer. The Bank may refuse to permit any courier to enter its premises with or without cause, in which case the Bank will use reasonable efforts to promptly notify the Customer. With regard to Customer's Courier, Customer is responsible for any individual's actions while at the Bank's facilities including theft, property damage, intentional crimes and any other act or omission even if such actions would be considered outside the scope of their employment and whether the individual is impersonating an employee of the courier if the Bank has followed its customary procedures for identifying the individual.

2.2. **Deposit Presentment and Processing for Standard Courier Service.** With regard to deposits delivered to one of the Bank's vault locations, the Customer's Courier must deliver deposits in sealed tamper-proof plastic security deposit bags that meet the standards described in the Bank's guidelines and contain only Cash and checks. The bags may also contain food stamps if the Customer provides proof satisfactory to the Bank of the Customer's authority to redeem food stamps. The Bank will open the bags and process the deposits.

(a) **Delivery to Vault.** If the Bank agrees to accept the Customer deposits at a vault location, the Bank will provide a receipt indicating the number of bags it has received. This receipt is not an acknowledgment of the contents of any bag, nor is any telephonic or other acknowledgment of a deposit of which the Customer notifies the Bank by telephone or by electronic means.

(b) **Delivery to Branch for Delayed Processing.** If the Bank agrees to accept the Customer deposits at a branch location, the Bank will not verify the amount of the deposits at the time of receipt but will provide the Customer with a receipt showing the amount indicated in the Customer's deposit slip. This receipt is not an acknowledgment of the contents of any bag.

2.3. **Courier Service through the use of a Smart Safe.** The Customer may use the services of a Courier that has been authorized by the Bank, who will act solely as the Customer's agent with regard to machines that will hold Cash that are physically located in the Customer's locations ("smart safes"). The Courier must comply with the Bank's guidelines, as amended from time to time, and must maintain all licenses and permits required by law in addition to adequate insurance to cover its liabilities in providing courier services. The Bank may refuse to permit any courier to enter its premises with or without cause, in which case the Bank will use reasonable efforts to promptly notify the Customer. The Customer will place only Cash in the smart safes which will be maintained by the Customer's Courier. The Customer's Courier is authorized to transmit the Cash information to the Bank on the Customer's behalf and the Bank, upon receipt of such data transmission, will provide provisional credit to the Customer's designated account. The Courier will deliver the Cash to the Bank as directed by the Bank at the Customer's expense. The Customer authorizes the Bank to instruct the Courier to pick up any Cash for which the Bank has given provisional credit at any time and at the Customer's expense.

2.4. **Deposit Presentment and Processing through the use of a Smart Safe.** The Customer agrees that once the Cash is in the smart safe, the Customer no longer has any ownership, control or rights with regard to the physical Cash and that the Bank is authorized to rely upon the transmitted information from the Customer's Courier with regard to deposits or adjustments to the Customer's deposit account with the Bank. Once the Customer's Courier has completed the verification of the Cash from the smart safe and has transmitted the deposit/adjustment information to the Bank, the Cash is then placed into the Bank's inventory at the Courier's location. In the event of a dispute related to the amount credited to the Customer's deposit account, the Customer will initiate its claim and request for an investigation with its Courier.

2.5. **Discrepancies.** All deposits are subject to verification. If there are differences between the amount credited by the Bank and the amount shown on the deposit slip prepared by the Customer, the receipt provided to the Customer or its agent upon initial presentment or the transmission received from the courier on the Customer's behalf, the currency will be re-counted for discrepancies over the minimum amount specified in the Cash Vault Services Product Guide, the "Threshold" amount, the Customer's representative designated in the service implementation questionnaire will be notified of the adjustment, and an adjustment fee will be charged. If the discrepancy is in the Threshold amount or less, the Bank will not adjust the Customer's account, the Bank will retain the discrepancy amount, and no adjustment fee will be charged. The Bank's determination and records as to its receipt of any bag and as to the contents of any bag is conclusive and binding on the Customer.

2.6. **Relationship upon Delivery of Bags.** Until the Bank recounts the contents of the bags and enters a final credit to the Customer's account, the Bank is not responsible for any claimed contents of the bags. The Customer should not include anything in a bag other than Cash and its deposit slip, and the Bank shall have no responsibility or liability if there is any other property included or claimed to have been included in a bag...

2.7. **Delivery to Unattended Facility.** If the Bank agrees to allow the Customer to use one of the Bank's unattended facilities (including but not limited to a night depository or commercial ATM), the Bank may provide the Customer with an access device (such as a key or card that may require a personal identification number ("PIN"). The Customer must return all access devices to the Bank upon request. The Bank will process any deposits delivered to an unattended facility as provided for in the Bank's guidelines. If the Customer receives a receipt from an unattended facility, the receipt is not an acknowledgment of the contents of any bag or of the receipt of any bag. While the Customer or the Customer's Courier is physically present at one of the Bank's unattended facilities, the Customer is a licensee only and the Bank has no responsibility for the safety of the Customer or its Courier while at such facility.

2.8. **Liability at Unattended Facility.** The Customer assumes all risks of using any unattended facilities, including risks of theft, robbery and personal injury; the Bank is not responsible if a facility fails to operate properly in any way, including failing to open, close, lock or unlock. It is the Customer's responsibility to verify that its bags have dropped down completely into the facility, and the Customer agrees that it will not leave any bags in any facility that does not appear to be operating properly. The Bank will not be liable to the Customer if any unattended facility, tele-entry or online system is closed or otherwise unavailable for use at any time.

2.9. **Geographical Limitations of Cash Deposits**. Cash Deposits must be delivered to the Bank by Customer's courier and from Customer's physical store/office locations in the United States. Cross-border cash deposits (i.e., cash brought into the United States from outside the United States) are strictly prohibited

E. Positive Pay, Reverse Positive Pay and Payee Verification

Positive Pay, Reverse Positive Pay and Payee Verification services help prevent check fraud on Customers accounts by identifying discrepancies between checks presented to the Bank for payment and those checks issued by Customers. With Positive Pay, the Customer sends check issuance information to the Bank and the Bank compares such information to checks being presented for payment. With Reverse Positive Pay, the Bank sends the Customer information on checks being presented for payment and the Customer does its own comparison. Payee Verification is an enhanced feature for Positive Pay whereby the Customer includes payee name information and the Bank compares such information against the payee names on checks being presented. As a condition precedent for receiving Payee Verification, the Customer must be receiving Positive Pay in connection with the same Account.

1. **Issuance Information.** The following information is defined as "Issuance Information" for each Item: i) Account number; ii) Item serial number; iii) dollar amount; iv) issue date [for Positive Pay and Payee Verification only]; and v) the payee name [for Payee Verification only]. For Positive Pay and Payee Verification, the Customer will provide the Bank the Issuance Information by the banking day on which the Customer issues Items, by means of a mutually agreed upon transmission method the Issuance Information. The Bank will compare the Issuance Information with the Items presented to the Bank for payment against the Account. For Reverse Positive Pay, the Bank will send the Customer the Issuance Information and the Customer will compare such information with the checks they have issued.

2. **Discrepancies.** For Positive Pay and Payee Verification, if Items are presented to the Bank for which it has not received timely Issuance Information or that contains information different from the Issuance Information for that Item, the Bank will notify the Customer by means of a mutually agreed upon method, by the designated time of the Banking Day following the Banking Day the Item is presented. The Customer shall advise the Bank by means of a mutually agreed upon method by the designated time on that same Banking Day whether any such Item is authorized for payment ("Presentment Decision"). In the event that the Customer fails to timely inform the Bank about any Item for which a Presentment Decision is requested, as required above, the Bank is authorized to return such Item unless otherwise agreed by the Customer and the Bank. For Reverse Positive Pay, the Bank will provide Issuance Information to the Customer of Items presented for payment; the Customer shall advise the Bank by means of a mutually agreed upon method by the designated time on that same Banking Day whether any such Item is authorized for payment, and in the event that the Customer fails to timely inform the Bank as required, the Bank is authorized to pay such Item(s) unless otherwise agreed by the Customer and the Bank. The Bank is entitled to rely on any instructions that it receives and reasonably believes to be genuine. If a Customer attempts to change an instruction previously given by sending an email or other message to the Bank, the Bank may, but has no obligation to, act upon such change request.

3. **Payee Verification Additional Terms.** For Payee Verification, Customer acknowledges that Items that have been converted to ACH transactions prior to being presented for payment will not be eligible for this service and the payee name information will not be compared to the Issuance Information for Items that have been converted to ACH transactions. If the Customer fails to provide the Issuance Information in the file format required by the Bank, the Bank will not be liable for not detecting any discrepancy between the Item and the Issuance Information or for processing such Item. The Bank reserves the right to set a threshold amount for Items (as may be revised by the Bank from time to time) to be reviewed under the Payee Verification service (the "Threshold Amount"). The Items below the Threshold Amount will be handled according to the standard Account Documentation governing the Customer's Account; however, the Customer will not be liable for such Items if the discrepancy would have otherwise been detected under this Service. With regard to payee name comparison, the Bank will compare the payee name provided in the Issuance Information to the payee lines contained in the name/address block identified on the Item (presented as provided for in the Bank's setup requirements) and will be limited to those parameters specifically agreed to by the Customer and Bank.

4. **Reverse Positive Pay Additional Terms.** For Reverse Positive Pay, Customer acknowledges that Items presented for encashment at any of the Bank's branch locations will be refused unless Customer has requested that Bank allow encashment of such Items. If Customer authorizes Bank to pay Items presented for encashment at the Bank's branch locations, Bank shall follow its usual and customary over-the-counter encashment procedures (as may be in effect from time to time) and Customer assumes the risk of any loss that would have been prevented through the use of Positive Pay or Payee Verification services. Customer acknowledges that the Bank may charge a person who cashes an Item drawn on the Customer's Account a fee if that person is not a customer of the Bank. Customer agrees to unconditionally release, indemnify and hold harmless the Bank against any and all liability loss or claim relating to an Item being cashed or returned over-the-counter.

5. **Voided Items.** The Customer agrees to place a void on an Item in the Issuance Information only with respect to Items that are not in circulation. If the Customer wants to stop pay on a check that has been issued, the Customer is required to issue any Stop Payment request pursuant to the relevant terms of the Account Documentation, outside of these services.

6. **Item Payment.** The Bank is not obligated to maintain signature cards for the Account and whether or not the Bank does maintain such signature cards, in no event shall the Bank be obligated to inspect any check for the presence or authenticity of any signature or to determine whether any signature is authorized. The Customer acknowledges that the Bank's adherence to these procedures in these terms, in lieu of signature examination, will constitute the exercise of good faith and ordinary care by the Bank in handling Items presented for payment against the Account.

7. **Over the Counter Presentment.** The Bank may, without liability to the Customer, refuse to pay any Item presented for encashment at any of the Bank's branch locations. If an Item is presented for encashment at one of the Bank's branch locations at the teller line, the Customer authorizes the Bank to pay such Item based upon the Positive Pay information at the teller line. The Bank may charge a person who cashes an Item drawn on the Customer's Account a fee at the time of encashment.

F. Controlled Disbursements

Controlled Disbursement Accounts help customers effectively manage the disbursement process to gain control over idle balances and automate funding transfers and is designed to provide disbursement totals early each business day.

1. **Controlled Disbursement Account.** Each controlled disbursement account ("Controlled Disbursement Account"), except as set forth herein, shall be opened and maintained in accordance with the Account Documentation. Customer agrees that if it fails to utilize one of the Bank's positive pay services on the Controlled Disbursement Account, that failure will constitute Customer negligence contributing to the making of any unauthorized signature and Customer assumes the risk that checks or drafts ("Items") presented against the Controlled Disbursement Account may be forged or altered, to the extent that the positive pay services the Bank offers may have prevented any loss. The Bank will have no liability for any loss related to an Item presented against the Controlled Disbursement Account which would otherwise generally have been returned under such positive pay services

2. **Payment of Items.** Bank, on each banking day, will advise Customer of the total amount of Items drawn against the Controlled Disbursement Accounts that are presented for payment, on that day, to the Bank by a Federal Reserve Bank or another depository institution pursuant to a same-day settlement arrangement. Bank will honor Items which are properly payable, but shall have no obligation to pay any Item should sufficient immediately available funds to cover such Items not be transferred to the Controlled Disbursement Account in accordance with these Service Terms and the Account Documentation.

3. **Over-the-Counter Presentment.** Bank may, without liability to Customer, refuse to pay any Item presented for encashment at any of the Bank's branch locations.

4. **Funding Account for Controlled Disbursement.** Customer will maintain with Bank a designated account for purposes of funding the Controlled Disbursement Account, or the funding account may be maintained at an affiliated bank or other financial institution (the "Funding Account"). Customer authorizes Bank to debit the Funding Account for the total amount of the Items presented and any funds transfers against the Controlled Disbursement Account, and to promptly transfer such amount to the Controlled Disbursement Account even though such a debit may bring about or increase an overdraft. All funds transfers from the Funding Account to the Controlled Disbursement Account shall be in immediately available funds. Customer will maintain sufficient available funds in the Funding Account to cover Items and funds transfers presented against the Controlled Disbursement Account, and the Bank shall have no obligation to transfer funds, process Items for payment or complete any funds transfers unless there are sufficient available funds in the Funding Account. The Bank is authorized to debit the Funding Account for any obligations owed directly or indirectly on the Controlled Disbursement Account. The Bank shall not be liable for failure to pay any Item presented for payment against any Controlled Disbursement Account due to insufficient funds in the Funding Account.

5. **Media.** Bank will transmit to Customer by the transmission method or media agreed to by Customer and Bank information regarding Customer's Controlled Disbursement Account.

6. **Routing Transit Number.** Customer agrees to use the designated controlled disbursement account routing transit number on the Items it issues from the Controlled Disbursement Account. Customer acknowledges that if it fails to use such designated controlled disbursement account routing transit number the Bank is authorized to terminate this Service or any Service feature upon notice to the Customer.

7. **Financial Condition.** In the event of the deterioration of the financial condition of the Customer, as determined in the Bank's sole discretion, the Bank may immediately terminate the Service, any Service feature, and/or may convert any Controlled Disbursement Account to a stand-alone demand deposit account without prior notice to the Customer.

8. **Third Party Usage.** Customer agrees that it will not permit a third party to write checks on or otherwise issue payment transactions or instructions on Customer's Controlled Disbursement Account. Customer agrees to indemnify and hold Bank harmless from and against any and all actions, claims, demands, losses, liabilities or expenses whatsoever, including attorney's fees and costs, resulting directly or indirectly from Customer's breach of this Section 8. This indemnity shall survive the termination of these Service Terms. Notwithstanding anything to the contrary, Customer acknowledges that, if Customer breaches this Section 8, Bank may immediately terminate this Service or any Service feature upon notice to the Customer.

G. Image Cash Letter

1. Service.

These terms govern the image cash letter service (the "Service") which allows image-enabled check customers to prepare and transmit electronic deposit information and check images instead of preparing and physically depositing paper cash letters and associated original check.

2. Transmission and Processing.

Customer shall provide through its own methods or devices the captured check images and check data from the Check, including the magnetic ink character recognition formatting (MICR) information through electronic transmissions (the "Transmissions") in the format and specifications required by the Bank's File Standards and within the cut-off times provided by the Bank. Customer authorizes Bank to process the Transmissions as substitute checks, electronic images or photos in lieu, as may be applicable for further clearing through any other financial institution, clearinghouse or Federal Reserve Bank. If the Customer is eligible and has chosen to have Checks processed as ACH transactions, Bank will convert eligible Checks to ARC or POP entries, as defined and provided for in the ACH Origination Service Terms. Customer agrees that it is solely responsible for the creation and transmission of these Transmissions to the Bank. If any Transmission (including any source document for purposes of these Service Terms) does not meet the Bank's or any transferee's standard requirements for processing, Customer assumes all risk of loss or delay in processing such Transmission and authorizes the Bank to either (a) return the Transmission to the Customer without further processing, (b) process the Transmission as sent from the Customer, (c) process the Checks as photocopies in lieu of the originals, or (d) repair or attempt to repair the Transmission for further processing. Under this Service, "Checks" shall mean checks and drafts drawn in US dollars on, or payable through, banks located in the United States (including Puerto Rico, Guam and the US Virgin Islands), endorsed for deposit to Customer's account at the Bank.

3. Image Cash Letter File Deposit Time.

The Transmissions must be sent to Bank prior to the deposit deadline. Any Transmission will be deemed to have been received by Bank when the entire file has been written onto Bank's system and made available for Bank to validate. Based upon the size of the Transmission file, there may be a significant delay between the time Customer begins to send the file and the completion of the transfer as stated above. As a result, Customer will make every effort to send the Transmission file as early as possible. Files that are received after a deposit deadline will be considered deposited as of the next deposit deadline. Processing fees and funds availability will be assessed based on the deposit deadline that is met.

4. Customer Liability.

Customer shall be solely responsible if any Transmission for which Customer has been given provisional credit is returned or reversed, and neither Bank nor its subcontractors shall be liable or responsible for same. Customer acknowledges that all credits received for deposit are provisional, subject to verification, final settlement or return. Information and data reported hereunder: (a) may be received prior to final posting and confirmation and is subject to correction and (b) is for informational purposes only and may not be relied upon. Customer agrees that Bank shall have no liability for the content of payment-related information as received from the Customer. Customer shall be solely responsible for the original Checks, including storage and retrieval. Customer agrees to provide a legible copy of an image or the original Check if requested by the Bank within five (5) business days of such request. If Customer is unable to provide the original or legible copy, Customer shall be liable for any associated loss or claim involving the Check. Customer will not present a Transmission or the original Check or substitute check more than once to the Bank if the initial Transmission was processed as an ACH transaction and shall be responsible for any and all losses or claims resulting from the Customer presenting such Check or Transmission for payment more than once through any method.

5. Suspension/Cancellation of Service.

Bank reserves the right to suspend or terminate the Service, in whole or in part if Bank believes Customer is in breach of these Service Terms or is otherwise using or accessing the Service in a manner inconsistent with the rules and regulations relating to the Service being provided and such breach, use or access is not cured within three business days after notice to Customer. Further, this Service will automatically terminate if the Customer's account with the Bank is closed for any reason. Either party may terminate the Service upon thirty (30) days' prior written notice to the other party; provided, however, that the terms of Section 9 will apply to any termination prior to the time period set forth in the Pricing Schedule.

6. Intellectual Property Ownership.

Neither these Service Terms nor the provision of the Service transfer to Customer any ownership or proprietary rights in the Bank's technology or any work or any part thereof, and all right, title and interest in and to the Bank's technology will remain solely with Bank or its subcontractors.

7. WARRANTIES AND DISCLAIMERS.

7.1. CUSTOMER WARRANTY. CUSTOMER WARRANTS AND REPRESENTS TO THE BANK THAT: (A) EACH TRANSMISSION CONTAINS ACCURATE AND LEGIBLE IMAGES OF ALL OF THE INFORMATION ON THE FRONT AND BACK OF THE ORIGINAL CHECKS AT THE TIME EACH CHECK WAS TRUNCATED; (B) EACH TRANSMISSION ALSO CONTAINS A RECORD OF ALL APPLICABLE MICR-LINE INFORMATION REQUIRED FOR A SUBSTITUTE CHECK AND THE ACCURATE AMOUNT OF THE CHECK; (C) EACH TRANSMISSION CONFORMS TO THE TECHNICAL STANDARDS FOR AN ELECTRONIC ITEM SET FORTH IN REGULATION J AND FEDERAL RESERVE BANK OPERATING CIRCULARS AND FOR A SUBSTITUTE CHECK SET FORTH IN REGULATION CC; (D) NO PERSON WILL RECEIVE A TRANSFER, PRESENTMENT OR RETURN OF, OR OTHERWISE BE CHARGED FOR, THE CHECK (EITHER THE ORIGINAL CHECK, OR A PAPER OR ELECTRONIC REPRESENTATION OF THE ORIGINAL CHECK) SUCH THAT THE PERSON WILL BE ASKED TO MAKE PAYMENT BASED UPON A CHECK IT HAS ALREADY PAID; (E) CUSTOMER WILL NOT REDEPOSIT THROUGH THIS SERVICE ANY TRANSMISSION REPRESENTING A CHECK PREVIOUSLY DEPOSITED AND RETURNED TO THE CUSTOMER; (F) CUSTOMER WILL EMPLOY COMMERCIALLY REASONABLE SECURITY MEASURES AND FIREWALLS SUFFICIENT TO PROTECT THE TRANSMISSIONS AND STORAGE TO ENSURE NO UNAUTHORIZED ACCESS OR DUPLICATE PRESENTMENT; (G) CUSTOMER WILL ONLY CREATE TRANSMISSIONS

FOR CHECKS THAT ORIGINATED AS PAPER CHECKS; (H) CUSTOMER HAS ESTABLISHED AN ANTI-MONEY LAUNDERING PROGRAM IN COMPLIANCE WITH ANTI-MONEY LAUNDERING LAWS AND REGULATIONS APPLICABLE TO IT AND SUCH ANTI-MONEY LAUNDERING PROGRAM INCLUDES POLICIES, PROCEDURES AND CONTROLS DESIGNED TO DETECT AND PREVENT MONEY LAUNDERING WHICH CUSTOMER BELIEVES EFFECTIVELY PREVENTS THE USE OF CUSTOMER'S OPERATIONS, PERSONNEL OR FACILITIES FOR MONEY LAUNDERING PURPOSES; AND (I) CUSTOMER WILL ONLY ACCESS THE SERVICE AND SEND TRANSMISSIONS TO THE BANK FROM LOCATIONS WITHIN THE UNITIED STATES; (J) CUSTOMER IS IN COMPLIANCE WITH ALL LOCAL LAWS AND REGULATIONS APPLICABLE TO IT IN THE USE OF THIS SERVICE.

7.2. DISCLAIMER. BANK AND ITS SUBCONTRACTORS MAKE NO REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS, IMPLIED OR STATUTORY REGARDING OR RELATING TO ANY OF THE TECHNOLOGY OR SERVICE AND/OR ACCESS TO OR USE OF THE SERVICE OR TECHNOLOGY PROVIDED TO CUSTOMER HEREUNDER. BANK AND ITS SUBCONTRACTORS SPECIFICALLY DISCLAIM ANY AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT. CUSTOMER ACKNOWLEDGES THAT THERE ARE CERTAIN SECURITY, CORRUPTION, TRANSMISSION ERROR AND ACCESS AVAILABILITY RISKS ASSOCIATED WITH USING OPEN NETWORKS SUCH AS THE INTERNET, AND CUSTOMER ASSUMES ALL SUCH RISKS. CUSTOMER SHALL MAKE AN INDEPENDENT ASSESSMENT OF THE ADEQUACY OF THE INTERNET IN USE OF THE SERVICE PURSUANT TO THE BANK'S PROCEDURES. CUSTOMER FURTHER ACKNOWLEDGES THAT THE SELECTION AND USE BY IT OF ANY THIRD PARTY SECURITY AND COMMUNICATIONS SOFTWARE AND THIRD PARTY SERVICE PROVIDERS IS THE SOLE RESPONSIBILITY OF CUSTOMER, AND BANK DISCLAIMS ALL RISKS RELATED THERETO, NOTHWITHSTANDING THAT THE BANK MAY RECOMMEND CERTAIN SECURITY AND/OR COMMUNICATIONS SOFTWARE AND SERVICES. CUSTOMER AGREES TO, AT ITS SOLE EXPENSE, PROCURE AND MAINTAIN ALL HARDWARE, BROWSERS, SOFTWARE AND TELECOMMUNICATIONS EQUIPMENT NECESSARY TO ACCESS THE SERVICE IN ACCORDANCE WITH THE BANK'S RECOMMENDED SYSTEM CONFIGURATION.

8. INDEMNIFICATION.

IN ADDITION TO ITS INDEMNIFICATION OBLIGATIONS IN THE ACCOUNT TERMS, AND EXCEPT FOR LOSSES OR EXPENSES CAUSED BY BANK'S FAILURE TO EXERCISE ORDINARY CARE OR WILLFUL MISCONDUCT, CUSTOMER AGREES TO INDEMNIFY BANK FOR ANY LOSS OR EXPENSE SUSTAINED (INCLUDING ATTORNEY'S FEES AND EXPENSES OF LITIGATION) RESULTING FROM (i) CUSTOMER'S LACK OF AUTHORITY TO MAKE THE WARRANTIES PROVIDED HEREIN; (ii) ANY ACTION TAKEN OR NOT TAKEN BY BANK WITHIN THE SCOPE OF ITS AUTHORITY UNDER THESE SERVICE TERMS IN HANDLING A CHECK; AND (iii) ANY WARRANTY OR INDEMNITY REQUIRED TO BE MADE BY BANK WITH RESPECT TO A CHECK UNDER APPLICABLE LAW OR REGULATION.

9. Pricing Schedule/Volume/Termination Penalties.

Bank and Customer agree to the terms of the Pricing Schedule which are incorporated herein by reference, including the length of time the Service will be provided, the charges/fees and the volumes, as may be stated in the Pricing Schedule. If Customer terminates the Service or the Service is otherwise terminated without fault of the Bank prior to the period of time set forth in the Pricing Schedule, Customer shall pay the Bank a termination fee equal to twelve (12) times the average monthly transaction fee for the Service for the period of time the Service was provided to Customer. Such termination fee shall be paid within thirty (30) days' after the effective termination date.

10. Audit.

Customer authorizes the Bank to audit its facilities where the Checks are imaged, stored and destroyed as well as where the Transmissions are processed under this Service upon reasonable prior written notice from the Bank.

11. Online Adjustments Services.

If Bank and Customer agree, Customer will submit its adjustment requests through the web-based SVPCO Online Adjustment Service ("Online Adjustment") based on the following terms:

For Customers choosing the deposit account option where they settle for the Items through the Customer's deposit account at Bank ("Deposit Account") option, Customer agrees to be bound by the SVPCO Electronic Adjustment Exchange Rules, as may be amended from time to time ("SVPCO Rules"). Bank will assist the Customer in implementing and registering for Online Adjustment. Customer will designate at least one Administrator by submitting the Secure ID Token Form for Online Adjustments ("Form"). After the initial registration, Customer will be able to update its designated users directly through SVPCO. Bank may conclusively rely upon any information or instructions purported to be sent by the Customer through Online Adjustment. Customer agrees that Bank may charge Customer's Account for any adjustments and related fees. Customer agrees that the Bank shall have no responsibility with regard to the adjustment information transmitted through Online Adjustment. Notwithstanding anything to the contrary in these Service Terms or the Account Documentation, Online Adjustment will automatically terminate upon the termination or expiration of the agreement covering the SVPCO online adjustment service between Bank and The Clearing House.

H. Image Deposit Direct

1. Service Terms. JPMorgan Chase Bank, N.A. ("Bank") will provide Customer the Image Deposit Direct (IDD) Service (the "Service") in accordance with the provisions set forth in these Image Deposit Direct Service Terms (the "Service Terms"). The provisions of the Bank's account documentation, including the account terms governing the operation of business accounts and services and any applicable Service

Terms as may be amended from time to time (collectively, the "Account Documentation") are incorporated herein. By signing the applicable Account Documentation or by using or continuing to use the Service, Customer agrees to these Service Terms. If and to the extent there is a conflict between the Account Documentation and these Service Terms, the provisions of these Service Terms will prevail. Capitalized terms used in these Service Terms and not defined herein have the meanings set forth in the Account Documentation.

2. The Service. The Service allows Customer to electronically transmit deposits of eligible checks and items (eligible checks and items are limited to personal checks, money orders, business checks, cashiers checks, traveler's checks payable in U.S. Dollars and drawn on U.S. banks or US Postal Service Money Orders, payable to the Customer, by using a capture device, including a desktop scanner or mobile device (hereinafter referred to as a"Scanner"), to create an electronic image of an original paper check or item and other paper source documents (collectively, "Item") and transmitting the image of the Item ("Image") and related data to Bank. As part of the Service Customer must use software and hardware provided by or acceptable to Bank. Customer is solely responsible for the Image and any information or data transmitted, supplied or key-entered by Customer employees or its agent. Before any Image of an Item is transmitted to the Bank, the Item shall be endorsed with the legend "For Deposit Only" and the Customer's name or account number unless otherwise provided for by the Bank.

(a) Customer agrees that after the Image of the Item has been created and transmitted to the Bank for deposit, Customer shall not otherwise transfer or negotiate the original Item, substitute check or any other image of the Item. Customer further agrees that Customer shall be solely responsible for the original Items, including storage, retrieval and destruction. Customer must have in place policies and procedures for the secure storage and destruction of the original Items.

(b) Customer agrees that a copy made from the Image or substitute check of the Item, as defined by federal law, will become the legal representation of the Item for all purposes, including return item processing.

(c) If Bank receives the submitted deposit transmission no later than the Bank's designated cut off time (the "Cutoff Time") on a day that the Bank is generally open for business, i.e., Monday through Friday excluding weekends and state or federal holidays ("Business Day"), Bank will consider that Business Day to be the day of deposit. If Bank receives the submitted deposit transmission after the Cutoff Time or on a non-Business Day, the deposit will be considered to be made on the next Business Day. Whether the Cutoff Time has been met will be determined by the time displayed on the Bank's internal system clocks which may not necessarily be synchronized with the internal clock displayed on Customer's computer or device. For this reason, Bank suggests that Customer submit its deposit transmissions to Bank sufficiently in advance of the Cutoff Time to avoid the possibility of missing the Cutoff Time.

(d) The term of the Service is two (2) years. After the expiration of the initial two year term, the Service shall continue on a month to month basis.

(e) Customer is responsible for making certain that only Images of eligible Items are sent to Bank through this Service. Any Image of an Item sent through this Service that is not eligible as set forth in Section 2 above will be handled at Customer's sole risk and liability.

(f) Subpart B of Federal Regulation CC (availability of funds) does not apply when electronic images of Items are transmitted to Bank. Funds from deposits made via this Service will be available in accordance with the availability schedule for the Service. However, Bank may apply additional delays on the availability of funds based on any other factors as determined in the Bank's sole discretion.

(g) Customer agrees that Scanners used as a part of this Service are only to be used at locations within the United States.

3. Item Processing. If the submitted deposit transmission with respect to any Item does not comply with the Bank's or its processor's requirements for item type submitted, content, batch size and/or format, Customer shall be responsible for any loss related to the processing of such Item, including if the Bank, in its sole discretion:

(a) further transmits the Item or data in the form received from Customer;

(b) repairs or attempts to repair the Item or data and then further transmits it;

(c) processes the Item as a photocopy in lieu of the original; or

(d) returns the Item or data to Customer unprocessed and charges back Customer's account.

4. Warranties. Customer represents and warrants to Bank that:

(a) any Image Bank receives accurately and legibly represents all of the information on the front and back of the original Item as of the time the original Item is truncated;

(b) the information Customer transmits to Bank corresponding to an Item contains a record of all applicable MICR-line information required for a substitute check and the accurate amount of the Item;

(c) the Image conforms to the technical standards for an Electronic Item set forth in Regulation J and Federal Reserve Bank operating circulars and for a substitute check set forth in Regulation CC;

(d) no person will receive a transfer, presentment, or return of, or otherwise be charged for, the Item (either the original Item, or a paper or electronic representation of the original Item) such that the person will be asked to make payment based on an Item it has already paid;

(e) Customer will not redeposit through this Service any Item previously deposited and returned to Customer unless Bank advises Customer otherwise;

(f) Customer will employ commercially reasonable security measures and firewalls sufficient to protect transmissions and storage to ensure no unauthorized access or duplicate presentment;

(g) Customer will only transmit Images created from original paper Items; and

(h) Customer will comply with all laws and regulations applicable to Customer in its use of the Service and not use the Service for any purpose prohibited by foreign exchange regulations, postal regulations or any other treaty, statute, regulation or authority.

5. Computer Equipment; Browser Access and Internet Services. Customer is responsible for obtaining, installing, maintaining and operating all browsers, software, hardware, telecommunications equipment or other equipment (collectively, "System") necessary for Customer to access and use the Service in accordance with the Bank's recommended system configuration.. This responsibility includes, without limitation, Customer's utilizing up-to-date web-browsers and the best commercially available encryption, antivirus, anti-spyware, and internet security software. Customer acknowledges that there are certain security, corruption, transmission error, and access availability risks associated with using open networks such as the Internet and Customer hereby expressly assumes such risks, including, but not limited to those Bank may disclose in its educational materials. Customer acknowledges that Customer is responsible for the data security of the Systems used to access the Service, and for the transmission and receipt of information using such Systems. Customer acknowledges that it has made an independent assessment of the adequacy of the Internet and Systems in connection with the use of the Service and that Customer is satisfied with that assessment. Customer agrees that the presence of any malware, including, without limitation, any keystroke logger type of malware, on any of Customer's computers shall be presumed, unless proven otherwise by clear and convincing evidence by Customer, to constitute the failure by Customer to fulfill its duty at all times to maintain the proper functioning, maintenance and security of its own systems, services, software and other equipment, and to be the cause of any damage, loss, expense or liability which may be suffered or incurred by Customer. Customer further acknowledges that the selection and use by it of any third party security and communications software and third party service providers is the sole responsibility of the Customer and the Customer is responsible for all fees associated therewith. Bank disclaims all risks related thereto and makes no endorsement thereof, notwithstanding that the Bank may recommend certain security and/or communications software and services or provide a link to a third party site where Customer may download software.

6. Security Devices. In order to communicate electronically with Bank whether via the Internet, or otherwise, to access information or effect transactions in connection with the Service, Customer shall utilize identification codes, passwords, authorization, authentication and/or encryption algorithms, tangible or intangible security tokens, cookies, digital signatures and private or public keys (individually a "Security Device" and collectively the "Security Devices") to be issued or approved by Bank from time to time. To prevent unauthorized access to Customer's accounts and to prevent unauthorized use of the Service, Customer agrees to protect and keep confidential the Security Devices used for accessing Customer's accounts via the Service. If Customer believes someone may attempt to use or has used the Service without Customer's permission, or that any other unauthorized use or security breach has occurred, Customer agrees to immediately notify Customer's relationship officer.

7. Product Rights.

(a) **Grant of License.** To the extent Bank or its licensors make any software available to Customer via download on its website or by any other means for use in conjunction with the Service, Bank hereby grants, and Customer hereby accepts, for the term of these Service Terms, a non-exclusive, non-assignable, non-transferable, limited right and license to use the proprietary computer software products in object code and any associated documentation ("Products") for use only directly in conjunction with its permitted use of the Service.

(b) **Title.** Except for the license granted to Customer hereunder, all rights and title in and to the Products, including any improvements, modifications, and derivative works, will at all times remain with Bank or its licensors, and Customer shall acquire no rights in the Products.

(c) **Use of Products.**

i) Customer agrees that the Products will be used only by Customer and Customer's Affiliates, provided that each Affiliate agrees to be bound by the terms hereof and further that Customer will be liable for Customer's Affiliates' acts and omissions in connection with the Products. For purposes of this Agreement, "Affiliates" means those entities that control, are controlled by or are under common control with Customer. For purposes of this definition, "control" (including with correlative meaning, controlled by, and under common control with) means the possession, directly or indirectly, of greater than a 50% ownership interest in an entity.

ii) Except as otherwise expressly provided herein, Customer will not copy, modify, or create derivative works of the Products or display, assign, sublicense, distribute, or otherwise transfer any interest in this Agreement or the Products to any third party.

iii) Customer will not, and will not permit others to, reverse engineer, reverse-compile, or reverse-assemble the Products or otherwise attempt to obtain source code for the Products.

iv) Customer shall use the Products solely for Customer's internal business purposes. For purposes of this clause, the expression "internal business purposes" will in no circumstance include time sharing, rental, or service bureau purposes, or the sale, marketing or (except as otherwise expressly provided herein) commercial exploitation of the Products.

v) Customer will notify Bank in writing regarding any unauthorized use or disclosure of the Products immediately after it becomes known to Customer.

vi) Customer acknowledges that the Products constitute trade secrets and represent significant economic and commercial value to Bank and/or its licensors and must be maintained as secret, confidential and proprietary. Customer agrees that copyright legends borne by the Products in no way reduce the trade secret, proprietary and/or confidential nature thereof. Customer will take all reasonable steps to safeguard the Products to ensure that no unauthorized disclosure or use is made, in whole or in part, and will use at least the same degree of care to prevent the unauthorized use, disclosure or availability of the Products as Customer ordinarily use in protecting Customer's own most valuable confidential and proprietary information. Customer will not remove or alter any copyright or other proprietary legends contained on the Products.

vii) Customer obligations under this Section survive termination of these Service Terms.

(d) **Installation, Training and Maintenance.** Customer will be solely responsible for the installation, training, maintenance and use of the Products. It is Customer's (and expressly not Bank's) responsibility to establish reasonable backups, accuracy checks and security precautions to guard against possible malfunctions, loss of data and unauthorized access.

(e) **Patent Infringement.** In the event the Products become, or in Bank's opinion are reasonably likely to become, the subject of a claim of infringement, Customer will allow Bank, at its option and expense, to replace the Products with a non-infringing alternative, modify the Products so that they become non-infringing or terminate the license.

(f) **Risk of Loss.** Customer will bear the entire risk of loss, destruction and damage to the Products from any cause whatsoever, and no such loss, destruction or damage shall impair any of Customer obligations hereunder which shall continue in full force and effect.

8. New Features. Bank may, from time to time, introduce new features to the Service or modify or delete existing features in its sole discretion. Bank shall notify Customer of any of these changes to features if Bank is legally required to do so. By using any new or modified features when they become available, Customer agrees to be bound by the rules concerning these features.

9. Audit Rights. Customer agrees that Bank has the right to audit Customer's processes and procedures for managing and maintaining the security and safety of the scanner, the transmission of the images and the original Items as defined below and that Bank has the right to audit Customer's physical locations where the scanners are used and original items are stored as well as Customer's processes for secure destruction of the original Items.

10. Indemnification. In addition to the indemnities contained in the Account Documentation, Customer agrees to defend, indemnify and hold Bank, its officers, affiliates, employees and agents harmless from any actions, claims, losses, demands, liabilities, litigation or damages (including reasonable attorneys' fees) arising from or in connection with:

(a) Customer's breach of any of the warranties made by Customer pursuant to these Service Terms,

(b) Customer's use of the Service or the use of the Service by anyone using Customer's Security Device in breach of its obligations to any third party or applicable law, or

(c) Customer's violation of these Service Terms or the rights of any third party (including, but not limited to, privacy rights).

11. Disclaimer. THE SERVICE IS PROVIDED "AS IS" AND "AS AVAILABLE". TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, ALL WARRANTIES AND REPRESENTATIONS, EXPRESS, STATUTORY OR IMPLIED, WITH REGARD TO THE SERVICES ARE HEREBY DISCLAIMED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE AND COURSE OF DEALING OR USAGE OF TRADE OR WARRANTIES OF NON-INFRINGEMENT OR WARRANTIES AS TO ANY RESULTS TO BE OBTAINED FROM THE USE OF THE SERVICES. TO THE EXTENT THAT ANY IMPLIED WARRANTIES CANNOT BE DISCLAIMED UNDER APPLICABLE LAW, ANY SUCH IMPLIED WARRANTIES ARE LIMITED IN DURATION TO 30 DAYS FROM THE INITIAL DELIVERY DATE OF THE RELEVANT SERVICES THE BANK AND ANY THIRD PARTY VENDOR DO NOT WARRANT OR GUARANTY THE SECURITY, SEQUENCE, TIMELINESS, ACCURACY OR COMPLETENESS OF THE DATA OR THAT ANY PART OF THE SERVICES WILL BE ERROR-FREE OR UNINTERRUPTED.

12. Limitation of Liability.

(a) In no event will Bank's liability under these Service Terms for any damages of any kind exceed an amount equal to the fees the Customer paid Bank for the Service during the twelve (12) months preceding the date on which Customer made the corresponding claim. If Customer makes a claim during the first twelve (12) months of service, Bank's liability will be limited to the average monthly fee Customer paid during that time multiplied by twelve.

(b) EXCEPT AS SPECIFICALLY SET FORTH HEREIN OR WHERE THE LAW REQUIRES A DIFFERENT STANDARD, BANK SHALL NOT BE RESPONSIBLE FOR ANY DIRECT, INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS, ARISING FROM OR RELATED TO THE SYSTEM, EQUIPMENT, BROWSER AND/OR THE INSTALLATION OR MAINTENENACE THEREOF, ACCESS TO OR USE OF THE ONLINE SERVICE, FAILURE OF ELECTRONIC OR MECHANICAL EQUIPMENT, THE INTERNET, THE SYSTEM, OR COMMUNICATION LINES, TELEPHONE OR OTHER INTERCONNECT PROBLEMS, BUGS, ERRORS, CONFIGURATION PROBLEMS OR INCOMPATIBILITY OF COMPUTER HARDWARE, SOFTWARE, THE INTERNET, OR THE SYSTEM, FAILURE OR UNAVAILABILITY OF INTERNET ACCESS, PROBLEMS WITH INTERNET SERVICE PROVIDERS, PROBLEMS OR DELAYS WITH INTERMEDIATE COMPUTER OR COMMUNICATIONS NETWORKS OR FACILITIES, PROBLEMS WITH DATA TRANSMISSION FACILITIES OR ANY OTHER PROBLEMS CUSTOMER EXPERIENCES DUE TO CAUSES BEYOND BANK'S DIRECT, EXCLUSIVE AND REASONABLE CONTROL, AND CUSTOMER IN ORDER TO HOLD BANK LIABLE SHALL HAVE THE BURDEN OF PROOF TO ESTABLISH BY CLEAR AND CONVINCING EVIDENCE THAT ANY DAMAGE SUFFERED OR INCURRED BY CUSTOMER WAS FROM A CAUSE THAT WAS WITHIN BANK'S DIRECT, EXCLUSIVE AND REASONABLE CONTROL.

13. Miscellaneous.

(a) If Customer cancels the Service before the expiration of two (2) years, Customer shall pay an early cancellation fee of $500.00 for each scanner not paid for in full at the time the Service is implemented.

(b) In addition to other termination rights set forth in the Account Documentation, Bank may terminate the Service immediately if Customer breaches any warranty set forth in these Service Terms.

(c) If the Service is cancelled or terminated for any reason, Customer shall uninstall any software or hardware from its computer systems which was provided to Customer as part of the Service or assume the risk of any loss that could have been prevented by Customer's compliance with this provision.

(d) The provisions of sections 2, 4, 7, 10, 11 and 12 shall survive termination of these Service Terms.

I. Check Print

The Check Print Service enables the Customer instruct the Bank to create and mail checks and/or documents on behalf of the Customer.

1. Print Orders. The Bank will execute each print order requested by the Customer which is received by the Bank in a manner described in these Service Terms or as otherwise provided by the Bank (the "Print Order"). Print Order information shall include payee names and addresses. Customer agrees that it will not include any other personally identifiable information or any protected health information in its Print Orders. Print Orders may include printing of non-payment documents ("Documents") if agreed to by the Bank based upon these Service Terms.

2. Check Pull Requests. For any Print Order received by the Bank, the Customer may request the Bank to pull a check(s) from processing by completing the Bank's manual check pull request form ("Check Pull Request"); provided, however, that a Check Pull Request will not be effective unless and until it is received by the Bank in the form required and the Bank has had a reasonable time to act upon such request. A Print Order may not be amended or modified. The Bank has no obligation to adjust or stop the payment or posting of a Print Order it has accepted.

3. Receipt of Print Orders. The Customer shall transmit Print Orders to Bank to the location and in compliance with the formatting and other requirements of the Bank set forth in its operating procedures. Bank may reject any Print Order that does not comply with these Service Terms.

4. Issuance of Checks/Documents. For each Print Order accepted by the Bank, the Bank will: (a) cause a check to be printed and completed; (b) cause a laser facsimile signature authorized by the Customer to be placed on the check; (c) if agreed upon, cause other documents to be completed and included with the check issuance ("Documents"); and (d) mail or send the check by courier along with any Documents as agreed upon (collectively, the "Issuance"). The Customer expressly grants the Bank the authority to create and process such Issuances.

5. Notice of Rejection. The Bank will promptly notify the Customer if a Print Order is rejected by the Bank and will advise the Customer as to the reason. The notice or advice shall be deemed commercially reasonable if made available through the Check Print Service or given electronically, orally, by telephone or facsimile transmission.

6. Control. The Bank is not responsible or liable for the detection of errors contained in any Print Order as received from the Customer and is entitled to rely on the information contained therein.

7. Reliance Upon Instructions. The Customer is responsible for, and the Bank may rely upon, the contents of any notice or instructions that Bank believes in good faith to be from the Customer without any independent investigation. The Bank shall have no duty to inquire into the authority of the individual giving such notice or instruction. In the event the Bank receives conflicting notices or instructions, the Bank is authorized to act on either the notice or instruction, or it can refuse to act. No restriction on the Bank's acceptance of any Print Order will be binding on the Bank, except as set forth in these Service Terms unless agreed to in writing by the Bank and the Bank has had a reasonable opportunity to act upon such change.

8. Limitation of Liability.
The Bank's liability shall be limited to direct damages caused by the Bank's failure to use reasonable care. Reasonable care in providing the Check Print Service shall be measured by the relevant provisions of any service levels or business requirements and the standard of reasonableness of the procedures established for the transaction involved. Mere inadvertence or honest mistake of judgment shall not constitute a failure to perform such obligations or a failure to exercise reasonable care and in no case will be deemed wrongful.

9. Cashier's Checks. If the Bank creates cashier's checks under the Check Print Service, the following additional terms will apply: (a) Customer will send the cashier's check print file information ("File Information") to the Bank by the Bank's cut off time on a given day ("Day One"); (b) the Customer authorizes the Bank to debit the Customer's designated account ("Funding Account") for the amounts shown on the File Information on Day One; (c) as the cashier's checks from the File Information are being processed, the account reconciliation issue file ("ARP File") must match the date of funding found in the File Information of the next banking day ("Day Two"); (d) for any cashier's check for which there is insufficient funds in the Funding Account on Day One to fund the purchase of the cashier's check, the Bank is authorized to reject the creation of such cashier's check; (e) fully funded cashier's checks will be printed on Day Two; (f) if the Customer is using one of the Bank's online services, Customer will be able to view information regarding the cashier's checks which were funded and created and those that were rejected; (g) any information from the File Information which can not be used to create a cashier's check will be communicated to the Customer for further research and reconciliation; (h) if any cashier's check is returned as undeliverable, the cashier's check will remain outstanding in the Bank's cashier's check account and escheated according to applicable laws and regulations. If the payee of a cashier's check claims that the cashier's check was lost, stolen or destroyed before the funds are escheated, such claim will be handled in accordance with the Bank's procedures.

J. ACH Tax Payment

1. Service. Bank will provide a service (the "Service") whereby Customer can direct Bank, via touchtone telephone or internet platform, to make tax payments through the automated clearing house (ACH) system from an account with Bank that Customer specifies. Customer may use the service to pay:

- any federal taxes covered by the Federal Tax Deposit Coupons (Form 8109) that Customer has executed and delivered to Bank from time to time;
- certain state taxes; and
- certain municipal taxes.

Bank may pay taxes from Customer's account in accordance with any instructions issued in Customer's name that Bank verifies pursuant to the security procedures specified in these Service Terms. In using the Service, Customer agrees to comply with and be bound by the Operating Rules of the National Automated Clearing House Association ("NACHA Rules").

2. Receipt of Instructions and Cancellations. Customer may issue instructions and cancellations only during service hours that Bank specifies, and Customer acknowledges that Bank may change such service hours upon prior notice to Customer. Bank must receive instructions, including but not limited to payment cancellation instructions, not later than 6:00 p.m. ET (or such other time as Bank specifies) on the Business Day prior to the day on which the tax payment is due. For purposes of this Section, "Business Day" means a day on which the Bank is open for business in its New York office. Instructions received after such time shall not be processed until the following business day and Customer shall be liable for any charges, fees or costs associated with such payment. Bank may reject or delay processing of a tax payment if the request is not complete or is inaccurate or otherwise does not meet the criteria Bank specifies for acceptance herein or in the User Guide (as hereafter defined).

The Service is not designed or intended to be used for any ACH tax payment that is required to be formatted as an "International ACH Transaction" (or IAT) under the NACHA Rules. Customer agrees not to use or attempt to use the Service to originate any ACH tax payment that is required to be formatted under the NACHA Rules as an "International ACH Transaction" (or IAT). Customer shall indemnify and hold Bank harmless from and against any and all claims, demands, losses, fines, penalties, damages, liabilities and expenses, including, without limitation, legal fees and expenses, resulting directly or indirectly from any ACH tax payment processed or requested to be processed by Customer via the Service which should have been formatted under the NACHA Rules as an IAT.

3. Tax Payment Security Procedures.

(a) A Bank-issued or approved access code and PIN and/or other security device ("Security Device") is required to access the Service. The Customer shall be bound by and adhere to the security procedures and other procedures for use of the Service advised to it in writing through any medium by the Bank, as may be revised from time to time upon notice to the Customer (the "User Guide"). The Customer shall notify the Bank immediately of loss or theft of a Security Device, any unauthorized use of a Security Device or any other breach of security. The Bank may dishonor or disable any Security Device at any time and will inform the Customer of the same. The Customer agrees that any use of the Service with a Security Device is deemed to be carried out directly by and on behalf of the Customer. The Customer agrees to safeguard all Security Devices and to instruct each Authorized User (as defined below) to do the same.

(b) This Section 3(b) applies to use of the Service through the designated internet platform, but does not apply to touchtone telephone access. Customer shall designate an administrator (the "Administrator") who shall have authority in accordance with the operational instructions for the Service provided to Customer in the User Guide. Customer agrees to notify Bank of any change in Administrator in the manner and form designated by Bank. Any such changes shall be effective at such time as Bank has received such notice and has had a reasonable opportunity to act upon it. In accordance with the procedures contained in the User Guide, the Administrator shall be responsible for (i) designating individuals as users ("Authorized Users"); (ii) identifying the functions of the Service; (iii) requesting, creating, controlling, disseminating, and/or canceling user entitlements; (iv) receiving and distributing materials, notices, documents and correspondence relating

to the security procedures; and (v) advising each Authorized User of his/her obligations hereunder and under the User Guide. The Administrator shall provide to the Bank, upon the Bank's request, a list of Authorized Users.

4. **Open Network Access**. The Customer acknowledges that there are certain security, corruption, transmission error and access availability risks associated with using open networks such as the internet, and the Customer assumes all such risks. The Customer shall make an independent assessment of the adequacy of the internet and the Bank's security procedures. The Customer further acknowledges that the selection and use by it of any third party security and communications software and third party service providers is the sole responsibility of the Customer, and the Bank disclaims all risks related thereto, notwithstanding that the Bank may recommend certain security and/or communications software and services. The Customer agrees to, at its sole expense, procure and maintain all hardware, browsers, software and telecommunications equipment necessary to access the Service in accordance with the Bank's recommended system configuration.

5. **Funding**. Customer authorizes Bank to debit Customer's applicable account for the amount of each tax payment and for any applicable bank fees and charges when due. In the event Customer does not have sufficient funds in Customer's applicable account to cover the amount of a tax payment, Bank shall have no obligation to make the tax payment for Customer. Bank may require Customer to pay Bank the amount of each tax payment on the date of transmission of the tax payment instruction or otherwise prior to the tax payment due date. Bank may from time to establish or revise maximum dollar limits for the total value of all outstanding files of tax payments that Bank will release on customer's behalf. Bank may change or cancel the limits any time without prior notice to Customer, although Bank will try to notify Customer before Bank does that. Funds Bank receives and holds pursuant to the Service shall be held as a deposit liability to Customer and not in trust for Customer or the taxing authority.

6. **Warranties; Indemnity**. Except as specified below, Customer will be deemed to make the same warranties to Bank as Bank makes pursuant to the NACHA Rules although Customer will not be deemed to warrant the power of the Bank under applicable law to comply with the requirements of the NACHA Rules or the conformity of tax payments and other data Bank transmits to the file specifications contained in the NACHA Rules. Customer further represents and warrants to Bank that: (i) Customer shall not access the Service from any jurisdiction in which the Service is not authorized; and (ii) each tax payment Customer originates will comply with applicable U.S. laws and regulations and Customer acknowledges that payments may not be initiated that violate the laws of the United States.

   Customer agrees to indemnify Bank and Bank's employees, officers, directors and agents, and hold all of them harmless from and against any and all claims, demands, losses, liabilities or expenses (including attorney's fees and costs) resulting directly or indirectly from (a) Customer's breach of any warranty made under this Section and (b) compliance by Bank with any request Customer makes for a cancellation, stop payment, reversal or recall of any tax payment.

   Bank shall have no responsibility for any delay by any ACH Operator (as such term is defined in the NACHA Rules) or taxing authority in processing any tax payment Bank transmits to such entity or failure by such entity to process or apply any tax payment.

7. **Stop Payments; Reversals and Recalls**. Customer's instruction to stop payment of, reverse or recall one or more tax payments must be received by Bank in such time and manner as Bank specifies. Bank will process these transactions in accordance with Bank's procedures advised to Customer. Any reversal or recall initiated by Bank is subject to acceptance by the relevant taxing authority. Tax payment instructions may not be amended or modified.

8. **Payment Limits**. Bank may from time to time establish or revise (a) maximum dollar limits for each payment to be made by the Customer to a specified taxing authority, and (b) aggregate limits for all payments to be made by the Customer to a specified taxing authority within a 24-hour period. Bank may change or cancel the limits at any time without prior notice to Customer, although Bank will endeavor to give prior notice to Customer. Bank may require Customer to pay Bank the amount of any tax payment on the date of transmission to Bank or otherwise prior to the settlement date. Bank also may require Customer to maintain collateral with Bank in an amount Bank specifies.

9. **Limitation of Liability**. Bank's maximum aggregate liability in connection with the Service shall be limited as provided in the Account Documentation (as defined in Section 9 below) and shall be further limited to the lesser of the amount of any penalty or interest actually imposed by the applicable taxing authority or the total fees Customer paid Bank during the prior 12 months.

10. **Incorporation of Account Documentation; Termination**. The Bank's terms governing the operation of business accounts and services ("Account Documentation") are incorporated herein, as the same may be amended from time to time. If and to the extent that there is a conflict between the Account Documentation and these Service Terms, the provisions of these Service Terms shall prevail. In addition to Bank's termination rights under the Account Documentation, Bank shall have the right to terminate or suspend these Service Terms and the Service upon notice to Customer in the event of Customer's breach of the NACHA Rules.

K. Client Access

1. Service

The Bank will provide a service (the "Service") for electronic access to the Customer's account information, reports and data (collectively, "Data") and for the electronic transmission to the Bank of messages, service requests, and payment and non-payment instructions (each an "Instruction") and from the Bank of messages, notifications and alerts, via the online (including mobile) and host-to-host/file transfer channels. The Bank reserves the right to modify the applications and products (each an "Application") available via the Service, upon notice to the Customer.

2. Security Procedures and Other Controls

2.1. **Security Procedures.** The security procedures for each channel are as set forth below, as may be modified on notice to the Customer through any medium (each, a "Security Procedure"). Any Instruction, the authenticity of which has been verified through a Security

Procedure, shall be effective as that of the Customer, whether or not authorized, and notwithstanding that the Instruction may result in an overdraft of an Account. Administrative Procedures (as defined in Section 2.2 below) and unilateral Bank controls shall not be deemed to be Security Procedures for purposes hereof unless explicitly identified as such in writing.

a. **Online Channel.** The Security Procedure for verifying payment Instructions issued (released) via the online channel is validation of an identification code and confidential password of an Authorized User (as defined in Section 2.4 below) and a token code generated by a Bank issued or approved security device ("Security Device") assigned to that Authorized User; provided that the Security Procedure for verifying payment Instructions issued (released) via the mobile application is validation of the registration of the mobile device, a biometric identifier and the private swipe key of an Authorized User.

b. **Host-to-Host/File Transfer Channel.** The Security Procedure for verifying payment Instructions issued (released) via the host-to-host/file transfer channel is authentication of a digital signature using a Signature Certificate, as set forth in Section 8 below.

In addition to the Security Procedures described above, the applicable Security Procedure also includes transaction review based on various risk characteristics. The transaction reviews will be conducted in accordance with commercially reasonable protocols selected by the Bank. Additional authentication from the Customer, such as call-back verification, may be required to complete certain transactions identified by the Bank through transaction review.

The Customer shall notify the Bank immediately of loss or theft of a Security Device, any unauthorized use of a Security Device, or any other breach of security, including the compromise of a Certificate (as defined below). The Bank may dishonor or disable any Security Device at any time and will inform the Customer of the same. The Customer agrees to safeguard all Security Devices and to instruct each Authorized User to do the same. The Customer will be responsible for ensuring that the Security Devices are known to and used only by Authorized Users.

2.2. **Administrative Procedures.** The Bank offers numerous controls that the Customer may implement to reduce the risk of erroneous or unauthorized transactions ("Administrative Procedures"). These procedures, which may include account and transaction limits, single machine registration and IP filtering, among others, may be supplemented and modified by the Bank from time to time.

2.3. **Security Administrator Designation.** The Customer shall designate security administrators who shall have equal authority in accordance with the administrative control procedure for each Application and/or the authority to add, update or delete security keys in connection with the host-to-host/file transfer channels. The Customer agrees to notify the Bank of any change in security administrators in the manner and form designated by the Bank. Any such changes shall be effective at such time as the Bank has received such notice and has had a reasonable opportunity to act upon it.

2.4. **Security Administrator Responsibilities.** The security administrators shall be responsible for (i) designating individuals as users ("Authorized Users"); (ii) identifying the functions of the Service, including the Mobile Application (as defined in Section 7 below), that each user may access; (iii) requesting, creating, controlling, disseminating, and/or canceling user entitlements; (iv) receiving and distributing materials, notices, documents and correspondence relating to the security procedures; and (v) advising each user of his/her obligations hereunder or under any of the applicable Account Documentation (as defined in Section 6 below). The security administrators shall provide to the Bank, upon the Bank's request, a list of Authorized Users. In the absence of a valid designation of a security administrator at any time, the Bank may deliver Security Devices and materials to any person authorized to act on behalf of the Customer with respect to the accounts.

2.5. **Processing.** The application of the Security Procedures and any unilateral controls implemented by the Bank may cause delays in processing Instructions or result in the Bank declining to execute an Instruction.

3. Open Network Access; Equipment

THE SERVICE IS PROVIDED "AS IS" AND "AS AVAILABLE". TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, ALL WARRANTIES AND REPRESENTATIONS, EXPRESS, STATUTORY OR IMPLIED, WITH REGARD TO THE SERVICE ARE HEREBY DISCLAIMED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE AND COURSE OF DEALING OR USAGE OF TRADE OR WARRANTIES OF NON-INFRINGEMENT OR WARRANTIES AS TO ANY RESULTS TO BE OBTAINED FROM THE USE OF THE SERVICE. TO THE EXTENT THAT ANY IMPLIED WARRANTIES CANNOT BE DISCLAIMED UNDER APPLICABLE LAW, ANY SUCH IMPLIED WARRANTIES ARE LIMITED IN DURATION TO 30 DAYS FROM THE INITIAL DELIVERY DATE OF THE RELEVANT SERVICE. THE BANK AND ITS THIRD PARTY DATA AND SERVICE PROVIDERS DO NOT WARRANT OR GUARANTEE THE SECURITY, SEQUENCE, TIMELINESS, ACCURACY OR COMPLETENESS OF THE DATA OR THAT ANY PART OF THE SERVICE WILL BE ERROR-FREE OR UNINTERRUPTED.

The Customer is responsible for, at its sole expense, obtaining, installing, maintaining and operating all browsers, software, hardware, telecommunications equipment or other equipment (collectively, "System") necessary for the Customer to access and use the Service in accordance with the Bank's recommended system configuration. The Customer shall at all times maintain current and effective anti-virus and anti-spyware software and shall take all reasonable measures to maintain the security of its System. The Customer acknowledges that there are certain security, corruption, transmission error, and access availability risks associated with using open networks such as the Internet. The Customer further acknowledges that it has made an independent assessment of the adequacy of the Internet, the System and the Security Procedures in connection with the use of the Service. The Customer assumes all risks associated with the operation, performance and security of its System and the use of open networks, and the Bank disclaims all such risks. The Bank makes no endorsement of any System or third party site, notwithstanding that the Bank may recommend certain Systems or provide a link to a third party site where the Customer may download software.

4. Instructions; Data

4.1. The Customer shall be solely responsible for the genuineness and accuracy, both as to content and form, of all Instructions properly received by the Bank.

4.2. The Customer acknowledges that Data may not have been reviewed by the Bank, may be inaccurate, and may be periodically updated and adjusted. The Bank is not obligated to assure the accuracy of Data and will not be liable for any loss or damage arising out of the inaccuracy of Data. Further, the Bank shall have no liability for the receipt or viewing by any party of Data sent to the destinations designated by the Customer, including but not limited to email addresses, fax and telephone number(s).

5. Customer Warranties

The Customer represents and warrants to the Bank that: (i) prior to submitting any document or Instruction that designates Authorized Users, the Customer shall obtain from each individual referred to in such document or Instruction all necessary consents to enable the Bank to process the data set out therein for the purposes of providing the Service; (ii) the Customer has accurately designated in writing or electronically the geographic location of its Authorized Users and shall provide all updates to such information; and (iii) the Customer shall not access the Service from any jurisdiction which the Bank informs the Customer or where the Customer has knowledge that the Service is not authorized. The Customer hereby represents and warrants to the Bank that these Service Terms constitute its legal and binding obligations enforceable in accordance with its terms.

6. Miscellaneous

6.1. The additional jurisdiction specific provisions set forth in the attached Exhibit are applicable to the Customer based on the domicile of the Customer. Where any local laws or regulations of any jurisdiction apply as a result of the Customer's Authorized Users accessing the Service from such jurisdiction or as a result of the location of such accounts in such jurisdiction, the jurisdictional specific provisions of that jurisdiction shall apply to the use of the Service by such Authorized Users. The Bank's terms governing the business accounts and services, including service terms that govern the Bank's processing of Instructions transmitted via the Service ("Account Documentation"), are incorporated herein, as the same may be amended from time to time. If and to the extent that there is a conflict between the Account Documentation and these Service Terms, the provisions of these Service Terms shall prevail.

6.2. These Service Terms shall be governed by and construed in accordance with the laws of the State of New York, USA (without reference to the conflict of laws rules thereof).

6.3. All disputes arising outside the United States relating to or in connection with these Service Terms shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules. The place of arbitration shall be (i) Singapore where the dispute arises in Asia and (ii) London where the dispute arises elsewhere (other than the United States) and the arbitration shall be conducted in English. With respect to any dispute, suit, action or proceedings arising in the United States relating to these Service Terms, the Customer irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the borough of Manhattan in New York City.

7. Mobile Application

The Service is available via a Bank mobile application (any such application, including released modifications, updates, upgrades, successor and substitute software programs as may have been provided by the Bank to the Customer, a "Mobile Application").

7.1. Accepting use of the Bank's SMS Text Notification Service and/or the Mobile Application service constitutes the Customer's authorization for the Bank to send Data, message notifications and alerts through any communication service providers, including both Internet and telecommunications providers, which shall each be deemed to be acting as the Customer's agent. Such providers may not encrypt communications.

7.2. Authorized Users may be required to accept an application agreement or license in order to download the Mobile Application. The Customer acknowledges that the Account Documentation shall in all cases govern the provision of these services.

7.3. The Customer acknowledges that the Bank shall not be liable for any delays in any Data, message notification or alert delivered via any mobile device.

8. Host-to-Host/File Transfer Services

The Service is available via host-to-host/file transfer Services. The Customer and the Bank will use the following procedures for the use of a transport certificate, which establishes a secure session between the Bank and the Customer on the basis of the corresponding security key (the "Transport Certificate"), and a digital signature certificate, which authenticates transmitted files on the basis of the corresponding security key (the "Signature Certificate"). Each of the Signature Certificate and the Transport Certificate are referred to herein as a "Certificate" and the corresponding security key as a "Security Key".

8.1. **Customer Requests.** The Customer shall comply with the Bank's procedures notified to the Customer for any request that the Bank add, update or delete a Security Key. The Customer may contact the Customer's customer service office (or other designated Bank representative as the Bank may direct) for assistance with any such request. Any request to add or update a Security Key shall include the

applicable Certificate, a text file or other physical representation of the public Security Key of such Certificate and the requested date and time for the action to be taken, which shall be no earlier than two U.S. banking days after the Bank's receipt of the request.

8.2. **Security Key Updates.** The Bank shall have the right to rely on any request that the Bank believes in good faith to have been sent by the designated security administrator, notwithstanding that such security administrator may be a third party agent acting on behalf of the Customer. Upon successful validation of a Customer's request, the Bank will reply confirming receipt of the Security Key file and the scheduled date and time for the action to take place. Requests for security key additions, updates or deletions will be actioned during the course of normal business hours, Monday through Friday, 8:30 AM – 5:30 PM Eastern Time (United States).

8.3. **Administrative Procedures: Certificate Requirements.** The Customer agrees to comply with Bank's Administrative Procedures for Certificates, including the following:

(i) Certificates must have a finite validity period, the maximum length of which is determined by the combined use of a Transport Certificate and a Signature Certificate.

- If digital-signature is applied to the file/payload, then the following applies:
    - The Signature Certificate validity period is limited to five years, provided that the Transport Certificate validity period is two years or less; OR
    - The Transport Certificate validity period is limited to five years, provided that the Signature Certificate validity period is three years or less.
- If no digital-signature is used, then the Transport Certificate validity period is limited to two years.

(ii) No Certificate shall be accepted unless it adheres to the following cryptographic specification:

- Message digest: SHA-1, SHA-2, AES256
- Asymmetric algorithm: RSA, DSS
- Asymmetric algorithm key length: 2048 bits or more

8.4. **Certificate Expiration.** Notwithstanding any courtesy notifications from the Bank regarding the Customer's impending Certificate expiration, the Customer acknowledges that it is the Customer's sole responsibility to update the Certificate prior to its expiration date. The Bank shall have no liability for any loss or damage (including, for the avoidance of doubt, any indirect, special, punitive or consequential damages or losses) arising from the Customer's failure to timely update its Certificate. To allow for proper execution of administrative procedures, and to prevent any lapse in service or emergency procedures, the Customer must request a Certificate change at least 30 days prior to actual Certificate expiration.

Jurisdiction Specific Provisions Exhibit

A. Australia & New Zealand

To the extent that any supply made by the Bank under these Service Terms is a taxable supply for the purposes of the Australian Goods and Services Tax, or that goods and services tax under the New Zealand Goods and Services Tax Act 1985 is payable in respect of any supply under this License Agreement, ("GST"), the fees payable in respect of that taxable supply ("original amount") will be increased by the amount of GST payable in respect of that taxable supply. Customer must pay the increased amount at the same time and in the same manner as the original amount.

B. Peoples Republic of China

Any dispute arising from or in connection with these Service Terms shall be submitted to the China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration which shall be conducted in accordance with its arbitration rules in effect at the time of applying for arbitration. The hearing place shall be Beijing. The arbitral award is final and binding upon both parties.

C. Indonesia

The Bank and the Customer agree that, for the effectiveness of any termination of these Service Terms or the Services provided hereunder, they hereby waive any provisions, procedures and operation of any applicable law to the extent a court order is required for the termination of these Service Terms and the Account Documentation as applicable to the services provided under these Service Terms.

Section 7.3 shall be replaced by "Except for losses directly resulting from errors or delay caused by the Bank's gross negligence or willful misconduct, the Customer acknowledges that the Bank shall not be liable for any delays in any Data, message notification or alert delivered via any mobile device."

D. Malaysia/Labuan –.

(i) The following terms shall apply in relation to the Service where it is provided in relation to accounts in Malaysia/Labuan and/or where the Service is provided in Malaysia/Labuan:

(a) Any references in the Service Terms to the term "Bank," shall mean J.P. Morgan Chase Bank Berhad (for Malaysia) and J.P. Morgan Chase Bank, N.A., Labuan Branch (for Labuan).

(b) The Customer acknowledges that it may, through its security administrators, create maximum limits (at a user entitlement level) in relation to funds transfers that may be conducted using the Service, to limit the Customer's risks. Notwithstanding anything to the contrary in these terms, the Customer shall not be liable for any loss which is not attributable to or contributed to by the Customer.

(ii) If the Service is to be accessed by a Customer (1) who is domiciled or incorporated in Malaysia (other than Labuan), or (2) in Malaysia (other than Labuan), that Customer undertakes not to access or utilize or attempt to access or utilize the Service provided by J.P. Morgan Chase Bank Berhad through any JPMorgan website other than http://www.jpmorganaccess.com.my.

E. Republic of China (Taiwan)

Section 7.3 shall be replaced by "Except for losses directly resulting from errors or delay caused by the Bank's gross negligence or willful misconduct, the Customer acknowledges that the Bank shall not be liable for any delays in any Data, message notification or alert delivered via any mobile device."

The Customer acknowledges that it will take steps to ensure it enters into the correct website before attempting to access the Service.

Notwithstanding anything to the contrary contained in these Service Terms and the Account Documentation as applicable to the services provided under these Service Terms, the Bank shall have the right to proceed against the Customer in any other competent court in any other jurisdiction where the Customer's assets are situated from time to time and the Customer agrees to submit to the jurisdiction of any court so chosen by the Bank. The Customer further agrees to waive any objections on the ground of venue or forum non coveniens or any similar ground. The taking of proceedings in any jurisdiction shall not preclude the taking of proceedings in any other jurisdiction whether concurrently or not. The Customer irrevocably and unconditionally waives any objection it may now or subsequently have to the choice of venue of any legal action arising out of or relating to these Service Terms and the Account Documentation as applicable to the services provided under these Service Terms. The Customer also agrees that a final judgment against it in any such legal action shall be final and conclusive.

F. European Union.

The Customer acknowledges that it is not a "consumer" for the purpose of the European Union's Electronic Commerce Directive ("ECD") (i.e. that it is not an individual) and agrees that the Bank shall not be required to make any disclosures or do any other thing which a non-consumer may agree not to require under the UK rules and legislation implementing the ECD. For further information on the Bank, please see "Notice regarding EU e-commerce information" in the Terms & Conditions on http://www.jpmorgan.com.

(i) The Bank will collect information about the Customer and the Customer's employees and agents (such as, without limitation, authorized signatory details) which may constitute personal data for the purposes of the Data Protection Act 1998 (the "Act") and other relevant data protection legislation. Such personal data may be collected by or on behalf of the Bank in a number of ways (the "Collection Methods"), including via documentation relating to the provision to or use by the Customer of electronic banking services, or via the Customer's use of such electronic banking services, and via other correspondence or communications between the Customer and the Bank.

(ii) The Bank will use personal data collected by it or on its behalf via the Collection Methods for the following purposes (the "Purposes"), namely for the purpose of providing the services to the Customer in accordance with these Terms and the Product Terms, for the Bank's internal administrative purposes, for contacting the Customer about products and services which the Bank or other members of the Bank's group offer which the Bank believes may be of interest to the Customer, and as may be otherwise required by law or applicable regulatory or governmental authorities, and such purposes may include transfer of such personal data outside of the European Economic Area to the Bank's subsidiaries or other connected companies or to other organizations as may be required by law or other applicable regulatory or governmental authorities.

(iii) The Customer shall ensure that any disclosure of personal data made by it or by its employees or agents via the Collection Methods which relate to the Customer's employees or agents is only made following notification by the Customer to data subjects of the Purposes for which their personal data may be processed by or on behalf of the Bank, and is otherwise fair and lawful.

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Eligibility for particular products and services is subject to final determination by J.P. Morgan and/or its affiliates.

SELECT GOVERNMENT MERCHANT PAYMENT CARD PROCESSING AGREEMENT
U.S. GOVERNMENT AGREEMENT

THIS SELECT GOVERNMENT MERCHANT PAYMENT CARD PROCESSING AGREEMENT (the "Agreement") is entered into by and between **JPMorgan Chase Bank, N.A.**, a national banking association ("Member"), **Paymentech, LLC**, a Delaware limited liability company ("Paymentech"), and **the City of South San Francisco,**, an entity duly organized under the laws of the state of California ("Merchant").

WHEREAS, Member is a member of several Payment Brands and Paymentech is authorized, through Member, to process the Merchant's Transactions; and

WHEREAS, Merchant wishes to accept Payment Cards from its Payors as a method of payment for goods or services offered by Merchant or as payment on an account held by Merchant;

ACCORDINGLY, in consideration of the mutual promises made and the mutual benefits to be derived from this Agreement, Paymentech, Member, and Merchant agree to the following terms and conditions intending to be legally bound:

1. MERCHANT'S ACCEPTANCE OF PAYMENT CARDS.

1.1 Exclusivity. Unless otherwise agreed to by the parties in writing, and except for transactions associated with Merchant's parking meters and parking garages, during the term of this Agreement Paymentech shall be Merchant's exclusive provider of all Transaction processing services (including, without limitation, the authorization, conveyance and settlement of Transactions) and Merchant shall not use the services of any bank, corporation, entity or person other than Paymentech for such services. Merchant shall submit to Paymentech Transaction Data generated from all of its Transactions via electronic data transmission according to Paymentech's formats and procedures throughout the term of this Agreement.

1.2 Certain Payment Acceptance Policies and Prohibitions.

(a) Each Transaction must be evidenced by its own Transaction Receipt completed in accordance with Payment Brand Rules.

(b) Merchant shall not require the Payor to pay the fees payable by Merchant under this Agreement.

(c) Merchant shall never issue Refunds for Transactions by cash or a cash equivalent (e.g., check) unless required by law or permitted by the Payment Brand Rules.

(d) Except to the extent prohibited by the Payment Brand Rules or applicable law, Merchant may request or encourage a Payor to use a Payment Card other than the Payment Card initially presented by the Payor.

(e) Except to the extent permitted by the Payment Brand Rules and applicable law, Merchant must not establish a minimum or maximum Transaction amount as a condition for honoring a Payment Card.

(f) Merchant shall examine each Payment Card physically presented at the point of sale to determine that the Payment Card presented is valid and has not expired. Merchant shall exercise reasonable diligence to determine that the authorized signature on any Payment Card physically presented at the point of sale corresponds to the Payor's signature on the Transaction Receipt. If the Payment Card is not signed by the Payor, Merchant must obtain additional Payor identification.

(g) With respect to any Transaction for which a Payor is not physically present at the point of sale, such as in any on-line, mail, telephone, pre-authorized or recurring Transaction, Merchant must (i) have notified Paymentech on its Application, or otherwise obtained Paymentech's prior written approval, of Merchant's intention to conduct such Transactions; and (ii) have appropriate procedures in place to ensure that each Transaction is made to a purchaser who actually is the Payor. Merchant acknowledges that under certain Payment Brand Rules, Merchant cannot rebut a Chargeback where the Payor disputes making the purchase and Merchant does not have an electronic record (e.g., "swiping" or "tapping" a Payment Card) or physical imprint of the Payment Card.

(h) Merchant agrees to accept all categories of Visa and MasterCard Payment Cards (i.e., debit and credit cards), unless Merchant has notified Paymentech on its Application or otherwise in writing of its election to accept one of the following "limited acceptance" options: (i) all Visa and MasterCard consumer credit cards and Visa and MasterCard commercial credit and debit cards; or (ii) Visa and MasterCard debit cards only (but no credit cards). Notwithstanding the election of one of the foregoing limited acceptance options, Merchant must honor all foreign bank-issued Visa or

MasterCard Payment Cards. If Merchant elects one of the limited acceptance categories: (Y) Merchant must display appropriate signage to indicate the limited acceptance category; and (Z) Paymentech, at its option, may process any Transactions submitted to Paymentech outside of the limited acceptance category, in which case such Transactions will be assessed the applicable interchange fees plus any additional fees/surcharges assessed by Paymentech or the Payment Brands.

(i) Merchant shall not split a single Transaction into two or more Transactions to avoid or circumvent authorization limits or monitoring programs.

(j) Merchant shall not accept Payment Cards for the purchase of scrip, as defined by the Payment Brand Rules.

(k) Merchant shall not require a Payor to complete a postcard or similar device that includes the Payor's Payment Card account number, expiration date, or any other account data in plain view when mailed.

(l) Except to the extent expressly permitted by law or the Payment Brand Rules, Merchant shall not add any tax or surcharge to Transactions. If any tax or surcharge amount is imposed, such amount shall be included in the Transaction amount and shall not be collected separately. Furthermore, Merchant must provide at least thirty (30) days prior notice to Paymentech and the Payment Brands of its intent to impose a surcharge. All of Merchant's surcharge practices must comply with applicable laws and Payment Brand Rules, including, but not limited to, those laws and Payment Brand Rules governing the amount of the surcharge, and Payor disclosures.

(m) Merchant shall not request or use a Payment Card account number for any purpose except as payment for its goods or services, unless required by the Payment Brand Rules in order to support specific services offered by the Payment Brands.

(n) At all times Merchant must prominently and clearly inform Payors of the identity of Merchant at all points of interaction so that the Payor can readily distinguish Merchant from any third party, such as a supplier of products or services to Merchant.

1.3 Payment Brand Rules. Merchant agrees to comply with (a) all Payment Brand Rules as may be applicable to Merchant and in effect from time to time; and (b) such other procedures as Paymentech may from time to time prescribe for the creation or transmission of Transaction Data.

1.4 Requirements for Certain Transactions. As to each Transaction submitted to Paymentech during the term of this Agreement, Merchant represents and warrants that:

(a) The Transaction Data (i) represents a payment for or Refund of a bona fide sale or lease of the goods, services, or both, which Merchant has provided in the ordinary course of its business, as represented in its Application; and (ii) is not submitted on behalf of a third party.

(b) The Transaction Data represents an obligation of the Payor for the amount of the Transaction.

(c) The Transaction is not for any purpose other than payment for the current Transaction, and, except to the extent permitted under the Payment Brand Rules, the Transaction does not represent the collection of a dishonored check or the collection or refinancing of an existing debt.

(d) At the time Merchant submits Transaction Data to Paymentech for processing: (i) Merchant has completed the Transaction with the Payor; (ii) the goods have been provided or shipped, or the services actually rendered to the Payor; and (iii) for recurring Transaction, Merchant has obtained the Payor's consent for the recurring Transaction. For approved prepayments, Merchant must advise the Payor (i) that payment is being made in advance of the shipment or provision of goods or services; and (ii) the time when shipment or provision of the goods or services is expected.

(e) The Transaction Data is free from any material alteration not authorized by the Payor.

(f) The amount charged for the Transaction is not subject to any dispute, setoff, or counterclaim.

(g) Merchant has not disbursed or advanced any cash to the Payor (except as authorized by the Payment Brand Rules) or itself or to any of its representatives, agents, or employees in connection with the Transaction, nor has Merchant accepted payment for effecting credits to a Payor.

(h) The goods or services related to each Transaction are Merchant's property or Merchant has the legal right to sell them.

(i) Merchant has made no representation or agreement for the issuance of Refunds except as stated in Merchant's Refund Policy, which has been previously submitted to Paymentech in writing as provided in Section 3, and which is available to the Payor.

(j) Any Transaction submitted to Paymentech to credit a Payor's account represents a Refund for a Transaction previously submitted to Paymentech.

(k) Merchant has not submitted any Transaction that Merchant knows, or should have known, to be fraudulent, illegal, damaging to the Payment Brand(s), not authorized by the Payor, unenforceable or uncollectible, or otherwise prepared or submitted in violation of any provision of this Agreement, applicable law, or Payment Brand Rules.

1.5 Installment, Prepaid and Recurring Transactions.

(a) Unless specifically stated in its Application or otherwise approved in writing by Paymentech in advance, Merchant shall not accept Payment Cards in connection with installment plans. If the Payor pays in installments or on a deferred payment plan, as previously approved by Paymentech, a Transaction Data record has been prepared separately for each installment transaction or deferred payment on the dates the Payor agreed to be charged. All installments and deferred payments, whether or not they have been submitted to Paymentech for processing, shall be deemed to be a part of the original Transaction.

(b) For recurring Transactions, Merchant shall (i) obtain the Payor's consent to periodically charge the Payor on a recurring basis for the goods or services purchased; (ii) retain this permission for the duration of the recurring services and provide it upon request to Paymentech or the issuing bank of the Payor's Payment Card; and (iii) retain written documentation specifying the frequency of the recurring charge and the duration of time during which such charges may be made. Merchant shall not submit any recurring transaction after receiving: (iv) a cancellation notice from the Payor; or (v) notice from Paymentech or any Payment Brand (via authorization code or otherwise) that the Payment Card is not to be honored. Merchant shall include in its Transaction Data the electronic indicator that the Transaction is a recurring Transaction.

2. AUTHORIZATIONS. Merchant is required to obtain an authorization code through Paymentech, in accordance with this Agreement, for each Transaction. To the extent required by the Payment Brand Rules, each authorization request must include the Payment Card's expiration date. Merchant acknowledges that authorization of a Transaction indicates that the Payment Card (a) contains a valid account number; and (b) has an available credit balance sufficient for the amount of the Transaction; but, it does not constitute a representation from Paymentech, a Payment Brand, or Issuing Bank that a particular Transaction is in fact a valid or undisputed Transaction entered into by the actual Payor. Paymentech reserves the right to refuse to process any Transaction Data presented by Merchant unless it includes a proper authorization.

3. REFUND AND ADJUSTMENT POLICIES AND PROCEDURES; PRIVACY POLICIES.

3.1 Refund Policy. Merchant is required to maintain a Refund Policy and to disclose such Refund Policy to its Payors, prior to the completion of the Transaction at the point of sale. Merchant must also disclose its Refund Policy to Paymentech. Any material change to Merchant's Refund Policy must be submitted to Paymentech, in writing, not less than fourteen (14) days prior to the effective date of such change. Paymentech reserves the right to refuse to process any Transactions made subject to a revised Refund Policy of which Paymentech has not been notified in advance. To the extent that Merchant operates an electronic commerce website through which Transaction Data is generated, Merchant must include its Refund Policy on the website in accordance with Payment Brand Rules.

3.2 Procedure for Refund Transactions. If, under Merchant's Refund Policy, Merchant allows a Refund, Merchant shall prepare and deliver to Paymentech Transaction Data reflecting any such Refund within three (3) days of approving the Payor's request for such Refund. The amount of a Refund cannot exceed the amount shown as the total on the original Transaction Data except by the exact amount required to reimburse the Payor for shipping charges that the Payor paid to return merchandise. Merchant shall not accept any payment from a Payor as consideration for issuing a Refund. Merchant shall not give cash (or cash equivalent) refunds to a Payor in connection with a Transaction, unless required by law or permitted by the Payment Brand Rules.

3.3 Payor Data Protection Policies. To the extent that Merchant operates an electronic commerce website through which Transaction Data is generated, in addition to any requirements otherwise set forth in this Agreement, Merchant shall display the following on its website: (a) its name and the name that will appear on the Payor's Payment Card statement; (b) its customer data privacy policy; (c) a description of its security capabilities and policy for transmission of Payment Card Information; and (d) the address of Merchant's fixed place of business (regardless of website or server locations). Furthermore, Merchant must offer its Payors a data protection method such as 3-D Secure or Secure Sockets Layer (SSL).

4. SETTLEMENT.

4.1 Submission of Transaction Data. Failure to transmit Transaction Data to Paymentech within one (1) business day following the day that such Transaction originated could result in higher interchange fees and other costs, as well as increased Chargebacks. Unless Merchant has notified Paymentech on its Application or Paymentech has otherwise agreed in writing in advance, Merchant shall not submit Transactions for processing until (a) the Transaction is completed; (b) the goods are delivered or shipped; (c) the services are performed; or (d) Merchant has obtained the Payor's consent for a recurring Transaction. Paymentech may from time to time contact Payors to verify that they have received goods or services for which Transactions have been submitted. Paymentech reserves the right to refuse to process any Transaction Data presented by Merchant if Paymentech reasonably believes that the Transaction may be

uncollectible from the Payor or was prepared in violation of any provision of this Agreement, applicable law, or the Payment Brand Rules. For all Transactions, Paymentech will submit Merchant's Transaction Data to the applicable Payment Brands.

4.2 Merchant's Settlement Account. In order to receive funds from Paymentech, Merchant must designate and maintain one or more accounts used primarily for business purposes at a bank that is a member of the Automated Clearing House system or the Federal Reserve wire system (collectively referred to as "Settlement Account"). During the Term of this Agreement, and thereafter until Paymentech notifies Merchant that all amounts due from Merchant under this Agreement have been paid in full, Merchant shall not close its Settlement Account without giving Paymentech at least five (5) days' prior written notice and substituting another Settlement Account. Merchant is solely liable for all fees, costs, and overdrafts associated with the Settlement Account. Merchant authorizes Paymentech or its authorized agent(s) to initiate electronic credit and debit entries (via ACH, wire transfer, or other means) to the Settlement Account, or any other bank account designated by Merchant in writing, at any time without regard to the source of any monies therein, and this authority will remain in full force and effect until Paymentech notifies Merchant that all amounts due from Merchant under this Agreement have been paid in full. Paymentech will not be liable for any delays in receipt of funds or errors in Settlement Account entries caused by third parties, including, without limitation, delays or errors by the Payment Brands or Merchant's bank.

4.3 Conveyed Transactions. For Conveyed Transactions Merchant shall have a valid agreement in effect with the applicable Payment Brand. If Merchant submits Conveyed Transactions to Paymentech and Merchant does not have a valid agreement with the applicable Payment Brand, Paymentech may, but shall not be obligated to, submit such Transaction Data to the applicable Payment Brand and to share with them information about Merchant (from the Application or otherwise) as may be required to approve Merchant's acceptance of the Payment Brand's Payment Card. Payment of proceeds due Merchant for Conveyed Transactions shall be governed by the agreement Merchant has with the applicable Payment Brand, and Paymentech does not bear any responsibility for their performance thereunder, including, without limitation, the funding and settlement of Merchant's Conveyed Transactions.

4.4 Transfer of Transaction Settlement Funds. Subject to Section 4.3, for all Transactions, Paymentech will submit Merchant's Transaction Data to the applicable Payment Brand. Promptly after Paymentech receives funds for Settled Transactions from the Payment Brands, Paymentech will provisionally fund the Settlement Account. The proceeds payable to Merchant shall be equal to the amounts submitted by Merchant in connection with its Transaction Data minus the sum of the following: (a) all fees, charges, and other amounts described on Schedule A or that Merchant has otherwise agreed to pay; (b) all Refunds and Chargebacks; (c) all Reserve Account (as defined in Section 4.6) amounts; (d) all fees, charges, fines, assessments, penalties, or other liabilities that may be imposed on Paymentech or Member from time to time by the Payment Brands and all related costs and expenses incurred by Paymentech. Merchant agrees that all amounts are due and payable as provided in this Agreement. In the event Paymentech does not deduct such amounts from Merchant's proceeds when such amounts are due and payable, Merchant agrees to pay all such amounts to Paymentech immediately without any deduction or offset. Additionally, Paymentech may debit the Settlement Account or Merchant's Reserve Account for such amounts at any time. Furthermore, Merchant agrees to reimburse Paymentech, Member, the Payment Brands, and their respective affiliates, officers, directors, employees, agents, and sponsoring banks from any losses, liabilities, and damages of any and every kind (including, without limitation, Paymentech's costs, expenses, and reasonable attorneys' fees) arising out of any claim, complaint, or Chargeback (a) made or claimed by a Payor with respect to any Transaction or Transaction Data submitted by Merchant; (b) caused by Merchant's noncompliance with this Agreement or the Payment Brand Rules (including without limitation any breach of a representation or warranty made by Merchant or Merchant's failure to comply with the Security Standards); (c) resulting from any voluntary or involuntary bankruptcy or insolvency proceeding by or against Merchant; or (d) related to Merchant's placement or the placement of any person owning or controlling Merchant's business in one or more databases of terminated or high risk merchants maintained by the Payment Brands. The obligations provided for in this Section shall survive termination of this Agreement and do not apply to any claim or complaint to the extent they are caused by Paymentech's own negligence or willful misconduct.

4.5 Negative Amounts. Merchant shall maintain sufficient funds in the Settlement Account to prevent the occurrence of a negative balance. In the event that the proceeds from Merchant's Settled Transactions or the balance of Merchant's Settlement Account are not sufficient to pay amounts due under this Agreement, in addition to any other rights and remedies Paymentech may have under this Agreement, Paymentech may pursue one or more of the following options:

(a) demand and receive immediate payment for such amounts, and if payment is not made within three (3) days of demand, debit the Settlement Account for the negative amount;

(b) withhold all or some of Merchant's Settlement funds and apply them against the negative amount; and

(c) apply funds held in the Reserve Account against the negative amount.

Furthermore, if the amount represented by Merchant's Transaction Data in any day is negative due to Refunds or credits being submitted by Merchant in excess of its proceeds from Transactions, Merchant shall immediately provide Paymentech with sufficient funds to prevent the occurrence of a negative balance.

Reserve Account. If:

(a) there is a material breach of the Agreement by Merchant;

(b) Merchant is receiving excessive Chargebacks (as defined in Section 7.2 below);

(c) Paymentech has reasonable grounds to believe that it may be or become liable to third parties for the provisional funds extended to Merchant; or

(d) Paymentech has reasonable grounds to believe that it may be subject to any additional liabilities arising out of or relating to this Agreement, including, without limitation, any fines, fees, or penalties assessed against Paymentech or Member by any of the Payment Brands arising out of or relating to Merchant's Transactions, Chargebacks, or failure to comply with the Payment Brand Rules or the Security Standards;

then each such event may subject Paymentech to additional risk (such risk being hereinafter referred to as "Anticipated Risk"). In any such event, Paymentech may temporarily suspend or delay payments to Merchant during Paymentech's investigation of the issue and/or designate an amount of funds that Paymentech must maintain in order to protect itself against Anticipated Risks (such funds being hereinafter referred to as the "Reserve Account"), which may be funded in the same manner as provided for negative balances in Section 4.5. The Reserve Account will contain sufficient funds to cover any unbilled processing costs plus Paymentech's estimated exposure based on reasonable criteria for Chargebacks and all additional Anticipated Risks. Paymentech may (but is not required to) apply funds in the Reserve Account toward, and set off any funds that would otherwise be payable to Merchant against, the satisfaction of any amounts which are or may become due from Merchant pursuant to this Agreement. Funds in the Reserve Account will be held and controlled by Paymentech, will not bear interest, and may be commingled with other funds. Effective upon Paymentech's establishment of a Reserve Account, Merchant irrevocably grants to Paymentech a security interest in any interest Merchant may now have or later acquire in any and all funds, together with the proceeds thereof, that may at any time be in the Reserve Account and that would otherwise be payable to Merchant pursuant to the terms of this Agreement. Merchant agrees to execute and deliver to Paymentech such instruments and documents that Paymentech may reasonably request to perfect and confirm the security interest in the Reserve Account funds. Upon (i) satisfaction of all of Merchant's obligations under this Agreement; and (ii) Merchant's execution of documents reasonably requested by Paymentech in connection with the return of any Reserve Account funds, Paymentech will pay to Merchant any funds then remaining in the Reserve Account.

5. ACCOUNTING. Paymentech will supply a detailed statement reflecting the activity of Merchant's account(s) by online access (or otherwise if agreed to by both parties) and Merchant shall ensure that any online access to such statements is secure. If Merchant believes any adjustments should be made with respect to Merchant's Settlement Account, Merchant must notify Paymentech in writing within ninety (90) days after any such adjustment is or should have been effected.

6. RETRIEVAL REQUESTS. In order to comply with Retrieval Requests, Merchant shall store and retain Transaction Data and Transaction Receipts in compliance with the Payment Brand Rules, including any time frames set forth therein. Within the timeframe indicated in the Retrieval Request or otherwise provided for in the Payment Brand Rules, but in no event more than twenty one (21) days from the date the Retrieval Request is initiated with the Issuing Bank, Merchant must, to the extent required by the Payment Brand Rules or the Retrieval Request itself, provide to Paymentech, via certified or overnight mail, confirmed fax, or upload to Paymentech's Online Chargeback Management System: (a) written resolution of Merchant's investigation of such Retrieval Request; (b) legible copies of valid Transaction Receipt(s); and (c) any additional supporting documentation. Merchant acknowledges that failure to fulfill a Retrieval Request timely and in accordance with Payment Brand Rules may result in an irreversible Chargeback.

7. CHARGEBACKS.

7.1 Chargeback Reasons. Merchant shall not require a Payor, as a condition for honoring a Payment Card, to sign a statement that waives the Payor's right to dispute the Transaction. Furthermore, Merchant has full liability for all Chargebacks. Following are some of the most common reasons for Chargebacks:

(a) Merchant fails to issue a Refund to a Payor upon the return or non-delivery of goods or services;

(b) A required authorization/approval code was not obtained;

(c) The Payor claims that the Payment Card is lost, stolen, counterfeit, or fraudulent;

(d) The Transaction or Transaction Data was prepared incorrectly or fraudulently;

(e) Paymentech did not receive Merchant's response to a Retrieval Request in accordance with Section 6;

(f) The Payor disputes the Transaction or the authenticity of the signature on the Transaction Receipt, or claims that the Transaction is subject to a set-off, defense, or counterclaim;

(g) The Payor refuses to make payment for a Transaction because, in the Payor's opinion, a claim or complaint has not been resolved or has been resolved in an unsatisfactory manner; or

(h) The credit or debit card comprising the Payment Card was not actually presented at the time of the Transaction or Merchant failed to obtain an electronic record or physical imprint of such Payment Card, and the Payor denies making the purchase.

7.2 Response to Chargebacks. If Merchant has reason to dispute or respond to a Chargeback, then Merchant must do so by the date provided on the applicable Chargeback notice. Paymentech will not investigate or attempt to obtain a reversal or other adjustment to any Chargeback if Merchant has not timely responded to the notice.

7.3 Excessive Chargebacks. If Merchant is receiving an excessive amount of Chargebacks, as determined by the Payment Brands from time to time, in addition to Paymentech's other remedies under this Agreement, Paymentech may take one or more of the following actions: (a) review Merchant's internal procedures relating to acceptance of Payment Cards and notify Merchant of new procedures Merchant should adopt in order to avoid future Chargebacks; (b) notify Merchant of a new rate Paymentech will charge to process Merchant's Chargebacks; or (c) to the extent applicable, require Merchant to replace any magnetic-strip-only point of interaction terminal or electronic cash register with an EMV chip-capable terminal; or (d) establish a Reserve Account. Merchant also agrees to pay any and all penalties, fees, fines, and costs assessed against Merchant, Paymentech, and/or Member relating to Merchant's violation of this Agreement or the Payment Brand Rules with respect to Merchant's acceptance of Payment Cards, its Transactions, or with respect to excessive Chargebacks under this Section.

7.4 Claims of Payors. Following a Chargeback, Merchant may resubmit applicable Transaction Data for a second presentment, but only in accordance with Payment Brand Rules. To the extent Paymentech has paid or may be called upon to pay a Chargeback or Refund for or on the account of a Payor and Merchant does not reimburse Paymentech as provided in this Agreement, then for the purpose of Paymentech obtaining reimbursement of such sums paid or anticipated to be paid, Paymentech has all of the rights and remedies of such Payor under applicable federal, state, or local laws and Merchant authorizes Paymentech to assert any and all such claims in its own name for and on behalf of any such Payor individually or all such Payors as a class.

8. DISPLAY OF PAYMENT BRAND MARKS. Merchant is prohibited from using the Payment Brand Marks, as defined below (sometimes referred to herein as "Marks"), other than as expressly authorized by Paymentech in writing or by the Payment Brands. Payment Brand Marks mean the brands, emblems, trademarks and/or logos that identify a Payment Brand. Additionally, Merchant shall not use the Payment Brand Marks other than to display decals, signage, advertising, and other forms depicting the Payment Brand Marks that are provided to Merchant (a) by the Payment Brands; (b) by Paymentech pursuant to this Agreement; or (c) as otherwise approved in writing by Paymentech. Merchant may use the Payment Brand Marks only to promote the services covered by the Marks by using them on decals, indoor and outdoor signs, advertising materials, and marketing materials; provided, that all such uses by Merchant must be approved by Paymentech and consistent with Payment Brand Rules. Merchant shall not use the Payment Brand Marks in any way that Payors could believe that the goods or services offered by Merchant are sponsored, endorsed, or guaranteed by the owners of the Payment Brand Marks. Merchant recognizes that it has no ownership rights in the Payment Brand Marks. Merchant shall not assign the rights to use the Payment Brand Marks to any third party. Merchant's right to use the Payment Brand Marks hereunder terminates with the termination of this Agreement.

9. FEES; ADJUSTMENTS.

9.1 Schedule A. Merchant shall pay all applicable fees for all Transactions, which shall be calculated and payable pursuant to this Agreement. Merchant acknowledges that the fees stated in Schedule A are based upon the assumption that Merchant's Transactions will qualify for certain interchange rates as determined in each case by the applicable Payment Brand. If any of Merchant's Transactions fail to qualify for such interchange rates, Paymentech shall process each such Transaction at the applicable interchange rate determined by the applicable Payment Brand. Unless otherwise indicated on Schedule A, Merchant shall be solely responsible for all communication expenses required to facilitate the transmission of all Transaction Data to Paymentech. Fees payable under this Agreement that contain a fraction of a cent will be rounded up to the next full cent.

9.2 Price Adjustments. Unless otherwise agreed to by the parties or expressly provided for herein, the fees set forth

on Schedule A shall not change during the Initial Term. Notwithstanding the foregoing, the fees set forth on Schedule A and any additional pricing supplements may be adjusted to reflect increases by Payment Brands in interchange, assessments, or other Payment Brand fees, additional fees imposed by the Payment Brands, or increases in third party fees identified in this Agreement. Merchant shall pay all such fees, as so adjusted. Each such adjustment shall become effective upon the date the corresponding increase or additional fee is implemented by the Payment Brand or third party provider.

10. TERMINATION.

10.1 Term. This Agreement takes effect upon the earlier of (a) Paymentech's signature hereto; or (b) the date Paymentech processes Merchant's first Transaction submitted pursuant to this Agreement and continues until August 31, 2022 (the "Initial Term"). Unless otherwise terminated by either party as provided in this Agreement, Merchant may, in its sole and exclusive discretion and subject to the concurrence of Paymentech, which may be conditioned upon adjustments in pricing and other terms and conditions, extend the end date of this Agreement for one (1) renewal period of two (2) years' duration (the "Renewal Term"; the Initial Term and the Renewal Term collectively referred to herein as "Term"). Either party may give notice of non-renewal of this Agreement in writing no more than ninety (90) days and no less than thirty (30) days prior to any expiration date.

10.2 Events of Default. If any of the following events shall occur (each an "Event of Default"):

(a) any transfer or assignment in violation of Section 15.4 of this Agreement;

(b) irregular Transactions by Merchant, excessive Chargebacks, or any other circumstances which, in Paymentech's discretion, may increase Paymentech's or Member's exposure for Merchant's Chargebacks or otherwise present an Anticipated Risk to Paymentech;

(c) any representation or warranty in this Agreement is breached in any material respect or was or is incorrect in any material respect when made or deemed to be made;

(d) Merchant fails in any material respect to perform any of its obligations with respect to the funding or establishing of a Reserve Account, as detailed in Section 4.6;

(e) material breach of Section 1.1;

(f) Merchant fails in any material respect in performance or observance of any term, covenant, condition, or agreement contained in this Agreement, including, without limitation, compliance with Payment Brand Rules and Security Standards;

(g) a case or other proceeding shall be commenced by or against Merchant in any court of competent jurisdiction seeking relief under the Bankruptcy Code or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up, or adjustment of debts, the appointment of a trustee, receiver, custodian, liquidator, or the like of Merchant, or of all or any substantial part of the assets, domestic or foreign, of Merchant, and such case or proceeding shall continue undismissed or unstayed for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding against Merchant (including, without limitation, an order for relief under the Bankruptcy Code) shall be entered;

(h) Paymentech, in its sole reasonable discretion, deems Merchant to be financially insecure;

(i) any Payment Brand (i) notifies Paymentech or Member that it is no longer willing to accept Merchant's Transaction Data; or (ii) requires Paymentech or Member to terminate or limit this Agreement or Merchant's ability to accept Payment Cards from Payors;

(j) Merchant or any person owning or controlling Merchant's business is listed in one or more databases of terminated or high risk merchants maintained by the Payment Brands;

(k) Merchant engages in conduct that (i) causes Paymentech or Member to violate the Payment Brand Rules or applicable law; (ii) results in Paymentech's, Member's, or Merchant's participation in a risk-based program under the Payment Brand Rules; or (iii) creates or could tend to create harm or loss to the goodwill of any Payment Brand, Paymentech, or Member;

(l) for a period of more than sixty (60) consecutive days, Merchant does not transmit Transaction Data to Paymentech;

(m) Merchant fails to comply with Section 15.15; or

(n) Paymentech's Transaction processing services under this Agreement fail to conform to generally accepted standards for such services in the Transaction processing industry.

then, the non-defaulting party may terminate this Agreement by providing the defaulting party with written notice of termination. Following receipt of such notice, and solely for termination based on subsections (c), (f) and (n), the defaulting party shall have thirty (30) days to cure the Event of Default, and the Agreement shall terminate in the event such cure is not effected by the end of such period. No cure period shall be provided when termination is based any other Event of Default.

If this Agreement is terminated by Paymentech for Merchant's default hereunder, Merchant acknowledges that Paymentech may be required to report Merchant's business name and the names and other identification of its principals to the Payment Brands. Merchant expressly agrees and consents to such reporting in the event Merchant is terminated for any reason specified, and Merchant agrees to waive and hold Paymentech harmless from and against any and all claims which Merchant may have as a result of such reporting.

10.3 Other Events. In addition to the remedies above and any rights Paymentech may have under this Agreement, Paymentech may suspend the processing of some or all of Merchant's Transactions upon: (a) an occurrence of an Event of Default by Merchant; (b) receipt by Paymentech of notice that a Payment Brand intends to impose any fine or penalty as a result of excessive Chargebacks or Merchant's acts or omissions; or (c) receipt by Paymentech of objections or concerns expressed by a Payment Brand which render Paymentech's continued processing of Merchant's Transactions unduly burdensome, impractical, or risky.

10.4 Account Activity After Termination; Termination Reserve. The provisions governing processing and settlement of Transactions, all related adjustments, fees and other amounts due from Merchant, and the resolution of any related Chargebacks, disputes, or other issues involving Transactions, will continue to apply even after termination of this Agreement, with respect to all Transactions made prior to such termination or after such termination, as described below. After termination of this Agreement for any reason whatsoever, Merchant shall continue to bear total responsibility for all Chargebacks, fees, fines, assessments, credits, and adjustments resulting from Transactions processed pursuant to this Agreement and all other amounts then due or which thereafter may become due to Paymentech under this Agreement or which may be due to Paymentech before or after such termination to either Paymentech or Member. If Merchant submits Transaction Data to Paymentech after the date of termination, Paymentech may, at its sole discretion and without waiving any of its rights or remedies under this Agreement, process such Transaction Data in accordance with and subject to all of the terms of this Agreement.

Upon notice of termination of this Agreement, Paymentech may estimate the aggregate dollar amount of anticipated Chargebacks, Refunds and Anticipated Risks that Paymentech reasonably anticipates subsequent to termination, and Merchant agrees to immediately deposit such amount in its Settlement Account, or Paymentech may withhold such amount from Merchant's settlement funds in order to establish a Reserve Account pursuant to and governed by the terms and conditions of this Agreement.

11. INDEMNIFICATION. Paymentech agrees to indemnify Merchant and its affiliates, officers, directors, employees, and agents from any losses, liabilities, and damages of any and every kind (including, without limitation, Merchant's costs, expenses, and reasonable attorneys' fees) arising out of any Chargeback or third party claim or complaint (a) made with respect to any error in Transaction Data caused by Paymentech or by malfunctions of Paymentech's processing systems; (b) caused by Paymentech's noncompliance with this Agreement, the Payment Brand Rules, or the Security Standards; or (c) resulting from any voluntary or involuntary bankruptcy or insolvency proceeding by or against Paymentech. This indemnification does not apply to any claim or complaint relating to Merchant's failure to resolve a payment dispute concerning merchandise or services sold by Merchant or Merchant's negligence or willful misconduct. The indemnification provided under this Section 11 shall survive termination and is subject to the limitation of liability set forth in Section 14 of this Agreement.

12. TRANSACTION DATA AND PAYMENT CARD INFORMATION; PAYMENT CARD INDUSTRY COMPLIANCE.

12.1 Merchant financial information, information related to Merchant's Transactions, and other information that Merchant provides to Paymentech may be shared by Paymentech with its affiliates and the Payment Brands. Paymentech will not otherwise disclose or use such information other than (a) as necessary to process Merchant's Transactions or otherwise provide services and maintain Merchant's account pursuant to this Agreement; (b) to detect, prevent, reduce, or otherwise address fraud, security, or technical issues; (c) to enhance or improve Paymentech's products and services generally; or (d) as required or permitted by the Payment Brands or applicable law. Paymentech may prepare, use, and/or share with third parties, aggregated, non-personally identifiable information derived from Transaction Data of all of Paymentech's customers or specific segments of Paymentech's customers.

12.2 Payment Card Industry Compliance. Merchant acknowledges and understands the importance of compliance with the Security Standards, such as those relating to the storage and disclosure of Transaction Data and Payment Card Information. Therefore, Merchant shall not disclose or use Payment Card Information, other than (a) to Merchant's agents and contractors for the purpose of assisting Merchant in completing a Transaction; (b) to the applicable Payment Brand; or (c) as specifically required by law or pursuant to a government or regulatory demand. Furthermore, Merchant acknowledges and understands that its use of any fraud mitigation or security enhancement solution (e.g. an encryption product or service), whether provided to Merchant by Paymentech or a third party, in no way limits Merchant's

obligation to comply with the Security Standards or Merchant's liabilities set forth in this Agreement.

Merchant is allowed by the Payment Brand Rules to store only certain Payment Card Information (currently limited to the Payor's name, Payment Card account number, and expiration date) and is prohibited from storing additional Payment Card Information, including, without limitation, any security code data, such as CVV2, CVC2, and PIN data, and any magnetic stripe track data. Merchant shall store all media containing Payment Card Information in an unreadable format wherever it is stored and in an area limited to selected personnel on a "need to know" basis only. Prior to either party discarding any material containing Payment Card Information, the party will render the account numbers unreadable in accordance with the requirements of the Security Standards. If at any time Merchant determines or suspects that Payment Card Information has been compromised Merchant must notify Paymentech immediately and assist in providing notification to such parties as may be required by law or Payment Brand Rules, or as Paymentech otherwise reasonably deems necessary.

Merchant agrees to comply with all Security Standards, as defined in Section 17. Merchant further agrees to provide Paymentech, upon its request, with such tests, scans, and assessments of Merchant's compliance with Security Standards as may from time to time be required by the Payment Brands.

Merchant must immediately notify Paymentech of its use of any Service Provider. Merchant shall ensure that, to the extent required by each Payment Brand, its Service Providers are (d) compliant with all applicable Security Standards; and (e) appropriately registered with, or otherwise recognized as being compliant with the Security Standards, by all applicable Payment Brands. To the extent required by each Payment Brand, all Payment Applications, or software involved in processing, storing, receiving, or transmitting of Payment Card Information, shall be (f) compliant with all Security Standards applicable to such Payment Applications or software; and (g) registered with and/or recognized by such Payment Brand(s) as being so compliant. Furthermore, to the extent Merchant is required under the Payment Brand Rules, or Merchant otherwise elects, to utilize EMV chip-capable terminals, all EMV chip-capable terminals used by Merchant must appear on the EMV co-approved terminal list maintained by the Payment Brands.

Merchant understands that its failure, or the failure of any of its Service Providers, to comply with the Payment Brand Rules, including the Security Standards, or the compromise of any of Payment Card Information (whether such Payment Card Information is under the control of Merchant or its Service Provider), may result in assessments, fines, and/or penalties by the Payment Brands, and Merchant agrees to indemnify and reimburse Paymentech immediately for any such assessment, fine, or penalty imposed on Paymentech or the Member and any related loss, cost, or expense incurred by Paymentech or the Member. If any Payment Brand requires a forensic examination of Merchant or any of Merchant's Service Providers due to a Data Compromise Event, Merchant agrees to cooperate with, and cause all applicable Service Providers to cooperate with, such forensic examination until it is completed, including, without limitation, the engagement of an examiner acceptable to the relevant Payment Brand. Notwithstanding the foregoing, the Payment Brands may (h) directly engage, or demand that Paymentech engage, an examiner on behalf of the Merchant in order to expedite the investigation of the Data Compromise Event; or (i) pursuant to the Payment Brand Rules, permit Paymentech to investigate the Data Compromise Event. In either scenario, Merchant agrees to pay for all costs and expenses related to such forensic examination, including all of Paymentech's reasonable attorneys' fees and other costs relating to such forensic examination.

By executing this Agreement, Merchant represents that, in the event of its failure, including bankruptcy, insolvency, or other suspension of business operations, Merchant shall not sell, transfer, or disclose to third parties any materials that contain Transaction Data or Payment Card Information. Upon request, Merchant must return such information to Paymentech or provide Paymentech with acceptable proof of its destruction.

13. INFORMATION ABOUT MERCHANT AND MERCHANT'S BUSINESS.

13.1 Additional Financial Information. Upon five (5) days' written notice at any time, Merchant agrees to furnish to Paymentech its most recently prepared financial statements and credit information.

13.2 Audit Rights. With prior notice and during Merchant's normal business hours, Paymentech's duly authorized representatives may visit Merchant's business premises and may examine Merchant's books and records that pertain to Merchant's Transactions or Merchant's compliance with this Agreement.

13.3 Other Information. Merchant agrees to provide Paymentech at least thirty (30) days' prior written notice of its intent to change current product lines or services, Merchant's trade name, or the manner in which Merchant accepts Payment Cards. If Paymentech determines such a change is material to its relationship with Merchant, Paymentech may refuse to process Transaction Data made subsequent to the change or terminate this Agreement. Merchant agrees to provide Paymentech with prompt written notice if Merchant is the subject of any voluntary or involuntary bankruptcy or

insolvency petition or proceeding. Merchant's signature on this Agreement authorizes Paymentech to perform any credit check deemed necessary with respect to Merchant.

14. DISCLAIMER; LIMITATION OF DAMAGES. Subject to Section 5, Paymentech will, at its own expense, correct any Transaction Data to the extent that such errors have been caused by Paymentech or by malfunctions of Paymentech's processing systems. Under no circumstances will Paymentech's financial liability arising out of or related to its performance of services under this Agreement exceed the total fees paid to Paymentech under this Agreement (net of Payment Brand fees, third party fees, interchange, assessments, penalties, and fines) for the six months prior to the time the liability arose. **EXCEPT AS OTHERWISE PROVIDED FOR IN THIS AGREEMENT, IN NO EVENT WILL ANY PARTY, ITS RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, OR AFFILIATES, BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES, REGARDLESS OF THE FORM OF ACTION AND EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. ANY FINES, FEES, PENALTIES OR ASSESSMENTS IMPOSED BY THE PAYMENT BRANDS RELATED TO MERCHANT'S ACCEPTANCE OF PAYMENT CARDS SHALL NOT BE DEEMED TO BE CONSEQUENTIAL DAMAGES. NEITHER PAYMENTECH NOR MEMBER SHALL BE LIABLE OR RESPONSIBLE FOR THE AUTHENTICITY, ACCURACY, CORRUPTION, DISAPPEARANCE, THEFT OF, DAMAGE TO, OR TAMPERING WITH ANY DATA, INCLUDING, WITHOUT LIMITATION, TRANSACTION DATA, TRANSMITTED IN ANY FORM OR FORMAT TO PAYMENTECH BY OR ON BEHALF OF MERCHANT, AND PAYMENTECH AND MEMBER SHALL BE ENTITILED TO RELY ON DATA IT RECEIVES FROM OR ON BEHALF OF MERCHANT IN THE DISCHARGE BY PAYMENTECH AND MEMBER OF ITS OBLIGATIONS HEREUNDER. ALL PARTIES ACKNOWLEDGE THAT THIS IS AN AGREEMENT FOR COMMERCIAL SERVICES. THE UNIFORM COMMERCIAL CODE DOES NOT APPLY AND PAYMENTECH AND MEMBER HEREBY DISCLAIM ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, MADE TO MERCHANT OR ANY OTHER PERSON, REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE (REGARDLESS OF ANY COURSE OF DEALING, CUSTOM, OR USAGE OF TRADE) OF ANY SERVICES PROVIDED UNDER THIS AGREEMENT OR ANY GOODS PROVIDED INCIDENTAL TO SUCH SERVICES.**

15. MISCELLANEOUS.

15.1 Taxes. Unless Merchant is otherwise exempt, and, if applicable, provides a valid exemption certificate, Merchant agrees to pay any taxes imposed on the services, equipment, supplies, and other property provided under this Agreement as well as any taxes imposed on interchange, assessments or other third party fees collected by Paymentech pursuant to this Agreement, and Merchant authorizes Paymentech to increase the amount collected from Merchant to reflect any and all assessments or increases in the sales, use, occupational, property, lease, or other taxes imposed on such sale or lease of services, tangible property, intellectual property, equipment, supplies, and other goods purchased.

15.2 Section Headings. The section headings of this Agreement are for convenience only and do not define, limit, or describe the scope or intent of this Agreement.

15.3 Assignment.

(a) **Merchant.** Merchant may not transfer or assign this Agreement without the prior written consent of Paymentech. Any purported transfer or assignment of this Agreement by Merchant (including by operation of law, merger, or otherwise) without Paymentech's prior written consent shall be, in Paymentech's sole discretion, null and void and Merchant shall remain bound by the terms and conditions of this Agreement and shall be fully responsible for all Transactions submitted by the purported assignee/transferee, and for all related liabilities arising therefrom. In the case of a permitted transfer or assignment of this Agreement by Merchant, the assignee/transferee shall, as of the effective date of the assignment or transfer, be bound by the terms and conditions of this Agreement and shall be fully responsible for all Transactions submitted and for all related liabilities arising therefrom. No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, debtor in possession, sheriff or any other officer of a court, or other person charged with taking custody of Merchant's assets or business, shall have any right to continue or to assume or to assign this Agreement without Paymentech's prior written consent. Merchant agrees to provide Paymentech with not less than thirty (30) days prior written notice of: (i) any sale of all or substantially all of the assets of Merchant; or (ii) any person or entity becoming the beneficial owner, directly or indirectly, of securities representing more than fifty percent (50%) of the combined voting power of Merchant's securities, or otherwise acquires voting control of Merchant.

(b) **Paymentech; Member.** Upon notice to Merchant, another Payment Brand member may be substituted for Member under whose sponsorship this Agreement is performed and for whom Paymentech is acting as agent hereunder. Subject to Payment Brand Rules, Paymentech may assign or transfer this Agreement and its rights and obligations

hereunder and may delegate its duties hereunder, in whole or in part, to any third party, whether in connection with a change in sponsorship, as set forth in the preceding sentence, or otherwise, without notice to or consent of Merchant.

15.4 Parties; Independent Contractor. This Agreement is binding upon and inures to the benefit of the parties and their respective heirs, administrators, representatives, and permitted successors and assigns. Merchant agrees that it is responsible for its employees' actions. In providing services to Merchant, Paymentech will not be acting in the capacity of agent, partner, or joint venturer; Paymentech is acting solely as an independent contractor.

15.5 Representations. The parties shall perform their obligations under this Agreement in compliance with all applicable laws. Merchant represents and warrants that statements made on its Application are true as of the date of this Agreement. Paymentech represents and warrants that its execution of and performance under this Agreement (a) in no way breaches, contravenes, violates, or in any manner conflicts with any of its other legal obligations, including, without limitation, its corporate charter or similar document or any agreement between Paymentech and any third party or any affiliated entity; (b) has been duly authorized by all necessary action and does not require any consent or other action by or in respect of any third party; and (c) that the person signing this Agreement on behalf of Paymentech is duly authorized to do so. Merchant represents and warrants that its execution of and performance under this Agreement (d) in no way breaches, contravenes, violates, or in any manner conflicts with any of its other legal obligations, including, without limitation, its corporate charter or similar document or any agreement between Merchant and any third party or any affiliated entity; (e) has been duly authorized by all necessary action and does not require any consent or other action by or in respect of any third party; and (f) that the person signing this Agreement on behalf of Merchant is duly authorized to do so. Furthermore, if Merchant is undergoing a forensic investigation at the time this Agreement is executed, Merchant represents and warrants that it is fully cooperating with the investigation and agrees to continue so cooperating until the investigation is completed.

15.6 Publicity. Unless required by law, including, but not limited to the California Public Records Act Section 6250 et Seq, or other applicable law, neither Paymentech nor Merchant may publicly disclose, through press releases or otherwise, the existence of the business relationship that is the subject of this Agreement, without the prior written consent of the non-disclosing party.

15.7 Severability. Should any provision of this Agreement be determined to be invalid or unenforceable under any law, rule, or regulation, including any Payment Brand Rule, such determination will not affect the validity or enforceability of any other provision of this Agreement.

15.8 Waivers. No term or condition of this Agreement may be waived except pursuant to a written waiver executed by the party against whom such waiver is sought to be enforced.

15.9 Entire Agreement. The Payment Brand Rules, Application, taxpayer identification and certification documentation, and all schedules, supplements, and attachments to this Agreement are made a part of this Agreement for all purposes. This Agreement represents the entire understanding between Merchant and Paymentech with respect to the matters contained herein and supersedes any prior agreements between the parties. Merchant agrees that in entering into this Agreement it has not relied on any statement of Paymentech or its representatives. This Agreement shall prevail over any conflicting terms of any agreement governing the Settlement Account. In the event that any of the terms and conditions of this Agreement contradicts or conflict with the terms and conditions of Merchant's previously submitted Request for Proposal ("RFP") or Paymentech's subsequent response to Merchant's RFP, the terms and conditions of this Agreement shall control.

15.10 Notices. Except as otherwise provided in this Agreement, all notices must be given in writing and either hand delivered, faxed, mailed first class, postage prepaid, sent via electronic mail transmission, or sent via overnight courier (and will be deemed to be given when so delivered or mailed) to the addresses set forth below or to such other address as either party may from time to time specify to the other party in writing.

15.11 Governing Law; Waiver of Right to Contest Jurisdiction; Waiver of Jury Trial. UNLESS OTHERWISE MANDATED BY APPLICABLE LAW, **THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REFERENCE TO CONFLICT OF LAW PROVISIONS. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS EITHER OF THEM MAY HAVE TO CONTEST JURISDICTION OR VENUE. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, ARISING OUT OF, OR IN CONNECTION WITH THIS AGREEMENT.**

15.12 Force Majeure. Neither party will be liable for delays in processing or other nonperformance caused by such events as fires, telecommunications failures, utility failures, power failures, equipment failures, labor strife, riots, war,

terrorist attack, nonperformance of Paymentech's vendors or suppliers, acts of God, or other causes over which the respective party has no reasonable control, except that nothing in this Section 15.12 will affect or excuse Merchant's liabilities and obligations for Chargebacks, refunds, or unfulfilled goods and services.

15.13 Amendment. Except as otherwise set forth in this Agreement, the Agreement may be amended only by written agreement of the parties. Notwithstanding the foregoing, in the event the terms of this Agreement must be amended pursuant to a change required by the Payment Brand Rules or any third party with jurisdiction over the matters described herein, such amendment will be effective immediately. Merchant's electronic signature or continued submission of Transactions to Paymentech following such notice will be deemed to be Merchant's acceptance of such amendment.

15.14 Counterparts and Electronic Signature. This Agreement may be executed in several counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. A signature received via facsimile or electronically via email shall be as legally binding for all purposes as an original signature.

15.15 Merchant Taxpayer Certification and Paymentech Reporting Obligations. Pursuant to 26 USC 6050W, Paymentech is a "payment settlement entity", obligated to collect and report certain taxpayer information to the United States Internal Revenue Service. Therefore, in conjunction with the execution of this Agreement, Merchant shall provide Paymentech with the appropriate taxpayer certification documentation, via Internal Revenue Service (IRS) Form W-9 (or the appropriate versions of Form W-8, if applicable). Merchant shall promptly notify Paymentech if there are any changes in this information. Paymentech may deduct withholding taxes, if any, from proceeds payable to Merchant or any entity that is a party to this agreement where required under applicable law. Paymentech may, in accordance with applicable law and from time to time during the Term of this Agreement, request Merchant to recertify its taxpayer certification hereunder. Furthermore, Merchant shall be responsible for any penalties related to the reporting obligations of Paymentech hereunder to the extent such penalties accrue based on the actions or inactions of Merchant despite reasonable notice from Paymentech.

16. SURVIVAL. The provisions of Sections 1.6, 4.2, 4.4, 4.5, 4.6, 5, 6, 7, 9, 10.2, 10.4, 11, 12, 14, 15, 16 and 17 shall survive the termination of this Agreement.

17. DEFINITIONS.

"***Application***" means a statement of Merchant's financial condition, a description of the characteristics of Merchant's business or organization, and related information Merchant has previously or concurrently submitted to Paymentech, including credit, financial and other business related information, to induce Paymentech to enter into this Agreement with Merchant and that has induced Paymentech to process Merchant's Transactions under the terms and conditions of this Agreement.

"***Chargeback***" means a reversal of a Transaction Merchant previously presented to Paymentech pursuant to Payment Brand Rules.

"***Conveyed Transaction***" means any Transaction conveyed to a Payment Brand for settlement by such Payment Brand directly to Merchant.

"***Payor***" or "***Customer***" means the person or entity to whom a Payment Card is issued or who is otherwise authorized to use the Payment Card.

"***Data Compromise Event***" means an occurrence that results, or could result, directly or indirectly, in the unauthorized access to or disclosure of Transaction Data and/or Payment Card Information.

"***Effective Date***" means the date the Agreement takes effect pursuant to Section 10.1.

"***EMV***" means Europay, MasterCard and Visa.

"***Issuing Bank***" means the financial institution or other member of a Payment Brand that has a contractual relationship with the Payor for the issuance of a Payment Card.

"***Merchant***" means the legal entity identified in the Application and on the first and signature pages of this Agreement.

"***Member***" means JPMorgan Chase Bank, N.A. or other entity providing sponsorship to Paymentech as required by all applicable Payment Brands. Member is a principal party to this Agreement and Merchant's acceptance of Payment Brand products is extended by the Member.

"***Payment Application***" means a third party application used by merchant that is involved in the authorization or settlement of Transaction Data.

"***Payment Brand***" means any payment method provider whose payment method is accepted by Paymentech for processing, including, without limitation, Visa Inc., MasterCard International, Inc., Discover Financial Services, LLC, and other credit and debit card providers, debit network providers.. Payment Brand also includes the Payment Card Industry Security Standards Council and the Electronic Payment Association (frequently referred to as "NACHA").

"***Payment Brand Rules***" means all bylaws, rules, programs, regulations, specifications, and manuals, as they exist from

time to time, of the Payment Brands.

"***Payment Card***" or "***Payment Instrument***" means an account, or evidence of an account, authorized and established between a Payor and a Payment Brand, or representatives or members of a Payment Brand that Merchant accepts from Payors as payment on an account or for goods, or services. Payment Cards include, but are not limited to, credit and debit cards, authorized account or access numbers, paper certificates, and credit accounts. Use of the term Payment Card or Payment Instrument throughout this Agreement includes any Payment Card with an embedded microcomputer EMV chip.

*"**Payment Card Information**"* means information related to a Payor or the Payor's Payment Card, that is obtained by Merchant from the Payor's Payment Card, or from the Payor in connection with his or her use of a Payment Card (e.g., a security code, a PIN number, credit limits, account balances, or the customer's zip code when provided as part of an address verification system). Without limiting the foregoing, such information may include the Payment Card account number and expiration date, the Payor's name or date of birth, PIN data, security code data (such as CVV2 and CVC2), and any data read, scanned, imprinted, or otherwise obtained from the Payment Card, whether printed thereon, or magnetically, electronically, or otherwise stored thereon. For the avoidance of doubt, the data elements that constitute Payment Card Information shall be treated according to their corresponding meanings as "cardholder data" and "sensitive authentication data" as such terms are used in the then current PCI DSS.

"***Paymentech***" means Paymentech, LLC, a Delaware limited liability company, having its principal office at 14221 Dallas Parkway, Dallas, Texas 75254.

"***Refund***" means any refund or credit issued for any reason, including, without limitation, for a return of merchandise or cancellation of services, and any adjustment of a Transaction.

"***Refund Policy***" means a written policy with regard to Refunds.

"***Retrieval Request***" means a request for information by a Payor or Payment Brand relating to a claim or complaint concerning a Transaction.

"***Security Standards***" means all rules, regulations, standards, or guidelines adopted or required by the Payment Brands or the Payment Card Industry Security Standards Council relating to privacy, data security, and the safeguarding, disclosure, and handling of Payment Card Information, including, without limitation, the Payment Card Industry Data Security Standards ("PCI DSS"), Visa's Cardholder Information Security Program ("CISP"), Discover's Information Security & Compliance Program ("DISC"), American Express's Data Security Operating Policy, MasterCard's Site Data Protection Program ("SDP"), Visa's Payment Application Best Practices ("PABP"), the Payment Card Industry's Payment Application Data Security Standard ("PA DSS"), MasterCard's POS Terminal Security program, and the Payment Card Industry PIN Transmission Security program ("PCI PTS"), in each case as they may be amended from time to time.

"***Service Provider***" means any party that processes, stores, receives, transmits, or has access to Payment Card Information on Merchant's behalf, including, without limitation, its agents, business partners, contractors, and subcontractors.

*"**Settled Transaction**"* means a Transaction conducted between a Payor and Merchant utilizing a Payment Card in which consideration is exchanged between the Payor and Merchant for payment on an account or the purchase of a good or service or a Refund and the value for such Transaction is settled by the Payment Brand through Paymentech to the Merchant.

*"**Transaction**"* means a transaction conducted between a Payor and Merchant utilizing a Payment Card in which consideration is exchanged between the Payor and Merchant.

"***Transaction Data***" means the written or electronic record of a Transaction, including, without limitation, an authorization code or settlement record, which is submitted to Paymentech

"***Transaction Receipt***" means an electronic or paper record of a Transaction generated upon completion of a sale or Refund, a copy of which is presented to the Payor.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned parties have duly executed this Agreement.

Agreed and Accepted by:

CITY OF SOUTH SAN FRANCISCO
Merchant Legal Name

By (authorized signature)

MIKE FUTRELL, CITY MANAGER
Print Name and Title

10/13/17
Date

400 GRAND AVENUE
Address

SOUTH SAN FRANCISCO, CA 94080
City, State Zip

Agreed and Accepted by:

PAYMENTECH, LLC for itself and on behalf of
JPMORGAN CHASE BANK, N.A.

By

Beverly Correa, Vice President
Print Name and Title

10/4/17
Date

4 Northeastern Boulevard, Salem, NH 03079
Address

City, State Zip

V14250

To Be Completed By Paymentech, LLC

Merchant Agreement Contract Number is: _____
Merchant Processing Identification Number Will Be Provided At Time of Processing Set Up

ATTEST:
CITY CLERK

Approved as to form
Date: 10/10/17
By:
City Attorney

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 01/09/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
DIRECT PLACEMENT	PHONE (A/C, No, Ext):	FAX (A/C, No):
	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	NAIC #
	INSURER A : Park Assurance Company	11923
INSURED	INSURER B :	
JPMorgan Chase & Co. and all of its subsidiaries 270 Park Avenue New York, NY 10017	INSURER C :	
	INSURER D :	
	INSURER E :	
	INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	COMMERCIAL GENERAL LIABILITY						EACH OCCURRENCE	$
	☐ CLAIMS-MADE ☐ OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$
	☐ POLICY ☐ PRO-JECT ☐ LOC						PRODUCTS - COMP/OP AGG	$
	☐ OTHER:							$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident)	$
	☐ ANY AUTO						BODILY INJURY (Per person)	$
	☐ OWNED AUTOS ONLY ☐ SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	☐ HIRED AUTOS ONLY ☐ NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
								$
	☐ UMBRELLA LIAB ☐ OCCUR						EACH OCCURRENCE	$
	☐ EXCESS LIAB ☐ CLAIMS-MADE						AGGREGATE	$
	☐ DED ☐ RETENTION $							$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N						☐ PER STATUTE ☐ OTH-ER	
	ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? ☐ N / A (Mandatory in NH)						E.L. EACH ACCIDENT	$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	Bankers Professional Liability Insurance			084	01/15/2017	01/15/2018	each wrongful act and in the aggregate	$150,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Errors and Omissions Insurance. Evidence only.

CERTIFICATE HOLDER

JPMorgan Chase & Co. and any Subsidiary Company
c/o Corporate Insurance Services
277 Park Avenue, 12th Fl
New York, NY 10172

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE Kimberly A. Whitcomb

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CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY) 05/25/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Aon Risk Services Northeast, Inc.
New York NY Office
199 Water Street
New York NY 10038-3551 USA

CONTACT NAME:
PHONE (A/C. No. Ext): (866) 283-7122 **FAX (A/C. No.):** 800-363-0105
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A:	National Union Fire Ins Co of Pittsburgh	19445
INSURER B:	New Hampshire Ins Co	23841
INSURER C:	American Home Assurance Co.	19380
INSURER D:	Commerce & Industry Ins Co	19410
INSURER E:		
INSURER F:		

INSURED
JPMorgan Chase & Co.
and subsidiary, affiliated, and
associated companies therof
270 Park Avenue
New York NY 10017-2070 USA

COVERAGES **CERTIFICATE NUMBER:** 570066529658 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Limits shown are as requested

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X **COMMERCIAL GENERAL LIABILITY** CLAIMS-MADE X OCCUR X Blanket Contractual Liability X Host Liquor Liability Included GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT X LOC OTHER:			GL5196555	06/01/2017	06/01/2018	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$2,000,000 $1,000,000 Excluded $2,000,000 $2,000,000 $2,000,000
A A A	**AUTOMOBILE LIABILITY** X ANY AUTO OWNED AUTOS ONLY HIRED AUTOS ONLY SCHEDULED AUTOS NON-OWNED AUTOS ONLY			CA 2867390 All Other States CA 2867386 MA CA 2867387 VA	06/01/2017 06/01/2017 06/01/2017	06/01/2018 06/01/2018 06/01/2018	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$5,000,000
A	X **UMBRELLA LIAB** X OCCUR **EXCESS LIAB** CLAIMS-MADE DED X RETENTION $10,000			BE28189187	06/01/2017	06/01/2018	EACH OCCURRENCE AGGREGATE	$10,000,000 $10,000,000
B B	**WORKERS COMPENSATION AND EMPLOYERS' LIABILITY** ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? Y/N: N **(Mandatory in NH)** If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		WC063724376 All Other States WC063724377 ME	06/01/2017 06/01/2017	06/01/2018 06/01/2018	X PER STATUTE OTH-ER E.L. EACH ACCIDENT E.L. DISEASE-EA EMPLOYEE E.L. DISEASE-POLICY LIMIT	 $1,000,000 $1,000,000 $1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

The insurance maintained by JPMorgan Chase & Co. provides for the following coverage enhancements in keeping with the terms of the signed contracts, leases and/or agreements in place: Blanket Additional Insured where required. Coverages are Primary and Non-contributory where required. Blanket Contractual Liability, Host Liquor Liability is included in the General Liability policy, Waiver of subrogation is included where required. The Landlord, Landlords Agent(s), Landlords Lender(s), Ground Lessor(s), Vendor(s), Clients and any other party as required by the signed contract, lease and/or agreement are listed as additional insured as their interests may appear and when applicable.

CERTIFICATE HOLDER

Evidence of Insurance for
JPMorgan Chase & Co.
and subsidiary, affiliated and
associated companies therof
270 Park Avenue
New York NY 10017-2070 USA

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Aon Risk Services Northeast, Inc.

Holder Identifier :

Certificate No : 570066529658

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AGENCY CUSTOMER ID: 10243827
LOC #:

ADDITIONAL REMARKS SCHEDULE

AGENCY	NAMED INSURED
Aon Risk Services Northeast, Inc.	JPMorgan Chase & Co.
POLICY NUMBER: See Certificate Number: 570066529658	
CARRIER: See Certificate Number: 570066529658 / NAIC CODE	EFFECTIVE DATE:

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: ACORD 25 **FORM TITLE:** Certificate of Liability Insurance

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER	
INSURER	
INSURER	
INSURER	

ADDITIONAL POLICIES If a policy below does not include limit information, refer to the corresponding policy on the ACORD certificate form for policy limits.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
	WORKERS COMPENSATION							
C		N/A		WC063724378 CA	06/01/2017	06/01/2018		
B		N/A		WC063724379 AZ IL NJ NY TX	06/01/2017	06/01/2018		
D		N/A		WC063724380 FL	06/01/2017	06/01/2018		
B		N/A		WC063724381 MA ND OH WA WI WY	06/01/2017	06/01/2018		
B		N/A		WC063724382 MN	06/01/2017	06/01/2018		

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Form **W-9**
(Rev. December 2014)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

Print or type
See Specific Instructions on page 2.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.
JPMorgan Chase Bank, N.A.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification; check only **one** of the following seven boxes:
☐ Individual/sole proprietor or single-member LLC ☑ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate
☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶
Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner.
☐ Other (see instructions) ▶

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):
Exempt payee code (if any) **5**
Exemption from FATCA reporting code (if any) **E**
(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.)
1111 Polaris Parkway

Requester's name and address (optional)

6 City, state, and ZIP code
Columbus, OH 43240

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

Social security number
[ ][ ][ ] - [ ][ ] - [ ][ ][ ][ ]

or

Employer identification number
1 3 - 4 9 9 4 6 5 0

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here | **Signature of U.S. person** ▶ [signature] **Date** ▶ 6/20/17

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at *www.irs.gov/fw9*.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding?* on page 2.

By signing the filled-out form, you:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.

TAXABLE YEAR [redacted] CALIFORNIA FORM

2017 Withholding Exemption Certificate 590

The payee completes this form and submits it to the withholding agent. The withholding agent keeps this form with their records.

Withholding Agent Information

Name

Payee Information

Name	☐ SSN or ITIN ☑ FEIN ☐ CA Corp no. ☐ CA SOS file no.
J.P. Morgan Chase Bank, , N.A.	1 3 - 4 9 9 4 6 5 0

Address (apt./ste., room, PO box, or PMB no.)

560 Mission Street, 4th Floor

City (If you have a foreign address, see instructions.)	State	ZIP code
San Francisco	CA	9 4 1 0 5

Exemption Reason

Check only one box.

By checking the appropriate box below, the payee certifies the reason for the exemption from the California income tax withholding requirements on payment(s) made to the entity or individual.

☐ **Individuals — Certification of Residency:**
I am a resident of California and I reside at the address shown above. If I become a nonresident at any time, I will promptly notify the withholding agent. See instructions for General Information D, Definitions.

☑ **Corporations:**
The corporation has a permanent place of business in California at the address shown above or is qualified through the California Secretary of State (SOS) to do business in California. The corporation will file a California tax return. If this corporation ceases to have a permanent place of business in California or ceases to do any of the above, I will promptly notify the withholding agent. See instructions for General Information D, Definitions.

☐ **Partnerships or Limited Liability Companies (LLCs):**
The partnership or LLC has a permanent place of business in California at the address shown above or is registered with the California SOS, and is subject to the laws of California. The partnership or LLC will file a California tax return. If the partnership or LLC ceases to do any of the above, I will promptly inform the withholding agent. For withholding purposes, a limited liability partnership (LLP) is treated like any other partnership.

☐ **Tax-Exempt Entities:**
The entity is exempt from tax under California Revenue and Taxation Code (R&TC) Section 23701 _____ (insert letter) or Internal Revenue Code Section 501(c) _____ (insert number). If this entity ceases to be exempt from tax, I will promptly notify the withholding agent. Individuals cannot be tax-exempt entities.

☐ **Insurance Companies, Individual Retirement Arrangements (IRAs), or Qualified Pension/Profit-Sharing Plans:**
The entity is an insurance company, IRA, or a federally qualified pension or profit-sharing plan.

☐ **California Trusts:**
At least one trustee and one noncontingent beneficiary of the above-named trust is a California resident. The trust will file a California fiduciary tax return. If the trustee or noncontingent beneficiary becomes a nonresident at any time, I will promptly notify the withholding agent.

☐ **Estates — Certification of Residency of Deceased Person:**
I am the executor of the above-named person's estate or trust. The decedent was a California resident at the time of death. The estate will file a California fiduciary tax return.

☐ **Nonmilitary Spouse of a Military Servicemember:**
I am a nonmilitary spouse of a military servicemember and I meet the Military Spouse Residency Relief Act (MSRRA) requirements. See instructions for General Information E, MSRRA.

CERTIFICATE OF PAYEE: Payee must complete and sign below.

To learn about your privacy rights, how we may use your information, and the consequences for not providing the requested information, go to **ftb.ca.gov** and search for **privacy notice**. To request this notice by mail, call 800.852.5711.

Under penalties of perjury, I declare that I have examined the information on this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare under penalties of perjury that if the facts upon which this form are based change, I will promptly notify the withholding agent.

Type or print payee's name and title Beverly Correa, Vice President Telephone (415) 3158803

Payee's signature ▶ _____ Date 08/02/2017

[redacted] 7061173 [redacted] Form 590 C2 2016 [redacted]

File #: 22-670 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 12.

Report regarding adoption of an ordinance authorizing the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution. *(Sky Woodruff, City Attorney)*

RECOMMENDATION

It is recommended that the City Council waive reading beyond the title and adopt an ordinance authorizing the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution.

BACKGROUND/DISCUSSION

The City Council previously waived reading and introduced the following Ordinance:

Ordinance authorizing the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution.

(Introduced on July 27, 2022; Vote: 5 - 0).

The Ordinance is now ready for adoption.

The authority granted by this ordinance will only become effective if approved by a majority of the City's voters at the November 8, 2022 municipal election.

Agenda Item

12. 22-670 Report regarding adoption of an ordinance authorizing the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution. (Sky Woodruff, City Attorney)

Legislation Text

1 Public Comment

-

  Lien Uy at August 10, 2022 at 10:40am PDT

  Oppose
  The details on where the funding will come from to build, maintain and staff public housing are too vague. Will property tax payers, and renters who pay property taxes indirectly via rent, carry the costs? A loss of school funding will definitely be felt by all public school students and families. At the same time, SSFUSD has a $436 million school bond measure also on the November 2022 ballot, which would increase property taxes if passed. Think about the burden you are asking SSF residents to carry. Don't try to push something though for your own political gain and just so you can have this achievement. Don't treat SSF as a social experiment.

File #: 22-671 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 12a.

An ordinance authorizing the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution.

WHEREAS, Article XXXIV of the California Constitution ("Article 34") was approved in 1950 and requires local voter approval before a "state public body" may develop, construct, or acquire a "low rent housing project;" and

WHEREAS, a city is considered a "state public body' under Article 34; and

WHEREAS, under Article 34, a "low rent housing project" means any urban or rural dwellings, apartments or other living accommodations for low income residents, financed in whole or in part by a federal, state, or local government, including supplying labor, guaranteeing payment of liens, or other forms of financing; and

WHEREAS, the State mandated Regional Housing Needs Allocation includes affordable housing goals as described in the City's certified Housing Element; and

WHEREAS, the acquisition, development, and construction of low-income housing is consistent with the City's General Plan, including its Housing Element;

WHEREAS, this ordinance does not increase taxes, has no fiscal impact, and does not grant approval for any specific project, as each project would go through the public review process; and

WHEREAS, the authority granted by this ordinance is not a commitment to undertake any specific project; and

WHEREAS, CEQA review will be performed on any specific project undertaken pursuant to the authorization granted by this ordinance at the appropriate time; and

WHEREAS, based on all of the information presented at the January 12, February 16, May 11, July 13, and July 27, 2022 City Council meetings, both written and oral, including without limitation the staff reports, minutes, and other relevant materials (hereafter the "Record"), the City Council finds that under CEQA Guidelines 15060(c)(2), the authorization granted by this ordinance does not constitute a project under CEQA and therefore review under CEQA is not required; and

WHEREAS, the authority granted by this ordinance will only become effective if approved by a majority of the City's voters at the November 8, 2022 municipal election.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH SAN FRANCISCO, SUBJECT TO VOTER APPROVAL, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Incorporation of Recitals.
The City Council of South San Francisco, subject to voter approval, finds that all Recitals are true and correct

and are incorporated herein by reference.

SECTION 2. Title.
This voter approved ballot measure shall be known as the City of South San Francisco Article 34 Authorization Ordinance.

SECTION 3. Definitions
Whenever the following terms are used in this chapter, they shall have the meaning established by this section.

(a) "Article 34" shall mean Article XXXIV of the California Constitution.

(b) "City of South San Francisco" or "City" shall mean the City of South San Francisco of the State of California and shall include the City and any other City agency for which the City Council serves as the governing body.

(c) "Housing Unit" shall mean a residential dwelling designed for human occupation, and shall include but is not limited to apartments, condominiums, townhouses, single family homes, duplexes, and mobile homes.

(d) "Existing Housing Units" shall mean the total number of existing housing units in the City per year as determined by data released annually from the State of California Department of Finance.

(e) "Low-Income Persons" shall have the meaning of "persons of low income" as defined by Article 34.

(f) The terms "develop," "construct," and "acquire" shall be interpreted in accordance with Article 34, Health Safety Code Section 36000 et seq. and 37000 et seq., and any successor legislation thereto.

SECTION 4. Article 34 Authorization.
Consistent with Article 34 of the California Constitution, the City of South San Francisco is authorized to develop, construct, and/or acquire affordable, decent, and safe rental housing for low-income persons, including families, seniors, people with disabilities, and veterans, in an amount up to 1% of the total number of existing housing units in the City of South San Francisco annually for an eight (8) year period, with any year's unused units being carried over each year. At the end of the eight-year period, if all housing units authorized by this ordinance have not been developed, constructed, and/or acquired, then the City shall retain the authority to develop, construct, and/or acquire any housing units authorized by this ordinance that have not been developed, constructed, or acquired.

SECTION 5. Severability.
If any provision of this ordinance or the application thereof to any person or circumstances is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 6. Effective Date.
If this ordinance is approved by a majority of the voters voting on the issue at the November 8, 2022 election, pursuant to Elections Code Section 9217, this ordinance shall be considered adopted on that date and shall become effective 10 days after the City Council certifies the results of the election.

SECTION 7. Voter Approval Required.
This ordinance shall only become operative if the Article 34 authorization is approved by a simple majority of voters voting on the question at the November 8, 2022 election.

SECTION 8. Publication.
This ordinance shall be published once, with the names of those City Councilmembers voting for or against it, in a newspaper of general circulation in the City of South San Francisco, in accordance with Government Code Section 36933.

SECTION 9. Compliance with the California Environmental Quality Act
The approval of this ordinance is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 et seq. ("CEQA") and 14 Cal. Code Reg. §§ 15000 et seq. ("CEQA Guidelines"). This ordinance provides the City with authorization to develop, construct, and/or acquire affordable housing units; it does not grant approval for any specific project and is not a commitment to any particular action. As such, under CEQA Guidelines section 15060(c)(2), the ordinance is not a project within the meaning of CEQA because it will not result in a direct or reasonably foreseeable indirect physical change in the environment. CEQA review will be performed on any specific project undertaken pursuant to the authorization granted by this ordinance at the appropriate time. Therefore, pursuant to CEQA Guidelines section 15060, CEQA analysis is not required.

* * * * *

File #: 22-674 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 13.

Report regarding a Resolution authorizing up to two members of the City Council to submit an argument in favor of a proposed ballot measure seeking voter authorization for the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution and to submit a rebuttal argument if an argument against the measure is filed. (Sky Woodruff, City Attorney and Mike Futrell, City Manager)

RECOMMENDATION

It is recommended that the City Council consider whether to adopt a resolution authorizing up to two members of the City Council to submit an argument in favor of a ballot measure that City Council submitted to South San Francisco voters pursuant to Article XXXIV of the California Constitution to authorize the development, construction, or acquisition of low-income rental housing units, and to submit a rebuttal argument if an argument against the measure is submitted.

BACKGROUND AND DISCUSSION

At a special meeting on July 27, 2022, the City Council adopted a resolution submitting to South San Francisco voters a ballot measure regarding Article 34 authorization which would authorize the City to develop, construct, or acquire low-rent housing for a certain period of time. The proposed ballot measure, if adopted by the voters, would authorize the City to be able to construct or acquire 1% of the total number of existing housing units in the City for eight years. The eight-year period is intended to align with the City's Housing Element adoption cycle and the associated Regional Housing Allocation (RHNA) obligations.

The attached resolution authorizes up to two members of the City Council to submit an argument (and rebuttal, if necessary) on behalf of the City Council. The City Council may select at least one member-and no more than two-to file the argument. The argument may be signed by up to five people and may be any combination of members of the City Council, authorized representatives of bona fide associations, or individuals eligible to vote on the measure. The City Council only needs to select the authorized filer at this time. The composition of signers of the argument can be decided later. An argument authorized to be filed on behalf of the City Council will receive priority in selection by the City Clerk for inclusion in the voter information guide, if more than one argument were filed. The deadline to file the argument in favor of the measure is August 19, 2022.

RELATIONSHIP TO THE STRATEGIC PLAN

The first goal set out in the Housing Plan of the City's Housing Element is to promote the provision of housing by both the private and public sectors for all income groups in the community. This goal includes promoting the development of housing for extremely low-, very low-, and lower-income households. Submission of an Article 34 ballot measure question to the voters has the potential to contribute to this goal and would be consistent with the City's General Plan, including its Housing Element. Consequently, the proposed measure would help achieve the following goal/objective of the City's Strategic Plan: Initiative 2.3 - Promote a balanced mix of housing options.

FISCAL IMPACT

There is no fiscal impact associated with this action.

CONCLUSION

Staff recommends the City Council consider whether to adopt the attached resolution, which would authorize up to two members of the City Council to submit an argument in favor of a ballot measure that City Council submitted to South San Francisco voters pursuant to Article XXXIV of the California Constitution to authorize the development, construction, or acquisition of low-income rental housing units, and to submit a rebuttal argument if an argument against the measure is submitted.

File #: 22-675 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 13a.

Resolution authorizing up to two members of the City Council to submit an argument in favor of a proposed ballot measure seeking voter authorization for the City of South San Francisco to develop, construct, or acquire affordable, low-rent housing units pursuant to Article XXXIV of the California Constitution and to submit a rebuttal argument if an argument against the measure is filed.

WHEREAS, Article XXXIV of the California Constitution ("Article 34") was approved in 1950 and requires local voter approval before a "state public body" may develop, construct, or acquire a "low rent housing project;" and

WHEREAS, a city is considered a "state public body' under Article 34; and

WHEREAS, under Article 34, a "low rent housing project" means any urban or rural dwellings, apartments or other living accommodations for low income residents, financed in whole or in part by a federal, state, or local government, including supplying labor, guaranteeing payment of liens, or other forms of financing; and

WHEREAS, the City's State mandated Regional Housing Needs Allocation includes affordable housing goals as described in the City's certified Housing Element; and

WHEREAS, the acquisition, development, and construction of low-income housing is consistent with the City's General Plan, including its Housing Element; and

WHEREAS, the City Council has determined that the public interest would be well served by asking the voters of South San Francisco to authorize the City to develop, construct, and/or acquire affordable, decent, and safe rental housing for low-income persons, including seniors, people with disabilities, and veterans, in an amount up to 1% of the total number of existing housing units existing in the City of South San Francisco annually for an eight (8) year period, with any year's unused units being carried over each year; and

WHEREAS, voter approval of the ballot measure does not increase taxes, has no fiscal impact, and does not grant approval for any specific project, as each project would go through the public review process; and

WHEREAS, voter approval of the ballot measure is not a commitment to undertake any specific project; and

WHEREAS, at a special meeting on July 27, 2022, the City Council adopted a resolution submitting to the voters a measure pursuant to Article XXXIV that would authorize the City to develop, construct, or acquire low -income rental housing.

NOW, THEREFORE, BE IT RESOLVED by the City Council of South San Francisco that the Mayor [and Council Member or Vice Mayor _____] [or Council Member _____] [is/are] hereby authorized to file a written argument, not to exceed three hundred (300) words, in favor of the proposed measure, on behalf of the

City Council. At the discretion of the member(s) of the City Council authorized to file the argument, the argument may also be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote. In the event that an argument is filed against the measure, the member(s) of the City Council authorized to file an argument, is/are also authorized to file a rebuttal argument, not to exceed two hundred fifty (250) words, on behalf of the City Council. The rebuttal argument may also be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote, who are not required to be the same five people to signed the argument in favor of the measure.

File #: 22-668 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 14.

Report regarding approval and support of Assembly Bill 2407 (O'Donnell), Assembly Bill 1740 (Maratsuchi), Assembly Bill 2682 (Gray), Senate Bill 986 (Umberg), and Senate Bill 1087 (Gonzalez) to combat catalytic converter thefts (*Tamiko Huey, Management Analyst II*)

RECOMMENDATION

[It is recommended that City Council support AB 2407 (O'Donnell) and AB 1740 (Maratsuchi), Assembly Bill 2682 (Gray), Senate Bill 986 (Umberg), and Senate Bill 1087 (Gonzalez) to help discourage, prevent, and prosecute the growing crime of catalytic converter theft in California and South San Francisco.

BACKGROUND/DISCUSSION

Consistent with statewide and nationwide data, the City of South San Francisco Police Department has seen a dramatic increase in catalytic converter thefts. Between 2020 to 2021, South San Francisco experienced a 250 percent increase in catalytic converter thefts. Between January 2021 and June 2022, the Police Department has investigated 433 cases. The city is averaging 24.1 thefts or attempted thefts per month.

Catalytic converters are targeted by thieves because they are non-traceable, can be scrapped for a quick profit in less than ten minutes, and contain precious metals such as palladium, rhodium, and platinum. Metal theft becomes a broad scale issue when the price of metals themselves increase, which is usually coupled with hard economic times. Catalytic converters can be sold to metal dealers, scrap yards, and recyclers for hundreds of dollars. Today, prices of these precious metals have increased dramatically due to the short supply prior to the COVID-19 pandemic and recent supply chain issues. Victims of this theft end up paying as much as $3,000 to replace the stolen converter.

In California, existing laws make it extremely difficult for local law enforcement to stop the sale of stolen catalytic converters. These five measures, Assembly Bill 1740, Assembly Bill 2407, Assembly Bill 2682, Senate Bill 986, and Senate Bill 1087 are necessary to increase the tracking of catalytic converter sales and outline parameters for who may purchase or possess catalytic converters.

Assembly Bill 1740 (AB 1740)

Assembly Bill 1740 (Maratsuchi) requires a core recycler who accepts a catalytic converter to include a written record of the year, make, model, in addition to the vehicle identification number (VIN) of the vehicle and a copy of the title of the vehicle from which the catalytic converter was removed. The bill also prohibits a core recycler from entering a transaction to purchase or receive a catalytic converter from any person that is not a commercial enterprise or verifiable owner of the vehicle from which the catalytic converter was removed and requires a core recycler to verify specified information.

Support for AB 1740 includes: Alliance for Automotive Innovation, Auto Club of Southern California, California District Attorneys Association, California New Car Dealers Association, City of Oakland, City of Torrance, and National Insurance Crime Bureau.

To date, no opposition have been received.

Assembly Bill 2407 (AB 2407)
Assembly Bill 2407 (O'Donnell) requires a core recycler who accepts a catalytic converter for recycling to report the information in the specified written record to the Chief of Police or to the Sheriff, as specified; additionally it prohibits a core recycler from providing payment for the catalytic converter unless the recycler obtains a thumbprint of the seller and requires the recycler to maintain that thumbprint for a period of two years after the date of the sale; and requires a core recycler to request to receive theft alert notifications regarding the theft of catalytic converters in the core recycler's geographic region from the theft alert system, as specified.

Support for AB 2407 includes: Alliance for Automotive Innovation, City of Clovis, City of Downey, City of El Segundo, City of Elk Grove, City of La Mirada, City of Lakewood, City of Menifee, City of Paramount, City of Signal Hill, City of Torrance, City of Visalia, City of Wasco, City of Whittier, League of California Cities and Los Angeles Professional Peace Officers Association

To date, no opposition have been received.

Assembly Bill 2682 (AB 2682)
Assembly Bill 2682 (Gray) requires any automotive repair dealer that installs or replaces a catalytic converter on a vehicle to ensure that the catalytic converter is permanently marked with the vehicle identification number (VIN). Additionally, the bill requires a smog check inspection site to inspect the exterior of the catalytic converter, and if any, notify the customer whether or not the catalytic converter is permanently marked with the VIN of the vehicle being tested. Further, the bill prohibits a person from removing, altering, or obfuscating any VIN or other unique marking that has been added to a catalytic converter and prohibits a dealer or person holding a retail seller's permit from selling a new or used vehicle with a catalytic converter unless that catalytic converter has been permanently marked with the VIN of the vehicle on which it is being installed. Civil penalties will be imposed to those who violate the bill's provisions, which will increase as separate violations accumulate. Certain exemptions are made for situations that involve dealer to dealer wholesale auctions, among others.

Support for AB 2682 include: California District Attorneys Association, California New Car Dealers Association, Personal Insurance Federation of California and Valley Clean Air Now.

Opposition has been received by Automotive Innovation.

Senate Bill 986 (SB 986)
This bill prohibits a dealer or permitted retail seller from selling a new or used vehicle with a catalytic converter unless the catalytic converter has been engraved or etched with the vehicle identification number (VIN) of the vehicle to which it is attached. Relatedly, the bill requires a core recycler who accepts catalytic converters for recycling to maintain written records that contain a description of any catalytic converter the recycler purchases or sells that includes any unique identification number, VIN or any other identifying information etched or engraved on the catalytic converter. The author intends this bill to enable law enforcement to establish that a given catalytic converter was stolen, thereby leading to successful prosecution of the crime and, indirectly, reduction in the theft of catalytic converters.

Support for SB 986 include: Los Angeles District Attorney (Sponsor), Auto Club of Southern California (AAA), City of Beverly Hills, City of Buena Park, California Contract Cities Association, California District Attorneys Association, California Low-income Consumer Coalition, City of Long Beach, City of Rancho Palos

Verdes, Consumers for Auto Reliability & Safety, Fountain Valley Police Department, City of Huntington Beach, Insurance Auto Auctions, INC, City of Lakewood, City of Lasd, Orange County Sheriff's Department, Prosecutors Alliance California and Prosecutors Alliance of California.

Opposition have been received by Alliance for Automotive Innovation, California New Car Dealers Association, and National Auto Auction Association.

Senate Bill 1087 (SB 1087)
This bill prohibits a person from purchasing a used catalytic converter except from specified sellers and makes a violation of this prohibition punishable as an infraction. This bill also prohibits a core recycler from purchasing a catalytic converter from anyone other than these same specified sellers. Civil penalties, beginning at $1,000, will be imposed to those who violate the bill's provisions, which will increase as separate violations accumulate. Certain exemptions are made for situations that involve dealer to dealer wholesale auctions, among others.

Support for SB 1087 include: Alliance for Automotive Innovation, Auto Club of Southern California (AAA), California Association of Highway Patrolmen, California District Attorneys Association, California New Car Dealers Association, California Police Chiefs Association, California Vanpool Authority, City of Paramount, City of Rancho Palos Verdes, City of Lakewood, League of California Cities.

To date, no opposition have been received.

FISCAL IMPACT
Approval and support of AB 1740, AB 2407, AB 2682, SB 986, and SB 1087 holds no fiscal impact to the current FY 2022-23 Operating Budget.

RELATIONSHIP TO STRATEGIC PLAN
Approval and support of these two bills will contribute to the City's Strategic Plan under Priority #3: Public Safety-Skilled Police, Fire, Emergency Medical Service and Emergency Management.

CONCLUSION
Support of AB 1740, AB 2407, AB 2682, SB 986, and SB 1087 will address the dramatic rise in catalytic converter thefts in California's communities by establishing a more robust reporting system for the sale and transfer of these auto parts and target black-market sales, making it more

August 2, 2022

The Honorable Anthony Portantino
Chair, Senate Appropriations Committee
1021 0 Street, Suite 6240
Sacramento, CA 95814

RE: AB 1740 (Muratsuchi) Catalytic Converters
City of South San Francisco – Notice of Support

Dear Senator Portantino,

On behalf of the City of South San Francisco, I write in strong support of AB 1740 (Muratsuchi), which would establish methods of tracing for catalytic converters. Specifically, this bill requires a core recycler who accepts a catalytic converter to include a written record of the year, make, model, in addition to the vehicle identification number (VIN) of the vehicle and a copy of the title of the vehicle from which the catalytic converter was removed. Additionally, the bill prohibits a core recycler from entering into a transaction to purchase or receive a catalytic converter from any person that is not a commercial enterprise or verifiable owner of the vehicle from which the catalytic converter was removed and requires a core recycler to verify specified information.

The City of South San Francisco has seen a drastic uptick in catalytic converter theft in recent years. Stealing catalytic converters has become a common trend as it can take less than 10 minutes to remove one from the underside of a parked car. Scrap metal yards are paying as much as $1,000 for the stolen converters for their valuable materials such as platinum and palladium, while victims end up paying up to $3,000 to replace the stolen converter. What's more, manufacturers often exclude serial numbers when making the car part, adding another layer of ease for the criminal activity.

Catalytic converter theft has both large payoffs and often goes undetected because of a lack of tracing methods. When converters are stolen, victims must file police reports in order to activate insurance reimbursement, which strains existing public safety personnel resources, particularly when cases increase drastically.

AB 1740 adds common sense tools to prevent catalytic converter theft by adding specific traceable requirements and associating misdemeanor penalties for violators. The bill will help discourage, prevent, and prosecute the growing crime of catalytic converter theft in California.

For these reasons, the City of South San Francisco supports AB 1740.

Sincerely,

Mark Nagales
Mayor
City of South San Francisco

August 2, 2022

The Honorable Anthony Portantino
Chair, Senate Appropriations Committee
1021 0 Street, Suite 6240
Sacramento, CA 95814

RE: AB 2407 (O'Donnell) Vehicle tampering: theft of catalytic converters
City of South San Francisco – Notice of Support

Dear Senator Portantino,

On behalf of the City of South San Francisco, I write in strong support of AB 2407 (O'Donnell), which would establish methods of tracing for catalytic converters. Specifically, this bill requires a core recycler who accepts a catalytic converter for recycling to report the information in the specified written record to the chief of police or to the sheriff. Additionally, the bill prohibits a core recycler form providing payment for a catalytic converter unless the recycler obtains a thumbprint of the seller and maintains records of that thumbprint for a period of two years after the date of the sale. Finally, the bill requires a core recycler to request to receive theft alert notifications regarding the theft of catalytic converters in the core recycler's geographic region.

The City of South San Francisco has seen a drastic uptick in catalytic converter theft in recent years. Stealing catalytic converters has become a common trend as it can take less than 10 minutes to remove one from the underside of a parked car. Scrap metal yards are paying as much as $1,000 for the stolen converters for their valuable materials such as platinum and palladium, while victims end up paying up to $3,000 to replace the stolen converter. What's more, manufacturers often exclude serial numbers when making the car part, adding another layer of ease for the criminal activity.

Catalytic converter theft has both large payoffs and often goes undetected because of a lack of tracing methods. When converters are stolen, victims must file police reports in order to activate insurance reimbursement, which strains existing public safety personnel resources, particularly when cases increase drastically.

AB 2407 adds common sense tools to prevent catalytic converter theft by adding specific traceable requirements and associating misdemeanor penalties for violators. The bill will help discourage, prevent, and prosecute the growing crime of catalytic converter theft in California.

For these reasons, the City of South San Francisco supports AB 2407.

Sincerely,

Mark Nagales
Mayor
City of South San Francisco

August 2, 2022

The Honorable Anthony Portantino
Chair, Senate Appropriations Committee
1021 0 Street, Suite 6240
Sacramento, CA 95814

RE: AB 2682 (Gray) Catalytic Converters
City of South San Francisco – Notice of Support

Dear Senator Portantino,

On behalf of the City of South San Francisco, I write in strong support of AB 2682 (Gray), which requires any automotive repair dealer that installs or replaces a catalytic converter on a vehicle to ensure that the catalytic converter is permanently marked with the vehicle identification number (VIN) . Additionally, the bill requires a smog check inspection site to inspect the exterior of the catalytic converter, and if any, notify the customer whether or not the catalytic converter is permanently marked with the VIN of the vehicle being tested. Further, the bill prohibits a person from removing, altering, or obfuscating any VIN or other unique marking that has been added to a catalytic converter and prohibits a dealer or person holding a retail seller's permit from selling a new or used vehicle with a catalytic converter unless that catalytic converter has been permanently marked with the VIN of the vehicle on which it is being installed.

The City of South San Francisco has seen a drastic uptick in catalytic converter theft in recent years. Stealing catalytic converters has become a common trend as it can take less than 10 minutes to remove one from the underside of a parked car. Scrap metal yards are paying as much as $1,000 for the stolen converters for their valuable materials such as platinum and palladium, while victims end up paying up to $3,000 to replace the stolen converter. What's more, manufacturers often exclude serial numbers when making the car part, adding another layer of ease for the criminal activity.

Catalytic converter theft has both large payoffs and often goes undetected because of a lack of tracing methods. When converters are stolen, victims must file police reports in order to activate insurance reimbursement, which strains existing public safety personnel resources, particularly when cases increase drastically.

AB 2682 adds common sense tools to prevent catalytic converter theft by adding specific traceable requirements and associating misdemeanor penalties for violators. The bill will help discourage, prevent, and prosecute the growing crime of catalytic converter theft in California.

For these reasons, the City of South San Francisco supports AB 2682.

Sincerely,

Mark Nagales
Mayor
City of South San Francisco

August 3, 2022

The Honorable Chris Holden
Chair, Assembly Appropriations Committee
1021 0 Street, Suite 6860
Sacramento, CA 95814

RE: SB 986 (Umberg) Vehicles: catalytic converters.
City of South San Francisco – Notice of Support

Dear Assembly Member Holden,

On behalf of the City of South San Francisco, I write in strong support of SB 986, which would establish methods of tracing for catalytic converters. Specifically, this bill would require core recyclers to provide payment for a catalytic converter only in traceable methods, meaning no cash or checks. Additionally, the bill would prohibit a dealer or retailer from selling a new motor vehicle equipped with a catalytic converter unless the catalytic converter has been engraved or etched with the vehicle identification number of the vehicle to which it is attached.

The City of South San Francisco has seen a drastic uptick in catalytic converter theft in recent years. Stealing catalytic converters has become a common trend as it can take less than 10 minutes to remove one from the underside of a parked car. Scrap metal yards are paying as much as $1,000 for the stolen converters for their valuable materials such as platinum and palladium, while victims end up paying up to $3,000 to replace the stolen converter. What's more, manufacturers often exclude serial numbers when making the car part, adding another layer of ease for the criminal activity.

Catalytic converter theft has both large payoffs and often goes undetected because of a lack of tracing methods. When converters are stolen, victims must file police reports in order to activate insurance reimbursement, which strains existing public safety personnel resources, particularly when cases increase drastically.

SB 986 adds common sense tools to prevent catalytic converter theft by adding specific traceable requirements and associating misdemeanor penalties for violators. The bill will help discourage, prevent, and prosecute the growing crime of catalytic converter theft in California.

For these reasons, the City of South San Francisco supports SB 986.

Sincerely,

Mark Nagales
Mayor
City of South San Francisco

August 3, 2022

The Honorable Chris Holden
Chair, Assembly Appropriations Committee
1021 0 Street, Suite 6860
Sacramento, CA 95814

RE: SB 1087 (Gonzales) Catalytic Converters
City of South San Francisco – Notice of Support

Dear Assembly Member Holden,

On behalf of the City of South San Francisco, I write in strong support of SB 1087 (Gonzales), which prohibits a person from purchasing a used catalytic converter except from specified sellers and makes a violation of this prohibition punishable as an infraction. This bill also prohibits a core recycler from purchasing a catalytic converter from anyone other than these same specified sellers and imposes civil penalties on those who violate the bill's provisions.

The City of South San Francisco has seen a drastic uptick in catalytic converter theft in recent years. Stealing catalytic converters has become a common trend as it can take less than 10 minutes to remove one from the underside of a parked car. Scrap metal yards are paying as much as $1,000 for the stolen converters for their valuable materials such as platinum and palladium, while victims end up paying up to $3,000 to replace the stolen converter. What's more, manufacturers often exclude serial numbers when making the car part, adding another layer of ease for the criminal activity.

Catalytic converter theft has both large payoffs and often goes undetected because of a lack of tracing methods. When converters are stolen, victims must file police reports in order to activate insurance reimbursement, which strains existing public safety personnel resources, particularly when cases increase drastically.

SB 1087 adds common sense tools to prevent catalytic converter theft by adding specific traceable requirements and associating misdemeanor penalties for violators. The bill will help discourage, prevent, and prosecute the growing crime of catalytic converter theft in California.

For these reasons, the City of South San Francisco supports SB 1087.

Sincerely,

Mark Nagales
Mayor
City of South San Francisco

File #: 22-653 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 15.

Report regarding adoption of an ordinance adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and adoption of an urgency ordinance to immediately establish a temporary prohibition of the unlawful possession of used catalytic converters and establishing penalties for violation. (*Sky Woodruff, City Attorney)*

RECOMMENDATION

It is recommended that the City Council introduce and waive reading of an ordinance adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and adopt an urgency ordinance to immediately establish a temporary prohibition of the unlawful possession of used catalytic converters and establishing penalties for violation.

BACKGROUND/DISCUSSION

Catalytic converter thefts have increased in South San Francisco over the past three years, with 75 reported incidents in 2020, 296 reported incidents in 2021, and 137 reported incidents since the beginning of 2022. These thefts continue to rise because individuals are incentivized to commit catalytic converter thefts for multiple reasons including, but not limited to:

(1) The ease and undetectable nature of committing the thefts in a matter of seconds using common tools such as a reciprocating saw,
(2) The ability to recycle catalytic converters at scrap metal yards for high dollar returns ranging from $200 to $1,200 per catalytic converter, and
(3) Loopholes in legislation protecting criminals from prosecution unless a victim can be identified.

Lawmakers have recognized that catalytic converter theft is a growing problem that imposes both serious financial harm on, and impacts on the mobility of, California motorists who fall victim to this crime. Individuals who steal catalytic converters recycle them for substantial profit while victims of these thefts suffer economic and other consequences, including missing work or school upon discovering their catalytic converter has been stolen, paying thousands of dollars in repairs for parts and labor costs, the time and inconvenience of repairing their vehicles, and feeling unsafe in the community.

Individuals who steal catalytic converters often do so overnight. When a theft occurs in front of the victim's home, or in their driveway, this can increase the risk of victim intervention and confrontation while the theft is ongoing and could create dangerous circumstances for individuals who try to intervene. There is currently no City, State, or Federal legislation applicable within the City of South San Francisco to define and punish catalytic converter thefts absent an identifiable victim. Finding a victim of catalytic converter thefts is nearly impossible due to the fact that catalytic converters generally have no identifying markers. There is also currently no City, State, or Federal legislation applicable within the City of South San Francisco requiring individuals to provide proof to law enforcement as to how they obtained catalytic converters, thus limiting law

enforcement's ability to protect the public by preventing catalytic converter thefts and preventing law enforcement from seizing suspected stolen catalytic converters when no victim is present.

Staff continue to monitor a number of pending legislative bills aimed towards regulating vehicle dealers and retailers that install or replace catalytic converters, as well as those aimed towards improving effective enforcement and prosecution of catalytic converter theft, including Assembly Bill ("AB") 1984, introduced February 2022. If adopted, AB 1984 would prohibit the purchase, sale, receipt, or possession of a stolen catalytic converter, and a peace officer would not be required to have actual knowledge that the catalytic converter is stolen to establish probable cause for arrest, and circumstantial evidence may be used to prove the stolen nature of the catalytic converter.

Legislation aimed at regulating catalytic converter thefts would assist the South San Francisco community in a number of ways, including:

(1) Deterring criminals by establishing zero-tolerance for catalytic converter thefts,
(2) Punishing the possession of stolen catalytic converters,
(3) Preventing criminals from profiting from the sale and recycling of stolen catalytic converters,
(4) Providing justice to the victims of catalytic converters whose cases would otherwise go unsolved,
(5) Reducing crime statistics which have been substantially negatively impacted by catalytic converter thefts, and
(6) Minimizing the fiscal and personnel impact on the City of South San Francisco invested in deterring and investigating catalytic converter thefts.

Staff propose adoption of an ordinance to add Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of any used catalytic converter that is not attached to a vehicle unless the possessor has valid documentation or other proof to verify they are in lawful possession of the catalytic converter. A regular ordinance must be read and introduced at a first Council meeting, read and adopted at a second Council meeting, and then would not be effective until 30 days after adoption.

Due to the number of catalytic converter thefts in South San Francisco and the urgency of this issue, in addition to recommending adoption of a regular ordinance, staff recommend Council also adopt an urgency ordinance. An urgency ordinance would go into effect immediately, which would provide the South San Francisco Police Department with clearly established legal authority to immediately protect the public and deter this criminal activity by establishing a temporary prohibition on the possession of used catalytic converters. California Government Code Section 36937 authorizes the City Council to introduce and adopt an ordinance it declares to be necessary as an emergency measure to preserve the public peace, health, and safety at one and the same meeting if passed by at least four-fifths affirmative votes. Because there is an urgent need for the City to immediately take action to help deter these crimes in order to preserve public health, safety and welfare given the negative economic impacts and safety risks resulting from the significant number of catalytic converter thefts in the City, staff also recommend the adoption of an urgency ordinance to establish a temporary prohibition on the unlawful possession of used catalytic converters.

Both the regular ordinance and urgency ordinance would establish that it is unlawful to possess any used catalytic converter that is not attached to a vehicle unless the possessor has valid documentation or other proof

to verify they are in lawful possession of the catalytic converter.

“Used catalytic converter” would be defined as any catalytic converter that has at any point been installed in a vehicle. “Lawful possession” would require being the lawful owner of the catalytic converter or be in possession of the catalytic converter with the lawful owner’s written consent, but does not require proof that the catalytic converter was stolen to establish the possession is not a lawful possession. A person would be required to show “documentation or other proof” to verify they are in lawful possession, which includes (i) a certificate of title or certificate of registration showing the possessor’s legal interest in the vehicle from which the catalytic converter was detached that matches the vehicle identification number permanently marked on the catalytic converter; (ii) written authorization, including the vehicle identification number, from the person or entity that holds the certificate of title or certificate of registration of the vehicle from which the catalytic converter was detached; or (iii) evidence the catalytic converter was acquired in a lawful transaction pursuant to the requirements of Section 21610 of the Business and Professions Code.

Any violation of the Chapter would be punishable by a misdemeanor, which may include a fine or imprisonment, or both. A fine may not exceed one-thousand dollars ($1000), and imprisonment may not exceed six (6) months.

Other cities in California have adopted a similar ordinance, including the cities of Vallejo, Huntington Beach, and Carlsbad.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

FISCAL IMPACT

The adoption of this ordinance will have no impact on the City's budget.

CONCLUSION

It is recommended that the City Council introduce and waive reading of an ordinance adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and adopt an urgency ordinance to immediately establish a temporary prohibition of the unlawful possession of used catalytic converters and establishing penalties for violation.

File #: 22-654 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 15a.

Ordinance of the City of South San Francisco adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and establishing penalties for violation.

WHEREAS, catalytic converter thefts have increased in South San Francisco over the past three years, with 75 reported incidents in 2020, 296 reported incidents in 2021, and 137 reported incidents since the beginning of 2022; and

WHEREAS, catalytic converter thefts continue to rise because individuals are incentivized to commit catalytic converter thefts for multiple reasons including, but not limited to: (1) the ease and undetectable nature of committing the thefts in a matter of seconds using common tools such as a reciprocating saw, (2) the ability to recycle catalytic converters at scrap metal yards for high dollar returns ranging from $200 to $1,200 per catalytic converter, and (3) loopholes in legislation protecting criminals from prosecution unless a victim can be identified; and

WHEREAS, finding a victim of catalytic converter thefts upon recovery of a catalytic converter is nearly impossible due to the fact that catalytic converters generally have no identifying markers; and

WHEREAS, lawmakers have recognized that catalytic converter theft is a growing problem that imposes both serious financial harm on, and impacts on the mobility of, California motorists who fall victim to this crime; and

WHEREAS, individuals who steal catalytic converters recycle them for substantial profit while victims of these thefts suffer economic and other consequences, including missing work or school upon discovering their catalytic converter has been stolen, paying thousands of dollars in repairs for parts and labor costs, the time and inconvenience of repairing their vehicles, and feeling unsafe in the community; and

WHEREAS, individuals who steal catalytic converters often do so overnight, and when a theft occurs in front of the victim's home, or in their driveway, this can increase the risk of victim intervention and confrontation while the theft is ongoing and could create dangerous circumstances for individuals who try to intervene; and

WHEREAS, there is currently no City, State, or Federal legislation applicable within the City of South San Francisco to define and punish catalytic converter thefts absent an identifiable victim; and

WHEREAS, there is currently no City, State, or Federal legislation applicable within the City of South San Francisco requiring individuals to provide proof to law enforcement as to how they obtained catalytic converters, thus limiting law enforcement's ability to protect the public by preventing catalytic converter thefts and preventing law enforcement from seizing suspected stolen catalytic converters when no victim is present;

and

WHEREAS, the City continues to monitor a number of pending legislative bills aimed towards regulating vehicle dealers and retailers that install or replace catalytic converters, as well as those aimed towards improving effective enforcement and prosecution of catalytic converter theft, including Assembly Bill 1984, introduced February 2022, which, if adopted, would prohibit the purchase, sale, receipt, or possession of a stolen catalytic converter, and a peace officer would not be required to have actual knowledge that the catalytic converter is stolen to establish probable cause for arrest, and circumstantial evidence could be used to prove the stolen nature of the catalytic converter; and

WHEREAS, the citizens of South San Francisco and the South San Francisco Police Department are in urgent need of legislation aimed at regulating catalytic converter thefts for multiple reasons including, but not limited to: (1) deterring criminals by immediately establishing zero-tolerance for catalytic converter thefts, (2) punishing the possession of stolen catalytic converters, (3) preventing criminals from profiting from the sale and recycling of stolen catalytic converters, (4) providing justice to the victims of catalytic converters whose cases would otherwise go unsolved, (5) reducing crime statistics which have been substantially negatively impacted by catalytic converter thefts, and (6) minimizing the fiscal and personnel impact on the City of South San Francisco invested in deterring and investigating catalytic converter thefts; and

WHEREAS, the California Constitution, Article XI, Section 7, provides cities and counties with the authority to enact ordinances to protect the health, safety, and general welfare, of their citizens; and

WHEREAS, this Ordinance is necessary to provide the South San Francisco Police Department with clearly established legal authority to protect the public and deter this criminal activity by establishing a prohibition on the unlawful possession of used catalytic converters; and

WHEREAS, the City Council finds and determines that there is a need to preserve public health, safety and welfare given the negative economic impacts and safety risks resulting from the significant number of catalytic converter thefts in the City; and

WHEREAS, this Ordinance is meant to prohibit the unlawful possession of any used catalytic converter that is not attached to a vehicle unless the possessor has valid documentation or other proof to verify they are in lawful possession of the catalytic converter, and to deter thefts and prevent the economic and safety consequences of catalytic converter thefts thereby serving the public peace, health, safety, and public welfare.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH SAN FRANCISCO, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Findings
The City Council of the City of South San Francisco finds that all Recitals are true and correct and incorporated herein by reference.

SECTION 2. Adoption of Chapter 10.74 for the Unlawful Possession of Used Catalytic Converter.

Chapter 10.74 Prohibiting the Unlawful Possession of Used Catalytic Converter

Section 10.74.010 Unlawful Possession of a Used Catalytic Converter.

A. It shall be unlawful to possess any used catalytic converter that is not attached to a vehicle unless the possessor has valid documentation or other proof to verify they are in lawful possession of the catalytic converter.

B. A used catalytic converter is any catalytic converter that has at any point been installed in a vehicle.

C. For purposes of this section, a lawful possession includes being the lawful owner of the catalytic converter or in possession of the catalytic converter with the lawful owner's written consent. It is not required to prove the catalytic converter was stolen to establish the possession is not a lawful possession.

D. For purposes of this section, documentation or other proof means (i) a certificate of title or certificate of registration showing the possessor's legal interest in the vehicle from which the catalytic converter was detached that matches the vehicle identification number permanently marked on the catalytic converter; (ii) written authorization, including the vehicle identification number, from the person or entity that holds the certificate of title or certificate of registration of the vehicle from which the catalytic converter was detached; or (iii) evidence the catalytic converter was acquired in a lawful transaction pursuant to the requirements of Section 21610 of the Business and Professions Code.

Section 10.74.020 Violations; Penalty

A. Any person violating any of the provisions of this chapter shall be deemed guilty of a misdemeanor and, upon conviction, such person shall be punished as provided in Section 36901 of the California Government Code.

B. Each and every violation of this chapter shall constitute a distinct and separate offense, is declared to be a public nuisance, and shall be subject to all remedies and enforcement measures authorized by the South San Francisco Municipal Code. Each and every catalytic converter unlawfully possessed is a separate violation of this chapter.

SECTION 3. Severability.

If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, the remainder of this Ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 4. Effective Date and Term.
This Ordinance shall become effective 30 days after its passage.

SECTION 5. Compliance with the California Environmental Quality Act.
The City Council hereby finds approval of this Ordinance is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 *et seq.*, "CEQA," and 14 Cal. Code Reg. §§ 15000 *et seq.*, "CEQA Guidelines") under Section 15061(b)(3) of the CEQA Guidelines.

SECTION 6. Publication.

Pursuant to the provisions of Government Code Section 36933, a summary of this Ordinance shall be prepared by the City Attorney. Within fifteen (15) days after the adoption of this Ordinance, the City Clerk shall (1) publish the summary, and (2) post in the City Clerk's Office a certified copy of the full text of this Ordinance along with the names of those City Council members voting for and against this Ordinance or otherwise voting.

* * * * *

File #: 22-655 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 15b.

Urgency ordinance of the City of South San Francisco temporarily adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and establishing penalties for violation.

WHEREAS, catalytic converter thefts have increased in South San Francisco over the past three years, with 75 reported incidents in 2020, 296 reported incidents in 2021, and 137 reported incidents since the beginning of 2022; and

WHEREAS, catalytic converter thefts continue to rise because individuals are incentivized to commit catalytic converter thefts for multiple reasons including, but not limited to: (1) the ease and undetectable nature of committing the thefts in a matter of seconds using common tools such as a reciprocating saw, (2) the ability to recycle catalytic converters at scrap metal yards for high dollar returns ranging from $200 to $1,200 per catalytic converter, and (3) loopholes in legislation protecting criminals from prosecution unless a victim can be identified; and

WHEREAS, finding a victim of catalytic converter thefts upon recovery of a catalytic converter is nearly impossible due to the fact that catalytic converters generally have no identifying markers; and

WHEREAS, lawmakers have recognized that catalytic converter theft is a growing problem that imposes both serious financial harm on, and impacts on the mobility of, California motorists who fall victim to this crime; and

WHEREAS, individuals who steal catalytic converters recycle them for substantial profit while victims of these thefts suffer economic and other consequences, including missing work or school upon discovering their catalytic converter has been stolen, paying thousands of dollars in repairs for parts and labor costs, the time and inconvenience of repairing their vehicles, and feeling unsafe in the community; and

WHEREAS, individuals who steal catalytic converters often do so overnight, and when a theft occurs in front of the victim's home, or in their driveway, this can increase the risk of victim intervention and confrontation while the theft is ongoing and could create dangerous circumstances for individuals who try to intervene; and

WHEREAS, there is currently no City, State, or Federal legislation applicable within the City of South San Francisco to define and punish catalytic converter thefts absent an identifiable victim; and

WHEREAS, there is currently no City, State, or Federal legislation applicable within the City of South San Francisco requiring individuals to provide proof to law enforcement as to how they obtained catalytic converters, thus limiting law enforcement's ability to protect the public by preventing catalytic converter thefts and preventing law enforcement from seizing suspected stolen catalytic converters when no victim is present;

and

WHEREAS, the City continues to monitor a number of pending legislative bills aimed towards regulating vehicle dealers and retailers that install or replace catalytic converters, as well as those aimed towards improving effective enforcement and prosecution of catalytic converter theft, including Assembly Bill 1984, introduced February 2022, which, if adopted, would prohibit the purchase, sale, receipt, or possession of a stolen catalytic converter, and a peace officer would not be required to have actual knowledge that the catalytic converter is stolen to establish probable cause for arrest, and circumstantial evidence could be used to prove the stolen nature of the catalytic converter; and

WHEREAS, the citizens of South San Francisco and the South San Francisco Police Department are in urgent need of legislation aimed at regulating catalytic converter thefts for multiple reasons including, but not limited to: (1) deterring criminals by immediately establishing zero-tolerance for catalytic converter thefts, (2) punishing the possession of stolen catalytic converters, (3) preventing criminals from profiting from the sale and recycling of stolen catalytic converters, (4) providing justice to the victims of catalytic converters whose cases would otherwise go unsolved, (5) reducing crime statistics which have been substantially negatively impacted by catalytic converter thefts, and (6) minimizing the fiscal and personnel impact on the City of South San Francisco invested in deterring and investigating catalytic converter thefts; and

WHEREAS, there is an urgent need for the City to immediately establish a temporary prohibition on the possession of used catalytic converters to help deter these crimes; and

WHEREAS, the California Constitution, Article XI, Section 7, provides cities and counties with the authority to enact ordinances to protect the health, safety, and general welfare, of their citizens; and

WHEREAS, California Government Code Section 36937 authorizes the City Council to introduce and adopt an ordinance it declares to be necessary as an emergency measure to preserve the public peace, health, and safety at one and the same meeting if passed by at least four-fifths affirmative votes; and

WHEREAS, this Urgency Ordinance is necessary to provide the South San Francisco Police Department with clearly established legal authority to immediately protect the public and deter this criminal activity by establishing a temporary prohibition on the unlawful possession of used catalytic converters; and

WHEREAS, the City Council finds and determines that there is an immediate need to preserve public health, safety and welfare given the negative economic impacts and safety risks resulting from the significant number of catalytic converter thefts in the City; and

WHEREAS, this Urgency Ordinance is meant to prohibit the unlawful possession of any used catalytic converter that is not attached to a vehicle unless the possessor has valid documentation or other proof to verify they are in lawful possession of the catalytic converter, and to deter thefts and prevent the economic and safety consequences of catalytic converter thefts thereby serving the public peace, health, safety, and public welfare.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH SAN FRANCISCO, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Findings

The City Council of the City of South San Francisco finds that all Recitals are true and correct and incorporated herein by reference.

SECTION 2. Urgency Findings.

The City Council of the City of South San Francisco hereby finds that there is a current and immediate threat to the public health, safety and/or welfare and a need for immediate preservation of the public peace, health, or safety that warrants this urgency measure, which finding is based upon the facts stated in the Recitals above, and the accompanying staff report, as well as any oral and written testimony at the August 10, 2022 City Council meeting.

This Ordinance and any prohibition that may be established thereunder is declared by the City Council to be an urgency measure necessary for the immediate preservation of the public peace, health or safety. The facts constituting such urgency are all of those certain facts set forth and referenced in this Ordinance and the entirety of the record before the City Council.

SECTION 3. Temporary Adoption of Chapter 10.74 for the Unlawful Possession of Used Catalytic Converter.

Chapter 10.74 Prohibiting the Unlawful Possession of Used Catalytic Converter

Section 10.74.010 Unlawful Possession of a Used Catalytic Converter.

A. It shall be unlawful to possess any used catalytic converter that is not attached to a vehicle unless the possessor has valid documentation or other proof to verify they are in lawful possession of the catalytic converter.

B. A used catalytic converter is any catalytic converter that has at any point been installed in a vehicle.

C. For purposes of this section, a lawful possession includes being the lawful owner of the catalytic converter or in possession of the catalytic converter with the lawful owner's written consent. It is not required to prove the catalytic converter was stolen to establish the possession is not a lawful possession.

D. For purposes of this section, documentation or other proof means (i) a certificate of title or certificate of registration showing the possessor's legal interest in the vehicle from which the catalytic converter was detached that matches the vehicle identification number permanently marked on the catalytic converter; (ii) written authorization, including the vehicle identification number, from the person or entity that holds the certificate of title or certificate of registration of the vehicle from which the catalytic converter was detached; or (iii) evidence the catalytic converter was acquired in a lawful transaction pursuant to the requirements of Section 21610 of the Business and Professions Code.

Section 10.74.020 Violations; Penalty

A. Any person violating any of the provisions of this chapter shall be deemed guilty of a misdemeanor and, upon conviction, such person shall be punished as provided in Section 36901 of the California Government Code.

B. Each and every violation of this chapter shall constitute a distinct and separate offense, is declared to be a public nuisance, and shall be subject to all remedies and enforcement measures authorized by the South San Francisco Municipal Code. Each and every catalytic converter unlawfully possessed is a separate violation of this chapter.

SECTION 4. Severability.

If any provision of this Urgency Ordinance or the application thereof to any person or circumstance is held invalid, the remainder of this Urgency Ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 5. Effective Date and Term.
This Urgency Ordinance shall become effectively immediate upon its adoption pursuant to California Government Code Section 36937. This Urgency Ordinance shall expire thirty (30) days from the date the South San Francisco City Council adopts an ordinance adding Chapter 10.74 to Title 10 (Public Peace, Morals and Safety) of the South San Francisco Municipal Code to prohibit the unlawful possession of used catalytic converters in the City and establishing penalties for violation, unless such term is otherwise specifically amended by the City Council.

SECTION 6. Compliance with the California Environmental Quality Act.
The City Council hereby finds approval of this Ordinance is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 *et seq.*, "CEQA," and 14 Cal. Code Reg. §§ 15000 *et seq.*, "CEQA Guidelines") under Section 15061(b)(3) of the CEQA Guidelines. This is an emergency response measure aimed at deterring the theft of catalytic converters in the City. No new development will result from the proposed action and the temporary regulation. No impact to the physical environment will result.

SECTION 7. Publication.
Pursuant to the provisions of Government Code Section 36933, a summary of this Ordinance shall be prepared by the City Attorney. Within fifteen (15) days after the adoption of this Ordinance, the City Clerk shall (1) publish the summary, and (2) post in the City Clerk's Office a certified copy of the full text of this Ordinance along with the names of those City Council members voting for and against this Ordinance or otherwise voting.

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File #: 22-666 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 16.

Report regarding receipt of an Impact Report on a Citizens Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs and adoption of a Resolution Calling for the submission to South San Francisco voters of an Initiative Ordinance to Enact an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs at the General Municipal Election of November 8, 2022, establishing the schedule for submission of Ballot Arguments, and Authorizing the County of San Mateo Elections Division to Conduct the election. (Mike Futrell, City Manager; Sharon Ranals, Assistant City Manager; Sky Woodruff, City Attorney)

RECOMMENDATION

Staff recommends the City Council 1.) Receive a report regarding the potential impacts of an Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs, and 2.) Consider whether or not to adopt a Resolution Calling for the Submission to South San Francisco voters of an Initiative Ordinance to Enact an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs, Establishing the Schedule for Submission of Ballot Arguments and Authorizing the County of San Mateo to Conduct the Election.

BACKGROUND/DISCUSSION

Qualification and Election Process

At the City Council meeting of July 13, 2022, Council received a report regarding adoption of Resolution #22-567 accepting a Certificate of Sufficiency of Signatures on a Petition for an Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs. The Report provided a history of the number of signatures received, and the sequence of submittals and actions which were required for the Initiative to qualify for the Certificate of Sufficiency of Signatures. The Resolution was approved.

The Council deferred taking action calling for the initiative to be placed on the November 8, 2022, ballot to the meeting of August 10, 2022. Pursuant to Elections Code Section 9212, the Council requested that staff provide a 9212 Impact Report of the effects of the Initiative within 30 days, which is attached to this Staff Report and discussed briefly in the section below.

This Report also provides a resolution which authorizes placement of the Initiative on the ballot. The resolution does two additional things. First, it establishes the deadlines for submission of arguments for/against the Initiative, and the deadline for rebuttal arguments. If the election is called on November 8, 2022, arguments for and against the Initiative would be due by 5:00 pm on August 19. Per Elections Code Section 9285, a rebuttal argument of 250 words would be due by 5:00 pm on August 29. Finally, the resolution calls for the County to conduct the election.

The City Council has the option to authorize up to two members to file an argument against the Initiative and a rebuttal if an argument in favor of the Initiative is submitted. If more than one argument against the Initiative is submitted, the one submitted on behalf of the City Council will receive priority for inclusion in the voter information guide. Up to five people may sign the argument. None of the five is required to be a member of Council, the argument just needs to be filed on behalf of the Council. Up to five different people may sign the rebuttal. Council is not required to file an argument against the Initiative.

9212 Impact Report
The City retained two economic consulting firms with specialized expertise to provide professional and neutral analysis of the implications of the Initiative should it pass.

- Strategic Economics, who specialize in market and development feasibility analysis, fiscal and economic impacts, and public finance, and has also worked on analysis for the Shape SSF General Plan, was asked to evaluate the revenues and business impacts of the parcel tax component. They were able to leverage some of the data that was gathered through research for the general plan update.
- Brion Economics, has expertise in child care planning and economic analysis and is currently working on the San Mateo County Child Care Needs Assessment. The firm was asked to utilize the revenue projections provided by Strategic Economics and estimate the number of children eligible for preschool and estimated number to be served; determine a weighted average tuition cost; estimate the cost of providing preschool at no cost, including the cost of prescribed preschool staff wage enhancements; consider administrative costs; and determine if available revenue would cover the cost of serving eligible children.

Both firms produced a report explaining their assumptions, methodology, and findings, each with an executive summary. The studies conducted by these consultants was informed and vetted by City staff from the City Manager's Office, Economic and Community Development, Finance, Human Resources, Parks and Recreation, and the City Attorney. Staff also utilized data and recommendations from the South San Francisco Child Care Master Plan, adopted by City Council on June 8, 2022. The Master Plan focuses on children aged 0 - 12, within a time frame of 2020-2030. The consultant reports have been compiled to provide the 9212 Impact Report, which is attached.

Several specific questions about the potential impact of the measure were submitted and by City Council members and researched by staff. This information has been attached to the 9212 Impact Report.

Representatives from these firms will attend the Council meeting to present their findings and respond to questions.

FISCAL IMPACT
The budgeted cost of conducting the 2022 municipal election through the County of San Mateo is $200,000, which includes the anticipated cost of a citizen initiative. This estimate is based upon the highly variable costs of the respective 2015, 2018, and 2020 elections. As with previous elections, the final cost of the election is not available until the County issues the invoice in February of the following year.

Financial implications of implementing the Initiative, should it pass, will depend on a host of variables that are not known at this time, including the actual number of children who enroll in funded preschool, provider participation in the program, administrative structure, legal and auditing expenses, etc. The attached Impact Report identifies assumptions and discusses estimated revenues and costs to help inform City Council and

voters.

RELATIONSHIP TO STRATEGIC PLAN

The City's Municipal Election will promote community participation and strengthen collaboration with County partners by contributing to the City's Strategic Plan Priority No. 6 - Community Connections.

CONCLUSION

Staff recommends the City Council 1.) Receive a report regarding the potential impacts of an Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs, and 2.) Consider adopting a Resolution Calling for the Submission to South San Francisco voters of the Initiative Ordinance, Establishing the Schedule for Submission of Ballot Arguments and Authorizing the County of San Mateo to Conduct the Election.

Attachments:

1. 9212 Impact Report on the Proposed Early Learning and Care Parcel Tax Initiative
2. Strategic Economics Presentation, South San Francisco Parcel Tax Analysis
3. Brion Economics (BEI) Presentation, Financial Analysis of the Proposed Early Learning and Care Parcel Tax Initiative

5176164.1

ELECTIONS CODE SECTION 9212
Impact Report on Citizens Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs

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Presented August 10, 2022
South San Francisco City Council Meeting



City of South San Francisco
City Hall
400 Grand Avenue
South San Francisco, CA 94080
Website: SSF.net

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1. Introduction

California Elections Code Section 9212 provides that the City Council may order a report on the effect of a proposed initiative and may refer the initiative measure to any city agency or agencies for such a report. The City may order a report before taking action to submit the proposed ordinance to the voters. In ordering the report, the Council may require that the city agency address a number of issues, including fiscal impact, and any matters the Council requests. The report must be presented to the legislative body within 30 days after the elections officer certifies to the legislative body the sufficiency of the petition (Elections Code, Section 9212 (b)). After reviewing and considering this report, the City Council must either adopt the initiative without any amendments or schedule an election for consideration of the initiative by city voters (special election) within 10 days. If a proposed initiative includes the authorization to levy a tax, the City Council does not have the option to adopt the ordinance, and must submit it to the voters.

On July 13, 2022, the South San Francisco City Council approved Resolution #22-567 accepting a Certificate of Sufficiency of Signatures on a Petition for an Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs. The Council deferred taking action calling for the initiative to be placed on the November 8, 2022 ballot to the meeting of August 10, 2022. Pursuant to Elections Code Section 9212, the Council requested that staff provide a 9212 Impact Report of the effects of the Initiative within 30 days.

The City retained two economic consulting firms with specialized expertise to provide professional and neutral analysis of the implications of the Initiative should it pass.

- Strategic Economics, who specialize in market and development feasibility analysis, fiscal and economic impacts, and public finance, and has also worked on analysis for the Shape SSF General Plan, was asked to evaluate the revenues and business impacts of the parcel tax component. They were able to leverage some of the data that was gathered through research for the general plan update.
- Brion Economics, has expertise in child care planning and economic analysis and is currently working on the San Mateo County Child Care Needs Assessment. The firm was asked to utilize the revenue projections provided by Strategic Economics and estimate the number of children eligible for preschool and estimated number to be served; determine a weighted average tuition cost; estimate the cost of providing preschool at no cost, including the cost of prescribed preschool staff wage enhancements; consider administrative costs; and determine if available revenue would cover the cost of serving eligible children.

Both firms produced a report explaining their assumptions, methodology, and findings. The studies conducted by these consultants was informed and vetted by City staff from the City Manager's Office, Economic and Community Development, Finance, Human Resources, Parks and Recreation, and the City Attorney. Staff also utilized data and recommendations from the South San Francisco Child Care Master Plan, adopted by City Council on June 8, 2022.

2. Early Care and Education Initiative Summary & Title Prepared by the City Attorney

Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs

The proposed initiative ordinance ("ordinance") would levy an annual parcel tax on some commercial office properties. The tax rate would be $2.50 per square foot of parcel size. "Commercial office parcel" is defined to mean any parcel of real estate in the City of South San Francisco "that is developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature. Such services or operations include but are not limited to computer programming, data processing, research and development activities, or operation of an internet retailing business. Such services or operations do not include warehousing, industrial, or retail activities." The tax would not apply to commercial office parcels that are less than 25,000 square feet. The tax would be collected each year with regular property taxes.

Revenue from the tax could only be used for specified purposes. First, eligible children would be able to attend early care and education and childcare and development programs offered by participating family childcare providers ("providers") and early learning and care centers ("centers"), as defined in the ordinance, at no cost. Eligible children are defined as between the ages of 2.5 and 5 years, with a parent, legal guardian, foster parent, or legal caregiver who resides or is employed within the boundaries of the South San Francisco Unified School District ("School District").

Centers and providers that are paid with revenue from the tax for eligible children to attend must be located within the boundaries of the School District and must compensate teachers and staff members who are providing early care education to eligible children in amounts determined through a process described in the ordinance. Funding from the tax would pay for up to 10 hours of care and learning for eligible children each day. Participating centers and providers would have to offer half-day and full-day schedules and year-round and school-year schedules.

Second, revenue from the tax could be used for "establishment or improvement of infrastructure for eligible Centers and Providers, including lease, purchase, development, maintenance, or improvement of facilities, as well as shared administrative, human resource services, and employee benefits."

Third, tax revenue could be used for the administrative costs of the City that are necessary to implement the tax, not to exceed 10 percent of each year's tax revenue.

Fourth, revenue from the tax could be used to pay stipends to members of an oversight committee to be established pursuant to the ordinance. The oversight committee's role would be to monitor the implementation of the ordinance; review financial information relevant to the tax; conduct regular public hearings on the program and report public input; evaluate the program; and advise regarding the compensation levels for teachers and staff noted above.

The ordinance calls for an "administrative organization," which may be a non-profit entity or the City's Parks and Recreation Department, to administer aspects of the ordinance.

STRATEGICECONOMICS

MEMORANDUM

To: Mike Futrell, City Manager, City of South San Francisco

Christina Fernandez, Assistant to the City Manager, City of South San Francisco

From: Derek Braun, Principal

Chris Holcomb, Associate

Date: August 3rd, 2022

Project: Childcare Parcel Tax Ballot Measure Analysis

Subject: Findings and Conclusions of Analysis

Executive Summary

The "Early Care and Education for All" coalition has qualified a ballot initiative petition for a ballot measure that would levy a tax on certain commercial parcels in order to fund early childcare programs for South San Francisco residents. The parcel tax would levy a $2.50 annual charge per square foot of land area on parcels with "commercial office" uses, exempting parcels under 25,000 square feet of land area (approximately one-half acre). The ballot measure requires a simple majority vote of city residents to pass.[1]

The City of South San Francisco retained Strategic Economics to evaluate the potential revenue that the proposed parcel tax could generate, and to analyze the impacts of the parcel tax on businesses and property owners. The ballot initiative describes the parcel tax as applying to parcels "developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature." In coordination with City staff, Strategic Economics interpreted these parcels to consist of those with office, biotechnology, or R&D land use codes in the City's parcel dataset. However, the actual application of the tax may vary depending on the City's determination of administrative implementation rules that would be determined if voters approve the parcel tax measure.

PARCEL TAX REVENUE ESTIMATE

The parcel tax would generate an estimated $55.9 million in annual revenue if implemented today, potentially increasing to at least $68.2 million in annual revenue upon completion of planned and proposed development projects. The lower or "base" estimate includes 105 parcels with existing office, biotechnology, or R&D land uses identified in the City's parcel dataset, as well as four parcels associated with recently completed development projects that were not yet updated in the dataset.

[1] "South San Francisco Early Care for All Parcel Tax Act," Ballot Initiative Petition, December 17, 2021.

The "future" estimate includes an additional 35 parcels that would likely transition to one of these three uses upon completion of planned and proposed development projects.

PARCEL TAX BUSINESS IMPACTS

Because the parcel tax would be levied based on land area rather than building area, less intensely-developed properties—often consisting of low-rise and older buildings—and their tenants will bear a significantly greater cost burden relative to rents, property value, and other operating costs. Properties developed with larger buildings relative to their land area—i.e., with high floor area ratios (FARs)[2]—would be better positioned to absorb the parcel tax cost because the cost would be spread across a larger productive building area relative to the property size. In contrast, properties with low FARs would absorb a higher cost per square foot of building area.

The parcel tax would directly increase operating costs for businesses that own their properties. The parcel tax would become an added operating cost for businesses that own the properties at which the business is located. While operating costs vary across buildings, Strategic Economics estimated that annual operating costs would increase approximately six percent for a typical recently built life science building in South San Francisco.

Businesses that lease their buildings would also pay higher operating costs, whether directly or due to property owners seeking to increase rents. Business tenants in "triple net" (NNN) leases would be directly responsible for paying the parcel tax. Tenants in full service (FS) leases, which are essentially "all-inclusive," would likely experience rent increases over time as property owners seek to pass along the additional cost of the parcel tax.

Businesses paying relatively low rents would pay a greater share of their rent on the parcel tax, compared to higher-rent tenants. These lower-rent spaces are typically found in older buildings and less intensely developed properties that would also incur the highest parcel tax costs per square foot of built area. For tenants paying lower rents, the cost of the parcel tax that they would pay would reflect a higher percentage of their overall rent, compared to tenants in higher-rent buildings. For example, Strategic Economics found that the cost of the parcel tax for life science tenants paying high-end rents would equate to five percent of their rent, while the cost for life science tenants paying low-end rents would equate to eight percent of rent.

While South San Francisco remains the Bay Area's premiere biotech business location, the parcel tax will increase operating costs for businesses and may influence business location decisions over time—especially for businesses located at less intensely developed properties. South San Francisco continues to be one of the most desirable locations in the Bay Area for biotech and life science firms. However, strong demand for life science space and limited inventory of available space are resulting in increased development activity both within and outside of South San Francisco. Over time, businesses will likely have more location options and will incorporate the additional costs of the parcel tax as one of many factors in their location decisions.

[2] A property's floor-area ratio, or FAR, is calculated by dividing its gross building area square feet by its square feet of land area. More intensely developed properties have higher FARs.

IMPACT ON DEVELOPMENT FEASIBILITY AND POTENTIAL COMMUNITY BENEFITS CONTRIBUTIONS

The parcel tax would have implications for the financial feasibility of new commercial development, as well as the potential for the City to obtain voluntary community benefits contributions from future development projects in exchange for FAR "bonuses." As part of the City's ongoing General Plan update and zoning update process, the City may potentially implement an expanded community benefits program based on FAR bonuses. The parcel tax creates an additional operating cost that would reduce net revenue for a development project and potentially impact community benefits contributions. Strategic Economics modeled the impact of the parcel tax on the financial feasibility—i.e., whether a developer would pursue a project given potential costs, revenues, and alternative investment opportunities—for a prototypical life science development project at a 2.0 FAR, which would require use of an FAR bonus.

Overall, the parcel tax will have relatively minor but measurable effects of slowing development activity, increasing the intensity of future development project proposals, and reducing opportunities for other community benefits contributions. The introduction of the parcel tax would cause a small increase in operating costs for any future development project, with the impact per square foot of building area varying depending on the FAR of the development project. Since the cost for the parcel tax is low per building square foot for higher-FAR projects, the parcel tax creates an incentive for developers to increase the intensity of future projects. The parcel tax impact on operating costs would also require projects to achieve slightly higher rents to offset these costs, potentially slowing development activity while waiting for growth in tenant demand to drive rents higher. The capacity of developers to provide additional community benefits contributions would also be reduced. However, all of these effects are likely to be relatively modest since recent development activity suggests most development projects are likely to be built at high intensities, thus reducing the cost of the parcel tax per square foot of building area.

At the same time, the parcel tax is likely to accelerate property owner interest in redeveloping older buildings on less intensely developed sites, due to the same factors favoring increased development intensity. Older buildings are associated with lower FARs and may be correlated to lower achievable rents unless significant reinvestment has already occurred. The high cost impacts of the parcel tax per square foot of these buildings will create incentive for accelerated redevelopment to a higher intensity use.

IMPACT ON COMMUNITY FACILITIES DISTRICT (CFD) IMPLEMENTATION

It is likely that implementing a CFD would be more challenging if the parcel tax is adopted. The City of South San Francisco is in the process of seeking to implement a community facilities district (CFD) for commercial parcels east of Highway 101 and generally north of North Access Road. If building owners vote to approve the CFD formation, they would annually pay an assessment of $1.00 per gross building square foot, which would be used to fund public improvements within the district. Most parcels subject to the parcel tax—approximately 87 percent in the Base Estimate—would also fall within the proposed CFD boundaries. The CFD and the parcel tax combined would equate to a higher increase in operating costs, and the potential business impacts could be more pronounced.

COMPARISON OF TOTAL PROPERTY TAXES AND ASSESSMENTS IN SOUTH SAN FRANCISCO AND OTHER COMMUNITIES

Within South San Francisco, property owners with relatively less valuable land and buildings would experience the largest proportional increases in property tax costs associated with the parcel tax,

creating incentives to pursue redevelopment and intensification of uses at these properties. Strategic Economics sampled six recently sold office and life science properties in South San Francisco to examine the parcel tax's relative impact on overall taxes and assessments. Since the parcel tax is levied based on land area rather than property value, lower value properties will experience a large increase in their overall taxes relative to their property values—nearly doubling the overall tax rate for especially low-value properties, while higher value properties experience a minimal increase in overall tax rate. These increased operating costs will create an incentive for owners of lower value properties to pursue reinvestment and redevelopment of these properties in favor of higher value uses (such as replacing a single-story R&D building with a multistory life science building).

Although the impact of the parcel tax will vary depending on intensity of development at a given parcel, the introduction of the parcel tax will increase overall taxes and fees at many properties in South San Francisco to a level exceeding that found at comparable sites sampled in four nearby communities. Current annual total taxes and assessments at the six sampled South San Francisco properties equaled approximately 1.1 percent of assessed value. This is on the low end of the range of property taxes and assessments found at comparable properties in nearby communities: the total property taxes paid at four sampled office and life science properties in San Carlos, San Francisco, Foster City, and East Palo Alto ranged from approximately 1.1 percent to 1.4 percent. However, with the addition of the parcel tax, overall taxes and fees at five of the South San Francisco sites would increase to 1.2 to 1.6 percent of assessed value, and 2.4 percent at the sixth site.

Although numerous factors influence the location decisions of companies, businesses will consider the higher overall cost of taxes and assessments in South San Francisco when making location and relocation decisions. The parcel tax impact on overall tax rate will vary significantly from parcel to parcel, with a greater increase on tax rate for parcels with low FARs and low assessed values. Businesses and property owners will factor these additional tax costs into their location and investment decisions, based on a combination of these costs and how well a given property meets their other business needs or investment goals.

Introduction

The "Early Care and Education for All" coalition gathered sufficient signatures to qualify a ballot initiative that would create a parcel tax to be levied on properties in South San Francisco with "commercial office" land uses and a parcel land area of at least 25,000 square feet (or roughly 0.57 acres). The parcel tax, if approved, would charge $2.50 per square foot of land, and revenues would fund early childcare programs for South San Francisco residents.[3]

The ballot initiative specifies that the parcel tax would apply to parcels with uses that are primarily focused on professional, scientific, or technical operations. The tax would not apply to warehousing, industrial, or retail activities. In coordination with City staff, Strategic Economics interpreted that the parcel tax would likely apply to parcels with office, R&D, and biotechnology/life science buildings. However, the actual application of the tax may vary depending on the City's determination of administrative implementation rules upon passage of the parcel tax measure.

The City of South San Francisco retained Strategic Economics to evaluate the potential revenue the City could generate if the proposed parcel tax is approved by voters, and to identify potential business and property impacts of the tax. This memorandum, composed of five sections, describes:

1) The potential annual revenue that the parcel tax could generate, calculated as a Base Estimate and Future Estimate
2) The business impacts of the parcel tax, including analysis of the variation in the parcel tax's different cost impacts depending on building characteristics, and whether a business owns or rents their space/property
3) The implications of the parcel tax on the financial feasibility of future development activity and the ability of future development projects to contribute voluntary community benefits
4) The impacts of the parcel tax on overall tax and assessments costs for a sample of parcels in South San Francisco, and comparison of these parcels to comparable parcels in other cities
5) The implications of the parcel tax on the formation of a Community Facilities District (CFD) east of Highway 101

POLICY CONTEXT OF PARCEL TAXES IN CALIFORNIA

A parcel tax is a tax on parcels of land. Under California law, taxes on property may not be charged on an *ad valorem* basis (i.e., based on assessed value) except for the statewide base one percent rate plus voter-approved taxes for repayment of bonded debts. The "uniformity" or property taxation provision in the California constitution states that a parcel tax must be uniformly applied to property owners. In 2019, a California appellate court decision determined that jurisdictions could implement parcel taxes that treat properties differently based on land use and size.[4] Parcel taxes may be levied by counties, cities, school districts, and special districts. Revenues are commonly used for school operations and emergency medical and fire services, but there are a variety of other examples, including parcel taxes for green infrastructure, road improvements, and transportation services.

This parcel tax is considered a "special tax" that requires a simple majority of resident voter approval to pass. Multiple recent California rulings held that special taxes proposed through a ballot initiative process only require a simple majority of the vote for passage, as opposed to the two-thirds voter

[3] "South San Francisco Early Care for All Parcel Tax Act," Ballot Initiative Petition, December 17, 2021.
[4] Dannis, Woliver, and Kelly, "Per-Square Foot Parcel Taxes Upheld By Court Of Appeal" February 6, 2019, https://www.dwkesq.com/per-square-foot-parcel-taxes-upheld-by-court-of-appeal/

approval required for special taxes placed on the ballot by a city council or county board of supervisors.[5]

Parcel taxes are generally well received by voters. As of 2015, approximately 10 percent of cities and school districts in California had imposed some type of parcel tax.[6] From 2003 to 2020, about 56 percent of proposed parcel taxes were approved across the state.[7]

This parcel tax would be distinct from most existing Bay Area parcel taxes because: 1) it would be levied only on certain commercial properties; and 2) the "$2.50 per square foot" rate is generally higher than other parcel taxes that apply to all parcels regardless of use.[8]

Parcel Tax Revenue Estimate

METHODOLOGY

Strategic Economics used data provided by the City of South San Francisco to compile two different estimates of the total annual revenue that the parcel tax would generate. The first estimate, described as the "Base Estimate," included all parcels within the city limits that are currently classified by the City as having a "high-level land use" of "Office, R&D, or Biotech," as well as four parcels associated with recently completed development projects that were not yet reflected in the City's parcel data. The second estimate, described as the "Future Estimate," also included parcels associated with planned and proposed development projects consisting of office or biotech/R&D uses.

Once this list of parcels was compiled, Strategic Economics multiplied the total land area of each parcel by $2.50 to estimate the potential total revenue for each scenario.

FINDINGS AND CONCLUSIONS

Figure 1 below shows the locations of the parcels included in the Base Estimate and Future Estimate, while Figure 2 shows the number of parcels, square feet, and approximate total revenue for the two estimates.

The parcel tax would generate an estimated $55.9 million in annual revenue if implemented today, potentially increasing to at least $68.2 million in annual revenue upon completion of planned development projects. In total, 109 parcels were included in the Base Estimate, and an additional 35 parcels were included only in the Future Estimate because they do not currently reflect existing biotech, office, or R&D land uses but will do so upon completion of planned development projects.

[5] Colantuono, Michael, "Simple majority approval of special taxes is now the rule," CHW California Public Law Report, June 4, 2021.https://www.californiapubliclawreport.com/2021/06/simple-majority-approval-of-special-taxes-is-now-the-rule/
[6] Sonstelie, Jon "Parcel Taxes as a Local Revenue Source in California," Public Policy Institute of California, 2015, https://www.ppic.org/wp-content/uploads/content/pubs/report/R_415JSR.pdf
[7] Ballotpedia, "Parcel Tax Elections in California." https://ballotpedia.org/Parcel_tax_elections_in_California
[8] For example, in a 2019 report, "Regional Transportation Measure Revenue Estimates", Strategic Economics found that parcel taxes in the region tended to charge less than $100 per parcel. Other parcel tax proposals since 2019 include Alameda Unified School Districts' Measure A, at $0.26 per square foot, and San Francisco's "Fair Wages for Educators Act", at $288 per parcel.

FIGURE 1. PARCELS INCLUDED IN BASE AND FUTURE PARCEL TAX REVENUE ESTIMATES

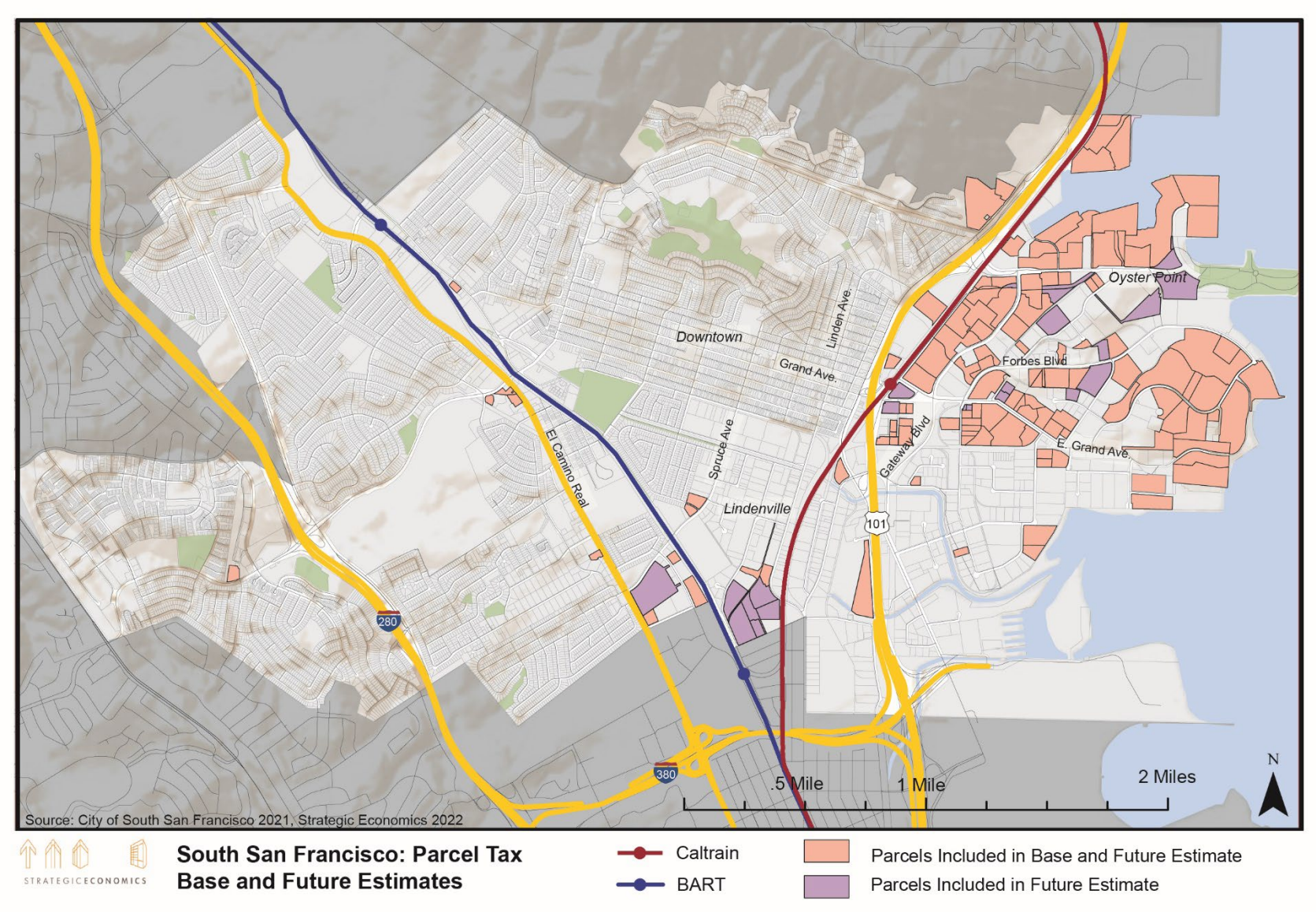


FIGURE 2. BASE AND FUTURE ESTIMATE OF PROJECTED ANNUAL REVENUE GENERATED BY PARCEL TAX

	Base Estimate (a)	Future Estimate (b)
Parcels	109	144
Land Sq. Ft.	22,358,978	27,280,859
Parcel Tax Per Land Sq. Ft.	$2.50	$2.50
Total Annual Revenue	$55,897,444	$68,202,147

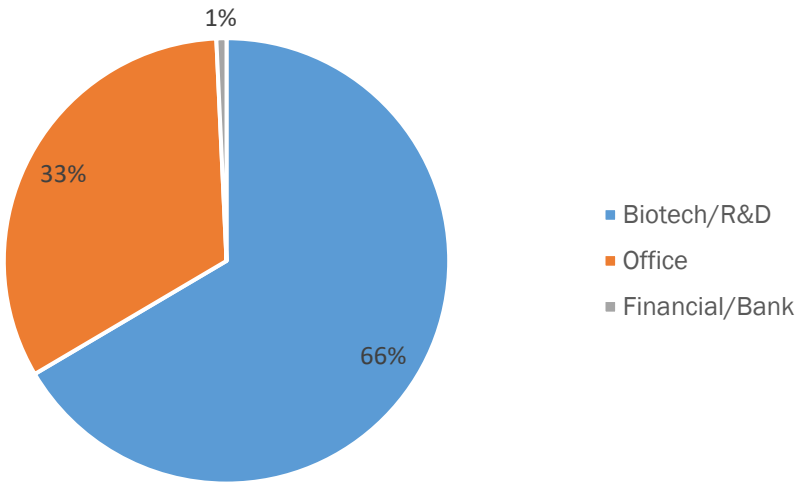
Notes:
(a) Includes parcels associated with existing Biotech, Office, and R&D uses

(b) Includes parcels associated with existing, under construction, and planned Biotech, Office, and R&D uses

Source: City of South San Francisco, 2022; Strategic Economics, 2022.

Biotech and R&D parcels would generate the greatest share of the parcel tax revenue. Approximately two-thirds of land area associated with parcels in the Base Estimate is attributed to Biotech and R&D uses, while approximately one-third is attributed to office uses, shown below in Figure 3. One percent is associated with banks or other financial institutions.

FIGURE 3: PARCEL TAX VALUE CONTRIBUTION BY LAND USE FOR PARCELS INCLUDED IN BASE ESTIMATE



Source: City of South San Francisco, 2022; Strategic Economics, 2022.

Impact of the Parcel Tax on Businesses

The parcel tax will impact businesses in South San Francisco differently depending on the characteristics of the property a business occupies, whether a business owns or leases its location, and on the business's lease structure. This section examines the characteristics of properties that would be subject to the tax in order to provide insights about the impact of the parcel tax on businesses. Some findings were informed by adaptation of an existing financial feasibility analysis of a life science development prototype; Strategic Economics completed that analysis in late-2021 for the City of South San Francisco in order to inform the zoning update being completed by the City as part of its General Plan Update process.

In order to assess the impacts of the parcel tax on businesses, Strategic Economics compiled data on building square footage for each of the parcels in the Base and Future Estimates. In many cases, large existing and planned development projects overlap multiple parcel boundaries. Additionally, larger developments include other parcels that contain supporting amenities (such as parking, recreation space, or retail). In order to more accurately assess the characteristics of development sites in South San Francisco, Strategic Economics aggregated parcels and their buildings into sites, on a parcel-by-parcel basis. As a result of this process, the 144 parcels identified in the Future Estimate were consolidated into 101 distinct sites. These sites formed the basis of the parcel characteristics analysis described in this section.

DEVELOPMENT INTENSITY AND BUILDING AGE FOR PROPERTIES SUBJECT TO THE PARCEL TAX

The parcel tax will create a relatively higher cost burden for less intensely developed properties. The parcel tax is based on the square footage of land for each parcel. Therefore, more intensely developed properties would pay less tax per square foot of building area than less intensely developed sites. As shown below in Figure 4, the owner of a 200,000 square foot property would pay $500,000 annually regardless of the size of any buildings on the property. Therefore, if this property were developed at a .5 FAR with a 100,000 square foot building, the owner would pay $5.00 per built square foot. In contrast, a 400,000 square foot building on the same parcel would pay just $1.25 per built square foot.

FIGURE 4: EXAMPLE SITE FAR AND PARCEL TAX IMPLICATIONS FOR A 200,000 SF PARCEL

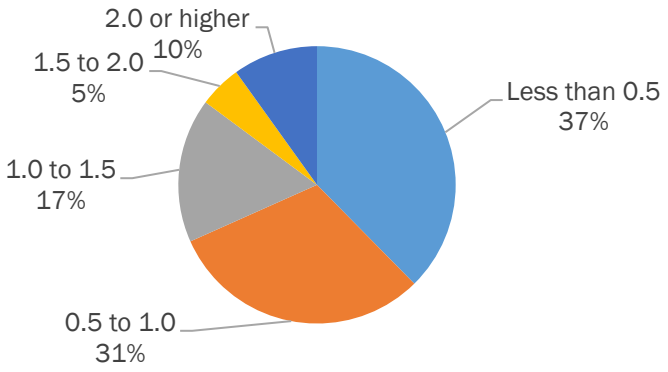
Building Sq. Ft.	FAR	Parcel Tax	Tax per Sq. Ft.
100,000	0.5	$500,000	$ 5.00
200,000	1.0	$500,000	$ 2.50
300,000	1.5	$500,000	$ 1.67
400,000	2.0	$500,000	$ 1.25

.Source: Strategic Economics, 2022

Businesses located at properties built at a lower development intensity—typically consisting of older buildings—would incur the greatest costs associated with the parcel tax. The parcel tax would cost over $5.00 per square foot of building area annually for the 37 percent of sites that have FARs lower than "0.5" (Figure 5). These sites tend to be properties built before 2000 (Figure 6). Because of the lower development intensity of these older properties, the analysis found that properties built before 2000 have a median FAR of 0.43, which corresponds to a median parcel tax cost of $5.85 per square foot of building area.

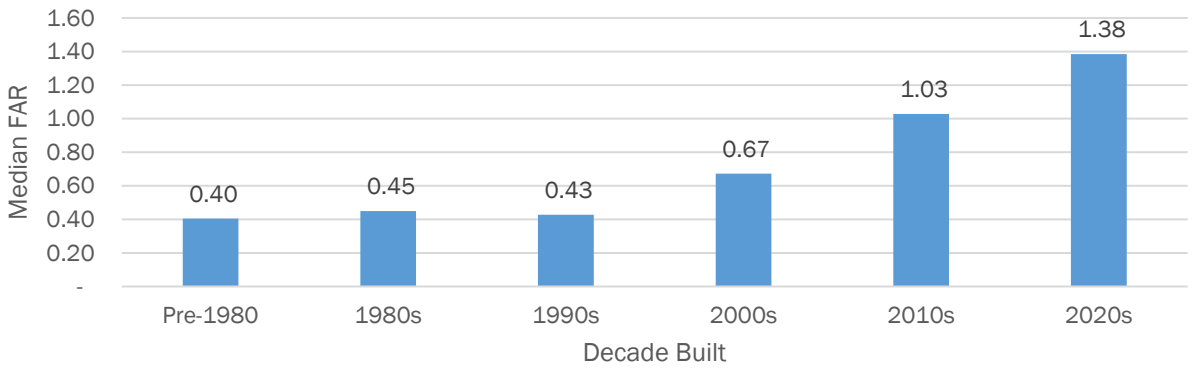
The parcel tax cost burden will generally be lower for businesses located in buildings that were completed more recently and built at a higher development intensity. Properties built since 2000 have higher FARs (Figure 6). The median FAR of parcels built since 2000 is 1.0; thus, the median property built since 2000 would pay approximately $2.50 in parcel tax per square foot of building area. As shown in Figure 6, planned development projects and development projects completed since 2020 have an even higher FAR, and thus would pay the least on a per square foot of building area basis.

FIGURE 5: DISTRIBUTION OF SITES SUBJECT TO PARCEL TAX, BY FAR (INCLUDING PROPOSED DEVELOPMENT PROJECTS IN THE "FUTURE ESTIMATE")



Note: This figure includes all properties included in the Base Estimate and Future Estimate.
Source: CoStar, 2022; Strategic Economics, 2022.

FIGURE 6: MEDIAN FAR BY DECADE BUILT FOR SITES SUBJECT TO PARCEL TAX (INCLUDING PROPOSED DEVELOPMENT PROJECTS IN THE "FUTURE ESTIMATE")



Notes: Five sites were excluded because they did not have year-built data. FAR was estimated for sites in the "2020s" category based on development project data; of the 28 sites in this group, 25 are proposed or under construction but not yet completed. In cases where new development is proposed on a site, this figure uses the expected FAR upon project completion and expected date of project completion.
Source: CoStar, 2022; Strategic Economics, 2022.

PARCEL TAX IMPACT ON OPERATING COSTS FOR BUSINESS OWNERS

The parcel tax will create an additional operating cost that will ultimately be paid by property and business owners, although the impacts of the parcel tax will vary depending on whether a business owns or leases its location. The following findings assess the varying impacts of the increase in operating costs on businesses that own their property (as well as other property owners) and businesses that lease their space.

OPERATING COST INCREASES FOR BUSINESSES THAT OWN THEIR BUILDING/PROPERTY

Businesses that own their own property would directly shoulder the additional operating cost associated with the parcel tax; for example, analysis of a life science development prototype indicates

the parcel tax could result in a six percent increase in annual operating costs. While operating costs vary across buildings, Strategic Economics modeled the increase in operating cost for a life science development prototype to estimate the potential increase in costs, as shown in Figure 7 below. This prototype was the development type deemed most feasible in Strategic Economics' work for the South San Francisco General Plan in 2021, which was based on an eight-story life science building on a 6-acre parcel with a 2.0 FAR. Based on this development prototype, a business that owned this building and property would pay an additional six percent increase in their current operating costs toward the additional parcel tax, based on an annual $655,000 parcel tax payment and annual operating expenses of approximately $11.4m.

FIGURE 7: ESTIMATED INCREASE IN OWNER OPERATING COSTS WITH PARCEL TAX, 8-STORY LIFE SCIENCE PROTOTYPE

	Operating Cost Assumptions
Parcel Size (sf)	262,231
Parcel Size (acres)	6.0
Building Area (gsf)	521,748
Rentable Office Area (nsf)	468,923
Operating Expenses	$11,400,000
Parcel Tax	$655,000
Parcel Tax as % of Operating Expenses	**5.8%**

Note: Operating expenses before the parcel tax were estimated to be 30 percent of market-rate rents. This assumption, and the assumed rent, were both informed by interviews with developers, conducted in Strategic Economics 2021 General Plan analysis.
Source: Strategic Economics, 2021.

RENTAL OR OPERATING COST IMPACTS FOR BUSINESSES LEASING SPACE

Businesses that lease their space would also incur additional costs as a result of the parcel tax, but the mechanism for property owners to pass along these costs to businesses will depend on an individual business's lease structure. Businesses in triple net (NNN) leases would be directly responsible for paying the new parcel tax. In South San Francisco, tenants in R&D/biotechnology spaces are typically in triple net leases, in which the rent covers just the space, and the tenant is directly responsible to pay separately for utilities, taxes, and operating costs. In contrast, business tenants in "full service" (FS) leases, which are all-inclusive, would not be responsible for paying the parcel tax since the property owner would pay. However, these property owners would likely seek to recuperate the costs of the parcel tax by increasing rents for the businesses that lease their space.

Businesses paying relatively low rents would pay a greater share of their rent toward the parcel tax compared to higher-rent tenants. Strategic Economics estimated three price points that reflect current market rents for High-end, Average, and Low-end market rents for both office and life science spaces.

- High-end rents were based on research completed by Strategic Economics as part of the financial feasibility analysis conducted for the South San Francisco General Plan in 2021.[9]
- Average rents were based on Colliers' "2021 Q4 Market Report for the San Francisco Peninsula."

[9] To arrive at these assumptions, Strategic Economics interviewed local developers and brokers, synthesized Costar rent data for new projects, and reviewed broker reports.

- Low-end rents were estimated by identifying the discount associated with older buildings compared to average market rents, using CoStar data.[10]

This difference in rents, when combined with differences in development intensity, could create large differences in rent impacts for individual businesses in South San Francisco. Strategic Economics estimated the amount of parcel tax that businesses would pay annually per rentable square foot of building area at four different levels of FAR. These calculations relied on an assumed efficiency ratio of 85 percent—corresponding to the share of gross building square footage that is leasable as office or R&D space. When combined with the annual rent differences described above, this comparison was used to estimate the new cost of the parcel tax as a share of annual rent, by building FAR and property type. The final estimated parcel taxes as shares of annual rent are shown in Figure 8.

For example, the parcel tax cost for R&D/biotech firms paying "low-end" rents would increase costs by six percent of existing rent if the business is in a 1.0 FAR building, versus an increase of nearly 25 percent if the business is in a 0.25 FAR building. In comparison, R&D/biotech firms paying "high-end" rents would pay an additional four percent of their rent for the parcel tax in 1.0 FAR buildings and 15 percent of their rents in 0.25 FAR buildings. This pattern is more pronounced for office tenants, who generally pay lower rents in South San Francisco.

FIGURE 8: ILLUSTRATIVE EXAMPLES OF PARCEL TAX COST AS A SHARE OF TENANT RENT, BASED ON VARIATIONS IN TYPICAL RENTS AND PROPERTY FAR

		Property FAR			
		0.25	0.5	1.0	2.0
Parcel Tax per Rentable Sq. Ft. of Building Area		$11.76	$5.88	$2.94	$1.47
Property Types	Annual Rent/Sq. Ft. of Building Area	Parcel Tax as Share of Rent			
		0.25 FAR	0.5 FAR	1.0 FAR	2.0 FAR
Office (Full Service)					
High-end	$51.00	23.1%	11.5%	5.8%	2.9%
Average	$46.68	25.2%	12.6%	6.3%	3.2%
Low-end	$33.08	35.6%	17.8%	8.9%	4.4%
R&D/Biotech (Triple Net)					
High-end	$78.00	15.1%	7.5%	3.8%	1.9%
Average	$58.44	20.1%	10.1%	5.0%	2.5%
Low-end	$48.00	24.5%	12.3%	6.1%	3.1%

Notes: Parcel tax share of rent by FAR is calculated assuming that only 85% of the total square footage of the building is leasable space (due to the need for common areas in each building). This explains why a 1.0 FAR building is shown to pay $2.94 in parcel tax per rentable square foot even though the gross square feet of the building would match the size of the parcel.
Sources: Colliers, 2021; CoStar, 2022; Strategic Economics, 2022.

Furthermore, lower-rent spaces are typically located in older, lower-FAR buildings that will also incur the highest parcel tax costs per square foot of built area. Businesses in low-rent spaces are likely to be in properties that have FARs less than "0.5" and built before the year 2000.

Ultimately, increased operating costs for businesses in triple net leases and likely rent increases for businesses in full service gross leases will impact the overall operating costs and location decisions

[10] Strategic Economics identified the difference between average pre-pandemic (2019) rents for office and R&D parcels and older buildings of each type. For office properties, the year built cutoff for an "old" designation was 1980. For R&D, it was 1990. These years were chosen based on the current distribution of properties in South San Francisco with available rent data in CoStar. Using this methodology, Low-end office rents were priced at 71 percent of 2021 Average prices, and Low-end R&D properties were priced at 82 percent of 2021 Average prices.

of current and future businesses in South San Francisco, especially for businesses that can only afford lower-cost space. Businesses that require affordable rents typically operate at thinner profit margins and are more vulnerable to fluctuations in operating costs. These firms may look more favorably at locations in other cities if the parcel tax were implemented, given these potential cost increases.

CONCLUSION: IMPACT OF THE PARCEL TAX ON BUSINESSES

While South San Francisco remains the Bay Area's premiere biotech business location, the parcel tax will increase operating costs for businesses and may influence business location decisions over time—especially for businesses located at less intensely developed properties. Strong demand for life science space and limited inventory of available space are resulting in increased development activity both within and outside of South San Francisco. Over time, businesses will likely have more location options outside of South San Francisco and will incorporate the additional costs of the parcel tax as one of many factors in their location decisions. The parcel tax will have an especially strong impact on the costs and location decisions for businesses located at less intensely developed properties (at which the tax cost will be higher per square foot of building area) and lower rent properties (at which the parcel tax will increases costs more significantly relative to the existing rent).

Impact on Development Feasibility and Potential for Community Benefits Contributions

The parcel tax would have implications for the financial feasibility of new commercial development, as well as the potential for the City to obtain voluntary community benefits contributions from future development projects in exchange for FAR "bonuses." As part of the City's ongoing General Plan update and zoning update, the City may potentially implement an expanded community benefits program based on FAR bonuses. The parcel tax creates an additional operating cost that would reduce net revenue for a development project and potentially impact community benefits contributions.

Strategic Economics modeled the parcel tax's impact on the financial feasibility of a life sciences development prototype developed for a previous analysis completed for the City in late-2021 to support the South San Francisco General Plan update and zoning code update process. The prototype, at a "2.0" FAR on a six-acre parcel, reflects a scenario in which a developer would be awarded an FAR bonus in exchange for providing additional community benefits. Strategic Economics used a static pro forma model to estimate development costs and revenues to identify an annual yield-on-cost (YOC), which equals a project's annual net operating income divided by the total development cost, including land. For life science projects to be feasible, they generally need to achieve a YOC of 5.25 percent in today's market. below shows a summary of the impacts of the parcel tax on the financial feasibility of the prototype, and the rent increase required to maintain the project's feasibility.

IMPACT ON DEVELOPMENT FEASIBILITY

The life science development prototype would become less likely to be built upon incorporation of the parcel tax as an added operating cost, with the prototype becoming "marginally feasible" rather than "feasible" unless rents increase by 1.7 percent. With the parcel tax considered an added operating cost, the YOC for the development prototype would decrease from 5.25 to 5.15 percent, making it marginally feasible based on the range of required rates of return cited by local developers in interviews. For the project to maintain the "feasible" YOC, the developer would need to achieve $6.61 per square foot in monthly rent, a 1.7 percent increase. If developers are not able to attract tenants at higher rents required to cover the cost of the parcel tax, developers may be less likely to complete

projects in South San Francisco until achievable rents increase, which could reduce the supply of available space for new, expanding, or relocating businesses.

FIGURE 9: NEW RENT REQUIRED TO MAINTAIN FEASIBILITY FOR LIFE SCIENCE DEVELOPMENT

	No Parcel Tax	With-Tax, No Rent Change	With-Tax, Rent Adjusted
Rent Assumption	$6.50/Sq.Ft.	$6.50/Sq. Ft.	$6.61/Sq. Ft.
Total Net Operating Income (in millions)	$32.5	$31.9	$32.5
Total Development Costs (in millions)	$619.6	$619.6	$619.6
Yield-on-Cost	5.25%	5.15%	5.25%
Feasibility Outlook	Feasible	Marginally Feasible	Feasible

Source: Strategic Economics, 2022

IMPACT ON POTENTIAL COMMUNITY BENEFITS CONTRIBUTIONS

The parcel tax would reduce the opportunity for the City of South San Francisco to obtain voluntary community benefits in exchange for development "bonuses." The community benefits contribution is typically determined by identifying the value uplift associated with allowing additional development intensity for the project; this value uplift consists of the residual land value of the project, minus the cost to acquire land. With an FAR development bonus, the value uplift is higher than it would be without the bonus, because the net revenue for the higher-FAR project is greater.

For the life science development prototype discussed above, the additional operating cost associated with the parcel tax would reduce the value uplift by approximately 20 percent, if the rents were to stay constant. While the estimated value uplift is highly sensitive to market conditions and would vary project by project, this rough estimate signals that the parcel tax could have significant impacts on the potential community benefits contributions that the City could obtain in exchange for granting bonus FAR to developers of future projects.

CONCLUSION: IMPACT ON DEVELOPMENT FEASIBILITY AND POTENTIAL FOR COMMUNITY BENEFITS CONTRIBUTIONS

The introduction of the parcel tax would cause a small increase in operating costs for any future development project, with the impact per square foot of building area varying depending on the FAR of the development project. Since the cost for the parcel tax is low per building square foot for higher-FAR projects, the parcel tax creates an incentive for developers to increase the intensity of future projects. The parcel tax impact on operating costs would also require projects to achieve slightly higher rents to offset these costs, potentially slowing development activity while waiting for growth in tenant demand to drive rents higher. The capacity of developers to provide additional community benefits contributions would also be reduced. However, all of these effects are likely to be relatively modest since recent development activity suggests most development projects are likely to be built at high intensities, thus reducing the cost of the parcel tax per square foot of building area.

At the same time, the parcel tax is likely to accelerate property owner interest in redeveloping older buildings on less intensely developed sites, due to the same factors favoring increased development intensity. Older buildings are associated with lower FARs and may be correlated to lower achievable rents unless significant reinvestment has already occurred. The high cost impacts of the parcel tax per square foot of these buildings will create incentive for accelerated redevelopment to a higher intensity use.

Parcel Tax Cost Impacts in South San Francisco Versus Comparable Sites in Nearby Communities

Strategic Economics examined the effect of the parcel tax on the overall cost of annual taxes and assessments for a sample of six properties in South San Francisco, and then compared these costs against the total costs of taxes and assessments for four comparable office or life science properties in nearby communities. The analysis of properties in South San Francisco explores factors that drive disparities in the parcel tax's impacts on raising those properties' overall tax and assessment rates. The comparison to properties in other cities examines whether total taxes and assessments in South San Francisco will remain comparable to competing communities.

IMPACT OF PARCEL TAX ON CURRENT SOUTH SAN FRANCISCO PROPERTY TAXES AND ASSESSMENTS

South San Francisco properties with relatively lower value land and buildings would experience the largest proportional increases in property tax costs associated with the parcel tax. Since the parcel tax is levied based on land area rather than property value, lower value properties will experience a large increase in their overall taxes relative to their property values—potentially doubling the overall tax rate for especially low-value properties, while higher value properties experience a minimal increase in overall tax rate. This is shown by Figure 10, which summarizes property taxes and assessed values for six recently sold properties in South San Francisco.[11]

The amount of parcel tax relative to the market value of the property varies significantly depending on each property's characteristics. For properties in high value areas with relatively intense development, such as Parcel One in the table, the parcel tax could represent less than 0.1 percent of the property's market value. On the other hand, for an older building on less desirable land with a smaller FAR, such as the parcel exemplified by Parcel Six, the addition of a parcel tax could more than double the property's total tax rate. In these circumstances, the total property tax costs would rise to well over two percent of property value--the point at which property taxes and assessments are generally considered to adversely impact demand, value and economic usefulness of a property.

The parcel tax will create additional incentive for property owners to pursue redevelopment and intensification of uses at relatively low value and less intensely developed properties. The relatively large increase in tax and assessment costs for lower value and less intensely developed properties will create an incentive for these property owners pursue reinvestment and redevelopment of these properties in favor of higher value uses (such as replacing a single-story R&D building with a multi-story life science building).

[11] Each of the properties included in the table was sold within the past four years, meaning that assessed values for each property should more closely represent the current market value of the property compared to properties that have not been sold or reassessed recently.

FIGURE 10: COMPARISON OF TOTAL TAX COST WITH AND WITHOUT THE CHILDCARE PARCEL TAX FOR SIX EXAMPLE PARCELS IN SOUTH SAN FRANCISCO

Variable	Units	Parcel 1	Parcel 2	Parcel 3	Parcel 4	Parcel 5	Parcel 6
Decade Built	decade	2010s	2000s	2010s	2000s	2000s	1980s
Last Sale Date (a)	year	2020	2020	2019	2020	2018	2021
Site FAR	building sf divided by parcel sf	2.8	0.7	1.0	0.5	0.5	0.4
Approximate Parcel Size	sf land	125,000	105,000	290,000	650,000	85,000	250,000
Assessed Value (b)	per sf land	$3,438	$836	$823	$663	$530	$195
Taxes per Square Foot of Land							
Existing Taxes and Assessments (c)	per sf land	$38.84	$8.98	$9.17	$7.48	$5.83	$2.10
New Childcare Parcel Tax	per sf land	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50
New Combined Taxes and Fees (d)	per sf land	$41.34	$11.48	$11.67	$9.98	$8.33	$4.60
Taxes as Share of Assessed Value							
Existing Taxes and Assessments	% of assessed value	1.13%	1.07%	1.11%	1.13%	1.10%	1.08%
New Childcare Parcel Tax	% of assessed value	0.07%	0.30%	0.30%	0.38%	0.47%	1.28%
Combined Total Taxes and Fees (d)	**% of assessed value**	**1.20%**	**1.37%**	**1.42%**	**1.51%**	**1.57%**	**2.36%**

Source: County of San Mateo Tax Collector, 2022; Strategic Economics, 2022.
Notes:
(a). Only includes properties sold since 2018. This ensures that assessed values are similar to current market values since properties are reassessed upon change in ownership.
(b). Assessed value of property. Only the value of land and improvements ("secured" property) were included in calculations for the purpose of this figure.
(c). The proposed childcare parcel tax is not included in the total here.
(d). Sum of the existing taxes and assessments as well as the proposed childcare parcel tax.
The purpose of this figure is to demonstrate the variety of ways in which the parcel tax could impact tax amounts for Office, Biotech, or R&D parcels in South San Francisco, based on property value and development intensity. The figure also allows for comparison of tax rates between parcels in South San Francisco and those in nearby communities, as explained further in Figures 11 and 12.

SOUTH SAN FRANCISCO PROPERTY TAXES AND ASSESSMENTS VERSUS SITES IN NEARBY COMMUNITIES

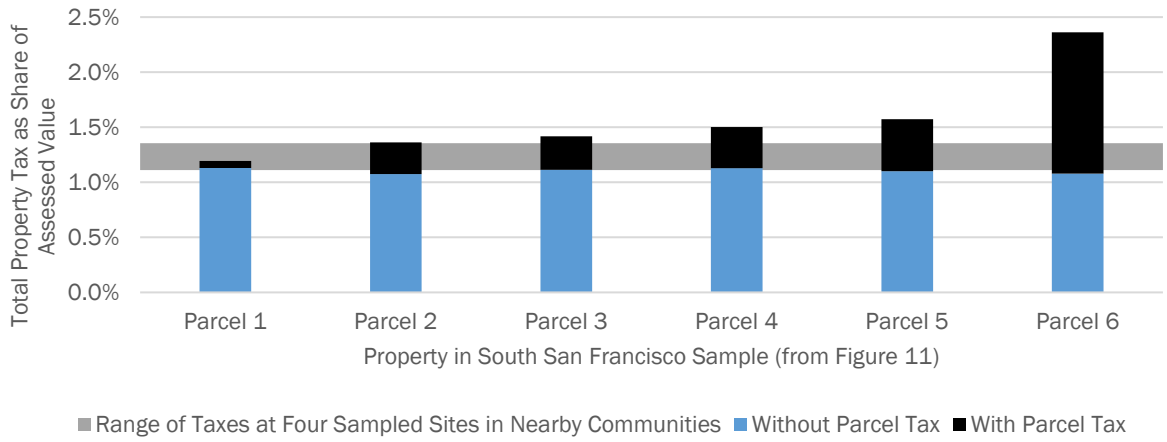
Although the impact of the parcel tax will vary depending on intensity of development at a given parcel, the introduction of the parcel tax will increase overall taxes and fees at many properties in South San Francisco to a level exceeding that found at comparable sites sampled in four nearby communities. Current annual total taxes and assessments at the six sampled South San Francisco properties equaled approximately 1.1 percent of assessed value. This is on the low end of the range of property taxes and assessments found at comparable properties in nearby communities. The total property taxes paid at four sampled office and life science properties in San Carlos, San Francisco, Foster City, and East Palo Alto ranged from approximately 1.1 percent to 1.4 percent, as shown in Figure 11. However, with the addition of the parcel tax, overall taxes and fees at five of the South San Francisco sites would increase to 1.2 to 1.6 percent of assessed value, and 2.4 percent at the sixth site (as shown in Figure 10 and Figure 12). Although numerous factors influence the location decisions of companies, businesses will consider the higher overall cost of taxes and assessments in South San Francisco when making location and relocation decisions.

FIGURE 11: TOTAL TAX COST AS A PERCENTAGE OF ASSESSED VALUE FOR OFFICE/LIFE SCIENCE PARCELS IN NEARBY COMMUNITIES, FOR COMPARISON TO THE SIX SOUTH SAN FRANCISCO PARCELS

Variable	Units	2100 University Ave	333 Lakeside Dr	835 Industrial Rd	1800 Owens St
City	city	East Palo Alto	Foster City	San Carlos	San Francisco
Parcel ID	assessor ID #	063-321-440	094-904-330	046-140-200	8727-008
Property Use	industry and tenant	Office (Amazon)	Biotech (Gilead)	Biotech (Atreca)	Biotech (Icona - Labs
Last Sale Date	year	2016	2003	2021	2021
Taxes per Square Foot of Land					
Assessed Value	per sf land	$2,773	$111	$604	$5,680
Existing Taxes and Assessments (b)	per sf land	$37.71	$1.30	$6.70	$71.57
Taxes as Share of Assessed Value	**% of assessed value**	**1.36%**	**1.17%**	**1.11%**	**1.26%**

Sources: County of San Mateo Tax Collector, 2022; Treasurer and Tax Collector, City and County of San Francisco, 2022; Strategic Economics, 2022.
Notes:
(a). Assessed value of property. Only the value of land and improvements are included in calculations for the purpose of this figure.
(b). Taxes in East Palo Alto include that City's "Measure HH" parcel tax, which is assessed at a rate of $2.50 per building square foot (versus $2.50 per square foot of land area in the proposed South San Francisco childcare parcel tax).
The purpose of this table is to show total existing tax amounts, as a share of assessed value, for parcels with similar industry uses in example communities near South San Francisco. The Taxes as Share of Assessed Value can be compared to similar rows in Figure 10 – both with and without the parcel tax. This comparison is also shown in Figure 12.

FIGURE 12: PROPERTY TAX COSTS AS A SHARE OF ASSESSED VALUE FOR THE SIX SOUTH SAN FRANCISCO PARCELS (WITH AND WITHOUT THE CHILDCARE PARCEL TAX) COMPARED TO THE TAX COST RANGE FOR THE FOUR EXAMPLE PARCELS IN NEARBY COMMUNITIES



Sources: County of San Mateo Tax Collector, 2022; Treasurer and Tax Collector, City and County of San Francisco, 2022; Strategic Economics, 2022.

CONCLUSION: PARCEL TAX COST IMPACTS IN SOUTH SAN FRANCISCO VERSUS COMPARABLE SITES IN NEARBY COMMUNITIES

Based on the illustrative properties sampled for analysis, the parcel tax would increase South San Francisco's total tax cost from a low overall rate to a relatively high rate compared to the comparable parcels in nearby cities (as shown in Figure 12). The effect will be especially strong for relatively low-value parcels, such as Parcel 6. The parcel tax impact on overall tax rate will vary significantly from parcel to parcel, with a greater increase on tax rate for parcels with low FARs and low assessed values. Businesses and property owners will factor these additional tax costs into their location and investment decisions, based on a combination of these costs and how well a given property meets their other business needs or investment goals.

Implications for Community Facilities District Formation

The City of South San Francisco is considering forming a community facilities district (CFD) that would assess a $1 per gross building square foot annual fee to all commercial properties east of Highway 101 and generally north of North Access Road, as shown in Figure 12. This fee would be used for infrastructure and maintenance, such as new street connections, safety improvements, and bicycle or pedestrian access to transit within the district boundaries.[12] Property owners associated with at least two-thirds of the land area in the district must vote for the CFD in order for it to be implemented.

Most properties that would be subject to the parcel tax are also within the proposed CFD boundaries. Approximately 87 percent of the parcels in the Base Estimate and 80 percent of parcels in the Future Estimate would be within this CFD.

It is likely that implementing the CFD would be more challenging if the parcel tax is adopted. The combination of the parcel tax and assessment from the CFD would result in added operating costs between roughly $2.00 to $6.00 depending on building FAR.

For most properties that would be subject to both costs, the parcel tax cost would be significantly higher than the CFD assessment. Ninety-two percent of sites that would be subject to both costs would pay less per square foot for the CFD assessment than parcel tax.

Properties with FARs less than "0.5" or less would pay five times more for costs associated with the parcel tax than the CFD assessment. As shown in Figure 11, a business at a parcel with an FAR of .5 or below will pay $5.00 per square foot of building area annually for the parcel tax, which constitutes 83 percent of the combined cost of the CFD and parcel tax. These property owners may be the least likely to vote for the CFD because they would experience the most significant cost increases from the parcel tax relative to their building rent or ownership costs. In contrast, a business at a more intensely developed site—such as a newer multistory life science building built at an FAR of 1.5—would only pay $1.67 per square foot of building area annually for the parcel tax, meaning the parcel tax would only constitute 63 percent of the combined parcel tax and CFD cost.

If the CFD is not implemented, the City will be less able to fund public improvements that enhance South San Francisco's ability to retain and attract businesses in high-tech sectors that drive the City's economy. The area East of Highway 101 is South San Francisco's hub for life science and biotechnology firms. The infrastructure investments that the CFD could fund are critical for supporting

[12] City of South San Francisco. Preliminary Term Sheet for Industrial Area CFD. 2019.

non-automobile commute trips as the area continues to grow, and can provide enhanced access to housing and amenities frequently sought by workers.

FIGURE 13: COMBINED ANNUAL PARCEL TAX AND CFD FEE FOR A 200,000 SQUARE FOOT PARCEL

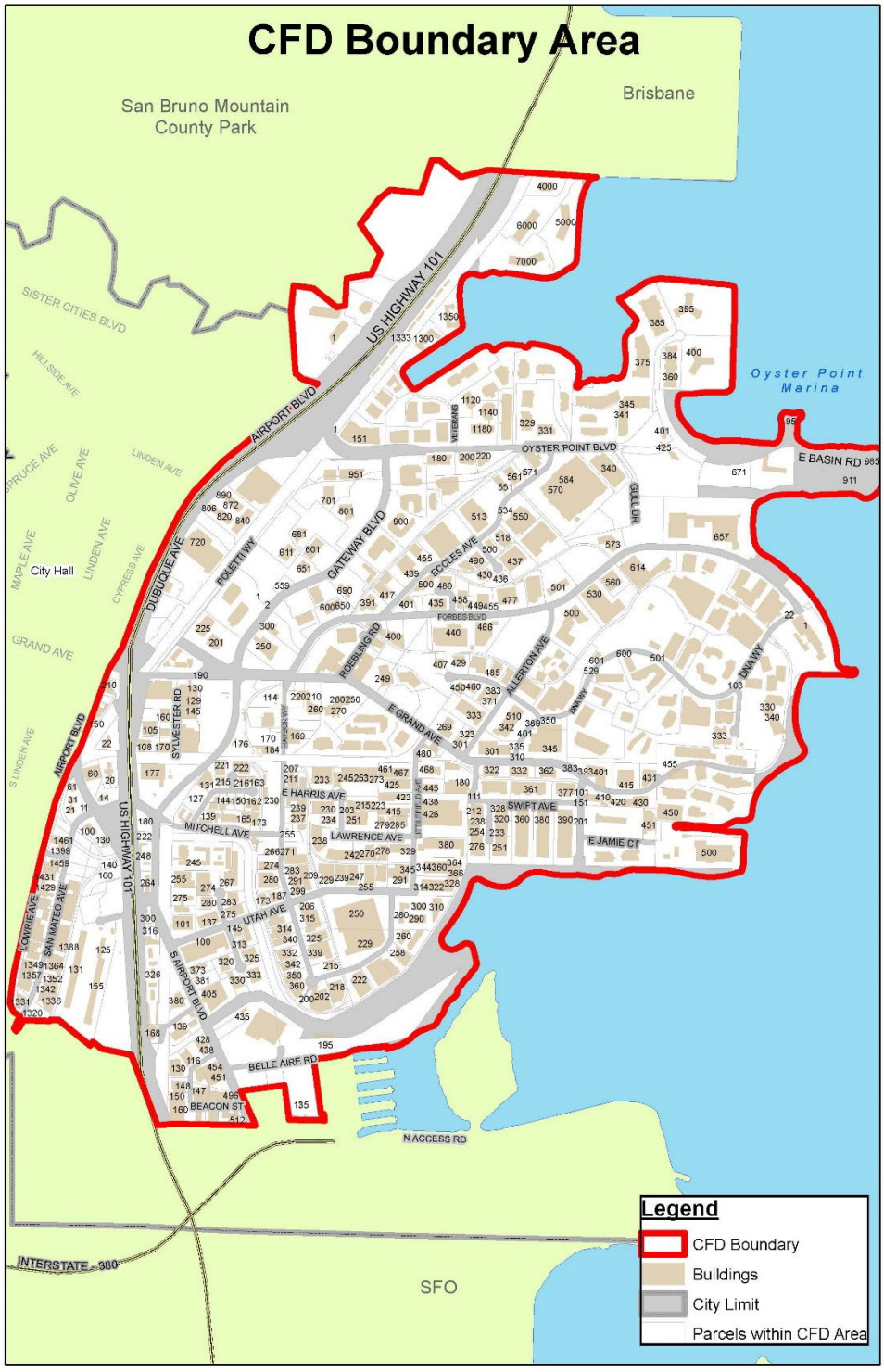
Building Sq. Ft.	FAR	Parcel Tax	CFD Fee	Parcel Tax Per Building Sq. Ft.	CFD Fee Per Building Sq. Ft.	Combined Tax & Fee Per Building Sq. Ft.
100,000	0.5	$500,000	$100,000	$5.00	$1.00	$6.00
200,000	1	$500,000	$200,000	$2.50	$1.00	$3.50
300,000	1.5	$500,000	$300,000	$1.67	$1.00	$2.67
400,000	2	$500,000	$400,000	$1.25	$1.00	$2.25

Source: Strategic Economics, 2022.

CONCLUSION: IMPLICATIONS FOR COMMUNITY FACILITIES DISTRICT FORMATION

Implementing the CFD would be more challenging if the parcel tax is adopted, due to the resulting increase in added operating costs for property owners and businesses in the area. If the CFD is not implemented, the City will be less able to fund public improvements that enhance South San Francisco's ability to retain and attract businesses in high-tech sectors that drive the City's economy. The area East of Highway 101 is South San Francisco's hub for life science and biotechnology firms. The infrastructure investments that the CFD could fund are critical for supporting non-automobile commute trips as the area continues to grow, and can provide enhanced access to housing and amenities frequently sought by workers.

FIGURE 14: PROPOSED CFD BOUNDARY



Source: City of South San Francisco, 2022.

Technical Appendix: Methodology and Source Notes

METHODOLOGY FOR IDENTIFYING PARCELS SUBJECT TO THE PARCEL TAX

Strategic Economics carried out an iterative process to identify all present and near-term future parcels likely to be subject to the childcare parcel tax. These parcels were compiled into two estimates. The first estimate, described as the "Base Estimate," reflects the existing office and biotech/R&D land uses of parcels throughout the city. The second estimate, described as the "Future Estimate," also includes parcels that are currently associated with another type of use, but have active or planned development projects consisting of office or biotech/R&D buildings.

The ballot initiative describes the parcel tax as applying to parcels "developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature." In coordination with City staff and the City's legal counsel, Strategic Economics interpreted these parcels to consist of those with office, biotechnology, or R&D land use codes in the City's parcel dataset.

These groups of parcels were identified in three steps. First, Strategic Economics filtered an up to date shapefile of South San Francisco parcels, provided by the City of South San Francisco in January of 2021, to identify all properties with a "High Land-Use" of Office, R&D, or Biotech throughout South San Francisco. Once these properties were identified, this list was filtered to exclude any properties that were less than 25,000 square feet in size.

Secondly, the City of South San Francisco provided Strategic Economics with a list of active office and life science development projects within the city; this list was utilized to identify additional parcels for both the Base and Future Estimates. Strategic Economics then consulted developer websites and project plans in order to identify each of the parcels that were associated with every project on the list. In cases where a future development project included multiple parcels, all such parcels were included as part of the revenue estimates regardless of individual parcel size. This decision was made in order to capture the effects of any future parcel changes that might be presumed to occur as part of the planned development process; in other words, since all parcels were part of the same development project, they were all presumed to be part of a larger future parcel with office or R&D use. The only exception to this policy was in cases where a non-office or R&D use—such as a parking garage or retail location—was planned for a distinct parcel within the project site. These parcels were not included as part of the Base or Future Estimate.

Lastly, Strategic Economics compared this list of development project parcels to the list of South San Francisco parcels with a current designation of Office, Biotech, and R&D—as described in step one. For development projects that were not taking place on parcels that would already be subject to the parcel tax, Strategic Economics used records from the City of South San Francisco and development websites to sort each project based on overall completion status. The results of this analysis can be seen in Figure 15. All projects that were deemed to be currently completed were added together with the list of parcels with current Office, Biotech, and R&D land uses to form the Base Estimate. All projects that were entitled, under construction, under review, or anticipated were categorized as part of the Future Estimate.

FIGURE 15: LIST OF OFFICE AND BIOTECH DEVELOPMENT PROJECTS IN SOUTH SAN FRANCISCO, BY STATUS

Address	Status	Square Feet	Tax Value
201 Haskins Way	Completed	285,999	$285,999
350 Oyster Point Blvd	Completed	442,569	$1,106,424
1000 Gateway	Completed	153,742	$384,356
475 ECCLES AVE	Entitled	262,176	$655,441
850-900 Gateway Blvd	Entitled	278,512	$696,280
465 CABOT RD	Entitled	71,397	$178,493
180 EL CAMINO REAL	Entitled	642,555	$1,606,386
379 Oyster Point Parcel 1	Under Construction	153,468	$383,669
493 FORBES BLVD	Under Construction	97,696	$244,240
494 FORBES BLVD	Under Construction	327,993	$819,984
328 ROEBLING RD	Under Construction	48,598	$121,495
233 EAST GRAND AVE	Under Construction	48,493	$121,232
379 Oyster Point Parcel 2	Under Construction	149,059	$372,648
101 Gull Dr	Under Review	169,468	$423,670
121 EAST GRAND AVE	Under Review	122,802	$307,004
100 EAST GRAND AVE	Under Review	92,288	$230,719
325 SOUTH MAPLE AVE	Under Review	224,170	$560,426
240 DOLLAR AVE	Under Review	165,084	$412,709
160 SOUTH LINDEN AVE	Under Review	231,595	$578,987
120 East Grand Ave	Under Review	168,063	$420,156
440-460 Forbes Blvd	Under Review	500,451	$1,251,128
54 TANFORAN AVE	Under Review	129,453	$323,632
30 TANFORAN AVE	Under Review	318,042	$795,106
50 TANFORAN AVE	Under Review	74,456	$186,139
580 Dubuque Ave	Under Review	76,609	$191,523
101 Terminal	Anticipated	434,553	$1,086,382
Sylvester/Associated Rd	Anticipated	208,100	$520,250

Sources: (City of South San Francisco 2022, Strategic Economics 2022)
Notes:
The 379 Oyster Point project consists of multiple parcels and phases of development. Each was treated as a separate parcel because different phases will be completed at different times.

METHODOLOGY FOR COMPILING PROPERTY DATA APPLIED IN THE BUSINESS IMPACTS ANALYSIS

In order to assess the impacts of the parcel tax on businesses, Strategic Economics compiled data on building square footage for each of the parcels in the Base and Future Estimates. The primary source for this information was CoStar, which maintains records for the locations and sizes of most office, R&D, and flex properties in South San Francisco. This list of properties was mapped against the parcels identified in the revenue estimates in order to estimate the total square footage of building space associated with each individual site. The data from CoStar also included information about when each existing building was constructed, the property's most recent sale date, and prevailing rents per square foot of these properties. Therefore, by merging this data with the list of parcels in the Base Estimate, Strategic Economics was able to identify further details about each parcel's existing use.

However, unlike in the case of the parcel tax revenue estimates, business impacts are dependent on the overall business revenue that can be generated on each site. The distinction between parcels is not as relevant for a business owner's purpose, therefore, as the overall ratio of building square footage to land area that would be subject to the parcel tax. This is particularly true for future development projects that span multiple parcels—many of which are not included in the Base Estimate but are included in the Future Estimate. Therefore, to more accurately assess the characteristics of development sites in South San Francisco, Strategic Economics aggregated all parcels in the Future Estimate and their buildings into sites, on a parcel-by-parcel basis. As a result of this process, the 144 parcels identified in the Future Estimate (which also included the 109 parcels identified for the Base Estimate) were consolidated into 101 distinct sites. These sites were used to calculate the Floor Area Ratio (FAR) for each property in South San Francisco currently being used for Office or Biotech purposes.

In cases where future development was planned, Strategic Economics identified the total planned building square footage from data provided by the City, development plans, or CoStar's records of planned developments. If a planned development was set to replace an existing building, Strategic Economics updated the decade built for that site to correspond to the date of planned completion (instead of the year of the existing building) and update the building square footage and FAR according to the future development size. Thus, the analysis of FAR as shown in the memo reflects what is known about the conditions under the circumstances of the Future Estimate, rather than focusing exclusively on the Base Estimate.

METHODOLOGY FOR THE SITE-LEVEL PROPERTY TAX AND ASSESSMENT ANALYSIS AND COMPARISON TO NEARBY CITIES

As a complement to the business impacts analysis, Strategic Economics analyzed the tax expenses that owners of office and biotech properties would incur with the addition of a parcel tax in South San Francisco, contextualizing these findings with the current tax rates and the total taxes present for comparable properties in nearby communities.

This analysis was completed using actual property tax assessments from the San Mateo County Tax Collector and the City and County of San Francisco Tax Collector. Six parcels in South San Francisco were chosen from among the parcels in the Base Estimate, filtering for properties of various sizes that had been sold in 2018 or later. In order to understand the implications of a parcel tax for business decisions, it was important that the analysis be conducted based on the market value of these properties, rather than using an assessed value that might not reflect true market conditions because of limitations in annual allowable assessed value increases due to California's Proposition 13. By restricting the sample to recently-sold properties, Strategic Economics ensured that the assessed value information in the tax documents would more closely reflect each property's true market value (because property values are re-assessed each time a property exchanges hands). Note that the six parcels are not specifically identified in this memo in order to maintain privacy for the property owners and businesses.

In order to identify comparable properties in nearby cities, Strategic Economics identified properties that are currently being used for biotech uses or high-value office uses and located in communities compete with South San Francisco for life science businesses and investment. The purpose of this comparison was to identify the costs of current property taxes and assessments in these communities, as a function of the total assessed value of the property. In this scenario, Strategic Economics did not

restrict the sample to recently sold properties, although three of the four selected properties were sold within the past six years.

For the South San Francisco properties, Strategic Economics analyzed total assessed value per square foot of land because the parcel tax would be assessed on a per square foot of land basis. This allows for direct comparison between the value of the property and the total amount that the childcare parcel tax would represent, as a share of property value. These values were also presented in the Nearby Community property tax table for the sake of comparison. However, the primary purpose of that table was to highlight the existing taxes and assessments in those communities.

4. Parcels Included in Base Estimate by Strategic Economics, from City Parcel Data as of January 2022

APN	SITE_ADD	LUFULL	SqFtParcelLandArea	SqFtX$2.50 tax amount	Acres of parcel land
007650180	1 TOWER PLACE	Office: Multi Story	642093.8054	$1,605,234.51	14.74050445
007650190	2 TOWER PLACE	Biotech	127197.1	$317,992.75	2.920055298
010401270	975 EL CAMINO REAL	Financial	43716.30125	$109,290.75	1.003592197
010430040	1131 MISSION RD	Professional Building	34487.68885	$86,219.22	0.791731561
013145420	359 EL CAMINO REAL	Office: Multi Story	39637.00485	$99,092.51	0.909944063
013260010	91 WESTBOROUGH BLVD	Office: Multi Story	31420.97425	$78,552.44	0.7213292
013260060	955 EL CAMINO REAL	Financial	52159.94815	$130,399.87	1.197432433
014134190	220 SOUTH SPRUCE AVE	Office: Multi Story	90387.2978	$225,968.24	2.075015137
014150270	230 SOUTH SPRUCE AVE	Office: Single Story	43619.33515	$109,048.34	1.001366153
014183290	150 EL CAMINO REAL	Financial	67649.43605	$169,123.59	1.553023569
014184110	1487 HUNTINGTON AVE	Office: Single Story	47998.19305	$119,995.48	1.1018913
014241050	150 SOUTH LINDEN AVE	Office: Single Story	88596.50765	$221,491.27	2.033904087
015010220	395 OYSTER POINT BLVD	Office: Multi Story	558134.7955	$1,395,336.99	12.81306309
015010290	400 OYSTER POINT BLVD	Office: Multi Story	456220.016	$1,140,550.04	10.47341233
015010500	347 OYSTER POINT BLVD	Biotech	252957.3485	$632,393.37	5.807124892
015010510	345 OYSTER POINT BLVD	Biotech	83364.98255	$208,412.46	1.913804316
015010520	341 OYSTER POINT BLVD	Biotech	589685.9894	$1,474,214.97	13.53738173
015010560	6000 SHORELINE CT	Office: Multi Story	295337.4181	$738,343.55	6.78004131
015010570	7000 SHORELINE CT	Biotech	403467.7906	$1,008,669.48	9.262383023
015010580	5000 SHORELINE CT	Office: Multi Story	383755.0386	$959,387.60	8.809838697
015010610	4000 SHORELINE CT	Office: Multi Story	104560.8552	$261,402.14	2.400396543
015010620	329 OYSTER POINT BLVD	Biotech	384448.1384	$961,120.35	8.825750141
015010700	1170 VETERANS BLVD	Biotech	311341.5886	$778,353.97	7.147447979
015010710	1130 VETERANS BLVD	Biotech	306627.3656	$766,568.41	7.039223877
015010730	1100 VETERANS BLVD	Biotech	248857.4879	$622,143.72	5.713004667
015010860	111 Oyster Point Blvd	Biotech	139004.9521	$347,512.38	3.191127367
015010890	151 Oyster Point Blvd	Biotech	160939.1193	$402,347.80	3.694668573
015010900	131 Oyster Point Blvd	Biotech	235747.663	$589,369.16	5.412043296
015010910	385 Oyster Point Blvd	Office: Single Story	995011.3854	$2,487,528.46	22.84240968
015021030	800 DUBUQUE AVE	Office: Multi Story	256124.0896	$640,310.22	5.879823555
015023290	700 GATEWAY BLVD	Biotech	196551.9914	$491,379.98	4.51223089
015023350	600 GATEWAY BLVD	Biotech	114473.551	$286,183.88	2.627961637
015023360	650 GATEWAY BLVD	R & D Flex	94532.77	$236,331.93	2.170182464
015023370	630 GATEWAY BLVD	Biotech	131231.0044	$328,077.51	3.01266137
015023380	200 OYSTER POINT BLVD	Office: Multi Story	76159.46345	$190,398.66	1.748387697
015023440	180 OYSTER POINT BLVD	Office: Multi Story	110493.859	$276,234.65	2.536600114
015023450	750 Gateway Blvd	Biotech	298266.8603	$745,667.15	6.847292318
015023480	1000 Gateway Blvd	Biotech	153742.2486	$384,355.62	3.529450494
015023490	800 Gateway Blvd	Biotech	130104.7503	$325,261.88	2.986806031
015024180	1 CORPORATE DR	Biotech	363162.8117	$907,907.03	8.337104324
015024240	201 GATEWAY BLVD	Biotech	253664.6124	$634,161.53	5.823361502
015024360	701 GATEWAY BLVD	Office: Multi Story	303765.8347	$759,414.59	6.973531905
015024380	611 GATEWAY BLVD	Office: Multi Story	225428.2071	$563,570.52	5.175140238
015024390	681 GATEWAY BLVD	Office: Multi Story	128707.6849	$321,769.21	2.954733693
015024450	801 GATEWAY BLVD	Office: Multi Story	178825.555	$447,063.89	4.105286279
015024460	801 GATEWAY BLVD	Office: Multi Story	33359.22205	$83,398.06	0.765825424
015024470	951 GATEWAY BLVD	Biotech	67028.17475	$167,570.44	1.538761315
015024480	901 GATEWAY BLVD	Biotech	103733.6926	$259,334.23	2.381407427
015024510	601 GATEWAY BLVD	Office: Multi Story	321638.5447	$804,096.36	7.383834509
015024520	651 GATEWAY BLVD	Office: Multi Story	277627.7078	$694,069.27	6.373480676
015032020	170 HARBOR WAY	Biotech	106409.9658	$266,024.91	2.442846452
015041300	317 ROEBLING AVE	R & D Flex	292760.2868	$731,900.72	6.720878279
015042020	210 EAST GRAND AVE	Biotech	66816.26275	$167,040.66	1.533896465
015042050	169 & 175 Harbor Way	Biotech	41623.2244	$104,058.06	0.955541572
015042070	169 HARBOR WAY	Biotech	35609.46	$89,023.65	0.817483986
015042110	220 GRAND BLVD	Biotech	65435.7286	$163,589.32	1.502203635
015042150	175 HARBOR WAY	Biotech	53986.5479	$134,966.37	1.239365561
015042180	115 HARBOR WAY	Biotech	44634.37115	$111,585.93	1.024668266

APN	SITE_ADD	LUFULL	SqFtParcelLandArea	SqFtX$2.50 tax amount	Acres of parcel land
015042200	230 EAST GRAND AVE	Biotech	238804.5654	$597,011.41	5.4822204
015042210	240 GRAND AVE	Biotech	137694.4736	$344,236.18	3.1610428
015042220	250 EAST GRAND AVE	Biotech	398064.5107	$995,161.28	9.138340288
015042230	280 EAST GRAND AVE	Biotech	112487.9456	$281,219.86	2.582378226
015050640	285 EAST GRAND AVE	Biotech	110576.1409	$276,440.35	2.538489054
015050680	321 ALLERTON AVE	Office: Single Story	31044.6899	$77,611.72	0.712690865
015050690	333 ALLERTON AVE	Biotech	152649.2549	$381,623.14	3.504358711
015050780	249 GRAND AVE	R & D Flex	96832.80135	$242,082.00	2.22298413
015050790	249 GRAND AVE	R & D Flex	39316.5915	$98,291.48	0.902588356
015050800	GRAND AVE	Office: Multi Story	109797.8665	$274,494.67	2.52062226
015050810	GRAND AVE	Biotech	125781.2239	$314,453.06	2.887551125
015050820	GRAND AVE	Office: Multi Story	79916.2119	$199,790.53	1.83463112
015052090	425 GRANDVIEW DR	Biotech	258185.1179	$645,462.79	5.927138445
015063180	100 KIMBALL WAY	Biotech	117858.7841	$294,646.96	2.705676206
015063220	468 LITTLEFIELD AVE	R & D Flex	70408.432	$176,021.08	1.616361654
015063230	442 LITTLEFIELD AVE	Biotech	60243.4955	$150,608.74	1.383005888
015071250	425 ECCLES AVE	R & D Flex	42131.5264	$105,328.82	0.967210627
015072440	460 CARLTON CT	R & D Flex	60387.3612	$150,968.40	1.386308603
015081110	571 ECCLES AVE	Biotech	44193.19405	$110,482.99	1.014540193
015081120	561 ECCLES AVE	Biotech	48412.557	$121,031.39	1.111403826
015082090	436 ROZZI PL	Office: Multi Story	41736.65755	$104,341.64	0.95814565
015082190	501 FORBES BLVD	Office: Multi Story	157287.739	$393,219.35	3.610844081
015092280	390 POINT SAN BRUNO BLVD	Biotech	733235.2425	$1,833,088.11	16.83283231
015101090	470 EAST GRAND AVE	Biotech	292194.2944	$730,485.74	6.70788483
015102250	400 JAMIE CT	Biotech	267994.4891	$669,986.22	6.15233152
015102460	620 E Grand Ave	Biotech	524466.6222	$1,311,166.56	12.04014509
015102470	475 E Grand Ave	Biotech	278410.9444	$696,027.36	6.391461387
015113180	124 AIRPORT BLVD	Office: Multi Story	100714.5887	$251,786.47	2.31209806
015123560	139 MITCHELL AVE	Office: Multi Story	34393.4647	$85,983.66	0.789568464
015143040	320 HARBOR WAY	Biotech	48675.628	$121,689.07	1.117443129
015154160	260 LITTLEFIELD AVE	R & D Flex	101375.928	$253,439.82	2.327280383
015154170	280 UTAH AVE	R & D Flex	265765.4427	$664,413.61	6.101159453
015210140	500 FORBES BLVD	Biotech	296354.2712	$740,885.68	6.803385138
015232480	700 FORBES BLVD	Biotech	198585.1998	$496,463.00	4.55890712
015232500	22 DNA Way	Biotech	1015051.267	$2,537,628.17	23.3024639
015240270	1511 GRANDVIEW DR	Indoor Recreation	114874.8631	$287,187.16	2.637174531
015240280	1531 GRANDVIEW DR	Biotech	435013.0846	$1,087,532.71	9.986566223
015240290	350 Dna Way	Office: Multi Story	86617.37495	$216,543.44	1.98846927
015240290	350 Dna Way	Office: Multi Story	713386.3728	$1,783,465.93	16.37716314
015250120	1776 GRANDVIEW DR	Biotech	52788.56765	$131,971.42	1.211863609
015250340	1000 GRANDVIEW DR	Biotech	262789.9977	$656,974.99	6.03285236
015250390	383 EAST GRAND AVE	R & D Flex	202995.478	$507,488.69	4.66015358
015250430	1600 GRANDVIEW DR	Biotech	307496.0533	$768,740.13	7.059166283
015250440	1500 GRANDVIEW DR	Biotech	282248.801	$705,622.00	6.479566804
015260030	1 DNA WAY	Biotech	469708.4643	$1,174,271.16	10.78306573
091661150	2400 WESTBOROUGH BLVD	Professional Building	78038.8422	$195,097.11	1.791532469
102310130	1435 HUNTINGTON AVE	Office: Multi Story	166655.8755	$416,639.69	3.825907762

5. Recent Development Projects Added to Base Estimate by Strategic Economics

	FID	OBJECTID	APN	SBE_NO	PERIMETE	SITE_ADD	LUFULL	SqFtParcelLandArea	SqFtX$2.50 tax amount	Acres of parcel land
	0	40885	15102230		2265	201 HASKINS WAY	Warehouse	285999.2829	714998.2071	1787495.518
New in July		0	015010950		2869	350 Oyster Point	Open Space	442569.4617	1106423.654	10.16003746
		37690	015042190		378		Parking Lot	7548.8004	18872.001	0.173297305
		37695	015042160		489	208 EAST GRAND AVE	Vacant Land	14893.9077	37234.76925	0.341918441

Brion Economics
INCORPORATED

TECHNICAL MEMORANDUM

To: Sharon Ranals, Assistant City Manager, and Greg Mediati, Director of Parks and Recreation, South San Francisco

From: Joanne Brion, BEI; with Kathleen White, South San Francisco

Subject: Financial Analysis of the Proposed Early Learning and Care Parcel Tax Analysis-FINAL DRAFT; BEI 2571

Date: July 25, 2022 (updated from July 11th version)

Introduction

The proposed Early Learning and Care Parcel Tax Initiative (herein Initiative) has qualified for the November 2022 South San Francisco ballot. The City has retained Brion Economics, Inc. to assist in the analysis of the financial and other impacts of the Initiative so that the City Council can consider the impacts of a new parcel tax in the City. To do this work, BEI has made certain assumptions about the initiative's directives. The Initiative is very unclear on many points and issues, and further clarification is needed if the Initiative passes. Kathleen White, who recently prepared the City's Child Care Master Plan (CCMP) for the City, has assisted in the effort of interpreting the Initiative. There are 31 questions that are "asked" and "answered" in the Approach and Assumptions section, which were required to conduct the analysis. Many more additional questions are raised that relate to the implementation of the Initiative, should it pass. These questions are important to consider as there are many unanswered issues, particularly regarding the prioritization of funds, should there not be enough to fund all aspects of the Initiative's directives or mandates.

The analysis is organized into four sections: 1. Summary of Findings; 2. Financial Impacts; 3. Approach and Assumptions; and Appendix A: Other Questions and Issues.

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1. Summary of Findings

Table S-1 summarizes the financial analysis of the proposed Initiative. The analysis is presented in constant 2022 dollars. Note that the demand for preschool spaces and the costs associated with resident and employee demand in the future scenario may be higher; this analysis assumes the same costs for both scenarios.

- **Estimated Parcel Tax Revenue**: Based on information developed by Strategic Economics for the City, we assume the parcel tax would generate a total of $55.9M currently and $68.2M when projects in the pipeline are completed.
- **Administrative Costs**: The estimate of annual administrative costs is about $5.6M under current conditions and $6.8M under future conditions.
- **Net Revenue Available**: An estimated $50.3M would be available for free tuition, wage enhancements, and infrastructure. Under the scenario with current projects that will be completed in the near future, this figure is $61.4M.
- **Children Served**: An estimated 1,462 children 2.5 to 5 years old are expected to require preschool and be served in this analysis.[1] This includes children needing licensed care, and children in the Daly City and San Bruno pockets of the South San Francisco Unified School District (SSFUSD) boundaries. It also includes children of parents that live and work in SSF.
- **Average Tuition Cost of Preschool**: The weighted average full-time monthly cost of preschool in South San Francisco is $1,341, based on current data.
- **Resident Preschool Tuition Remission Costs**: The estimated cost of serving children 2.5 to 5 years old is about $23.9M per year.
- **Preschool Staff Wage Enhancements**: Based on an average current wage of $20.21 per hour, and a total of 379 ELC staff in the City, the total cost of wage enhancements is estimated at $17.5M per year. A base minimum wage in the City of $15.80 per hour is used, and wages are scaled up 10% by each staff level.
- **Non-Resident Employee Tuition Remission:** The cost of providing free child care or tuition remission to non-resident employees that work in the City but live outside the City (called non-resident workers) is $19.6M. This is a conservative estimate.
- **Total ELC Initiative Costs:** The cost of meeting the free tuition, wage enhancement, and administration cost of the Initiative is estimated to be $61.0M, or about $10.7M more than the estimated available funds under current conditions.

[1] Adjusted for children in TK, Kindergarten, and receiving child care subsidies.

Table S-1
Summary of ELC Parcel Tax Analysis
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current Estimates	Maximum Estimates	Notes
Estimated Parcel Tax Revenue	**$55,897,444**	**$68,202,147**	See Table 1
Administrative Costs	$5,589,744	$6,820,215	See Table 1
Net Parcel Tax Revenues for Program Costs	**$50,307,700**	**$61,381,932**	See Table 1
RESIDENT PRESCHOOLER FREE TUITION ANALYSIS			
Average FT Monthly Preschool Tuition	$1,341	$1,341	See Table 4
Estimated Preschool Age Children	2,440	2,440	See Table 2
Preschool Children Needing Licensed Care	1,332	1,332	See Table 4
Preschool Children in Subsidized Care	(418)	(418)	See Table 4
Plus Children in SSFSUD San Bruno/Daly City	130	130	See Table 4
Children Needing Free Tuition	1,462	1,462	See Table 4
Parent Co-Payment Fees	$395,606	395,606	See Table 4
Preschool Tuition Remission	**$23,917,716**	**23,917,716**	See Table 4
CHILD CARE STAFF WAGE ENHANCEMENT ANALYSIS			
Estimated Preschool Staff (1)	379	379	See Table 6
Average Currently Hourly Wage	$20.21	$20.21	Derived
Proposed Wage at 230% of Min. Wage	$36.34	$36.34	See Table 7
Current Estimated Wages	$15,941,677	15,941,677	See Table 7
Child Care Wage Enhancements	**$17,492,554**	**$17,492,554**	See Table 7
Percent Increase in Child Care Staff Wages	110%	110%	Derived
NON-RESIDENT EMPLOYEE PRESCHOOLER ANALYSIS			
Estimated Non-Residents Working in SSF	40,672	40,672	See Table 8
Estimated Non-Residents Needing Preschool	1,220	1,220	See Table 8
Average FT Monthly Preschool Tuition	$1,341	$1,341	See Table 3
Non-Resident Employee Tuition Remission Cost (2)	**$19,630,985**	**$19,630,985**	See Table 8
Total Estimated Costs of ELC Parcel Tax Program	**$61,041,255**	**$61,041,255**	Derived
Surplus / (Shortfall)	**($10,733,555)**	**$340,677**	Derived
Percent Shortage	-21%	1%	
Supply and Demand for Child Care Spaces			
Current Supply	2,482	2,482	See Table 2
Current Demand - Resident & Non Resident Workers	2,970	2,970	See Tables 2 and 7
Surplus or Shortage of Preschool Spaces	**(488)**	**(488)**	
Percent Shortage	-20%	-20%	

(1) Assumes no new employees are required over existing conditions.

(2) Non-Resident employee demand will likely be higher than current practice, if it is free.

Sources; CCMP-2022; Strategic Economics; Brion Economics, Inc.

- **Available Funding for Infrastructure:** Given the funding shortfall shown in **Table S-1**, no funding is assumed for infrastructure or new child care spaces. Under future conditions there is a slight surplus of $340,700.
- **Current Supply and Demand of Preschool Spaces:** There are currently 2,482 preschool spaces available in the City. The demand or need for preschool spaces estimated in this analysis is 1,750 from residents and 1,220 from non-resident workers. This leaves a current shortage of 488 preschool spaces or a 20% shortfall. This shortage may increase over time as demand increases with the news that free preschool is available in the City.

2. Financial Analysis

This section describes the analysis that was prepared to estimate the possible uses of the Parcel Tax revenue and analyzes the Initiative as closely as possible to its intent. **Section 3** describes the approach and assumptions in more detail and explains why certain approaches were taken. The analysis uses available child care data from the City's recently completed Child Care Master Plan (2022)[2] and data available to BEI from other current child care projects in San Mateo County and the state. No new or original data was gathered for this effort given the timeframe of the study.

There are several limiting factors or situations that affect this analysis including the following:

- BEI assumes the Oversight Committee costs are included in the Fund's Administrative Cost estimate.
- BEI does not see a required inflation factor for the parcel tax amount (i.e., $2.50 per sqft of land), and thus over time, total revenues will be less than actual costs of child care and wages and fund less activity. The current and future conditions assume constant 2022 dollars.
- BEI does not set any priority between Free Tuition for residents and non-resident employees, or wage enhancements.
- The analysis is prepared in constant 2022 dollars.
- No new staff, child care demand, or wage enhancements are assumed between the two scenarios although demand is likely to increase.
- Data is not available on how many unlicensed care providers exist in the City and the analysis does not assume any funding goes to this category of provider.

[2] Prepared by Kathleen White, see https://www.ssf.net/departments/parks-recreation/recreation-division/childcareplan

- The analysis presumes that licensed providers[3] are the focus of the Initiative's efforts in order to ensure quality care.

Estimated Parcel Tax Revenue

This analysis uses Strategic Economics' (SE) estimate of potential revenue to be generated by the Initiative for this analysis.[4] BEI is familiar with their work, reviewed the analysis, and believes that this is a valid estimate of potential revenues. The analysis excludes parcels under 25,000 sqft. The Initiative proposed to levy a non-ad valorem[5] parcel tax of $2.50 per sqft of land, on 105 parcels with office, biotechnology, or R&D land uses identified in the City's parcel dataset, as well as three parcels associated with recently completed developments that were not yet updated in the dataset. The maximum estimate includes an additional 19 parcels associated with planned development projects that would likely transition to one of these three uses once completed.

The 109 parcels that are over 25,000 sqft in size would generate $55.9M currently and there are 144 parcels over 25,000 sqft that would generate $68.2M, as shown in **Table 1**.[6] These estimates are based on the use of the City's actual parcel database and have been reviewed by the City. BEI has not prepared an independent analysis or estimate of potential revenues.

Administrative costs cannot exceed 10% of the parcel tax revenues. **Table 1** estimates this maximum funding amount for administrative costs. As shown, there could be $5.6M under current conditions and $6.8M under SE's future estimate. Subtracting these potential administrative costs leaves $50.3M under current conditions, and $61.4M under maximum conditions, available to fund the Initiative's mandates.

[3] The Initiative language refers to family child care homes as "providers." This analysis refers to all child care entities as "providers," including center-based, family child care homes, and school age programs.
[4] See "Childcare Parcel Tax Ballot Measure Analysis" prepared for South San Francisco, by Strategic Economics, February 7, 2022.
[5] A non-ad valorem assessment is a special assessment or service charge which is not based on the value of the property.
[6] Based on updated estimates by Strategic Economics on July 22, 2022.

Table 1
Base and Future Estimates of Projected Annual Revenue Generated by Parcel Tax
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current or Base Estimate (1)	Future Estimate (2)
Parcels	109	144
Land Sq. Ft.	22,358,978	27,280,859
Parcel Tax Per Land Sq. Ft.	$2.50	$2.50
Total Annual Revenue	**$55,897,444**	**$68,202,147**
City's Funding for Admin. at 10%	$5,589,744	$6,820,215
Min. Remaining Revenue	**$50,307,700**	**$61,381,932**

Data updated by Strategic Economics, July 22, 2022.

(1) Includes parcels associated with existing Biotech, Office, and R&D uses.

(2) Includes parcels associated with existing, under construction, and planned Biotech, Office, and R&D uses.

Source: City of South San Francisco, 2022; Strategic Economics, Feb. 2022; Brion Economics, Inc.

Estimated Preschool Children and Supply of Preschool Spaces

Table 2 estimates the number of children in the City and South San Francisco Unified School District (SSFUSD) that are used in the analysis. These estimates are based on currently available data including population projections from ABAG's Projections 2040 and American Community Survey (ACS) 2018. Currently, there are a total of 2,440 children ages 2.5 to 5 years old in the City.[7] The analysis assumes that not all preschool-age children will use or need a preschool space, which is standard practice in child care Needs Assessments. The analysis assumes that 90% of 2.5-year-olds will use a preschool space and 95% of 3-year-olds will use a preschool space. For 4-year-olds, we assume that 58% will use a preschool space, based on the estimate that 160 4-year-olds are in TK currently.[8] For 5-year-olds, the analysis assumes that 25% will use a preschool space and the remainder will be in Kindergarten at SSFUSD. The Initiative explicitly states that the parcel tax funding shall not supplant state and federal funding, and we have assumed that children attending TK and Kindergarten are not funded for preschool under the

[7] 50% of 2-year-olds are assumed to equal children 2.5 years old. Note that preschool-age children are normally considered 2 to 4-year-olds; this analysis uses the definition of preschool-age children included in the Initiative.
[8] TK or Transitional Kindergarten estimates from the City's Child Care Master Plan – 2022.

Initiative's guidelines. Hence, as shown in **Table 2**, there is a total of 1,750 children living in the City that would likely use and quality for free preschool tuition.

Table 2 also summarizes the currently available child care preschool spaces available through Family Child Care Homes (FCCHs) and center-based providers, both of which are licensed or license-exempt.[9] The analysis does not include any unlicensed providers as this data is not readily available, and unlicensed care would not meet any definition of quality preschool in the profession. As shown, there are 272 estimated preschool spaces associated with FCCHs, based on licensing requirements. The actual number likely varies as FCCHs have some flexibility in how many children they serve in each age group. There are a total of 2,210 center-based licensed preschool spaces based on data from the CCMP-2022. These include spaces by private providers, non-profits, the City, the school district, and other types of providers. It should be noted that the Initiative calls FCCHs owners "providers" but for this analysis, providers mean all types of licensed entities, including for-profit and not-for-profit, and employer-based providers such as Genentech. It is estimated that there is currently a surplus of preschool-age spaces of about 732 in the City. The CCMP and other studies prepared by BEI for the City find that there is not a significant shortage of preschool spaces. Many of these spaces are likely to serve employees that commute into the City for work. Based on the estimates of demand from non-resident workers, below, there will likely be a shortage of available preschool spaces in the City, unless additional supply is provided.

Estimated Average Preschool Tuition Costs

In order to estimate the cost of free tuition for all preschool-age children of residents and non-resident employees, the analysis needs to consider the average cost of preschool care. Based on average cost data by type of provider from the CCMP, we estimate the weighted average preschool tuition for the analysis. The analysis uses this estimate to quantify the cost of free tuition as shown in **Table 3**. This is considered a baseline cost for the analysis. It is assumed that current conditions and tuition rates will need to be determined and applied equally across all providers and that providers will not be reimbursed for any tuition that is above this rate.[10] Otherwise, providers can increase tuition costs to any level they want and expect to be reimbursed. BEI suggests that the maximum reimbursement rates set by the State for preschool be used as a baseline as well.

[9] License-Exempt care includes programs run by school districts, etc. Licensed means Licensed and License-Exempt in this study.
[10] The Initiative is silent on inflation and normal cost increases for tuition and wages.

Table 2
Estimate of Children 2.5 to 5 Years Old and Current Supply and Demand for Child Care Spaces
Early Care and Education for All Parcel Tax Initiative Analysis

Item	2022 Estimate (1)	Percent Distribution	Percent Served	Total Served 2022	Notes
Estimate of Preschool Age Children					
2.5 years old (2)	438	18%	90%	394	not all children will use licensed care
3 years old	1,040	43%	95%	988	not all children will use licensed care
4 years old	380	16%	58%	222	42% or 158 assumed to be in TK
5 years old	581	24%	25%	145	75% are in kindergarten
Total Children	2,440	100%	72%	1,750	
Adjusted Preschool Need				**1,750**	
Supply of Preschool Spaces in SSF (3)					
Family Child Care Home Spaces	272				From BEI
Center Based Child Care Spaces	2,210				from CCMP - 2022
Total Preschool Spaces Available	**2,482**				
Estimated Surplus or (Shortfall) of Preschool Spaces				**732**	Derived

(1) 2020 U.S. Census; ABAG Projections 2040 (Oct 21); American Community Survey 2018.
(2) Assumes 50% of 2 year olds are 2.5 years old.
(3) This analysis does not include estimates of non-licensed care including Friends Family and Neighbors (FFNs), or Nannies as data on these types of care is not readily available.
Sources: American Community Survey 2018; ABAG Projections 2040 (Oct 21); Brion Economics, Inc.

Table 3 shows that the average full-time preschool tuition is $1,359 per month, and for FCCH preschool spaces it is slightly less or $1,195 per month for full-time care. The weighted average cost of care comes out to be $1,341 per preschool-age child. This figure is used to estimate free tuition costs. The current maximum reimbursement monthly rates (established by the State) for San Mateo County for preschool are $1,641 per full-time preschool center-based space, and $1,419 for an FCCH preschool-age full-time space. Part-time rates are less, of course. This analysis assumes all children require full-time care. The actual cost of free tuition or tuition remission will depend on the mix of full-time and part-time children using care.

Table 3
Estimated Average Cost of Child Care in SSF
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Average Center Preschool FT Monthly Fee	$1,359	CCMP - 2022 -Center Based Care, 2019 data
Average FCCH Preschool FT Monthly Fee	$1,195	CCMP - 2022 - Family Child Care Home, 2019 data
Current Center Based Preschool Spaces	2,210	From BEI, 2022 - See Table 3
Current FCCH Preschool Spaces	272	From BEI, 2022; based on licensing rates - See Table 3
Total Supply of Preschool Spaces	2,482	From BEI, 2022 - See Table 3
Wt. Average FT Monthly Fee	**$1,341**	Derived

Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Estimated Free Tuition Costs for Resident Children

Table 4 estimates the cost of free tuition or tuition remission possibly available to families with children within the boundaries of SSFUSD. The number of children receiving child care subsidies is subtracted first from the total number of children estimated to need preschool from **Table 2**. Currently, there are 418 preschool-age children receiving some type of subsidy for care in the City. The net number of children requiring tuition remission is estimated at 1,332 in total. Another 130 preschool-age children that live in the San Bruno and Daly City pockets of SSFSUD are added to this figure as they are potentially eligible for free care. The total number of children possibly requiring tuition remission is estimated at 1,462 as shown. The average monthly cost of care of $1,341 is applied to the total number of children for a total monthly tuition remission cost of $1.96M per month. On an annual basis, this comes to $23.5M per year. We estimate that families that have a co-pay for their subsidized care (from General Child Care and Alternative Payment subsidy programs) would be eligible for another $395k in tuition remission. This brings the total cost of free tuition to $23.9M, in constant 2022 dollars.

Table 4
Estimated Annual Tuition for Free Preschool Children
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Total Children Needing Licensed Care	1,750	see Table 3
Minus Children in Subsidized Care (1)	(418)	from CCMP 2022, page 50.
Eligible Preschool Children in SSF	1,332	Derived
Plus Children in SSFSUD San Bruno/Daly City	130	children that live outside SSF but in SSFUSD boundary
Total Children Eligible	**1,462**	
Average cost of Preschool Per Month	$1,341	See Table 3; from CCMP-2022.
Total Monthly Preschool Tuition Remission Cost	$1,960,176	Derived
Annual Tuition Remission Cost	**$23,522,109**	Derived
Family Fees for Subsidized Care Remission	$395,606	CCMP - 2022 Data
Total Tuition Remission Cost	**$23,917,716**	

(1) Some families in subsidized care are assessed parents fees based on their income; the fees vary based on household income and family. These fees would need to be reimbursed to parents.

Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Estimated Preschool Workforce

The next step in the analysis is to estimate the preschool workforce in the City, and the wage enhancement costs. **Table 5** shows the teacher-to-child ratios required by California's Community Care Licensing Division. These ratios are used to estimate the total workforce currently in the City. There are two statutes dictating teacher ratios. One is Title 22, and the other is Title 5. Title 22 covers all child care center based providers not offering subsidies. Title 5 has slightly higher standards, or requirements, for subsidized children. As shown, the required number of teachers or caregivers for FCCHs can vary depending on how many children by age group they serve.

Table 5
Teacher Staffing Assumptions
Early Care and Education for All Parcel Tax Initiative Analysis

Title	Age Groups	Adults Per	# of Children	Notes
Title 22/Child Care Centers				
	Infants (1)	1	4	
	Preschool	1	12	
	School Age	1	15	
Title 5/Subsidized Care				
	Infants (1)	1	3	or 4 children in 0-3 classrooms
	Preschool	1	8	
	School Age	1	14	
Small Family Child Care Homes (2)				Normally 6 or 8 spaces each
	Infants (1)	1	4	
	All Children	1	6	May include up to 3 infants
	Or	1	8	May include up to 2 infants and must include at least 2 children over the age of six
Family Child Care Homes (2)				Normally 12 or 14 spaces each
	12 Space Homes	2	12	May include up to 4 infants
	14 Spaces Homes	2	14	May include up to 3 infants and must include at least 2 children over the age of six

(1) Infants are considered to be children under the age of 2.
(2) Provider's own children under the age of 10 must be included in adult to child ratio.
Sources: Community Care Licensing Division - Title 22 and Title 5, DSS; CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Table 6 estimates the preschool teacher workforce in the City. It includes FCCH owners, directors of child care programs or providers, and support staff and aides. Applying the teacher ratios from **Table 5** to the estimated supply of preschool providers and the number of spaces (proxy for the number of children) results in an estimate of 379 staff or workers. Teachers are estimated at 289, directors at 30, and support staff/aides at 60 workers. This estimate is approximate, and each provider may have circumstances that warrant different staffing levels. License-exempt preschool providers may have lower teacher-to-child ratios. This figure of 379 workers is then used to estimate possible wage enhancements.

Table 6
Estimate of ELC Teaching and Other Staff
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Small FCCHs Spaces	Large FCCHS Spaces	Preschool Spaces (1)	Subsidized Preschool Spaces	Totals	Notes
No of Spaces	96	174	1,729	481	2,480	FCCH spaces are for all age groups
No. of Providers	21	32	17	13	83	Provider Count from BEI and CCMP-2022
Number of Teachers Required (1)	**21**	**64**	**144**	**60**	**289**	
Estimated Directors	na	na	17	13	30	one per provider except for FCCHs
Aides and Support Staff	na	na	34	26	60	2 per Center Based Provider
Total Staff	**21**	**64**	**195**	**99**	**379**	Approximate staffing levels

(1) Based on Title 22 and Title 5 teacher ratio requirements. See Table 5.
Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Estimated Wage Enhancement Costs

Table 7 summarizes the estimate of wage enhancement costs based on the directives of the Initiative. The Initiative's main requirement is that staff wages be 230% of the current minimum wage. The current minimum wage in South San Francisco is $15.80, as noted. We apply this base to the teacher aide/support staff category. Current wages are shown in the first column of **Table 7**. These hourly wage rates are based on data from the CCMP, and data from the California Economic Development Department (i.e., for directors). The hourly wage increase is estimated in the second column and assumes a 10% wage differential between each staff level, up to directors.[11] The analysis distributes the workforce by type of teacher and staff, based on typical staffing levels. Actual staffing levels will vary by provider. Current wages are estimated at $15.9M annually for the 379 workers. The wage enhancement is the difference between the current hourly rates and enhancement hourly rates as applied to the number of staff in each category. The total estimated wage enhancement equals $17.5M annually or 110% of current wages. The annual wage cost for the current total preschool workforce is estimated at $33.4M.

[11] This approach may not be reflective of job duties and experience levels, etc. for each level.

Table 7
Estimated Wage Enhancements
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current Avg. Wage / Hr.	230% of Min. Wage / Hr. (1)	Estimated Wage Increase (2)	Percent Increase	Estimated Staff by Role (3)	Percent Distribution	Estimated Current Wages	Estimated Wage Enhancement	Total Wages with Enhancement
Preschool Workforce									
Teacher Aides & Support Staff	$15.80	$36.34	$20.54	130%	92	24%	$3,023,488	$3,930,534	$6,954,022
Assist./Assoc. Teacher	$17.35	$39.97	$22.62	130%	102	27%	$3,684,735	$4,804,810	$8,489,545
Lead Teachers/Asst. Directors	$20.07	$43.97	$23.90	119%	102	27%	$4,262,400	$5,076,100	$9,338,499
FCCH Owners	$27.11	$48.37	$21.26	78%	53	14%	$2,988,606	$2,343,541	$5,332,148
Directors (4)	$31.77	$53.21	$21.44	67%	30	8%	$1,982,448	$1,337,569	$3,320,017
Total Teachers and EC Staff					**379**	**100%**	**$15,941,677**	**$17,492,554**	**$33,434,231**
Percent Wage Increase								110%	

Note the analysis brings all staff up to the minimum base of 230% of minimum wage and does not project additional pay due to various roles, education, and experience. How this Initiative would put upward pressure on wages beyond this requirement is not possible to estimate.

(1) Minimum wage is South San Francisco is currently $15.80 230% is $36.34 Each level increases 10% above that base.
https://www.ssf.net/departments/city-manager/local-minimum-wage
(2) A 10% mark up for each level is assumed based on the needs of equity with education and experience.
(3) See Table 6 for estimate of total preschool staff.
(4) CA EDD Data - 11-9031 Education and Childcare Administrators, Preschool and Daycare.
https://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html#OES

Sources: CCMP 2022, City of South San Francisco; CA EDD; Brion Economics, Inc.

Estimated Non-Resident Workers Requiring Preschool and Costs

Table 8 estimates the total number of jobs in the City and the amount of those workers that commute into the City for employment, or non-resident workers. Currently, there are an estimated 47,849 jobs in the City, according to ABAG Projections 2040 (extrapolated for 2022). Of these, about 85% are filled by workers that commute into the City for employment.[12] This includes workers that commute into the City from other cities in San Mateo County and those that commute into the City from outside the County as a whole. The total non-resident workforce is estimated at 40,672. Of these, about 5% typically want child care for children 0 to 5 years old, or a total of 2,034, near their place of work. We assume one 0 – 5 year old child per worker. Typically, 60% of these children ae preschool age. About 1,220 workers are estimated to need a Preschool Space, with one child per employee assumed.

[12] Based on journey to work data for2016-2019, the latest year data is available for this measure from MTC.

Table 8
Estimated Employment in Non-Resident Workers and Free Child Care Costs
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Employment Estimate - 2022	47,849	ABAG Projections 2040
Percent Non-Resident (1)	85.0%	from Journey-to-Work data, 2018
Non Resident Workers - 2022	40,672	ABAG Projections 2040 & JTW data
Estimated Demand for Infant/Preschool Care from Non-Resident Workers 0 to 5 year olds	5%	BEI - Needs Assessments
Estimated 0-5 Demand from Non-Resident Workers	**2,034**	Derived
Estimated Preschool Spaces Needed	**1,220**	60% of total above
Average Cost of Preschool per Month	$1,341	Per CCMP, See Table 5
Yearly Tuition Remission Cost per Preschooler	$16,089	Derived
Total Annual Tuition Remission Cost for Non-Resident Employees' Children	**$19,630,985**	Derived

Note: Assumes one child per non-resident employee.

(1) Includes workers that commute into SSF from other cities in the County and from outside the County. Based on Journey to Work Census data, from Shimon Israel, MTC. 7.19.22

Sources: 2019 5-Year American Community Survey Journey-to-Work Data; ABAG Projections 2040 (Oct 21); Brion Economics, Inc.

Table 8 estimates the cost of non-resident child care costs. About 60% of the children estimated are assumed to be of preschool age and required preschool. As shown, 1,220 children of non-resident workers are assumed to require preschool care. Applying the same average tuition cost as for residents, the monthly cost of required care is about $16k per month. Annually this figure is estimated at $19.6M. It is likely that many more non-resident employees will want to take advantage of the free tuition and this cost is likely to be much higher.

3. Approach and Assumptions for Analysis

The following asks various questions and summarizes our approach and assumptions used in the financial analysis of the Initiative.

1. What data source does BEI use for the estimate of children by age?

BEI uses population by age data from ABAG's Projections 2040 for South San Francisco and estimated for 2022. Using recently published projections ensures that our estimates are current. BEI assumes that 50% of 2-year-olds are 2.5 years old for purposes of this analysis. It also adjusts preschool age children for those in Transitional Kindergarten and Kindergarten.

2. What is the definition of Preschool age children in the Initiative?

As stated in the Initiative, early care, and education for all children between the ages of 2.5 and 5 years old who have a parent, legal guardian, foster parent, or authorized caregiver residing or working within the boundaries of the South San Francisco Unified School District qualify as Preschool age children (see page 2 of 10 of the Initiative text).[13]

3. What data should BEI use for estimates of child care spaces or seats by age group?

BEI uses the supply data from the Child Care Master Plan (CCMP). These data seem to be very current compared to data that was just collected by BEI for the County.

4. Are 4- and 5-year-old children in TK and Kindergarten at SSFUSD eligible for Parcel Tax funding?

BEI assumes that these children are not eligible for parcel tax funding because their care is already provided by state funding and state mandates. The Initiative does not talk about supplanting or replacing state or federal funding.

5. How is funding split between Free Tuition and Wage Enhancement?

BEI estimates the required funds to address all possible needs based on the Initiative.

6. Will free tuition funding be provided to the child care provider or parents?

The Initiative suggests that funding be provided to the Provider and that the Provider must provide wage enhancements to receive the tuition reimbursements. It does not address the

[13] Note this definition of parent or parents is used though out this memo and includes of parent, legal guardian, foster parent, or an authorized caregiver under California Family Code Sections 6550 and 6552.

possible situation that there could be insufficient funding to fund both of these costs. BEI is silent on who will receive, track, and verify tuition remission and administrative costs associated with providers implementing the Initiative's requirements. This will need to be addressed by the Administrative Organization and Oversight Committee.

The Initiative language suggests that the providers apply for and receive tuition. There would be additional administrative costs and staff needed, and training for provider staff on how to administer this program. BEI has not estimated this cost.

BEI suggests it would be more efficient for the city to administer all funds, and qualify participants, whether parents or employees.

7. What if there are not enough child care spaces to serve preschool needs?

BEI focuses on the number of children in the 2.5- to 5-year-old age range. BEI assumes revenue is allocated to:

1. Residents first residing in the boundaries of the SSFUSD, and employees working in the SSFUSD boundaries;
2. With low-income residents receiving priority (if there are not enough funds);
3. BEI backs out the number of children currently receiving subsidized care.; and
4. Less parent fees for co-pays on state and federal subsidized spaces.

If there is any funding left after estimating tuition needs and wage enhancement needs, BEI estimates possible revenue available for the development of child care infrastructure.

If there are not enough funds to fund all residents and employees, then some form of means testing would be required to identify low-income parents and employees.

8. Should the analysis assume every parent will want to use a licensed child care space if it is free or assume some parents will still choose not to use licensed care?

Currently, 32% of parents do not use licensed care according to the CCMP (2022). This may be due to a lack of supply, price, or location. BEI assumes that a small percentage of children will not use licensed care for the analysis as some families choose relatives or nannies to care for these children.

There is a need for relatives, friends, nannies, and informal care, due to scheduling needs, lack of available child care for occasions such as nights, weekends, extended hours, multi-age sibling care, children with special needs, and children that need health-related exempt care.

Additionally, SSF families may also utilize care outside of SSF and they may want to stay in a familiar setting or may prefer to have their children near their place of work as opposed to home. It will need to be determined whether parents can use tuition funding outside the City or SSFUSD boundaries.

9. How to determine FCCH eligibility when % of enrollment are infants, preschoolers, and school-age children?

To be conservative, BEI proposes to use state licensing ratios for FCCHs as follows:

1. For Large FCCHs licensed for 14, it is estimated that there are 3 infant, **6 preschool,** and 5 school age spaces;
2. For Large FCCHs licensed for 12, it is estimated that there are 4 infant and **8 preschool** spaces.[14]

10. What is the estimated number of children the in SSFUSD Service Area in Daly City and San Bruno?

The CCMP (2022) estimates that there are 130 children of preschool age in these two areas. This represents about 10% of the total number of children in the two areas according to the CCMP.

11. How many children are TK Eligible in SSFUSD?

As of 2021, there are about 110 in TK, according to the CCMP (2022). This number is estimated to grow by 48 additional children in 2022, to a total of 1658, and will increase annually thereafter. BEI is using the CCMP figure of 158.

12. What is the minimum wage assumption for the analysis and how will it scale up for teachers and other staff?

BEI uses the minimum wage in South San Francisco is $15.80 per hour.[15] BEI assumes 10% pay increase over the minimum level of pay in the analysis. An actual pay scale matrix will need to be created by the City Administrative team.

[14] School age children in these areas, accounting for school district boundaries at J. Serra, Skyline and Monte Verde that are inclusive of SSF resident counts in addition to San Bruno and Daly City areas and include estimates of younger children based on school-grade enrollments.
[15] https://www.ssf.net/departments/city-manager/local-minimum-wage

13. How does BEI estimate the ELC teacher workforce?

BEI uses the Title 22 and Title 5 requirements for teacher ratios from Community Care Licensing Division and information from the CCMP.[16]

BEI does not have estimates of staff associated with informal, unlicensed caregivers and will not include these in the estimates of wage enhancement costs although they may be eligible.

14. Would wage enhancement apply to directors and other support staff?

The Initiative states: [17]

1. *Minimum wage for entry-level positions that is at least 230 percent of South San Francisco's minimum wage;*
2. *Minimum wage increases for **Center-based teachers, Providers, and Providers' staff** to achieve parity in compensation with preschool and elementary school teachers in South San Francisco who have commensurate education and experience; and,*
3. *Minimum wage increases of **Providers and their staff** that are proportional to the minimum wage increases of Center-employed teachers.*

BEI presumes funding is available for FCCH owners as they are directly involved in providing care, and also center-based directors, and other support staff based on the above language of the Initiative.

15. Will the analysis estimate the cost of providing the following?[18]

1. *Program funds shall provide for each Seat up to ten hours of care and learning per day.*
2. *Centers and Providers shall make options for half-day or full-day schedules, and for year-round or school-year schedules, available for all Seats.*

BEI's analysis assumes all children receive full-time care for tuition remission estimates. In reality, some may choose part-time care. Most child care providers are open for 10 hours per day. Whether parents use 10 hours per day is not possible to estimate.

[16] Title 22 applies to all child care programs and the regulations are enforced by Community Care Licensing. Title 5 requirements are Contract requirements for state-funded programs that are contracted with the California Dept. of Education. In other words, Title 22 applies to everyone. For state funded programs, they have contract requirements that exceed Title 22 requirements.
[17] See page 8 of 10.
[18] Page 6 of 10.

BEI does not estimate the additional costs associated with these two requirements, but to truly estimate these costs we would have to know how many people desire part-time care, year-round care, and care 10 hours per day, in addition to how many days per week.

16. How would the Wage Enhancement be estimated and tracked against actual wages paid?

BEI assumes that each provider would be screened and provide proof of current wages from payroll records and that the difference between actual wages and 230% of the City's current minimum wage would be provided in advance. An audit would occur of actual wages paid and any adjustments based on actuals would be made at the end of a set time period. For instance, if a provider paid a teacher $20 per hour, and 230% of $15.80 is $36.34, then the provider would receive a wage enhancement of $16.34 for that hour worked.

Current average wages will be taken from data collected in the CCMP and the Draft SMC Needs Assessment being prepared by BEI.

17. Will teachers teaching in subsidized programs be eligible for wage enhancements?

For this analysis, BEI assumes they are.

18. Will teachers that work for the City be eligible for wage enhancements?

For this analysis, we assume they would be eligible, and they are included in the estimate of staff based on the number of Child Care Providers and spaces or seats analyzed.

However, this will create pay equity issues relative to other City staff and pay scales and civil codes on pay equity. This will need to be addressed during implementation.

19. What about children aged 6 months to 2.5 years old or Infants and Toddlers?

The analysis will focus on 2.5- to 5-year-olds. Other age groups are not analyzed. Although the Initiative does state that if there are sufficient funds for all 2.5 to 5-year-olds of residents and employees within the SSUSD boundary, 0 to 2.5-year-olds can be served. The analysis also does not estimate any wage enhancements for staff serving infants and toddlers.

20. Are School Age children available for support in the parcel tax?

The Initiative does not appear to cover school age care, either after or before, or during the summer. The analysis also does not estimate any wage enhancements for staff serving school age children.

21. How does BEI prioritize funding in the analysis in terms of Residents and Employees that work in the City?

BEI first prioritizes funding for all residents, employees, and children in the SSFUSD boundaries (discussed above). If there is insufficient funding for this approach, then low-income residents would have priority. Whether low-income employees are on par with low-income residents is not clear.

22. What is the priority between Tuition Remission and Wage Enhancements?

This needs to be determined as the Initiative appears to treat these equally. BEI assumes they are of equal priority.

23. Does BEI assume a total of 10% of funds are used for administration?

Administrative costs are assumed at the 10% rate. Administrative Funding may need to be allocated to providers for implementation costs if they are to qualify and vet parents' eligibility for tuition remission. BEI has not estimated this cost. It is not clear if it would come out of the 10% or net tax funding.

24. How does BEI manage the proposed restriction that City funding cannot be reduced, given that this restriction is likely illegal?

BEI assumes that the City cannot be forced to continue to fund subsidized spaces, but we will assume that current funding stands for this analysis. In the future, this may not be the case. This clause would bind the hands of future councils. The state and federal programs funding continually change the availability of subsidies based on available funding and contract compliance year to year. BEI assumes the City spaces will continue to be funded at their current rate, and that the City can be reimbursed for the full cost of the care per space. This will require an analysis of the City's Child Care budget. We have not estimated the difference between the City's costs and the parent fees charged for City subsidized spaces.

The City Attorney's office needs to address the legality of this requirement of the Initiative.

25. How does BEI treat existing subsidized child care spaces, and are they eligible for Parcel Tax funding? This includes State Preschool, Federal programs, General Child Care, Alternative Payment programs, etc.

BEI does not assume the parcel tax revenues replace or supplant current local, state, and federal subsidies in the analysis. We will assume that these subsidies still occur. These

estimated subsidies will be backed out of estimates, but they may vary year to year. However, the issue of assessed Family Fees are estimated. Parents receiving state subsidies are often assessed family fees (their portion) of tuition. This would be a covered expenditure.

26. Will parents be eligible based on a child between 2.5 years and 5 years?

The child care space serving children 2.5- to 5-year-olds is eligible for funding. A parent with a child that is 2.5 to 5 years old and using preschool age child care is eligible for tuition remission. The provider must prove that they are serving residents or employees working in the City (and be located within SSFUSD boundaries). Parents will need to provide proof of their children and addresses.

27. Will parents be able to utilize care outside of the SSF boundary or near their place of employment if employed outside SSF?

BEI assumes the funding cannot be taken out of SSF to providers outside the City. We assume that if there are not enough child care spaces then other uses of the funds could be implemented. Clarification is needed regarding SSF residents using care outside of the City (if schedule, type of care, quality, language, etc. is not available in the City).

It does not seem reasonable to expect providers outside the City to administer the Parcel Tax parameters and qualify parents eligible for tuition remission.

Appendix A: Other Implementation Issues and Questions

This appendix includes questions and issues that will need to be addressed if the Initiative passes. BEI has not addressed these questions and issues in the analysis.

K. White further clarified these questions.[19] Questions posed and answers to questions have the potential to significantly impact fiscal outcomes and financial viability and add to administrative costs..

Child Care Implementation - Family/Parent Eligibility

1. If funds are not sufficient to serve all residents, will there be an eligibility requirement?

[19] Author of the Child Care Master Plan-2022 and City staff.

- State subsidies are reliant on income, family size and employment or school eligibility.

2. Will parents then be screened, and will tuition be reimbursed based on eligibility (low-income) if funds are not sufficient?

   - Language considers all residents in SSF (SSFUSD) equally in terms of eligibility and full funding available to serve all residents.

3. Will parents and providers be jointly paid or jointly verified for tuition costs, or will providers be paid directly, and the administrative process of tracking be up to providers?

4. How will the residence of homeless or housing insecure children/families be managed?

5. Will parents be referred to other subsidies (federal, state, local) based on eligibility first to reduce supplantation?

   - What is the process for referrals? Who will refer? How will approval for subsidy be managed?

Child Care Implementation - Provider Eligibility

6. Will licensed (regulated) child care providers only be considered for tuition subsidy?

   - Language mentions exempt care providers (per Health and Safety code) which would include a broad range of family members, friends, and neighbors (FFN's).

   - Licensing provides regulatory function and investigative responsibilities for violations or complaints.

7. Will tuition remission be available for evening, weekend, and sick care, custodial care (child asleep during the evening, etc.), care by license exempt providers (family, friends, and neighbors)?

   - Clarification is needed as to the required elements of preschool (as described in measure) and the provision of child care (provided in licensed settings and by non-licensed caregivers (FFN's) that are covered under measure.

- "Preschool" implies preparation for school and may consist of curriculum designed to provide socialization, appropriate environments, scheduling, and pre-school readiness.

- "Child care" can provide all of the above elements and may or may not provide developmentally appropriate care, however, unregulated care can be custodial as there are no requirements for specific elements.

- Currently, there are no unlicensed centers providing child care services in SSF as the majority of group care preschool settings need to be licensed, however, unlicensed/exempt individual providers (FFN's) provide care in a parent's homes or the caregivers homes and exemptions allow for services by relatives, neighbors, friends, etc. caring for children from one family, or a group of related children (description of exemptions found in Section #3 of the CCMP). A "preschool" curriculum is not required.

- Licensed care must comply with minimal health and safety standards (including fingerprinting, educational requirements for center staff, physical environment standards, etc.) and is regulated by Community Care Licensing. Complaints are filed with Community Care Licensing and Child Protective Services as needed.

- Exempt care (FFN's) has no external standards for care or monitoring. There is no agency "in-between" the City and the caregiver to monitor care. Complaints would be filed with law enforcement directly, and/or Child Protective Services.

8. Will costs be reimbursed or paid up-front?

9. How will provider eligibility, appropriateness, quality, and priority be determined?

10. How will providers be selected for wage enhancements?

    - What administrative functions will be performed by providers to comply with wage enhancement expectations? Will technical assistance and support be provided?

11. Will providers be able to recoup additional administrative costs related to tracking tuition and wage enhancements?

    - Is provider recordkeeping and administration currently a funded activity as part of administrative costs?

12. What quality indicators will be utilized to ensure quality preschool services?

    - Provisions of preschool services as well as benefits stated imply quality settings and services. How will quality be determined?

13. Who will determine provider eligibility?

    - Will all licensed providers in SSF be approved?
    - Will all exempt care individuals be approved? Relatives? Nannies? Neighbors? Friends?
    - Those caring for a child or children and not charging a fee.
    - Will employment taxes, social security be required if exempt care providers are included?

14. How will wage increases of provider portion be documented? Will wage decreases of provider portion be allowed?

15. Will only teachers working with children 2.5 to 5 years be eligible for wage increases?

    - As all child care workforce members in SSF are impacted by insufficient wages for education, experience, job responsibilities, etc., limiting wage enhancements to one segment of the child care community could create a tiered system and staff vacancies in school – age programs.

16. How will impacts on infant/toddler staff, school age staff and support and administrative staff be managed if only preschool staff receive wage increases?

17. How will compaction within ELC program structure be managed (e.g., Directors making less than teachers)?

18. How will represented employees (union) be impacted by wage enhancements outside of job classifications and wage increases available to some members and not others?

    - What are the impacts on the represented workforce?

19. Will there be minimum educational, experience, and quality requirements for staff and/or providers to receive wage enhancements?

- If so, how will this be tracked?

20. Wage enhancements do not imply access to benefits if none are currently offered. Are employee benefits part of the wage enhancement?

21. How will programs utilizing current subsidies (federal, state, city, local) calculate tuition costs?

    - An assumption is made that supplantation of state and federal subsidies will not be encouraged.

    - A further assumption that staff in subsidized programs as well as represented programs will be eligible for wage enhancements.

22. For parents currently receiving subsidies and assessed a family/parent fee, will that portion be reimbursed to the parent or provider?

23. If a lack of child care spaces, schedules, types exist in SSF and all eligible children cannot be served in SSF, will residents be allowed to use care outside of SSF?

24. If parents choose and prefer care outside of SSF will their choices be accommodated?

25. Will licensing violations and findings be shared with administrators of program and will funding be withheld from programs or individuals under-going licensing, health and safety or criminal investigations?

    - What will the process be to manage time-sensitive and confidential data and information?

26. Will the parcel tax revenues be available to preschool providers that are run by religious organizations and provide religious instruction?

    - Currently state and federal subsidy use prohibits subsidies for religious instruction as well as a range of discriminatory enrollment policies and practices.

27. Are wages 230% of existing salaries or 230% of minimum wage?

    - Clarification needed around intent of 230% of wage enhancements

    - Parcel Tax language refers to the development of a “3 tier matrix”. If existing employer salary scale is not compressed into 3 tiers, additional detail is needed.

28. Can parents of 4- and 5-year-old children (TK eligible) opt into private transitional kindergarten and kindergarten when there is a public option available for free?

    - Will the before and after – school costs of transitional kindergarten be reimbursable for 4 and-5-year-old children?

    - School districts in CA are now required to provide TK (phase in through 2025) for some 4-year-old children and all 5-year-old children (dependent on school district funding availability).

Child Care Implementation – Employees Working in SSF

29. If funds are not sufficient to serve all employees (resident priority) then what method will be used to select from employee pool?

    - Low – income priority? Lottery? Employees from assessment area?

    - Screening and selection process will need to be developed.

Child Care Implementation - Facilities

30. If funds are not sufficient to develop facilities needed to serve all priority groups, how will facilities and program expansions be supported?

31. Will out-of-area programs and providers be allowed? Under what conditions?

Economic Impacts

32. Further detail is needed from Strategic Economics on:

    - Impacts related to small business operations and development
    - Impact on biotech development
    - Impact on affordable housing development
    - Commercial linkage fees and pass-through fees to tenants

Legal Questions and Impacts

33. Further detail needed from City's Attorney's Office, including:

    - Possible costs of contested components in measure and litigation.
    - How does the City guard against fraud?

- Possible risks and costs associated with the utilization of unlicensed and unregulated child care and the use of exempt care providers (relatives, neighbors, friends (FFN's), nannies, etc.).
- Possible risks on the utilization of licensed care especially as related to children in care facilities being investigated by licensing agency for licensing violations.
- Stated restrictions on city-funding for child care services.
- Clarification on the use of public funding for religious instruction and/or non-compliance with anti-discrimination policies.

Is the Parcel Tax Aligned with the 2022 Child Care Master Plan?

34. The Parcel Tax as written seeks to address several primary issues identified as key recommendations within the SSF Child Care Master Plan, 2022. Those include:

- Raising workforce salaries and the need for immediate solutions to low wages in child care resulting in significant workforce shortages.
- The need for subsidized child care for all eligible children in SSF.
- The stated long-term benefits of quality programs for young children, including increased school readiness and long-term academic, financial, and, social successes.

35. Areas of misalignment include:

- Priority recommendation in the CCMP for school-age child care spaces and programs, due to significant needs and gaps.
- Wage enhancements and increases needed for all child care staff including those caring for infants and toddlers, school-age children as well as preschoolers and directors, support staff and office staff.
- Subsidies needed for infants and toddlers as infant toddler care is typically more expensive.
- Wage compression for non-wage-enhanced staff may cause additional job loss.
- Recommendations made to ensure that quality programs and services are encouraged.
- Efforts to support exempt care (FFN's) to become licensed and engaged in professional development.
- Priorities for career pathways in SSF linking child care, after-school and other related jobs to careers with children in classrooms, as teachers, counselors, recreation staff, program administrators, lead teachers, etc. Career pathways assume linkages to higher education which are not stated.

7. Early Learning and Education for All Initiative City Council Questions

1. **Does the measure adhere to the SSF Child Care Master Plan (CCMP)?**
   The *Early Learning and Education for All Initiative* as written seeks to address several primary issues identified as key recommendations within the SSF Child Care Master Plan, which was adopted in June of 2022. Those include:
   - Raising workforce salaries and the need for immediate solutions to low wages in child care, which has resulted in significant workforce shortages;
   - The need for subsidized child care for all eligible children in SSF;
   - The stated long-term benefits of quality programs for young children, including increased school readiness and long-term academic, financial, and social successes.

   Areas of misalignment include:
   - Priority recommendation in the CCMP for school-age child care spaces and programs, due to significant needs and gaps;
   - Wage enhancements and increases needed not only for preschool staff, but for all child care staff, including those caring for infants and toddlers and school-age children;
   - Subsidies and expanded slots needed for infants and toddlers as infant toddler care is typically in short supply, and more expensive;
   - Wage compression for non-wage-enhanced staff may cause additional job loss;
   - Recommendations made to ensure that quality programs and services are encouraged;
   - Efforts to support exempt care to become licensed and engaged in professional development;
   - Priorities for career pathways in SSF linking child care, after-school and other related jobs to careers with children in classrooms, as teachers, counselors, recreation staff, program administrators, lead teachers, etc. Career pathways assume linkages to higher education which are not addressed.

2. **Is revenue the only barrier to childcare? Are the other barriers to providing childcare?**
   Barriers to providing childcare include:
   a. Workforce issues (recruitment/retention of qualified teachers/staff);
   b. Lack of infrastructure/facilities and available spaces;
   c. Lack of development pathways for training teachers/staff;
   d. Lower wages for staff lead to "training" at preschool level and moving up to higher grades for higher wages.

3. **If this measure fails, what are the alternatives? How can we collaborate to achieve the spirt of the measure?**
   Recommendations for providing and supporting quality early learning care are laid out in the South San Francisco Childcare Master Plan. Council may choose to direct staff to focus on implementing any of the proposed recommendations.

   An alternative Initiative could be written and sponsored by citizens, or by the City in the future.

4. **Would non-biotech businesses that are tenants of 25,000 Sq. ft lot be affected. I know we do have other industries or businesses that are on lots this size. Would they be taxed?**
   The Early Learning for All initiative requires a special non-ad valorem parcel tax shall be levied annually on the owner of each commercial office parcel within the city, at a rate of $2.50 per square

foot of parcel size, starting with Fiscal year that begins on July 1, 2023. "Commercial office parcel" is defined as any parcel that is developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature. Such services or operations include but are not limited to computer programming, data processing, research and development activities, or operation of an internet retailing business. Such services or operations do not include warehousing, industrial, or retail activities.

The Strategic Economics (SE) study preliminarily identified parcels which may be subject to the tax. A list of those parcels is included as part of the staff report. As noted in the summary of SE report, the identification of parcels potentially subject to the tax is preliminary and not a final determination of the status of any existing parcel. If voters approve the initiative, implementation of the tax will require a formal determination of the parcels subject to the tax.

5. The proponents mention money for teachers. What positions are included in the ballot measure?

The Early Learning for All initiative requires the Administering Organization to "compensate the teachers and staff members who are providing early care and education to Eligible Children in amounts no less than indicated on the compensation matrix established by the Administrating Organization with input from the Oversight Committee."

Section 4.40.100 under Administration requires minimum wage for entry level positions that is at least 230% of the minimum wage in South San Francisco. Additionally, the initiative requires minimum wage increases for Center-based teachers, providers, and providers' staff to achieve parity in compensation with preschool and elementary school teachers in the city who have commensurate education and experience; and minimum wage increases of providers and their staff that are proportional to the minimum wage increases of center-employed teachers.

The City retained Brion Economics to assist in the analysis of the financial and other impacts of the Initiative. Table 6 estimates the preschool teacher workforce in the city. It includes FCCH owners, directors of childcare programs or providers, and support staff and aides.

Table 6
Estimate of ELC Teaching and Other Staff
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Small FCCHs Spaces	Large FCCHS Spaces	Preschool Spaces (1)	Subsidized Preschool Spaces	Totals	Notes
No of Spaces	96	174	1,729	481	2,480	FCCH spaces are for all age groups
No. of Providers	21	32	17	13	83	Provider Count from BEI and CCMP-2022
Number of Teachers Required (1)	**21**	**64**	**144**	**60**	**289**	
Estimated Directors	na	na	17	13	30	one per provider except for FCCHs
Aides and Support Staff	na	na	34	26	60	2 per Center Based Provider
Total Staff	**21**	**64**	**195**	**99**	**379**	Approximate staffing levels

(1) Based on Title 22 and Title 5 teacher ratio requirements. See Table 5.
Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Table 7 summarizes the estimate of wage enhancement costs based on the Initiative which requires staff wages be 230% of the minimum wage. The current minimum wage is $15.80. This base is applied to the teacher/aide support staff category.

Table 7
Estimated Wage Enhancements
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current Avg. Wage / Hr.	230% of Min. Wage / Hr. (1)	Estimated Wage Increase (2)	Percent Increase	Estimated Staff by Role (3)	Percent Distribution	Estimated Current Wages	Estimated Wage Enhancement	Total Wages with Enhancement
Preschool Workforce									
Teacher Aides & Support Staff	$15.80	$36.34	$20.54	130%	92	24%	$3,023,488	$3,930,534	$6,954,022
Assist./Assoc. Teacher	$17.35	$39.97	$22.62	130%	102	27%	$3,684,735	$4,804,810	$8,489,545
Lead Teachers/Asst. Directors	$20.07	$43.97	$23.90	119%	102	27%	$4,262,400	$5,076,100	$9,338,499
FCCH Owners	$27.11	$48.37	$21.26	78%	53	14%	$2,988,606	$2,343,541	$5,332,148
Directors (4)	$31.77	$53.21	$21.44	67%	30	8%	$1,982,448	$1,337,569	$3,320,017
Total Teachers and EC Staff					379	100%	$15,941,677	$17,492,554	$33,434,231
Percent Wage Increase								110%	

Note the analysis brings all staff up to the minimum base of 230% of minimum wage and does not project additional pay due to various roles, education, and experience. How this Initiative would put upward pressure on wages beyond this requirement is not possible to estimate.
(1) Minimum wage is South San Francisco is currently $15.80 230% is $36.34 Each level increases 10% above that base.
https://www.ssf.net/departments/city-manager/local-minimum-wage
(2) A 10% mark up for each level is assumed based on the needs of equity with education and experience.
(3) See Table 6 for estimate of total preschool staff.
(4) CA EDD Data - 11-9031 Education and Childcare Administrators, Preschool and Daycare.
https://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html#OES
Sources: CCMP 2022, City of South San Francisco; CA EDD; Brion Economics, Inc.

6. How does this proposed program compare to those in San Francisco and Portland Oregon? Specifically, revenue sources and process for implementation. Is there a means test?

Portland:
Staff obtained a copy of the *Preschool for All Plan* developed by Multnomah County in Oregon (FINAL-Preschool-for-All-Plan-July-2020.pdf (multco-web7-psh-files-usw2.s3-us-west-2.amazonaws.com), and met with Brooke Chilton Timmons, Management Analyst with the Multnomah County Department of Human Services. Multnomah County has a population of approximately 815,000, which includes most of Portland and a number of smaller cities. The Plan evolved from the Ready for Kindergarten Collaborative, which began with a task force in 2012. Over an eight-year period the Task Force, which included parents and community leaders from early learning, healthcare, housing, human services, school districts, higher education, culturally specific organizations, local non-profits, and the business community, developed comprehensive recommendations for the *Preschool for All Plan* prior to the successful passage of a ballot measure in 2020.

The Multnomah program is funded by a marginal income tax on high income earners, with a tiered, progressive approach to income thresholds. The tax is structured to generate an estimated $133 million in 2021, increasing to an estimated $202 million in 2026. The program is designed to ramp up over several years to full capacity by 2026. The County Board of Commissioners has the authority to adjust the tax rate over time as needed to ensure the program is fully funded. Hundreds of public, private, and social sector leaders, community members, and preschool practitioners participated in a coalition to design the program parameters. Since the initiative passed in 2020, the County has spent 2 years working toward service delivery, which will begin in the fall of 2022. All 3- and 4-year-olds are eligible for approximately 5 hours of tuition-free preschool program per day; before and after program care options are available for families below the Multnomah County

Self-Sufficiency Standard; children with developmental delays and disabilities are provided with targeted support; the program offers a mixed delivery model which includes full-day and part-day programming., year-round options, home-based, center-based, and public-school based settings. There is an application process, with children offered seats in participating programs. Priority is given to children who have the least access to preschool. Resources are devoted to outreach to families to inform them of their options, coaching for providers, and assistance to home-based providers. The program addresses workforce development and provides a living wage for participating providers, with a compensation matrix that adjusts wages based on teacher credentialing, education, certification, licensure, special skills such as language, and experience. Lead preschool teachers are to be paid on par with kindergarten teachers.

Program administration is handled through a contract with a non-profit agency in combination with County staff. Positions include application, eligibility, and enrollment specialists, accountants, trauma-informed mental health professionals, outreach specialists, and educational coaches. To grow the number of preschool slots across the county, funding is allocated to support providers who want to improve or expand their facilities. Public oversight and accountability are provided by a 12–15-member Community Advisory Group appointed by the County Board of Commissioners. The Advisory Group includes parents, preschool providers, culturally specific organizations, school districts, early childhood organizations, and other representatives from organizations that work to support children and families in the county.

San Francisco:
Staff interviewed Kathleen White, the consultant retained for the South San Francisco Child Care Master Plan. Kathleen worked closely with several committees involved in designing and implementing San Francisco's program. Some key differences include:

- San Francisco passed Prop C in 2018;
- Measure was tied up in court challenges for approximately 3 years;
- San Francisco is both a City and a County, and has established a large department, the Office of Early Childhood Education, to design and implement programs;
- Leverages federal, state, county, and local funding sources;
- San Francisco is investing in teacher wage increases in City-run programs;
- Addresses children aged 0 – 5, with children under 4 years a priority;
- There is a means test for prioritization of service to lower income families;
- Ensuring and enhancing program quality is addressed;
- Workforce development is a priority;
- Staff training is incentivized.

7. **Sky Woodruff mentioned looking at potential legal issues that might arise if voters approve this new tax. We currently collect monies from developers for child care facilities. How many San Mateo County cities collect fees for this purpose? Does the County collect a fee for child care?**
The Quimby Act and California Fee Mitigation Act allows communities to require developers to dedicate land or pay an in-lieu fee as a condition of approval. Development Impact Fees offset the impact by providing park, recreational facilities, and childcare facilities to serve new residents. The city currently has impact fees for parks, childcare, and public art. Developer impact fees are exclusively for capital improvements serving new development to offset the impact of a particular project or new growth. The City of South San Francisco and San Mateo have childcare impact fees to help fund childcare facilities. The City's current impact fee balance as of January 2022 is

$11,000,000. The City will consider the Master Plan recommendations into consideration for utilization of these funds.

San Mateo County does not collect a fee for childcare.

With regard to legal issues, California courts have established that the voters' power to enact law through initiative is not unlimited. The power of initiative is limited to legislative acts and cannot compel administrative or executive acts. An initiative is subject to invalidation by a court to the extent that it deals with and seeks to direct administrative acts. The distinction between legislative acts and administrative ones can be blurry—and courts may be cautious to invalidate a measure—in part because an initiative may properly include both a broad public purpose and also specific "provisions for ways and means of its accomplishment." That said, courts have drawn a line to find that an initiative amounts to an administrative act when it infringes on "governmental powers properly assigned to the executive department" and that an initiative that "interferes with the City's ability to carry out its day-to-day business is not a proper subject of voter power."

A city is not prohibited, however, from implementing an initiative that directs administrative acts. Rather, an initiative that includes provisions that intrude into areas of city administration are subject to court challenge and potential invalidation, in whole or in part. The court-created tests for deciding this issue are mostly fact-specific and therefore this question cannot be answered except through litigation.

Nevertheless, the proposed childcare parcel tax initiative includes a number of provisions that could be characterized as administrative. Some examples include the requirement that the City Council adopt administrative rules for the implementation of the program and ensuring that childcare providers that receive funding from the tax fully comply with all requirements of the program, including the administrative rules (either directly or through monitoring of a non-profit Administrating Organization). Additionally, the initiative requires the establishment of an oversight committee that must be supported by City staff, including the process for advertising positions and selecting members; monitoring members to ensure compliance with applicable laws, such as taking oaths of office, ethics and other mandated trainings, and disclosures of economic interests; preparation and posting of agendas, keeping of minutes, and providing staff at meetings; and processing stipend payments for members of the committee.

An additional issue relates to the initiative's requirement that the City designate an Administering Organization. The Administering Organization may be a department of the City, or a non-profit entity. The Administrating Organization carries out the administration functions of the program authorized and funded by the initiative.

The initiative properly leaves to the discretion of the City whether one of its own departments will serve as the Administrating Organization. If the City exercises that discretion not to act as the Administering Organization, then the initiative requires the City to contract with a non-profit entity to serve in that role. California courts have not definitively ruled on this issue, but many have suggested that, with some exceptions not applicable here, entering into contracts is an administrative act. In other words, it may be beyond the voters' power, through an initiative, to compel the City to enter into a contract with a non-profit to act as the Administrating Organization. If the City declined to act as the Administering Organization, and it cannot legally be compelled to enter into a contract with a non-profit to perform that role, it is unclear to what extent the

program could still be implemented and whether it would be appropriate to continue to levy the tax.

8. How many commuting workers would be eligible for this new program?

According to analysis provided by Brion Economics, approximately 1,220 children of non-resident workers are assumed to require preschool care. The monthly cost of required care is approximately $16,000 per month, about $19,600,000 annually.

Table 8
Estimated Employment in Non-Resident Workers and Free Child Care Costs
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Employment Estimate - 2022	47,849	ABAG Projections 2040
Percent Non-Resident (1)	85.0%	from Journey-to-Work data, 2018
Non Resident Workers - 2022	40,672	ABAG Projections 2040 & JTW data
Estimated Demand for Infant/Preschool Care from Non-Resident Workers 0 to 5 year olds	5%	BEI - Needs Assessments
Estimated 0-5 Demand from Non-Resident Workers	**2,034**	Derived
Estimated Preschool Spaces Needed	**1,220**	60% of total above
Average Cost of Preschool per Month	$1,341	Per CCMP, See Table 5
Yearly Tuition Remission Cost per Preschooler	$16,089	Derived
Total Annual Tuition Remission Cost for Non-Resident Employees' Children	**$19,630,985**	Derived

Note: Assumes one child per non-resident employee.

(1) Includes workers that commute into SSF from other cities in the County and from outside the County. Based on Journey to Work Census data, from Shimon Israel, MTC. 7.19.22

Sources: 2019 5-Year American Community Survey Journey-to-Work Data; ABAG Projections 2040 (Oct 21); Brion Economics, Inc.

9. How will city of residence or place of employment be verified?

This has yet to be determined. The ELC Initiative requires the City Council to designate an Administering Organization to administer the program. By July 1, 2024, the City shall require the Administering Organization to receive and review applications from Centers and Providers who wish to participate, monitor program participants' use of funds, prepare and submit quarterly reports to the Oversight Committee and annual reports to City Council describing disbursement of program funds, numbers of children served, and overall effectiveness of the program; and take any additional action needed to implement the program.

10. Please provide the following information.

- Cost to develop 1 square foot of life science Class A
    - $1,115 (includes acquisition costs)

- Cost of leasing 1 square foot of life science Class A annually
  - $6.35 / SF to lease

- Total Annual operating costs of life science Class A including salaries and benefits.
  - This information was not available.

- Current cost of childcare
  - The weighted average full-time monthly cost of preschool in SSF is $1,341, based on current data. Note this is an average of both center-based care, and licensed family day care providers.

Table 3
Estimated Average Cost of Child Care in SSF
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Average Center Preschool FT Monthly Fee	$1,359	CCMP - 2022 -Center Based Care, 2019 data
Average FCCH Preschool FT Monthly Fee	$1,195	CCMP - 2022 - Family Child Care Home, 2019 data
Current Center Based Preschool Spaces	2,210	From BEI, 2022 - See Table 3
Current FCCH Preschool Spaces	272	From BEI, 2022; based on licensing rates - See Table 3
Total Supply of Preschool Spaces	2,482	From BEI, 2022 - See Table 3
Wt. Average FT Monthly Fee	**$1,341**	Derived

Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Brion provided the following information about how this cost was determined.

This was the weighted average for family child care and centers. Family child care providers tend to offer lower prices for preschool children and often offer family discounts, etc.
During the CCMP process, I also looked at advertised rates (when available) as the COVID Pandemic did impact enrollment. While providers in general had fewer children enrolled, and health related requirements increased, tuition in general did not increase, as parents struggled with additional employment limitations and costs. 4C's did not have current updated tuition data, most likely due to their own workforce issues.

Tuition will most likely be increasing this year, as employment stabilizes and vaccines become more available. Additionally, SSF has a significant number of reduced cost or free programs, including state funded, Head Start, and Parks and Recreation. These also bring tuition costs down, as parents are not paying full - cost and in many cases, the tuition is no-cost to families.

Fees are dependent on schedules, exact ages, potty-training, etc., but, for example, in 2021, Temporary Tot Tending was at $995/month, Gateway/YMCA was at $1500/month, Early Years was at $1500/month, All Souls was at $1200/month, Mills Montessori was $1600/month, etc.

Many programs in SSF do not share tuition info online or by phone and request that families contact them with specific information. I feel confident that the weighted average of near

$1400/month was accurate for SSF at the time the data was gathered. The new San Mateo County Needs Assessment will have additional detail on rates.

11. Current amount spent annually by Genentech and other biotechs specifically on childcare.
This information is proprietary, and although requested, is not available. Brion Economics provided the following response:

Genentech provides child care on-site for employees and does offer reduced rates depending on income. The child care program is offered through a sub-contract with Bright Horizons. They do not publish rates, as rates are dependent on income and other elements of work-based eligibility. Unless we had specifics on income, ages of children, family needs, etc. we really cannot get a rate easily. It is described as discounted rates, based on family income, but not subsidized, so it is possible that families have a variety of tuition options dependent on their situations. There is also a waiting list.

12. Benefits to biotech workforce if they have childcare and Pre-K.
While staff cannot speak specifically to benefits of childcare for the biotechnology workforce, studies show that universal preschool has many long-term benefits. According to the Public Policy Institute of California (PPIC), early childhood education narrows the gap in school readiness, and has many other long-term benefits. Students who participated in preschool took more honors classes in middle school and were less likely to repeat a grade. Studies indicate increased rates of high school graduation, college enrollment, higher earnings, reduced rates of welfare use, and a lower rate of contact with the criminal justice system.

Brion Economics provided the following response:

Only 4% of companies in the United States provide any child care subsidy and another 4% provide referrals, parent supports and access to child care on or near-site without a subsidy. While some companies in SSF may contract with some specific providers or offer child care tuition benefits through their HR Departments, the information is deep within HR policies. Only Genentech widely advertises their stand-alone child care sites.

Benefits to employees include tax benefits (up to $5,000 can be excluded from income in 2021), employer loyalty, location of child care, family friendly policies, work-life balance, etc. Benefits to employers include tax deductions for child care benefits provided, ease of recruitment, support for women, reduced turnover, etc. Recent article on employer shifts at:
https://www.cnbc.com/2021/07/09/employers-sweeten-child-care-benefits-to-win-over-workers-.html

13. How could the Initiative Impact the City's ability to pursue other funding streams?
The Gann limit sets an annual appropriation ceiling on the amount of tax proceeds to all California municipalities. In addition to limits of tax proceeds, the Gann limit restricts the amount of money a city can appropriate based on the previous year appropriations plus a per capita personal income (CPI) change and a percent population change. The City uses the California Department of Finance statistics of CPI and percent population change to formulate the Gann Limit for the City for each fiscal year. The City is approximately $70 million below the Gann appropriation limits for FY 2022-23.

As stated earlier, Strategic Economics estimates that the parcel tax would generate approximately $54.7 million in annual revenue if implemented today, and potentially increasing to at least $63.8 million in annual revenue upon completion of planned development projects. If the parcel tax passes, the City's ability to levy additional taxes for other citywide issues such as affordable housing, public safety, parks, roads, and infrastructure will be severely limited. If the City ends a fiscal year exceeding the Gann appropriation limit, the City must return the excess either by reducing taxes or fees within the next two subsequent fiscal years, or would have to seek voter approval to increase the appropriations limit. Such a voter-approved "override" cannot be for more than four years. So, the City would have to seek voter extension of the override every four years until the "pre-override" appropriations limit catches up.

Bond Capacity

Based on the Gann limit, the City has $1.1 billion of bond capacity. The childcare initiative would use $840 million to $980 million of bond capacity leaving only $95 million for other citywide programs. A summary of the estimated bond capacity numbers assuming a 30-year fixed rate structure at 5.00% is provided below:

Scenario	Annual Revenues	Bond Capacity
GANN Limit	$70,000,000	$1,075,000,000
Base Case	$54,700,000	$841,000,000
Fully Developed	$63,800,000	$981,000,000
Remaining Capacity	$6,200,000	$95,000,000

A parcel tax is considered a qualified special tax and may be imposed by a local government such as a city, county, school district or special district. The tax would be due to San Mateo County no later than July 31st each year to be included in the following fiscal year.

14. Can the left-over funds go to Capital?

Yes. Paraphrased, the permissible uses of tax proceeds include running the childcare program; infrastructure for Centers and Providers; the City's costs to implement the program; and stipends for members of the Oversight Committee. (Section 4.40.080(A).) If the Parks and Recreation Department participates as a Center, then tax proceeds should first be used each year "to maintain or increase the number of early childcare and education Seats offered by the Parks and Recreation Department during the prior enrollment year. No more than 50 percent of each year's Tax revenue shall be used to maintain or increase the number of such Seats." (Section 4.40.090(A)(2).)

Regardless of whether the Parks and Recreation Department participates as a Center, if all Eligible Children who wish to enroll have been provided with Seats using tax proceeds, then any remaining funds may be used to offer Seats to children who are between the ages of six months and 2.5 years and whose parents or guardians live or work within the boundaries of the School District. (Section 4.40.090(A)(3)(a).)

If all qualifying children between the ages of six months and 2.5 years who want to enroll have been provided with a Seat using tax proceeds, then any remaining funds may be used for the authorized purposes of the tax, including for infrastructure for Centers and Providers. This could be further defined in Council-adopted administrative rules. (Section 4.40.100(A)(1).)

15. How much of the funding is discretionary?

As discussed above, the initiative ordinance prioritizes funding free Seats at Centers and Providers for Eligible Children. If there is more than enough funding for that first priority, then the next priority is funding free Seats for children between the ages of six months and 2.5 years whose parents or guardians live or work within the boundaries of the School District. The ordinance also states that, if the Parks and Recreation Department operates a Center, then the first use of funds each year should be to fund its Seats, with up to 50% of each year's tax revenue dedicated to that purpose. Finally, up to 10% of annual tax proceeds may be used for the City's implementation of the tax.

The ordinance also states, however, that the goals are "(1) providing free early care and education for all children between the ages of 2.5 and 5 years old who have a parent, legal guardian, foster parent, or authorized caregiver residing or working in the boundaries of the South San Francisco Unified School District; (2) expanding the infrastructure necessary to provide such early care and education; and (3) increasing the wages of teachers and staff who provide early care and education under this ordinance." (Section 4.40.020(H).) Further, it authorizes the City Council to adopt administrative rules to implement the tax. (Section 4.40.100(A)(1).) The authority for the Council to adopt administrative rules for the implementation of the tax allows for some exercise of discretion in how tax proceeds are spent, as long as the expenditures are consistent with the stated purposes of the initiative and do not directly contradict express requirements of the ordinance that lawfully constrain the administrative actions of the City to implement a ballot initiative.

16. Assuming the City participates in the program to provide preschool programs offered by Parks and Recreation at no cost, and therefore is obligated to pay preschool staff 230% of the minimum wage in South San Francisco, how would this affect wage negotiations with their bargaining unit?

The Human Resources Department provided the following response:

City childcare staff are currently represented by recognized employee unions, and nothing in the proposed legislation would change the City's duty to bargain over wages, hours, terms, and conditions of employment.

The proposed legislation includes a minimum threshold of 230% of minimum wage for entry-level workers, therefore any agreement on wages with our labor unions would need to meet the statutory minimum for covered positions if the City participates in the program as a Provider or Center. However, there is nothing that would prevent a union from bargaining for a higher wage than that which is required by the initiative for the City to be eligible to participate as a Provider or Center. Other fringe benefits would also remain subject to negotiation.

There is some complexity presented by the Oversight Committee's responsibility to develop a wage table and the Council's sole authority to bargain with labor and approve the wage and salary schedule for City employees. See the City Attorney's discussion below regarding various roles related to the compensation matrix. The compensation matrix would not impact Council's authority over bargaining and approval of agreements with employee unions, however it does present a challenge as the compensation matrix will carry significant weight in the bargaining process.

In general, while any new legislation is not in itself subject to bargaining, the impacts, or effects of a law on wages, hours, terms, and conditions of employment are subject to bargaining. For

example, if the City needs to restructure positions, job requirements, reporting relationships, salaries, etc. in order to effectuate changes under the law, how we implement those decisions are likely subject to bargaining. The easiest example here is adjusting supervisory positions for compaction – if the City chooses to participate in the program and the teachers receive a significant increase to comply with the minimums in the compensation matrix, the union representing supervisors (Mid-management/Teamsters) will have the right to bargain the effects of that change on supervisors' compensation.

The City Attorney added the following observations:

The Oversight Committee's role regarding the compensation matrix is just to provide input. (4.40.090(A)(1)(b) and 4.40.110(B)(5).) The Administering Organization is responsible for preparing the matrix. (4.40.100(E).) It is not clear in the ordinance who is responsible for approving the matrix, but this could be resolved through the administrative rules that the ordinance requires the City Council to adopt.

The matrix sets minimum compensation for teachers and staff who provide early care and education to eligible children. (4.40.100(E).) The matrix starts with entry-level positions by requiring them to receive at least 230% of the minimum wage. But it must also set "minimum wage increases for Center-based teachers, Providers, and Providers' staff to achieve parity in compensation with preschool and elementary school teachers in South San Francisco who have commensurate education and experience; and . . . minimum wage increases of Providers and their staff that are proportional to the minimum wage increases of Center-employed teachers." So, the matrix would also likely have minimum compensation levels for more experienced teachers and staff, as well.

City employees would only qualify for compensation in accordance with the matrix if the City chooses to operate as a Center or Provider. If the City does not participate, then the matrix will have no effect on employee compensation. (At least not directly. If employees of Providers and Centers are being compensated according to the matrix, then City employees might use that as a basis to bargain for commensurate compensation, even if the City is not participating in the program.)

If the City does participate, then it is reasonable to assume that the matrix will provide the floor for compensation of City employees who provide early care and education to eligible children. As Human Resources notes, the City must still bargain with those employees, so actual compensation might be higher than the minimums in the matrix. There might also be inconsistencies if there are City employees providing childcare programs that are funded by the tax and employees doing the same work but not funded by the tax. The City Council still must approve the MOU with the bargaining unit representing the teachers and staff and with the bargaining unit representing managers who will, as Human Resources notes, want to negotiate over their compensation to address compaction.

17. What is the impact to small child care providers in the neighborhoods? Can they continue to operate? Are there any compliance issues or operating rules that would change how they do business?

In the Impact Report analysis an assumption is made that only licensed small family child care providers would be eligible to participate in the program, otherwise there would be no way to control for quality, residency of participants, liability, fraud, and a host of other factors. Nothing

in the Initiative would prohibit unlicensed small family child care providers from continuing to operate on a fee-based model, however these providers might have a difficult time attracting clients if free preschool becomes available. Licensed family care providers would be eligible to participate as a funded provider if they comply with the enhanced wages specified in the Ordinance, and maintain standards required by Licensing.

18. **I would like to see how the addition and expansion of Boys and Girls Club of Peninsula (BGCP) to cover the after-school population will support that need (and heat map). In other words, this initiative would only care for preschool aged children, but I want to be able to address that the subsidies and reduced cost programs that BGCP will provide and serve at the proposed school sites will help to address that need.**
The Early Learning and Education for All Initiative prioritizes providing preschool at no cost to children aged 0 to 5 years. However, no funds are provided for children aged 6 and above for after-school care. The Child Care Master Plan documented the shortage of Before and After School services. The City of South San Francisco currently provides after-school programs for 650 children. City Staff has met with staff from Boys and Girls Club of Peninsula (BGCP) and understand that BGCP is endeavoring to offer free school-site-based after-school programing at various locations in South San Francisco. In the fall of 2022 BGCP will offer after school programming at Sunshine Gardens Elementary and the BGCP Clubhouse on Orange Avenue. BGCP will also offer a college access program after school for high school students at South San Francisco High School.

STRATEGICECONOMICS

South San Francisco Parcel Tax Analysis



Revenues and Impacts of the “Early Care for All” Parcel Tax

Presentation to the South San Francisco City Council

August 10, 2022

About Strategic Economics

- Berkeley-based land use economics consulting firm
- Founded 1998
- Specialties include:
  - Fiscal & economic impacts
  - Market & development feasibility analysis
  - Economic development
  - Affordable housing studies and policy
  - Public finance
  - Transit-oriented communities

Examples of our Work:

SHAPE SSF 2040 GENERAL PLAN

- South SF Commercial linkage fee nexus study (affordable housing impact fee)
- South SF Lindenville Specific Plan
- Current nearby projects for San Francisco, Redwood City, East Palo Alto, Mountain View
- "Regional Transportation Measure Revenue Estimates" for the Silicon Valley Community Foundation

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Presentation content

- Parcel Tax Calculation
- Revenue Estimate
- Relationship Between the Parcel Tax and Development Intensity
- Impact on Businesses
- Impact on Property Development
- Impact on Total Tax Rate
- Implications for Forming a Community Facilities District

Parcel tax details

- $2.50 annual tax per square foot of *parcel* area
- Applies to properties that:
  - Are at least 25,000 square feet

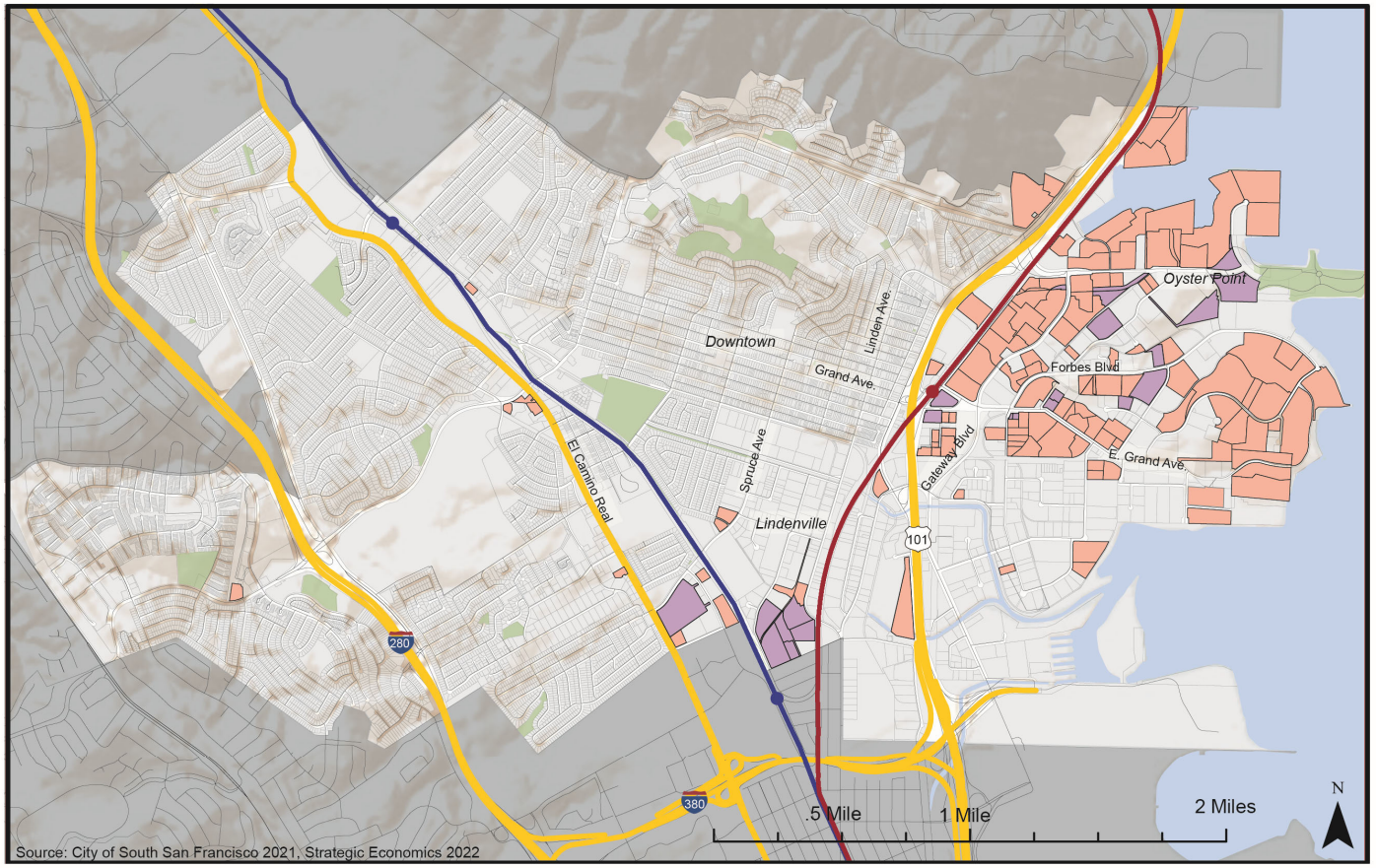
  AND
  - Host “professional, scientific, or technical” business operations or services
- Relatively unique features:
  - Application to specific parcels
  - Levied based on land area
  - Higher charge than most parcel taxes in region
- City would determine detailed administrative implementation rules if tax is approved

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Parcels included in revenue estimates

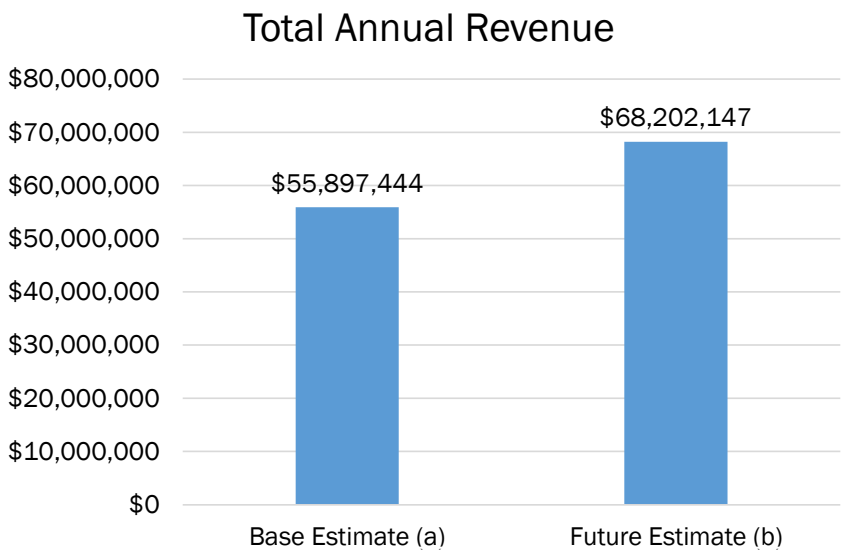
Based primarily on parcels with "Office," "Biotech," and "R&D" Land Uses in the City of South San Francisco parcel database, plus planned and proposed development projects with these uses.

These are preliminary estimates of parcels subject to the parcel tax. Actual identification of parcels will depend on administrative rules adopted if voters approve the ballot measure.



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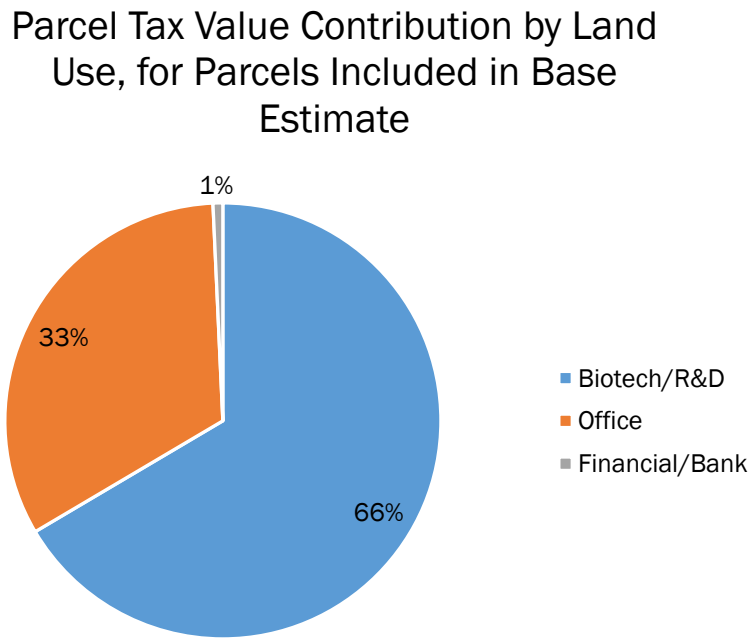
The parcel tax would raise an estimated $56 million in annual revenue



(a) Includes parcels associated with existing Biotech, Office, and R&D uses

(b) Include parcels associated with existing, under construction, and planned Biotech, Office, and R&D uses

Source: City of South San Francisco, 2022; Strategic Economics, 2022.



Source: City of South San Francisco, 2022; Strategic Economics, 2022.

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Less intensely built properties pay higher parcel tax costs per square foot of building area

- Critical for understanding variations in parcel tax impacts on different properties / businesses
- Parcel tax is based on land area
- Building space varies relative to land area
  - Expressed as a “floor area ratio,” or FAR
- Businesses typically pay leases based on building area, not land area

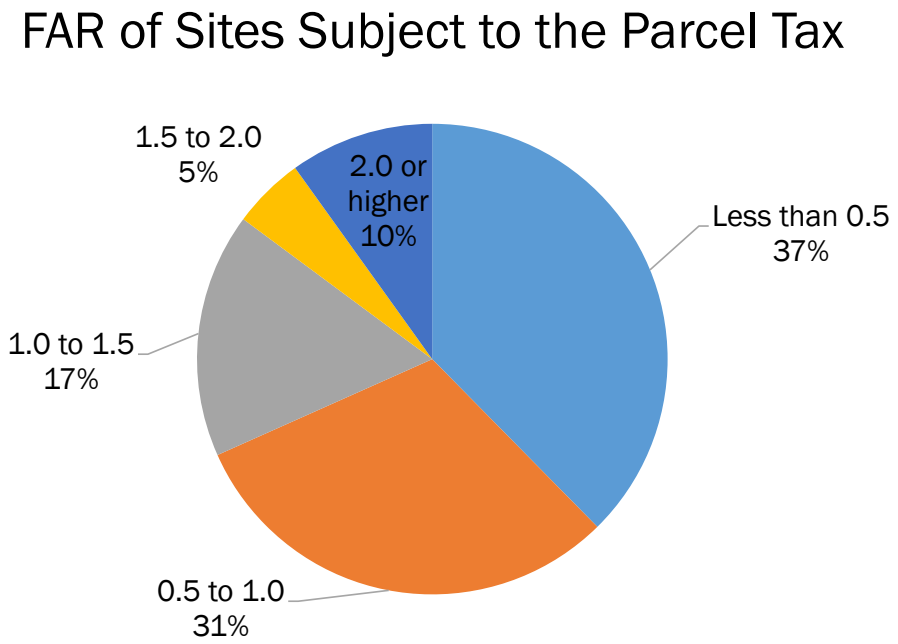
Example Calculation of FAR and Parcel Tax per Square Foot of Building Area

Parcel Sq. Ft.	Building Sq. Ft.	FAR	Parcel Tax	Tax per Sq. Ft. of Building Area
200,000	100,000	0.5	$500,000	$5.00
200,000	200,000	1.0	$500,000	$2.50
200,000	300,000	1.5	$500,000	$1.67
200,000	400,000	2.0	$500,000	$1.25

Source: Strategic Economics, 2022.

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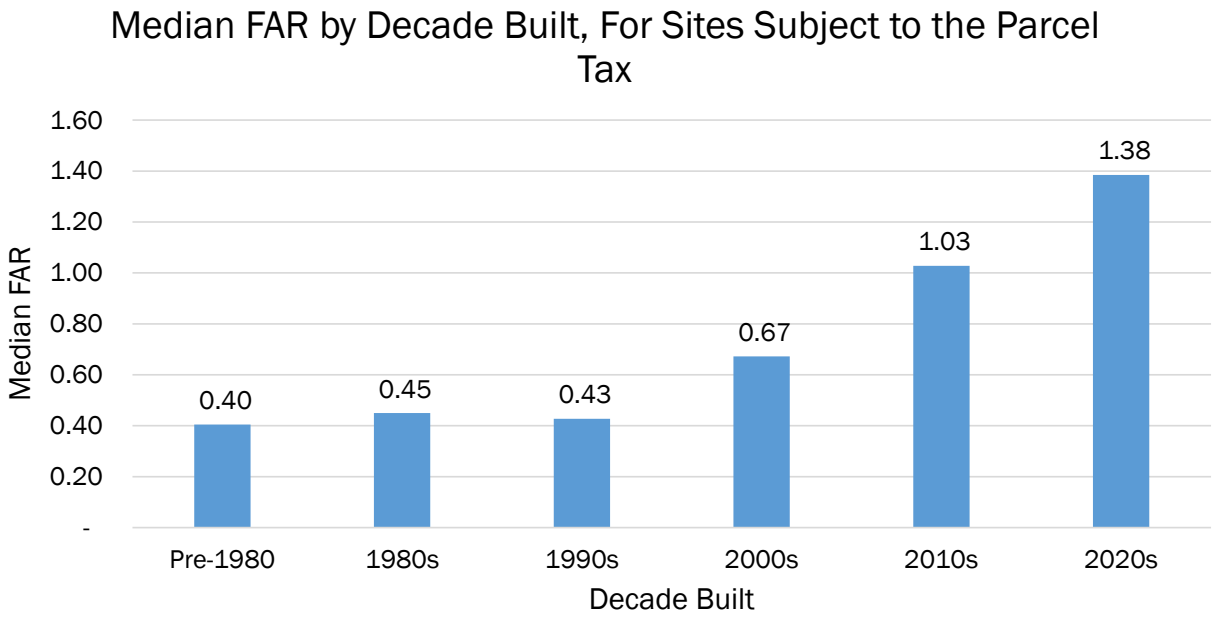
Most properties in South San Francisco will pay relatively high taxes per square foot of building area



Includes all properties included in the Base Estimate and Future Estimate.
Source: CoStar, 2022; Strategic Economics, 2022.

STRATEGICECONOMICS

Older buildings will pay higher parcel taxes per square foot of building area



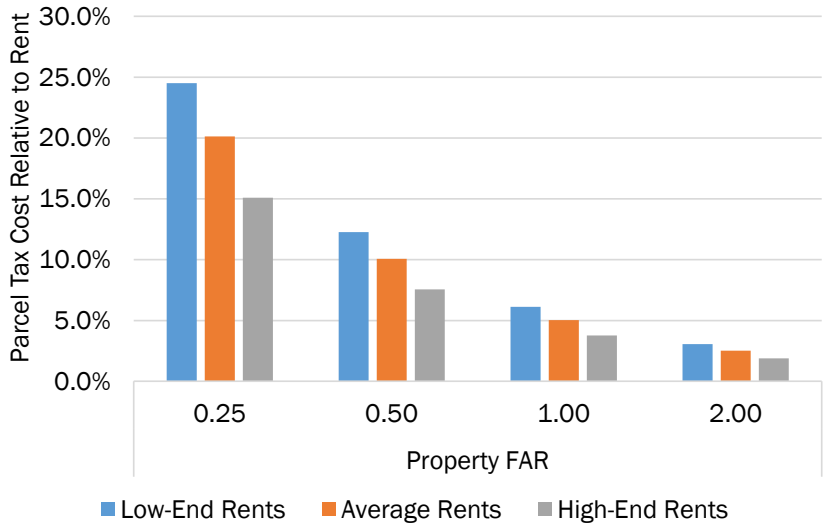
Includes all properties included in the Base Estimate and Future Estimate.
Source: CoStar, 2022; Strategic Economics, 2022.

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Parcel tax impacts on businesses will vary depending on current rent and building type

- Increased operating costs for owner-occupied properties and businesses with “triple net” leases
  - 5.8% increase in annual operating costs for an owner-occupied, new life science building
- Pressure to raise rents in “full service gross” leases
- Cost increase will be significant for:
  - Businesses in lower FAR buildings
  - Businesses paying lower rents

Parcel Tax Increase in Tenant Costs Relative to Rent, Based on Typical Rent Range for R&D/Biotech Properties in South SF, by Property FAR



Sources: Colliers, 2021; CoStar, 2022; Strategic Economics, 2022.

STRATEGICECONOMICS

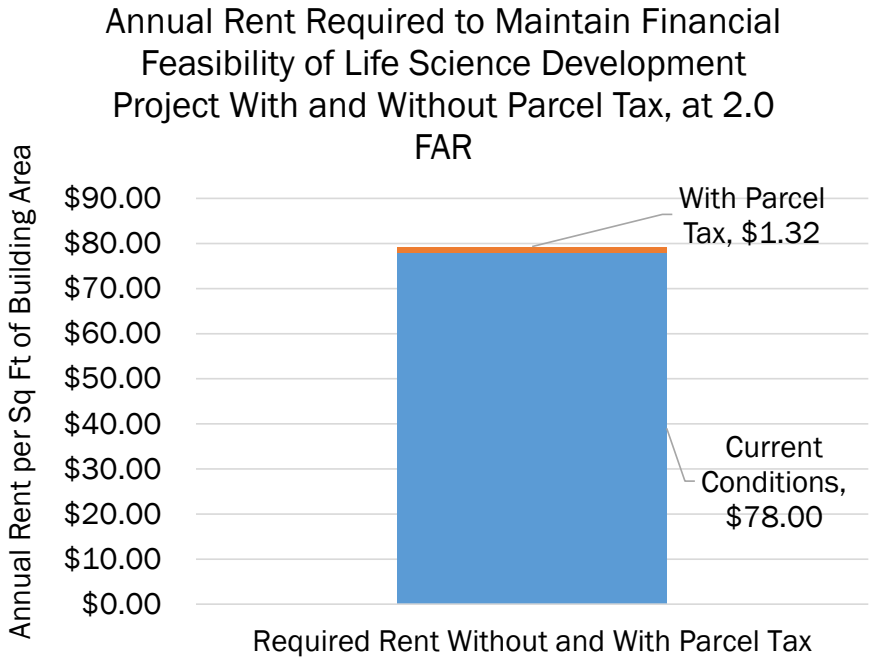
Parcel tax costs will influence business location decisions—primarily for businesses in lower-cost spaces

- Increased operating costs will be a new consideration for business location decisions
- Negative impact primarily for:
  - Cost-sensitive businesses
  - Current businesses in low-cost and less intensely developed properties
- Impact relatively limited for companies in newer and more intensely developed properties
- Increasing competition for life science companies among Peninsula communities
- Parcel tax costs are just one of many business-specific factors in making location decisions

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Development activity will slow slightly, while interest in redeveloping older properties will increase

- Parcel tax cost is relatively low per building square foot for new high-FAR projects
- Pace of development may slow slightly to allow additional rent growth
- Parcel tax reduces remaining value for other community benefits contributions
- Parcel tax will accelerate property owner interest in redeveloping older, low-FAR properties

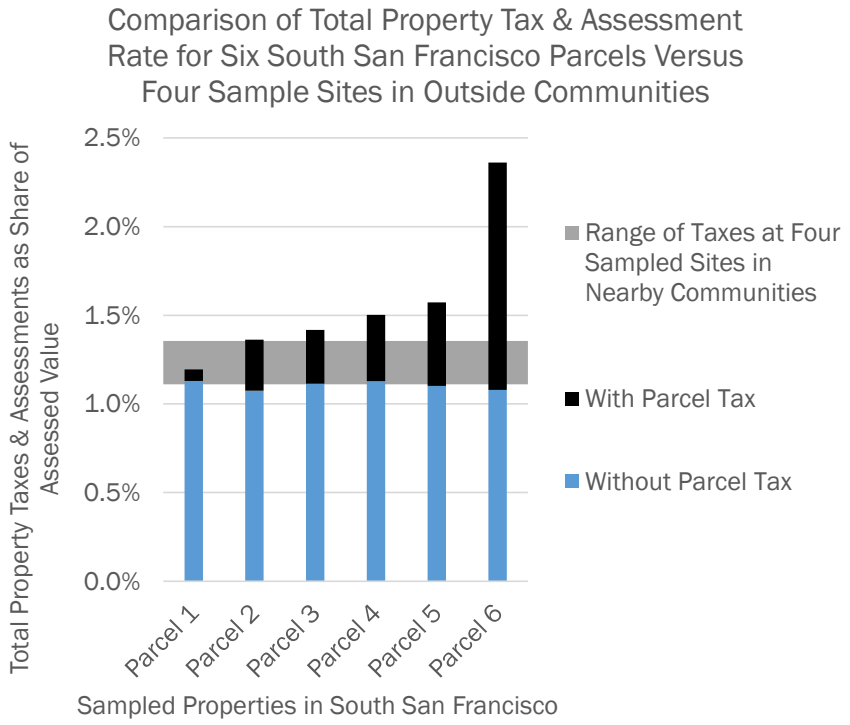


Sources: Strategic Economics, 2022.

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South San Francisco's total tax costs will increase to a level similar to or higher than nearby communities

- Examined total tax and assessments rate for 6 South SF properties, 4 properties in nearby cities
- South San Francisco total taxes and fees are currently relatively low
- Parcel tax's impact on overall tax rate varies significantly from property to property

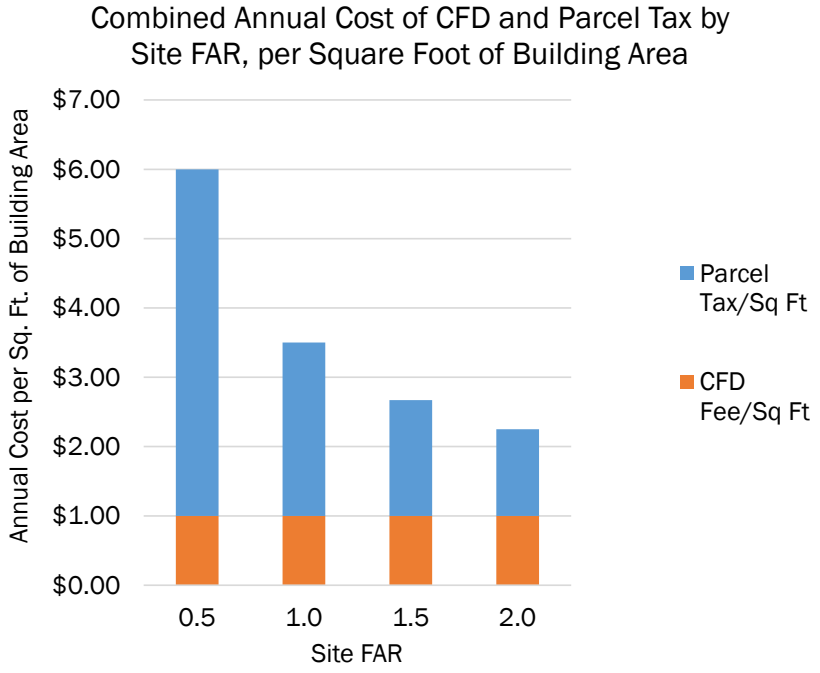


Sources: County of San Mateo Tax Collector, 2022; Treasurer and Tax Collector, City and County of San Francisco, 2022; Strategic Economics, 2022.

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The parcel tax reduces the likelihood of creating a community facilities district to fund infrastructure in the East of 101 area

- CFD would fund infrastructure and mobility improvements in East of 101 area
- Requires 2/3 approval
- 87% of "base estimate" properties are within the proposed CFD area
- Combined CFD and parcel tax cost per building square foot is significant for lower FAR properties



Source: Strategic Economics, 2022.

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Key Conclusions

- The parcel tax would generate $56 million per year in revenue, increasing to $68 million upon completion of planned projects
- Businesses consider many factors beyond tax costs when making location and investment decisions
- Parcel tax impacts on business location decisions are strongest and significant for businesses in low-cost and less intensely developed properties
- Parcel tax costs will have a modest impact on slowing development activity, while also encouraging redevelopment of older less intensely developed properties
- South San Francisco will lose any competitive advantages gained from having slightly lower overall tax rates than nearby communities

STRATEGICECONOMICS

Financial Analysis of the Proposed Early Learning and Care Parcel Tax Initiative

Prepared for
City of South San Francisco

Prepared by
Joanne Brion, Brion Economics, Inc.
With Kathleen White

August 10, 2022
City Council Meeting



About Brion Economics, Inc.

- Urban Economics Consulting Firm founded in 2000
- Independent woman-owned
- Expertise includes:
  - Child Care Planning, Early Learning, and Public Policy
  - Demographic Forecasting
  - Financial and Fiscal Analysis
  - Economic Impact Analysis and Projections
  - Strategic Planning, Visioning, and Implementation
- Relevant Projects:
  - South San Francisco Child Care Developer Impact Fee – 2002
  - San Mateo County Child Care Needs Assessment – 2022 (current)
  - San Mateo County Child Care Facilities Study – 2017
  - Dozens of child care planning and policy studies

Brion Economics INC

BEI Analysis Components

1. Define Approach and Assumptions
2. Gather Data and Relevant Information
3. Potential Revenue and Adm Costs
4. Resident Child Care Tuition Costs
5. Child Care Workforce Wage Enhancements
6. Non-Resident Worker Child Care Costs
7. Total Initiative Cost
8. Estimate Surplus or Shortfall

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Key Findings

- Currently, there is not enough parcel tax revenue to fund all Initiative Objectives.
- The estimated shortfall is $10.7M annually under current conditions.
- Some form of prioritization, lottery, or means testing will be necessary.
- Over time, the parcel tax revenue will not keep up with inflation, as there is no cost increase or index included in the Initiative's language.
- Minimum wage and tuition costs will increase over time.
- Demand for free preschool spaces from Residents and Workers will also increase over time, putting pressure on funds.

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Key Assumptions and Issues

- The analysis:
  - is presented in constant 2022 dollars for current and future conditions.
  - Analysis uses the most currently available data; not all data is 2022.
  - Assumes license or license-exempt care and does not include Friends, Family, and Neighbor (FFN) care.
  - Does not prioritize residents, wage enhancements, or worker costs – treats equally.
- Not all 2.5 to 5-year-olds are assumed to need licensed child care.
- Estimate of non-resident worker demand is based on std. method.
- Issues of pay equity amongst different levels of staff will need to be sorted out.

Estimated Parcels and Sqft of Land*

Item	Current or Base Estimate	Future Estimate w New Dev.
Parcels Subject to Tax	109	144
Land Sq. Ft.	22,358,978	27,280,859
Parcel Tax Per Land Sq. Ft.	$2.50	$2.50

*Prepared by Strategic Economics - 2022

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Estimated Annual Revenue and Admin. Costs

Item	Current or Base Estimate (rounded)	Future Estimate w New Dev.
Total Annual Revenue	**$55,900,000**	**$68,200,000**
Funding for Admin. at 10%	($5,590,000)	($6,820,000)
Min. Remaining Revenue	**$50,310,000**	**$61,380,000**

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Estimated Eligible Resident Children

Estimate of Preschool Age Children	2022 Estimate (1)	Percent Distribution	Percent Served	Total Served 2022
2.5 years old	438	18%	90%	394
3 years old	1,040	43%	95%	988
4 years old	380	16%	58%	222
5 years old	581	24%	25%	145
Total Children	**2,440**	**100%**	**72%**	**1,750**

Estimated Preschool Spaces Available

Supply of Preschool Spaces in SSF

Family Child Care Home Spaces	272
Center Based Child Care Spaces	2,210
Total Preschool Spaces Available	**2,482**

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Wt. Average Monthly Preschool Fees

Item	Amount
Average Center Preschool FT Monthly Fee	$1,359
Average FCCH Preschool FT Monthly Fee	$1,195
Current Center Based Preschool Spaces	2,210
Wt. Average FT Monthly Fee	**$1,341**



Resident Preschool Tuition Costs

Total Children Eligible *	**1,462**
Average cost of Preschool Per Month	$1,341
Total Monthly Preschool Tuition Remission Cost	$1,960,000
Annual Tuition Remission Cost	**$23,520,000**
Family Fees for Subsidized Care Remission	$396,000
Total Tuition Remission Cost	**$23,916,000**

**Minus subsidized spaces and plus San Bruno/Daly City children*

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MN0

Teacher and Staff Estimate

Item	Small FCCHs Spaces	Large FCCHs Spaces	Preschool Spaces	Subsidized Preschool Spaces	Totals
Teachers Required	**21**	**64**	**144**	**60**	**289**
Estimated Directors	na	na	17	13	30
Aides and Support Staff	na	na	34	26	60
Total Staff	**21**	**64**	**195**	**99**	**379**

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Slide 12

MN0 I replaced this table because the "S" in FCCHS was capital and not lower case.
Michelle Nilsson, 2022-08-05T18:26:08.480

Estimated Changes in Wages by Staff Role*

Item	Current Avg. Wage / Hr.	230% of Min. Wage / Hr.	Estimated Wage Increase	Percent Increase
Preschool Workforce				
Teacher Aides & Support Staff	$15.80	$36.34	$20.54	130%
Assist./Assoc. Teacher	$17.35	$39.97	$22.62	130%
Lead Teachers/Asst. Directors	$20.07	$43.97	$23.90	119%
FCCH Owners	$27.11	$48.37	$21.26	78%
Directors	$31.77	$53.21	$21.44	67%

**Based on current min. wage in SSF; 10% pay increase by level*

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Estimated Wage Enhancement Costs

CHILD CARE STAFF WAGE ENHANCEMENT ANALYSIS	Current	Future
Estimated Preschool Staff (1)	379	379
Average Currently Hourly Wage	$20.21	$20.21
Proposed Wage at 230% of Min. Wage	$36.34	$36.34
Current Estimated Wages	$15,942,000	15,942,000
Child Care Wage Enhancements	**$17,493,000**	**$17,493,000**
Total Child Care Wages w Enhancements	$33,435,000	$33,435,000

Brion Economics INC

Non-Resident Worker Demand

Item	Amount
Employment Estimate - 2022	47,849
Percent Non-Resident (1)	85.0%
Non Resident Workers - 2022	40,672
Estimated Demand for Infant/Preschool Care from Non-Resident Workers 0 to 5 year olds	5%
Estimated 0-5 Demand from Non-Resident Workers	**2,034**



Costs of Non-Resident Worker Child Care

Estimated Preschool Spaces Needed*	**1,220**
Average Cost of Preschool per Month	$1,341
Yearly Tuition Remission Cost per Preschooler	$16,089
Total Annual Tuition Remission Cost for Non-Resident Employees' Children	**$19,631,000**

**60% of total is preschool demand*

Brion Economics INC

Summary of Costs and Revenue

Item	Current Estimates	Future Estimates
Net Parcel Tax Revenues for Program Costs	$50,310,000	$61,380,000
Resident Preschool Tuition Remission	$23,916,000	$23,916,000
Child Care Wage Enhancements	$17,493,000	$17,493,000
Non-Resident Employee Tuition Remission Cost (2)	$19,631,000	$19,631,000
Total Estimated Costs of ELC Parcel Tax Program	$61,040,000	$61,040,000
Revenue Surplus / (Shortfall)	($10,730,000)	$340,000
Percent Shortage	-21%	1%

Supply and Demand for Preschool Spaces

Item	Current Estimates	Future Estimates
Supply and Demand for Child Care Spaces		
Current Supply	2,482	2,482
Current Demand - Resident & Non Resident Workers	2,970	2,970
Surplus or Shortage of Preschool Spaces	**(488)**	**(488)**
Percent Shortage	-20%	-20%

Thank you! I welcome your questions and comments!

For more information:

Contact joanne@brionecon.com

www.brionecon.com

ELECTIONS CODE SECTION 9212
Impact Report on Citizens Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs

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Presented August 10, 2022
South San Francisco City Council Meeting

City of South San Francisco
City Hall
400 Grand Avenue
South San Francisco, CA 94080
Website: SSF.net

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1. Introduction

California Elections Code Section 9212 provides that the City Council may order a report on the effect of a proposed initiative and may refer the initiative measure to any city agency or agencies for such a report. The City may order a report before taking action to submit the proposed ordinance to the voters. In ordering the report, the Council may require that the city agency address a number of issues, including fiscal impact, and any matters the Council requests. The report must be presented to the legislative body within 30 days after the elections officer certifies to the legislative body the sufficiency of the petition (Elections Code, Section 9212 (b)). After reviewing and considering this report, the City Council must either adopt the initiative without any amendments or schedule an election for consideration of the initiative by city voters (special election) within 10 days. If a proposed initiative includes the authorization to levy a tax, the City Council does not have the option to adopt the ordinance, and must submit it to the voters.

On July 13, 2022, the South San Francisco City Council approved Resolution #22-567 accepting a Certificate of Sufficiency of Signatures on a Petition for an Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs. The Council deferred taking action calling for the initiative to be placed on the November 8, 2022 ballot to the meeting of August 10, 2022. Pursuant to Elections Code Section 9212, the Council requested that staff provide a 9212 Impact Report of the effects of the Initiative within 30 days.

The City retained two economic consulting firms with specialized expertise to provide professional and neutral analysis of the implications of the Initiative should it pass.

- Strategic Economics, who specialize in market and development feasibility analysis, fiscal and economic impacts, and public finance, and has also worked on analysis for the Shape SSF General Plan, was asked to evaluate the revenues and business impacts of the parcel tax component. They were able to leverage some of the data that was gathered through research for the general plan update.
- Brion Economics, has expertise in child care planning and economic analysis and is currently working on the San Mateo County Child Care Needs Assessment. The firm was asked to utilize the revenue projections provided by Strategic Economics and estimate the number of children eligible for preschool and estimated number to be served; determine a weighted average tuition cost; estimate the cost of providing preschool at no cost, including the cost of prescribed preschool staff wage enhancements; consider administrative costs; and determine if available revenue would cover the cost of serving eligible children.

Both firms produced a report explaining their assumptions, methodology, and findings. The studies conducted by these consultants was informed and vetted by City staff from the City Manager's Office, Economic and Community Development, Finance, Human Resources, Parks and Recreation, and the City Attorney. Staff also utilized data and recommendations from the South San Francisco Child Care Master Plan, adopted by City Council on June 8, 2022.

2. Early Care and Education Initiative Summary & Title Prepared by the City Attorney

Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs

The proposed initiative ordinance ("ordinance") would levy an annual parcel tax on some commercial office properties. The tax rate would be $2.50 per square foot of parcel size. "Commercial office parcel" is defined to mean any parcel of real estate in the City of South San Francisco "that is developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature. Such services or operations include but are not limited to computer programming, data processing, research and development activities, or operation of an internet retailing business. Such services or operations do not include warehousing, industrial, or retail activities." The tax would not apply to commercial office parcels that are less than 25,000 square feet. The tax would be collected each year with regular property taxes.

Revenue from the tax could only be used for specified purposes. First, eligible children would be able to attend early care and education and childcare and development programs offered by participating family childcare providers ("providers") and early learning and care centers ("centers"), as defined in the ordinance, at no cost. Eligible children are defined as between the ages of 2.5 and 5 years, with a parent, legal guardian, foster parent, or legal caregiver who resides or is employed within the boundaries of the South San Francisco Unified School District ("School District").

Centers and providers that are paid with revenue from the tax for eligible children to attend must be located within the boundaries of the School District and must compensate teachers and staff members who are providing early care education to eligible children in amounts determined through a process described in the ordinance. Funding from the tax would pay for up to 10 hours of care and learning for eligible children each day. Participating centers and providers would have to offer half-day and full-day schedules and year-round and school-year schedules.

Second, revenue from the tax could be used for "establishment or improvement of infrastructure for eligible Centers and Providers, including lease, purchase, development, maintenance, or improvement of facilities, as well as shared administrative, human resource services, and employee benefits."

Third, tax revenue could be used for the administrative costs of the City that are necessary to implement the tax, not to exceed 10 percent of each year's tax revenue.

Fourth, revenue from the tax could be used to pay stipends to members of an oversight committee to be established pursuant to the ordinance. The oversight committee's role would be to monitor the implementation of the ordinance; review financial information relevant to the tax; conduct regular public hearings on the program and report public input; evaluate the program; and advise regarding the compensation levels for teachers and staff noted above.

The ordinance calls for an "administrative organization," which may be a non-profit entity or the City's Parks and Recreation Department, to administer aspects of the ordinance.

STRATEGICECONOMICS

MEMORANDUM

To: Mike Futrell, City Manager, City of South San Francisco

Christina Fernandez, Assistant to the City Manager, City of South San Francisco

From: Derek Braun, Principal

Chris Holcomb, Associate

Date: August 3rd, 2022

Project: Childcare Parcel Tax Ballot Measure Analysis

Subject: Findings and Conclusions of Analysis

Executive Summary

The "Early Care and Education for All" coalition has qualified a ballot initiative petition for a ballot measure that would levy a tax on certain commercial parcels in order to fund early childcare programs for South San Francisco residents. The parcel tax would levy a $2.50 annual charge per square foot of land area on parcels with "commercial office" uses, exempting parcels under 25,000 square feet of land area (approximately one-half acre). The ballot measure requires a simple majority vote of city residents to pass.[1]

The City of South San Francisco retained Strategic Economics to evaluate the potential revenue that the proposed parcel tax could generate, and to analyze the impacts of the parcel tax on businesses and property owners. The ballot initiative describes the parcel tax as applying to parcels "developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature." In coordination with City staff, Strategic Economics interpreted these parcels to consist of those with office, biotechnology, or R&D land use codes in the City's parcel dataset. However, the actual application of the tax may vary depending on the City's determination of administrative implementation rules that would be determined if voters approve the parcel tax measure.

PARCEL TAX REVENUE ESTIMATE

The parcel tax would generate an estimated $55.9 million in annual revenue if implemented today, potentially increasing to at least $68.2 million in annual revenue upon completion of planned and proposed development projects. The lower or "base" estimate includes 105 parcels with existing office, biotechnology, or R&D land uses identified in the City's parcel dataset, as well as four parcels associated with recently completed development projects that were not yet updated in the dataset.

[1] "South San Francisco Early Care for All Parcel Tax Act," Ballot Initiative Petition, December 17, 2021.

The "future" estimate includes an additional 35 parcels that would likely transition to one of these three uses upon completion of planned and proposed development projects.

PARCEL TAX BUSINESS IMPACTS

Because the parcel tax would be levied based on land area rather than building area, less intensely-developed properties—often consisting of low-rise and older buildings—and their tenants will bear a significantly greater cost burden relative to rents, property value, and other operating costs. Properties developed with larger buildings relative to their land area—i.e., with high floor area ratios (FARs)[2]—would be better positioned to absorb the parcel tax cost because the cost would be spread across a larger productive building area relative to the property size. In contrast, properties with low FARs would absorb a higher cost per square foot of building area.

The parcel tax would directly increase operating costs for businesses that own their properties. The parcel tax would become an added operating cost for businesses that own the properties at which the business is located. While operating costs vary across buildings, Strategic Economics estimated that annual operating costs would increase approximately six percent for a typical recently built life science building in South San Francisco.

Businesses that lease their buildings would also pay higher operating costs, whether directly or due to property owners seeking to increase rents. Business tenants in "triple net" (NNN) leases would be directly responsible for paying the parcel tax. Tenants in full service (FS) leases, which are essentially "all-inclusive," would likely experience rent increases over time as property owners seek to pass along the additional cost of the parcel tax.

Businesses paying relatively low rents would pay a greater share of their rent on the parcel tax, compared to higher-rent tenants. These lower-rent spaces are typically found in older buildings and less intensely developed properties that would also incur the highest parcel tax costs per square foot of built area. For tenants paying lower rents, the cost of the parcel tax that they would pay would reflect a higher percentage of their overall rent, compared to tenants in higher-rent buildings. For example, Strategic Economics found that the cost of the parcel tax for life science tenants paying high-end rents would equate to five percent of their rent, while the cost for life science tenants paying low-end rents would equate to eight percent of rent.

While South San Francisco remains the Bay Area's premiere biotech business location, the parcel tax will increase operating costs for businesses and may influence business location decisions over time—especially for businesses located at less intensely developed properties. South San Francisco continues to be one of the most desirable locations in the Bay Area for biotech and life science firms. However, strong demand for life science space and limited inventory of available space are resulting in increased development activity both within and outside of South San Francisco. Over time, businesses will likely have more location options and will incorporate the additional costs of the parcel tax as one of many factors in their location decisions.

[2] A property's floor-area ratio, or FAR, is calculated by dividing its gross building area square feet by its square feet of land area. More intensely developed properties have higher FARs.

IMPACT ON DEVELOPMENT FEASIBILITY AND POTENTIAL COMMUNITY BENEFITS CONTRIBUTIONS

The parcel tax would have implications for the financial feasibility of new commercial development, as well as the potential for the City to obtain voluntary community benefits contributions from future development projects in exchange for FAR "bonuses." As part of the City's ongoing General Plan update and zoning update process, the City may potentially implement an expanded community benefits program based on FAR bonuses. The parcel tax creates an additional operating cost that would reduce net revenue for a development project and potentially impact community benefits contributions. Strategic Economics modeled the impact of the parcel tax on the financial feasibility—i.e., whether a developer would pursue a project given potential costs, revenues, and alternative investment opportunities—for a prototypical life science development project at a 2.0 FAR, which would require use of an FAR bonus.

Overall, the parcel tax will have relatively minor but measurable effects of slowing development activity, increasing the intensity of future development project proposals, and reducing opportunities for other community benefits contributions. The introduction of the parcel tax would cause a small increase in operating costs for any future development project, with the impact per square foot of building area varying depending on the FAR of the development project. Since the cost for the parcel tax is low per building square foot for higher-FAR projects, the parcel tax creates an incentive for developers to increase the intensity of future projects. The parcel tax impact on operating costs would also require projects to achieve slightly higher rents to offset these costs, potentially slowing development activity while waiting for growth in tenant demand to drive rents higher. The capacity of developers to provide additional community benefits contributions would also be reduced. However, all of these effects are likely to be relatively modest since recent development activity suggests most development projects are likely to be built at high intensities, thus reducing the cost of the parcel tax per square foot of building area.

At the same time, the parcel tax is likely to accelerate property owner interest in redeveloping older buildings on less intensely developed sites, due to the same factors favoring increased development intensity. Older buildings are associated with lower FARs and may be correlated to lower achievable rents unless significant reinvestment has already occurred. The high cost impacts of the parcel tax per square foot of these buildings will create incentive for accelerated redevelopment to a higher intensity use.

IMPACT ON COMMUNITY FACILITIES DISTRICT (CFD) IMPLEMENTATION

It is likely that implementing a CFD would be more challenging if the parcel tax is adopted. The City of South San Francisco is in the process of seeking to implement a community facilities district (CFD) for commercial parcels east of Highway 101 and generally north of North Access Road. If building owners vote to approve the CFD formation, they would annually pay an assessment of $1.00 per gross building square foot, which would be used to fund public improvements within the district. Most parcels subject to the parcel tax—approximately 87 percent in the Base Estimate—would also fall within the proposed CFD boundaries. The CFD and the parcel tax combined would equate to a higher increase in operating costs, and the potential business impacts could be more pronounced.

COMPARISON OF TOTAL PROPERTY TAXES AND ASSESSMENTS IN SOUTH SAN FRANCISCO AND OTHER COMMUNITIES

Within South San Francisco, property owners with relatively less valuable land and buildings would experience the largest proportional increases in property tax costs associated with the parcel tax,

creating incentives to pursue redevelopment and intensification of uses at these properties. Strategic Economics sampled six recently sold office and life science properties in South San Francisco to examine the parcel tax's relative impact on overall taxes and assessments. Since the parcel tax is levied based on land area rather than property value, lower value properties will experience a large increase in their overall taxes relative to their property values—nearly doubling the overall tax rate for especially low-value properties, while higher value properties experience a minimal increase in overall tax rate. These increased operating costs will create an incentive for owners of lower value properties to pursue reinvestment and redevelopment of these properties in favor of higher value uses (such as replacing a single-story R&D building with a multistory life science building).

Although the impact of the parcel tax will vary depending on intensity of development at a given parcel, the introduction of the parcel tax will increase overall taxes and fees at many properties in South San Francisco to a level exceeding that found at comparable sites sampled in four nearby communities. Current annual total taxes and assessments at the six sampled South San Francisco properties equaled approximately 1.1 percent of assessed value. This is on the low end of the range of property taxes and assessments found at comparable properties in nearby communities: the total property taxes paid at four sampled office and life science properties in San Carlos, San Francisco, Foster City, and East Palo Alto ranged from approximately 1.1 percent to 1.4 percent. However, with the addition of the parcel tax, overall taxes and fees at five of the South San Francisco sites would increase to 1.2 to 1.6 percent of assessed value, and 2.4 percent at the sixth site.

Although numerous factors influence the location decisions of companies, businesses will consider the higher overall cost of taxes and assessments in South San Francisco when making location and relocation decisions. The parcel tax impact on overall tax rate will vary significantly from parcel to parcel, with a greater increase on tax rate for parcels with low FARs and low assessed values. Businesses and property owners will factor these additional tax costs into their location and investment decisions, based on a combination of these costs and how well a given property meets their other business needs or investment goals.

Introduction

The "Early Care and Education for All" coalition gathered sufficient signatures to qualify a ballot initiative that would create a parcel tax to be levied on properties in South San Francisco with "commercial office" land uses and a parcel land area of at least 25,000 square feet (or roughly 0.57 acres). The parcel tax, if approved, would charge $2.50 per square foot of land, and revenues would fund early childcare programs for South San Francisco residents.[3]

The ballot initiative specifies that the parcel tax would apply to parcels with uses that are primarily focused on professional, scientific, or technical operations. The tax would not apply to warehousing, industrial, or retail activities. In coordination with City staff, Strategic Economics interpreted that the parcel tax would likely apply to parcels with office, R&D, and biotechnology/life science buildings. However, the actual application of the tax may vary depending on the City's determination of administrative implementation rules upon passage of the parcel tax measure.

The City of South San Francisco retained Strategic Economics to evaluate the potential revenue the City could generate if the proposed parcel tax is approved by voters, and to identify potential business and property impacts of the tax. This memorandum, composed of five sections, describes:

1) The potential annual revenue that the parcel tax could generate, calculated as a Base Estimate and Future Estimate
2) The business impacts of the parcel tax, including analysis of the variation in the parcel tax's different cost impacts depending on building characteristics, and whether a business owns or rents their space/property
3) The implications of the parcel tax on the financial feasibility of future development activity and the ability of future development projects to contribute voluntary community benefits
4) The impacts of the parcel tax on overall tax and assessments costs for a sample of parcels in South San Francisco, and comparison of these parcels to comparable parcels in other cities
5) The implications of the parcel tax on the formation of a Community Facilities District (CFD) east of Highway 101

POLICY CONTEXT OF PARCEL TAXES IN CALIFORNIA

A parcel tax is a tax on parcels of land. Under California law, taxes on property may not be charged on an *ad valorem* basis (i.e., based on assessed value) except for the statewide base one percent rate plus voter-approved taxes for repayment of bonded debts. The "uniformity" or property taxation provision in the California constitution states that a parcel tax must be uniformly applied to property owners. In 2019, a California appellate court decision determined that jurisdictions could implement parcel taxes that treat properties differently based on land use and size.[4] Parcel taxes may be levied by counties, cities, school districts, and special districts. Revenues are commonly used for school operations and emergency medical and fire services, but there are a variety of other examples, including parcel taxes for green infrastructure, road improvements, and transportation services.

This parcel tax is considered a "special tax" that requires a simple majority of resident voter approval to pass. Multiple recent California rulings held that special taxes proposed through a ballot initiative process only require a simple majority of the vote for passage, as opposed to the two-thirds voter

[3] "South San Francisco Early Care for All Parcel Tax Act," Ballot Initiative Petition, December 17, 2021.
[4] Dannis, Woliver, and Kelly, "Per-Square Foot Parcel Taxes Upheld By Court Of Appeal" February 6, 2019, https://www.dwkesq.com/per-square-foot-parcel-taxes-upheld-by-court-of-appeal/

approval required for special taxes placed on the ballot by a city council or county board of supervisors.[5]

Parcel taxes are generally well received by voters. As of 2015, approximately 10 percent of cities and school districts in California had imposed some type of parcel tax.[6] From 2003 to 2020, about 56 percent of proposed parcel taxes were approved across the state.[7]

This parcel tax would be distinct from most existing Bay Area parcel taxes because: 1) it would be levied only on certain commercial properties; and 2) the "$2.50 per square foot" rate is generally higher than other parcel taxes that apply to all parcels regardless of use.[8]

Parcel Tax Revenue Estimate

METHODOLOGY

Strategic Economics used data provided by the City of South San Francisco to compile two different estimates of the total annual revenue that the parcel tax would generate. The first estimate, described as the "Base Estimate," included all parcels within the city limits that are currently classified by the City as having a "high-level land use" of "Office, R&D, or Biotech," as well as four parcels associated with recently completed development projects that were not yet reflected in the City's parcel data. The second estimate, described as the "Future Estimate," also included parcels associated with planned and proposed development projects consisting of office or biotech/R&D uses.

Once this list of parcels was compiled, Strategic Economics multiplied the total land area of each parcel by $2.50 to estimate the potential total revenue for each scenario.

FINDINGS AND CONCLUSIONS

Figure 1 below shows the locations of the parcels included in the Base Estimate and Future Estimate, while Figure 2 shows the number of parcels, square feet, and approximate total revenue for the two estimates.

The parcel tax would generate an estimated $55.9 million in annual revenue if implemented today, potentially increasing to at least $68.2 million in annual revenue upon completion of planned development projects. In total, 109 parcels were included in the Base Estimate, and an additional 35 parcels were included only in the Future Estimate because they do not currently reflect existing biotech, office, or R&D land uses but will do so upon completion of planned development projects.

[5] Colantuono, Michael, "Simple majority approval of special taxes is now the rule," CHW California Public Law Report, June 4, 2021.https://www.californiapubliclawreport.com/2021/06/simple-majority-approval-of-special-taxes-is-now-the-rule/
[6] Sonstelie, Jon "Parcel Taxes as a Local Revenue Source in California," Public Policy Institute of California, 2015, https://www.ppic.org/wp-content/uploads/content/pubs/report/R_415JSR.pdf
[7] Ballotpedia, "Parcel Tax Elections in California." https://ballotpedia.org/Parcel_tax_elections_in_California
[8] For example, in a 2019 report, "Regional Transportation Measure Revenue Estimates", Strategic Economics found that parcel taxes in the region tended to charge less than $100 per parcel. Other parcel tax proposals since 2019 include Alameda Unified School Districts' Measure A, at $0.26 per square foot, and San Francisco's "Fair Wages for Educators Act", at $288 per parcel.

FIGURE 1. PARCELS INCLUDED IN BASE AND FUTURE PARCEL TAX REVENUE ESTIMATES

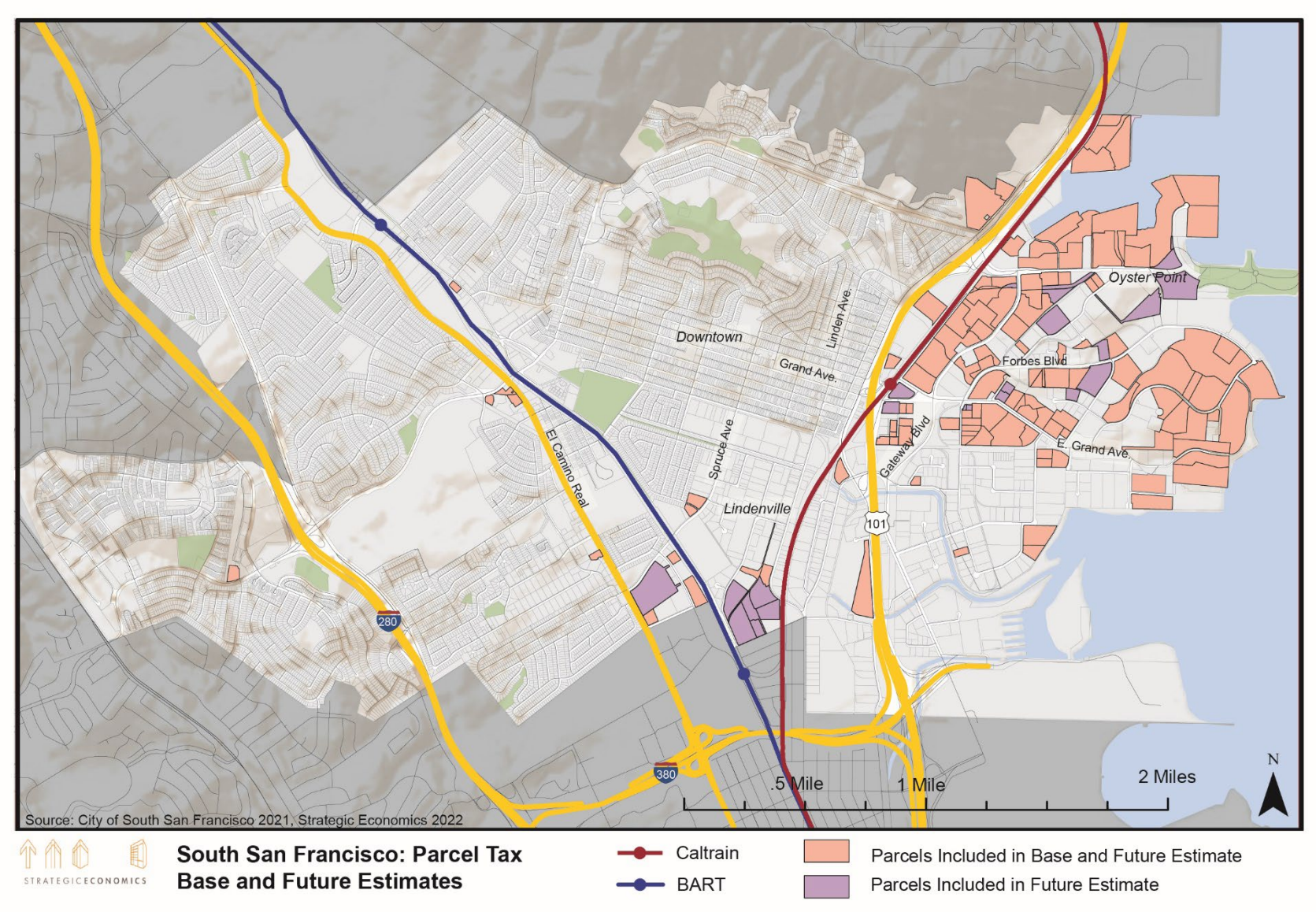


FIGURE 2. BASE AND FUTURE ESTIMATE OF PROJECTED ANNUAL REVENUE GENERATED BY PARCEL TAX

	Base Estimate (a)	Future Estimate (b)
Parcels	109	144
Land Sq. Ft.	22,358,978	27,280,859
Parcel Tax Per Land Sq. Ft.	$2.50	$2.50
Total Annual Revenue	$55,897,444	$68,202,147

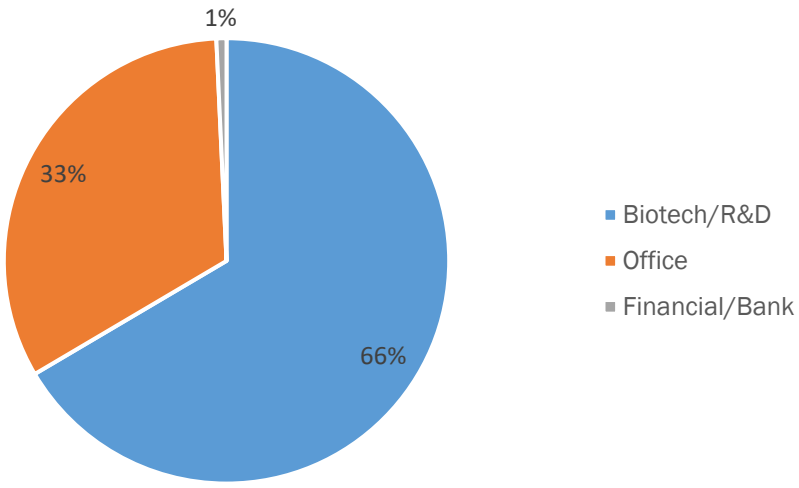
Notes:
(a) Includes parcels associated with existing Biotech, Office, and R&D uses

(b) Includes parcels associated with existing, under construction, and planned Biotech, Office, and R&D uses

Source: City of South San Francisco, 2022; Strategic Economics, 2022.

Biotech and R&D parcels would generate the greatest share of the parcel tax revenue. Approximately two-thirds of land area associated with parcels in the Base Estimate is attributed to Biotech and R&D uses, while approximately one-third is attributed to office uses, shown below in Figure 3. One percent is associated with banks or other financial institutions.

FIGURE 3: PARCEL TAX VALUE CONTRIBUTION BY LAND USE FOR PARCELS INCLUDED IN BASE ESTIMATE



Source: City of South San Francisco, 2022; Strategic Economics, 2022.

Impact of the Parcel Tax on Businesses

The parcel tax will impact businesses in South San Francisco differently depending on the characteristics of the property a business occupies, whether a business owns or leases its location, and on the business's lease structure. This section examines the characteristics of properties that would be subject to the tax in order to provide insights about the impact of the parcel tax on businesses. Some findings were informed by adaptation of an existing financial feasibility analysis of a life science development prototype; Strategic Economics completed that analysis in late-2021 for the City of South San Francisco in order to inform the zoning update being completed by the City as part of its General Plan Update process.

In order to assess the impacts of the parcel tax on businesses, Strategic Economics compiled data on building square footage for each of the parcels in the Base and Future Estimates. In many cases, large existing and planned development projects overlap multiple parcel boundaries. Additionally, larger developments include other parcels that contain supporting amenities (such as parking, recreation space, or retail). In order to more accurately assess the characteristics of development sites in South San Francisco, Strategic Economics aggregated parcels and their buildings into sites, on a parcel-by-parcel basis. As a result of this process, the 144 parcels identified in the Future Estimate were consolidated into 101 distinct sites. These sites formed the basis of the parcel characteristics analysis described in this section.

DEVELOPMENT INTENSITY AND BUILDING AGE FOR PROPERTIES SUBJECT TO THE PARCEL TAX

The parcel tax will create a relatively higher cost burden for less intensely developed properties. The parcel tax is based on the square footage of land for each parcel. Therefore, more intensely developed properties would pay less tax per square foot of building area than less intensely developed sites. As shown below in Figure 4, the owner of a 200,000 square foot property would pay $500,000 annually regardless of the size of any buildings on the property. Therefore, if this property were developed at a .5 FAR with a 100,000 square foot building, the owner would pay $5.00 per built square foot. In contrast, a 400,000 square foot building on the same parcel would pay just $1.25 per built square foot.

FIGURE 4: EXAMPLE SITE FAR AND PARCEL TAX IMPLICATIONS FOR A 200,000 SF PARCEL

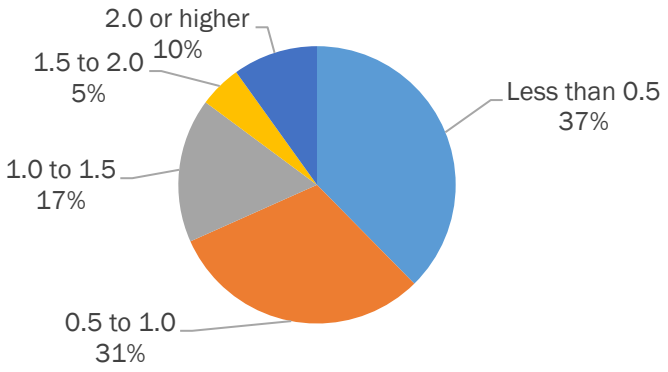
Building Sq. Ft.	FAR	Parcel Tax	Tax per Sq. Ft.
100,000	0.5	$500,000	$ 5.00
200,000	1.0	$500,000	$ 2.50
300,000	1.5	$500,000	$ 1.67
400,000	2.0	$500,000	$ 1.25

.Source: Strategic Economics, 2022

Businesses located at properties built at a lower development intensity—typically consisting of older buildings—would incur the greatest costs associated with the parcel tax. The parcel tax would cost over $5.00 per square foot of building area annually for the 37 percent of sites that have FARs lower than "0.5" (Figure 5). These sites tend to be properties built before 2000 (Figure 6). Because of the lower development intensity of these older properties, the analysis found that properties built before 2000 have a median FAR of 0.43, which corresponds to a median parcel tax cost of $5.85 per square foot of building area.

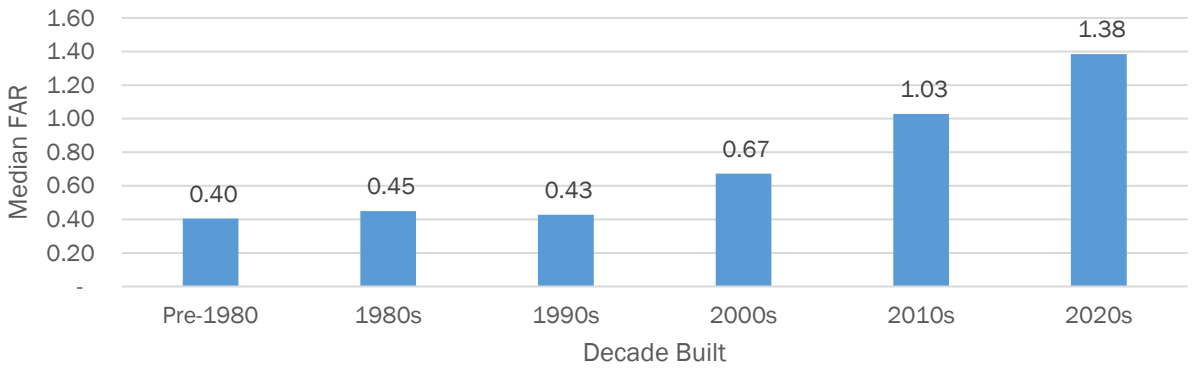
The parcel tax cost burden will generally be lower for businesses located in buildings that were completed more recently and built at a higher development intensity. Properties built since 2000 have higher FARs (Figure 6). The median FAR of parcels built since 2000 is 1.0; thus, the median property built since 2000 would pay approximately $2.50 in parcel tax per square foot of building area. As shown in Figure 6, planned development projects and development projects completed since 2020 have an even higher FAR, and thus would pay the least on a per square foot of building area basis.

FIGURE 5: DISTRIBUTION OF SITES SUBJECT TO PARCEL TAX, BY FAR (INCLUDING PROPOSED DEVELOPMENT PROJECTS IN THE "FUTURE ESTIMATE")



Note: This figure includes all properties included in the Base Estimate and Future Estimate.
Source: CoStar, 2022; Strategic Economics, 2022.

FIGURE 6: MEDIAN FAR BY DECADE BUILT FOR SITES SUBJECT TO PARCEL TAX (INCLUDING PROPOSED DEVELOPMENT PROJECTS IN THE "FUTURE ESTIMATE")



Notes: Five sites were excluded because they did not have year-built data. FAR was estimated for sites in the "2020s" category based on development project data; of the 28 sites in this group, 25 are proposed or under construction but not yet completed. In cases where new development is proposed on a site, this figure uses the expected FAR upon project completion and expected date of project completion.
Source: CoStar, 2022; Strategic Economics, 2022.

PARCEL TAX IMPACT ON OPERATING COSTS FOR BUSINESS OWNERS

The parcel tax will create an additional operating cost that will ultimately be paid by property and business owners, although the impacts of the parcel tax will vary depending on whether a business owns or leases its location. The following findings assess the varying impacts of the increase in operating costs on businesses that own their property (as well as other property owners) and businesses that lease their space.

OPERATING COST INCREASES FOR BUSINESSES THAT OWN THEIR BUILDING/PROPERTY

Businesses that own their own property would directly shoulder the additional operating cost associated with the parcel tax; for example, analysis of a life science development prototype indicates

the parcel tax could result in a six percent increase in annual operating costs. While operating costs vary across buildings, Strategic Economics modeled the increase in operating cost for a life science development prototype to estimate the potential increase in costs, as shown in Figure 7 below. This prototype was the development type deemed most feasible in Strategic Economics' work for the South San Francisco General Plan in 2021, which was based on an eight-story life science building on a 6-acre parcel with a 2.0 FAR. Based on this development prototype, a business that owned this building and property would pay an additional six percent increase in their current operating costs toward the additional parcel tax, based on an annual $655,000 parcel tax payment and annual operating expenses of approximately $11.4m.

FIGURE 7: ESTIMATED INCREASE IN OWNER OPERATING COSTS WITH PARCEL TAX, 8-STORY LIFE SCIENCE PROTOTYPE

	Operating Cost Assumptions
Parcel Size (sf)	262,231
Parcel Size (acres)	6.0
Building Area (gsf)	521,748
Rentable Office Area (nsf)	468,923
Operating Expenses	$11,400,000
Parcel Tax	$655,000
Parcel Tax as % of Operating Expenses	**5.8%**

Note: Operating expenses before the parcel tax were estimated to be 30 percent of market-rate rents. This assumption, and the assumed rent, were both informed by interviews with developers, conducted in Strategic Economics 2021 General Plan analysis.
Source: Strategic Economics, 2021.

RENTAL OR OPERATING COST IMPACTS FOR BUSINESSES LEASING SPACE

Businesses that lease their space would also incur additional costs as a result of the parcel tax, but the mechanism for property owners to pass along these costs to businesses will depend on an individual business's lease structure. Businesses in triple net (NNN) leases would be directly responsible for paying the new parcel tax. In South San Francisco, tenants in R&D/biotechnology spaces are typically in triple net leases, in which the rent covers just the space, and the tenant is directly responsible to pay separately for utilities, taxes, and operating costs. In contrast, business tenants in "full service" (FS) leases, which are all-inclusive, would not be responsible for paying the parcel tax since the property owner would pay. However, these property owners would likely seek to recuperate the costs of the parcel tax by increasing rents for the businesses that lease their space.

Businesses paying relatively low rents would pay a greater share of their rent toward the parcel tax compared to higher-rent tenants. Strategic Economics estimated three price points that reflect current market rents for High-end, Average, and Low-end market rents for both office and life science spaces.

- High-end rents were based on research completed by Strategic Economics as part of the financial feasibility analysis conducted for the South San Francisco General Plan in 2021.[9]
- Average rents were based on Colliers' "2021 Q4 Market Report for the San Francisco Peninsula."

[9] To arrive at these assumptions, Strategic Economics interviewed local developers and brokers, synthesized Costar rent data for new projects, and reviewed broker reports.

- Low-end rents were estimated by identifying the discount associated with older buildings compared to average market rents, using CoStar data.[10]

This difference in rents, when combined with differences in development intensity, could create large differences in rent impacts for individual businesses in South San Francisco. Strategic Economics estimated the amount of parcel tax that businesses would pay annually per rentable square foot of building area at four different levels of FAR. These calculations relied on an assumed efficiency ratio of 85 percent—corresponding to the share of gross building square footage that is leasable as office or R&D space. When combined with the annual rent differences described above, this comparison was used to estimate the new cost of the parcel tax as a share of annual rent, by building FAR and property type. The final estimated parcel taxes as shares of annual rent are shown in Figure 8.

For example, the parcel tax cost for R&D/biotech firms paying "low-end" rents would increase costs by six percent of existing rent if the business is in a 1.0 FAR building, versus an increase of nearly 25 percent if the business is in a 0.25 FAR building. In comparison, R&D/biotech firms paying "high-end" rents would pay an additional four percent of their rent for the parcel tax in 1.0 FAR buildings and 15 percent of their rents in 0.25 FAR buildings. This pattern is more pronounced for office tenants, who generally pay lower rents in South San Francisco.

FIGURE 8: ILLUSTRATIVE EXAMPLES OF PARCEL TAX COST AS A SHARE OF TENANT RENT, BASED ON VARIATIONS IN TYPICAL RENTS AND PROPERTY FAR

		Property FAR			
		0.25	0.5	1.0	2.0
Parcel Tax per Rentable Sq. Ft. of Building Area		$11.76	$5.88	$2.94	$1.47
Property Types	Annual Rent/Sq. Ft. of Building Area	Parcel Tax as Share of Rent			
		0.25 FAR	0.5 FAR	1.0 FAR	2.0 FAR
Office (Full Service)					
High-end	$51.00	23.1%	11.5%	5.8%	2.9%
Average	$46.68	25.2%	12.6%	6.3%	3.2%
Low-end	$33.08	35.6%	17.8%	8.9%	4.4%
R&D/Biotech (Triple Net)					
High-end	$78.00	15.1%	7.5%	3.8%	1.9%
Average	$58.44	20.1%	10.1%	5.0%	2.5%
Low-end	$48.00	24.5%	12.3%	6.1%	3.1%

Notes: Parcel tax share of rent by FAR is calculated assuming that only 85% of the total square footage of the building is leasable space (due to the need for common areas in each building). This explains why a 1.0 FAR building is shown to pay $2.94 in parcel tax per rentable square foot even though the gross square feet of the building would match the size of the parcel.
Sources: Colliers, 2021; CoStar, 2022; Strategic Economics, 2022.

Furthermore, lower-rent spaces are typically located in older, lower-FAR buildings that will also incur the highest parcel tax costs per square foot of built area. Businesses in low-rent spaces are likely to be in properties that have FARs less than "0.5" and built before the year 2000.

Ultimately, increased operating costs for businesses in triple net leases and likely rent increases for businesses in full service gross leases will impact the overall operating costs and location decisions

[10] Strategic Economics identified the difference between average pre-pandemic (2019) rents for office and R&D parcels and older buildings of each type. For office properties, the year built cutoff for an "old" designation was 1980. For R&D, it was 1990. These years were chosen based on the current distribution of properties in South San Francisco with available rent data in CoStar. Using this methodology, Low-end office rents were priced at 71 percent of 2021 Average prices, and Low-end R&D properties were priced at 82 percent of 2021 Average prices.

of current and future businesses in South San Francisco, especially for businesses that can only afford lower-cost space. Businesses that require affordable rents typically operate at thinner profit margins and are more vulnerable to fluctuations in operating costs. These firms may look more favorably at locations in other cities if the parcel tax were implemented, given these potential cost increases.

CONCLUSION: IMPACT OF THE PARCEL TAX ON BUSINESSES

While South San Francisco remains the Bay Area's premiere biotech business location, the parcel tax will increase operating costs for businesses and may influence business location decisions over time—especially for businesses located at less intensely developed properties. Strong demand for life science space and limited inventory of available space are resulting in increased development activity both within and outside of South San Francisco. Over time, businesses will likely have more location options outside of South San Francisco and will incorporate the additional costs of the parcel tax as one of many factors in their location decisions. The parcel tax will have an especially strong impact on the costs and location decisions for businesses located at less intensely developed properties (at which the tax cost will be higher per square foot of building area) and lower rent properties (at which the parcel tax will increases costs more significantly relative to the existing rent).

Impact on Development Feasibility and Potential for Community Benefits Contributions

The parcel tax would have implications for the financial feasibility of new commercial development, as well as the potential for the City to obtain voluntary community benefits contributions from future development projects in exchange for FAR "bonuses." As part of the City's ongoing General Plan update and zoning update, the City may potentially implement an expanded community benefits program based on FAR bonuses. The parcel tax creates an additional operating cost that would reduce net revenue for a development project and potentially impact community benefits contributions.

Strategic Economics modeled the parcel tax's impact on the financial feasibility of a life sciences development prototype developed for a previous analysis completed for the City in late-2021 to support the South San Francisco General Plan update and zoning code update process. The prototype, at a "2.0" FAR on a six-acre parcel, reflects a scenario in which a developer would be awarded an FAR bonus in exchange for providing additional community benefits. Strategic Economics used a static pro forma model to estimate development costs and revenues to identify an annual yield-on-cost (YOC), which equals a project's annual net operating income divided by the total development cost, including land. For life science projects to be feasible, they generally need to achieve a YOC of 5.25 percent in today's market. below shows a summary of the impacts of the parcel tax on the financial feasibility of the prototype, and the rent increase required to maintain the project's feasibility.

IMPACT ON DEVELOPMENT FEASIBILITY

The life science development prototype would become less likely to be built upon incorporation of the parcel tax as an added operating cost, with the prototype becoming "marginally feasible" rather than "feasible" unless rents increase by 1.7 percent. With the parcel tax considered an added operating cost, the YOC for the development prototype would decrease from 5.25 to 5.15 percent, making it marginally feasible based on the range of required rates of return cited by local developers in interviews. For the project to maintain the "feasible" YOC, the developer would need to achieve $6.61 per square foot in monthly rent, a 1.7 percent increase. If developers are not able to attract tenants at higher rents required to cover the cost of the parcel tax, developers may be less likely to complete

projects in South San Francisco until achievable rents increase, which could reduce the supply of available space for new, expanding, or relocating businesses.

FIGURE 9: NEW RENT REQUIRED TO MAINTAIN FEASIBILITY FOR LIFE SCIENCE DEVELOPMENT

	No Parcel Tax	With-Tax, No Rent Change	With-Tax, Rent Adjusted
Rent Assumption	$6.50/Sq.Ft.	$6.50/Sq. Ft.	$6.61/Sq. Ft.
Total Net Operating Income (in millions)	$32.5	$31.9	$32.5
Total Development Costs (in millions)	$619.6	$619.6	$619.6
Yield-on-Cost	5.25%	5.15%	5.25%
Feasibility Outlook	Feasible	Marginally Feasible	Feasible

Source: Strategic Economics, 2022

IMPACT ON POTENTIAL COMMUNITY BENEFITS CONTRIBUTIONS

The parcel tax would reduce the opportunity for the City of South San Francisco to obtain voluntary community benefits in exchange for development "bonuses." The community benefits contribution is typically determined by identifying the value uplift associated with allowing additional development intensity for the project; this value uplift consists of the residual land value of the project, minus the cost to acquire land. With an FAR development bonus, the value uplift is higher than it would be without the bonus, because the net revenue for the higher-FAR project is greater.

For the life science development prototype discussed above, the additional operating cost associated with the parcel tax would reduce the value uplift by approximately 20 percent, if the rents were to stay constant. While the estimated value uplift is highly sensitive to market conditions and would vary project by project, this rough estimate signals that the parcel tax could have significant impacts on the potential community benefits contributions that the City could obtain in exchange for granting bonus FAR to developers of future projects.

CONCLUSION: IMPACT ON DEVELOPMENT FEASIBILITY AND POTENTIAL FOR COMMUNITY BENEFITS CONTRIBUTIONS

The introduction of the parcel tax would cause a small increase in operating costs for any future development project, with the impact per square foot of building area varying depending on the FAR of the development project. Since the cost for the parcel tax is low per building square foot for higher-FAR projects, the parcel tax creates an incentive for developers to increase the intensity of future projects. The parcel tax impact on operating costs would also require projects to achieve slightly higher rents to offset these costs, potentially slowing development activity while waiting for growth in tenant demand to drive rents higher. The capacity of developers to provide additional community benefits contributions would also be reduced. However, all of these effects are likely to be relatively modest since recent development activity suggests most development projects are likely to be built at high intensities, thus reducing the cost of the parcel tax per square foot of building area.

At the same time, the parcel tax is likely to accelerate property owner interest in redeveloping older buildings on less intensely developed sites, due to the same factors favoring increased development intensity. Older buildings are associated with lower FARs and may be correlated to lower achievable rents unless significant reinvestment has already occurred. The high cost impacts of the parcel tax per square foot of these buildings will create incentive for accelerated redevelopment to a higher intensity use.

Parcel Tax Cost Impacts in South San Francisco Versus Comparable Sites in Nearby Communities

Strategic Economics examined the effect of the parcel tax on the overall cost of annual taxes and assessments for a sample of six properties in South San Francisco, and then compared these costs against the total costs of taxes and assessments for four comparable office or life science properties in nearby communities. The analysis of properties in South San Francisco explores factors that drive disparities in the parcel tax's impacts on raising those properties' overall tax and assessment rates. The comparison to properties in other cities examines whether total taxes and assessments in South San Francisco will remain comparable to competing communities.

IMPACT OF PARCEL TAX ON CURRENT SOUTH SAN FRANCISCO PROPERTY TAXES AND ASSESSMENTS

South San Francisco properties with relatively lower value land and buildings would experience the largest proportional increases in property tax costs associated with the parcel tax. Since the parcel tax is levied based on land area rather than property value, lower value properties will experience a large increase in their overall taxes relative to their property values—potentially doubling the overall tax rate for especially low-value properties, while higher value properties experience a minimal increase in overall tax rate. This is shown by Figure 10, which summarizes property taxes and assessed values for six recently sold properties in South San Francisco.[11]

The amount of parcel tax relative to the market value of the property varies significantly depending on each property's characteristics. For properties in high value areas with relatively intense development, such as Parcel One in the table, the parcel tax could represent less than 0.1 percent of the property's market value. On the other hand, for an older building on less desirable land with a smaller FAR, such as the parcel exemplified by Parcel Six, the addition of a parcel tax could more than double the property's total tax rate. In these circumstances, the total property tax costs would rise to well over two percent of property value--the point at which property taxes and assessments are generally considered to adversely impact demand, value and economic usefulness of a property.

The parcel tax will create additional incentive for property owners to pursue redevelopment and intensification of uses at relatively low value and less intensely developed properties. The relatively large increase in tax and assessment costs for lower value and less intensely developed properties will create an incentive for these property owners pursue reinvestment and redevelopment of these properties in favor of higher value uses (such as replacing a single-story R&D building with a multi-story life science building).

[11] Each of the properties included in the table was sold within the past four years, meaning that assessed values for each property should more closely represent the current market value of the property compared to properties that have not been sold or reassessed recently.

FIGURE 10: COMPARISON OF TOTAL TAX COST WITH AND WITHOUT THE CHILDCARE PARCEL TAX FOR SIX EXAMPLE PARCELS IN SOUTH SAN FRANCISCO

Variable	Units	Parcel 1	Parcel 2	Parcel 3	Parcel 4	Parcel 5	Parcel 6
Decade Built	decade	2010s	2000s	2010s	2000s	2000s	1980s
Last Sale Date (a)	year	2020	2020	2019	2020	2018	2021
Site FAR	building sf divided by parcel sf	2.8	0.7	1.0	0.5	0.5	0.4
Approximate Parcel Size	sf land	125,000	105,000	290,000	650,000	85,000	250,000
Assessed Value (b)	per sf land	$3,438	$836	$823	$663	$530	$195
Taxes per Square Foot of Land							
Existing Taxes and Assessments (c)	per sf land	$38.84	$8.98	$9.17	$7.48	$5.83	$2.10
New Childcare Parcel Tax	per sf land	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50
New Combined Taxes and Fees (d)	per sf land	$41.34	$11.48	$11.67	$9.98	$8.33	$4.60
Taxes as Share of Assessed Value							
Existing Taxes and Assessments	% of assessed value	1.13%	1.07%	1.11%	1.13%	1.10%	1.08%
New Childcare Parcel Tax	% of assessed value	0.07%	0.30%	0.30%	0.38%	0.47%	1.28%
Combined Total Taxes and Fees (d)	**% of assessed value**	**1.20%**	**1.37%**	**1.42%**	**1.51%**	**1.57%**	**2.36%**

Source: County of San Mateo Tax Collector, 2022; Strategic Economics, 2022.
Notes:
(a). Only includes properties sold since 2018. This ensures that assessed values are similar to current market values since properties are reassessed upon change in ownership.
(b). Assessed value of property. Only the value of land and improvements ("secured" property) were included in calculations for the purpose of this figure.
(c). The proposed childcare parcel tax is not included in the total here.
(d). Sum of the existing taxes and assessments as well as the proposed childcare parcel tax.
The purpose of this figure is to demonstrate the variety of ways in which the parcel tax could impact tax amounts for Office, Biotech, or R&D parcels in South San Francisco, based on property value and development intensity. The figure also allows for comparison of tax rates between parcels in South San Francisco and those in nearby communities, as explained further in Figures 11 and 12.

SOUTH SAN FRANCISCO PROPERTY TAXES AND ASSESSMENTS VERSUS SITES IN NEARBY COMMUNITIES

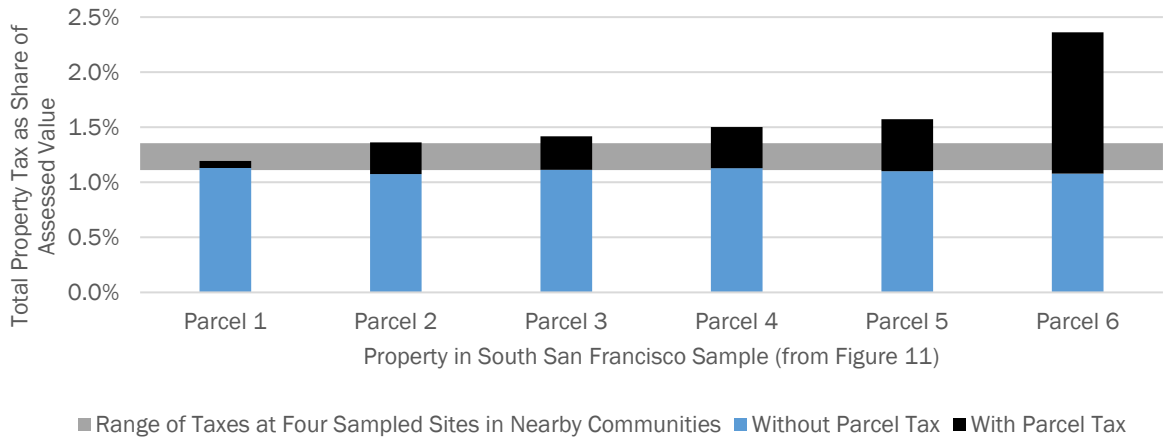
Although the impact of the parcel tax will vary depending on intensity of development at a given parcel, the introduction of the parcel tax will increase overall taxes and fees at many properties in South San Francisco to a level exceeding that found at comparable sites sampled in four nearby communities. Current annual total taxes and assessments at the six sampled South San Francisco properties equaled approximately 1.1 percent of assessed value. This is on the low end of the range of property taxes and assessments found at comparable properties in nearby communities. The total property taxes paid at four sampled office and life science properties in San Carlos, San Francisco, Foster City, and East Palo Alto ranged from approximately 1.1 percent to 1.4 percent, as shown in Figure 11. However, with the addition of the parcel tax, overall taxes and fees at five of the South San Francisco sites would increase to 1.2 to 1.6 percent of assessed value, and 2.4 percent at the sixth site (as shown in Figure 10 and Figure 12). Although numerous factors influence the location decisions of companies, businesses will consider the higher overall cost of taxes and assessments in South San Francisco when making location and relocation decisions.

FIGURE 11: TOTAL TAX COST AS A PERCENTAGE OF ASSESSED VALUE FOR OFFICE/LIFE SCIENCE PARCELS IN NEARBY COMMUNITIES, FOR COMPARISON TO THE SIX SOUTH SAN FRANCISCO PARCELS

Variable	Units	2100 University Ave	333 Lakeside Dr	835 Industrial Rd	1800 Owens St
City	city	East Palo Alto	Foster City	San Carlos	San Francisco
Parcel ID	assessor ID #	063-321-440	094-904-330	046-140-200	8727-008
Property Use	industry and tenant	Office (Amazon)	Biotech (Gilead)	Biotech (Atreca)	Biotech (Icona - Labs
Last Sale Date	year	2016	2003	2021	2021
Taxes per Square Foot of Land					
Assessed Value	per sf land	$2,773	$111	$604	$5,680
Existing Taxes and Assessments (b)	per sf land	$37.71	$1.30	$6.70	$71.57
Taxes as Share of Assessed Value	**% of assessed value**	**1.36%**	**1.17%**	**1.11%**	**1.26%**

Sources: County of San Mateo Tax Collector, 2022; Treasurer and Tax Collector, City and County of San Francisco, 2022; Strategic Economics, 2022.
Notes:
(a). Assessed value of property. Only the value of land and improvements are included in calculations for the purpose of this figure.
(b). Taxes in East Palo Alto include that City's "Measure HH" parcel tax, which is assessed at a rate of $2.50 per building square foot (versus $2.50 per square foot of land area in the proposed South San Francisco childcare parcel tax).
The purpose of this table is to show total existing tax amounts, as a share of assessed value, for parcels with similar industry uses in example communities near South San Francisco. The Taxes as Share of Assessed Value can be compared to similar rows in Figure 10 – both with and without the parcel tax. This comparison is also shown in Figure 12.

FIGURE 12: PROPERTY TAX COSTS AS A SHARE OF ASSESSED VALUE FOR THE SIX SOUTH SAN FRANCISCO PARCELS (WITH AND WITHOUT THE CHILDCARE PARCEL TAX) COMPARED TO THE TAX COST RANGE FOR THE FOUR EXAMPLE PARCELS IN NEARBY COMMUNITIES



Sources: County of San Mateo Tax Collector, 2022; Treasurer and Tax Collector, City and County of San Francisco, 2022; Strategic Economics, 2022.

CONCLUSION: PARCEL TAX COST IMPACTS IN SOUTH SAN FRANCISCO VERSUS COMPARABLE SITES IN NEARBY COMMUNITIES

Based on the illustrative properties sampled for analysis, the parcel tax would increase South San Francisco's total tax cost from a low overall rate to a relatively high rate compared to the comparable parcels in nearby cities (as shown in Figure 12). The effect will be especially strong for relatively low-value parcels, such as Parcel 6. The parcel tax impact on overall tax rate will vary significantly from parcel to parcel, with a greater increase on tax rate for parcels with low FARs and low assessed values. Businesses and property owners will factor these additional tax costs into their location and investment decisions, based on a combination of these costs and how well a given property meets their other business needs or investment goals.

Implications for Community Facilities District Formation

The City of South San Francisco is considering forming a community facilities district (CFD) that would assess a $1 per gross building square foot annual fee to all commercial properties east of Highway 101 and generally north of North Access Road, as shown in Figure 12. This fee would be used for infrastructure and maintenance, such as new street connections, safety improvements, and bicycle or pedestrian access to transit within the district boundaries.[12] Property owners associated with at least two-thirds of the land area in the district must vote for the CFD in order for it to be implemented.

Most properties that would be subject to the parcel tax are also within the proposed CFD boundaries. Approximately 87 percent of the parcels in the Base Estimate and 80 percent of parcels in the Future Estimate would be within this CFD.

It is likely that implementing the CFD would be more challenging if the parcel tax is adopted. The combination of the parcel tax and assessment from the CFD would result in added operating costs between roughly $2.00 to $6.00 depending on building FAR.

For most properties that would be subject to both costs, the parcel tax cost would be significantly higher than the CFD assessment. Ninety-two percent of sites that would be subject to both costs would pay less per square foot for the CFD assessment than parcel tax.

Properties with FARs less than "0.5" or less would pay five times more for costs associated with the parcel tax than the CFD assessment. As shown in Figure 11, a business at a parcel with an FAR of .5 or below will pay $5.00 per square foot of building area annually for the parcel tax, which constitutes 83 percent of the combined cost of the CFD and parcel tax. These property owners may be the least likely to vote for the CFD because they would experience the most significant cost increases from the parcel tax relative to their building rent or ownership costs. In contrast, a business at a more intensely developed site—such as a newer multistory life science building built at an FAR of 1.5—would only pay $1.67 per square foot of building area annually for the parcel tax, meaning the parcel tax would only constitute 63 percent of the combined parcel tax and CFD cost.

If the CFD is not implemented, the City will be less able to fund public improvements that enhance South San Francisco's ability to retain and attract businesses in high-tech sectors that drive the City's economy. The area East of Highway 101 is South San Francisco's hub for life science and biotechnology firms. The infrastructure investments that the CFD could fund are critical for supporting

[12] City of South San Francisco. Preliminary Term Sheet for Industrial Area CFD. 2019.

non-automobile commute trips as the area continues to grow, and can provide enhanced access to housing and amenities frequently sought by workers.

FIGURE 13: COMBINED ANNUAL PARCEL TAX AND CFD FEE FOR A 200,000 SQUARE FOOT PARCEL

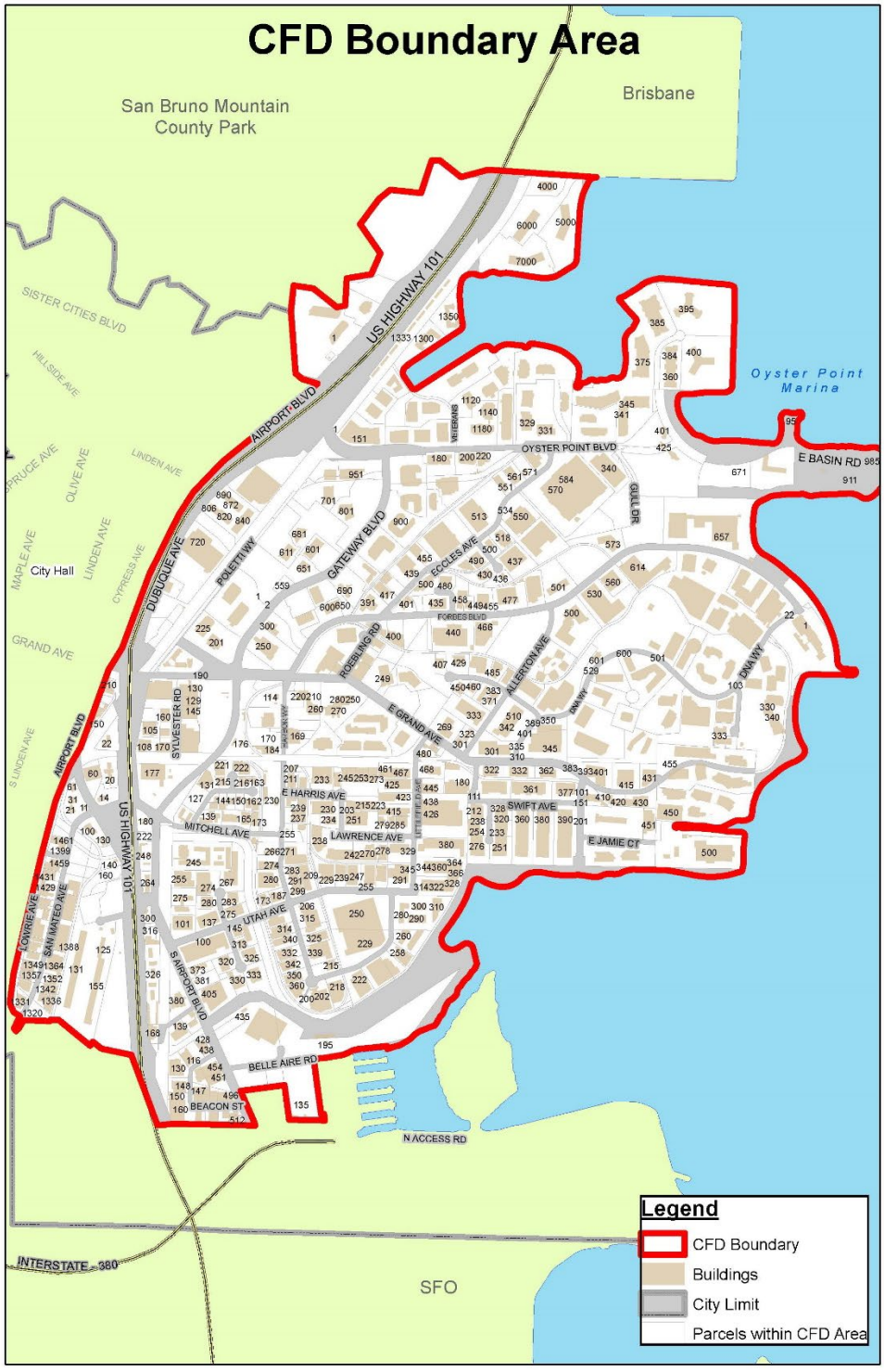
Building Sq. Ft.	FAR	Parcel Tax	CFD Fee	Parcel Tax Per Building Sq. Ft.	CFD Fee Per Building Sq. Ft.	Combined Tax & Fee Per Building Sq. Ft.
100,000	0.5	$500,000	$100,000	$5.00	$1.00	$6.00
200,000	1	$500,000	$200,000	$2.50	$1.00	$3.50
300,000	1.5	$500,000	$300,000	$1.67	$1.00	$2.67
400,000	2	$500,000	$400,000	$1.25	$1.00	$2.25

Source: Strategic Economics, 2022.

CONCLUSION: IMPLICATIONS FOR COMMUNITY FACILITIES DISTRICT FORMATION

Implementing the CFD would be more challenging if the parcel tax is adopted, due to the resulting increase in added operating costs for property owners and businesses in the area. If the CFD is not implemented, the City will be less able to fund public improvements that enhance South San Francisco's ability to retain and attract businesses in high-tech sectors that drive the City's economy. The area East of Highway 101 is South San Francisco's hub for life science and biotechnology firms. The infrastructure investments that the CFD could fund are critical for supporting non-automobile commute trips as the area continues to grow, and can provide enhanced access to housing and amenities frequently sought by workers.

FIGURE 14: PROPOSED CFD BOUNDARY



Source: City of South San Francisco, 2022.

Technical Appendix: Methodology and Source Notes

METHODOLOGY FOR IDENTIFYING PARCELS SUBJECT TO THE PARCEL TAX

Strategic Economics carried out an iterative process to identify all present and near-term future parcels likely to be subject to the childcare parcel tax. These parcels were compiled into two estimates. The first estimate, described as the "Base Estimate," reflects the existing office and biotech/R&D land uses of parcels throughout the city. The second estimate, described as the "Future Estimate," also includes parcels that are currently associated with another type of use, but have active or planned development projects consisting of office or biotech/R&D buildings.

The ballot initiative describes the parcel tax as applying to parcels "developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature." In coordination with City staff and the City's legal counsel, Strategic Economics interpreted these parcels to consist of those with office, biotechnology, or R&D land use codes in the City's parcel dataset.

These groups of parcels were identified in three steps. First, Strategic Economics filtered an up to date shapefile of South San Francisco parcels, provided by the City of South San Francisco in January of 2021, to identify all properties with a "High Land-Use" of Office, R&D, or Biotech throughout South San Francisco. Once these properties were identified, this list was filtered to exclude any properties that were less than 25,000 square feet in size.

Secondly, the City of South San Francisco provided Strategic Economics with a list of active office and life science development projects within the city; this list was utilized to identify additional parcels for both the Base and Future Estimates. Strategic Economics then consulted developer websites and project plans in order to identify each of the parcels that were associated with every project on the list. In cases where a future development project included multiple parcels, all such parcels were included as part of the revenue estimates regardless of individual parcel size. This decision was made in order to capture the effects of any future parcel changes that might be presumed to occur as part of the planned development process; in other words, since all parcels were part of the same development project, they were all presumed to be part of a larger future parcel with office or R&D use. The only exception to this policy was in cases where a non-office or R&D use—such as a parking garage or retail location—was planned for a distinct parcel within the project site. These parcels were not included as part of the Base or Future Estimate.

Lastly, Strategic Economics compared this list of development project parcels to the list of South San Francisco parcels with a current designation of Office, Biotech, and R&D—as described in step one. For development projects that were not taking place on parcels that would already be subject to the parcel tax, Strategic Economics used records from the City of South San Francisco and development websites to sort each project based on overall completion status. The results of this analysis can be seen in Figure 15. All projects that were deemed to be currently completed were added together with the list of parcels with current Office, Biotech, and R&D land uses to form the Base Estimate. All projects that were entitled, under construction, under review, or anticipated were categorized as part of the Future Estimate.

FIGURE 15: LIST OF OFFICE AND BIOTECH DEVELOPMENT PROJECTS IN SOUTH SAN FRANCISCO, BY STATUS

Address	Status	Square Feet	Tax Value
201 Haskins Way	Completed	285,999	$285,999
350 Oyster Point Blvd	Completed	442,569	$1,106,424
1000 Gateway	Completed	153,742	$384,356
475 ECCLES AVE	Entitled	262,176	$655,441
850-900 Gateway Blvd	Entitled	278,512	$696,280
465 CABOT RD	Entitled	71,397	$178,493
180 EL CAMINO REAL	Entitled	642,555	$1,606,386
379 Oyster Point Parcel 1	Under Construction	153,468	$383,669
493 FORBES BLVD	Under Construction	97,696	$244,240
494 FORBES BLVD	Under Construction	327,993	$819,984
328 ROEBLING RD	Under Construction	48,598	$121,495
233 EAST GRAND AVE	Under Construction	48,493	$121,232
379 Oyster Point Parcel 2	Under Construction	149,059	$372,648
101 Gull Dr	Under Review	169,468	$423,670
121 EAST GRAND AVE	Under Review	122,802	$307,004
100 EAST GRAND AVE	Under Review	92,288	$230,719
325 SOUTH MAPLE AVE	Under Review	224,170	$560,426
240 DOLLAR AVE	Under Review	165,084	$412,709
160 SOUTH LINDEN AVE	Under Review	231,595	$578,987
120 East Grand Ave	Under Review	168,063	$420,156
440-460 Forbes Blvd	Under Review	500,451	$1,251,128
54 TANFORAN AVE	Under Review	129,453	$323,632
30 TANFORAN AVE	Under Review	318,042	$795,106
50 TANFORAN AVE	Under Review	74,456	$186,139
580 Dubuque Ave	Under Review	76,609	$191,523
101 Terminal	Anticipated	434,553	$1,086,382
Sylvester/Associated Rd	Anticipated	208,100	$520,250

Sources: (City of South San Francisco 2022, Strategic Economics 2022)
Notes:
The 379 Oyster Point project consists of multiple parcels and phases of development. Each was treated as a separate parcel because different phases will be completed at different times.

METHODOLOGY FOR COMPILING PROPERTY DATA APPLIED IN THE BUSINESS IMPACTS ANALYSIS

In order to assess the impacts of the parcel tax on businesses, Strategic Economics compiled data on building square footage for each of the parcels in the Base and Future Estimates. The primary source for this information was CoStar, which maintains records for the locations and sizes of most office, R&D, and flex properties in South San Francisco. This list of properties was mapped against the parcels identified in the revenue estimates in order to estimate the total square footage of building space associated with each individual site. The data from CoStar also included information about when each existing building was constructed, the property's most recent sale date, and prevailing rents per square foot of these properties. Therefore, by merging this data with the list of parcels in the Base Estimate, Strategic Economics was able to identify further details about each parcel's existing use.

However, unlike in the case of the parcel tax revenue estimates, business impacts are dependent on the overall business revenue that can be generated on each site. The distinction between parcels is not as relevant for a business owner's purpose, therefore, as the overall ratio of building square footage to land area that would be subject to the parcel tax. This is particularly true for future development projects that span multiple parcels—many of which are not included in the Base Estimate but are included in the Future Estimate. Therefore, to more accurately assess the characteristics of development sites in South San Francisco, Strategic Economics aggregated all parcels in the Future Estimate and their buildings into sites, on a parcel-by-parcel basis. As a result of this process, the 144 parcels identified in the Future Estimate (which also included the 109 parcels identified for the Base Estimate) were consolidated into 101 distinct sites. These sites were used to calculate the Floor Area Ratio (FAR) for each property in South San Francisco currently being used for Office or Biotech purposes.

In cases where future development was planned, Strategic Economics identified the total planned building square footage from data provided by the City, development plans, or CoStar's records of planned developments. If a planned development was set to replace an existing building, Strategic Economics updated the decade built for that site to correspond to the date of planned completion (instead of the year of the existing building) and update the building square footage and FAR according to the future development size. Thus, the analysis of FAR as shown in the memo reflects what is known about the conditions under the circumstances of the Future Estimate, rather than focusing exclusively on the Base Estimate.

METHODOLOGY FOR THE SITE-LEVEL PROPERTY TAX AND ASSESSMENT ANALYSIS AND COMPARISON TO NEARBY CITIES

As a complement to the business impacts analysis, Strategic Economics analyzed the tax expenses that owners of office and biotech properties would incur with the addition of a parcel tax in South San Francisco, contextualizing these findings with the current tax rates and the total taxes present for comparable properties in nearby communities.

This analysis was completed using actual property tax assessments from the San Mateo County Tax Collector and the City and County of San Francisco Tax Collector. Six parcels in South San Francisco were chosen from among the parcels in the Base Estimate, filtering for properties of various sizes that had been sold in 2018 or later. In order to understand the implications of a parcel tax for business decisions, it was important that the analysis be conducted based on the market value of these properties, rather than using an assessed value that might not reflect true market conditions because of limitations in annual allowable assessed value increases due to California's Proposition 13. By restricting the sample to recently-sold properties, Strategic Economics ensured that the assessed value information in the tax documents would more closely reflect each property's true market value (because property values are re-assessed each time a property exchanges hands). Note that the six parcels are not specifically identified in this memo in order to maintain privacy for the property owners and businesses.

In order to identify comparable properties in nearby cities, Strategic Economics identified properties that are currently being used for biotech uses or high-value office uses and located in communities compete with South San Francisco for life science businesses and investment. The purpose of this comparison was to identify the costs of current property taxes and assessments in these communities, as a function of the total assessed value of the property. In this scenario, Strategic Economics did not

restrict the sample to recently sold properties, although three of the four selected properties were sold within the past six years.

For the South San Francisco properties, Strategic Economics analyzed total assessed value per square foot of land because the parcel tax would be assessed on a per square foot of land basis. This allows for direct comparison between the value of the property and the total amount that the childcare parcel tax would represent, as a share of property value. These values were also presented in the Nearby Community property tax table for the sake of comparison. However, the primary purpose of that table was to highlight the existing taxes and assessments in those communities.

4. Parcels Included in Base Estimate by Strategic Economics, from City Parcel Data as of January 2022

APN	SITE_ADD	LUFULL	SqFtParcelLandArea	SqFtX$2.50 tax amount	Acres of parcel land
007650180	1 TOWER PLACE	Office: Multi Story	642093.8054	$1,605,234.51	14.74050445
007650190	2 TOWER PLACE	Biotech	127197.1	$317,992.75	2.920055298
010401270	975 EL CAMINO REAL	Financial	43716.30125	$109,290.75	1.003592197
010430040	1131 MISSION RD	Professional Building	34487.68885	$86,219.22	0.791731561
013145420	359 EL CAMINO REAL	Office: Multi Story	39637.00485	$99,092.51	0.909944063
013260010	91 WESTBOROUGH BLVD	Office: Multi Story	31420.97425	$78,552.44	0.7213292
013260060	955 EL CAMINO REAL	Financial	52159.94815	$130,399.87	1.197432433
014134190	220 SOUTH SPRUCE AVE	Office: Multi Story	90387.2978	$225,968.24	2.075015137
014150270	230 SOUTH SPRUCE AVE	Office: Single Story	43619.33515	$109,048.34	1.001366153
014183290	150 EL CAMINO REAL	Financial	67649.43605	$169,123.59	1.553023569
014184110	1487 HUNTINGTON AVE	Office: Single Story	47998.19305	$119,995.48	1.1018913
014241050	150 SOUTH LINDEN AVE	Office: Single Story	88596.50765	$221,491.27	2.033904087
015010220	395 OYSTER POINT BLVD	Office: Multi Story	558134.7955	$1,395,336.99	12.81306309
015010290	400 OYSTER POINT BLVD	Office: Multi Story	456220.016	$1,140,550.04	10.47341233
015010500	347 OYSTER POINT BLVD	Biotech	252957.3485	$632,393.37	5.807124892
015010510	345 OYSTER POINT BLVD	Biotech	83364.98255	$208,412.46	1.913804316
015010520	341 OYSTER POINT BLVD	Biotech	589685.9894	$1,474,214.97	13.53738173
015010560	6000 SHORELINE CT	Office: Multi Story	295337.4181	$738,343.55	6.78004131
015010570	7000 SHORELINE CT	Biotech	403467.7906	$1,008,669.48	9.262383023
015010580	5000 SHORELINE CT	Office: Multi Story	383755.0386	$959,387.60	8.809838697
015010610	4000 SHORELINE CT	Office: Multi Story	104560.8552	$261,402.14	2.400396543
015010620	329 OYSTER POINT BLVD	Biotech	384448.1384	$961,120.35	8.825750141
015010700	1170 VETERANS BLVD	Biotech	311341.5886	$778,353.97	7.147447979
015010710	1130 VETERANS BLVD	Biotech	306627.3656	$766,568.41	7.039223877
015010730	1100 VETERANS BLVD	Biotech	248857.4879	$622,143.72	5.713004667
015010860	111 Oyster Point Blvd	Biotech	139004.9521	$347,512.38	3.191127367
015010890	151 Oyster Point Blvd	Biotech	160939.1193	$402,347.80	3.694668573
015010900	131 Oyster Point Blvd	Biotech	235747.663	$589,369.16	5.412043296
015010910	385 Oyster Point Blvd	Office: Single Story	995011.3854	$2,487,528.46	22.84240968
015021030	800 DUBUQUE AVE	Office: Multi Story	256124.0896	$640,310.22	5.879823555
015023290	700 GATEWAY BLVD	Biotech	196551.9914	$491,379.98	4.51223089
015023350	600 GATEWAY BLVD	Biotech	114473.551	$286,183.88	2.627961637
015023360	650 GATEWAY BLVD	R & D Flex	94532.77	$236,331.93	2.170182464
015023370	630 GATEWAY BLVD	Biotech	131231.0044	$328,077.51	3.01266137
015023380	200 OYSTER POINT BLVD	Office: Multi Story	76159.46345	$190,398.66	1.748387697
015023440	180 OYSTER POINT BLVD	Office: Multi Story	110493.859	$276,234.65	2.536600114
015023450	750 Gateway Blvd	Biotech	298266.8603	$745,667.15	6.847292318
015023480	1000 Gateway Blvd	Biotech	153742.2486	$384,355.62	3.529450494
015023490	800 Gateway Blvd	Biotech	130104.7503	$325,261.88	2.986806031
015024180	1 CORPORATE DR	Biotech	363162.8117	$907,907.03	8.337104324
015024240	201 GATEWAY BLVD	Biotech	253664.6124	$634,161.53	5.823361502
015024360	701 GATEWAY BLVD	Office: Multi Story	303765.8347	$759,414.59	6.973531905
015024380	611 GATEWAY BLVD	Office: Multi Story	225428.2071	$563,570.52	5.175140238
015024390	681 GATEWAY BLVD	Office: Multi Story	128707.6849	$321,769.21	2.954733693
015024450	801 GATEWAY BLVD	Office: Multi Story	178825.555	$447,063.89	4.105286279
015024460	801 GATEWAY BLVD	Office: Multi Story	33359.22205	$83,398.06	0.765825424
015024470	951 GATEWAY BLVD	Biotech	67028.17475	$167,570.44	1.538761315
015024480	901 GATEWAY BLVD	Biotech	103733.6926	$259,334.23	2.381407427
015024510	601 GATEWAY BLVD	Office: Multi Story	321638.5447	$804,096.36	7.383834509
015024520	651 GATEWAY BLVD	Office: Multi Story	277627.7078	$694,069.27	6.373480676
015032020	170 HARBOR WAY	Biotech	106409.9658	$266,024.91	2.442846452
015041300	317 ROEBLING AVE	R & D Flex	292760.2868	$731,900.72	6.720878279
015042020	210 EAST GRAND AVE	Biotech	66816.26275	$167,040.66	1.533896465
015042050	169 & 175 Harbor Way	Biotech	41623.2244	$104,058.06	0.955541572
015042070	169 HARBOR WAY	Biotech	35609.46	$89,023.65	0.817483986
015042110	220 GRAND BLVD	Biotech	65435.7286	$163,589.32	1.502203635
015042150	175 HARBOR WAY	Biotech	53986.5479	$134,966.37	1.239365561
015042180	115 HARBOR WAY	Biotech	44634.37115	$111,585.93	1.024668266

APN	SITE_ADD	LUFULL	SqFtParcelLandArea	SqFtX$2.50 tax amount	Acres of parcel land
015042200	230 EAST GRAND AVE	Biotech	238804.5654	$597,011.41	5.4822204
015042210	240 GRAND AVE	Biotech	137694.4736	$344,236.18	3.1610428
015042220	250 EAST GRAND AVE	Biotech	398064.5107	$995,161.28	9.138340288
015042230	280 EAST GRAND AVE	Biotech	112487.9456	$281,219.86	2.582378226
015050640	285 EAST GRAND AVE	Biotech	110576.1409	$276,440.35	2.538489054
015050680	321 ALLERTON AVE	Office: Single Story	31044.6899	$77,611.72	0.712690865
015050690	333 ALLERTON AVE	Biotech	152649.2549	$381,623.14	3.504358711
015050780	249 GRAND AVE	R & D Flex	96832.80135	$242,082.00	2.22298413
015050790	249 GRAND AVE	R & D Flex	39316.5915	$98,291.48	0.902588356
015050800	GRAND AVE	Office: Multi Story	109797.8665	$274,494.67	2.52062226
015050810	GRAND AVE	Biotech	125781.2239	$314,453.06	2.887551125
015050820	GRAND AVE	Office: Multi Story	79916.2119	$199,790.53	1.83463112
015052090	425 GRANDVIEW DR	Biotech	258185.1179	$645,462.79	5.927138445
015063180	100 KIMBALL WAY	Biotech	117858.7841	$294,646.96	2.705676206
015063220	468 LITTLEFIELD AVE	R & D Flex	70408.432	$176,021.08	1.616361654
015063230	442 LITTLEFIELD AVE	Biotech	60243.4955	$150,608.74	1.383005888
015071250	425 ECCLES AVE	R & D Flex	42131.5264	$105,328.82	0.967210627
015072440	460 CARLTON CT	R & D Flex	60387.3612	$150,968.40	1.386308603
015081110	571 ECCLES AVE	Biotech	44193.19405	$110,482.99	1.014540193
015081120	561 ECCLES AVE	Biotech	48412.557	$121,031.39	1.111403826
015082090	436 ROZZI PL	Office: Multi Story	41736.65755	$104,341.64	0.95814565
015082190	501 FORBES BLVD	Office: Multi Story	157287.739	$393,219.35	3.610844081
015092280	390 POINT SAN BRUNO BLVD	Biotech	733235.2425	$1,833,088.11	16.83283231
015101090	470 EAST GRAND AVE	Biotech	292194.2944	$730,485.74	6.70788483
015102250	400 JAMIE CT	Biotech	267994.4891	$669,986.22	6.15233152
015102460	620 E Grand Ave	Biotech	524466.6222	$1,311,166.56	12.04014509
015102470	475 E Grand Ave	Biotech	278410.9444	$696,027.36	6.391461387
015113180	124 AIRPORT BLVD	Office: Multi Story	100714.5887	$251,786.47	2.31209806
015123560	139 MITCHELL AVE	Office: Multi Story	34393.4647	$85,983.66	0.789568464
015143040	320 HARBOR WAY	Biotech	48675.628	$121,689.07	1.117443129
015154160	260 LITTLEFIELD AVE	R & D Flex	101375.928	$253,439.82	2.327280383
015154170	280 UTAH AVE	R & D Flex	265765.4427	$664,413.61	6.101159453
015210140	500 FORBES BLVD	Biotech	296354.2712	$740,885.68	6.803385138
015232480	700 FORBES BLVD	Biotech	198585.1998	$496,463.00	4.55890712
015232500	22 DNA Way	Biotech	1015051.267	$2,537,628.17	23.3024639
015240270	1511 GRANDVIEW DR	Indoor Recreation	114874.8631	$287,187.16	2.637174531
015240280	1531 GRANDVIEW DR	Biotech	435013.0846	$1,087,532.71	9.986566223
015240290	350 Dna Way	Office: Multi Story	86617.37495	$216,543.44	1.98846927
015240290	350 Dna Way	Office: Multi Story	713386.3728	$1,783,465.93	16.37716314
015250120	1776 GRANDVIEW DR	Biotech	52788.56765	$131,971.42	1.211863609
015250340	1000 GRANDVIEW DR	Biotech	262789.9977	$656,974.99	6.03285236
015250390	383 EAST GRAND AVE	R & D Flex	202995.478	$507,488.69	4.66015358
015250430	1600 GRANDVIEW DR	Biotech	307496.0533	$768,740.13	7.059166283
015250440	1500 GRANDVIEW DR	Biotech	282248.801	$705,622.00	6.479566804
015260030	1 DNA WAY	Biotech	469708.4643	$1,174,271.16	10.78306573
091661150	2400 WESTBOROUGH BLVD	Professional Building	78038.8422	$195,097.11	1.791532469
102310130	1435 HUNTINGTON AVE	Office: Multi Story	166655.8755	$416,639.69	3.825907762

5. Recent Development Projects Added to Base Estimate by Strategic Economics

	FID	OBJECTID	APN	SBE_NO	PERIMETE	SITE_ADD	LUFULL	SqFtParcelLandArea	SqFtX$2.50 tax amount	Acres of parcel land
	0	40885	15102230		2265	201 HASKINS WAY	Warehouse	285999.2829	714998.2071	1787495.518
New in July		0	015010950		2869	350 Oyster Point	Open Space	442569.4617	1106423.654	10.16003746
		37690	015042190		378		Parking Lot	7548.8004	18872.001	0.173297305
		37695	015042160		489	208 EAST GRAND AVE	Vacant Land	14893.9077	37234.76925	0.341918441

Brion Economics
INCORPORATED

TECHNICAL MEMORANDUM

To: Sharon Ranals, Assistant City Manager, and Greg Mediati, Director of Parks and Recreation, South San Francisco

From: Joanne Brion, BEI; with Kathleen White, South San Francisco

Subject: Financial Analysis of the Proposed Early Learning and Care Parcel Tax Analysis-FINAL DRAFT; BEI 2571

Date: July 25, 2022 (updated from July 11th version)

Introduction

The proposed Early Learning and Care Parcel Tax Initiative (herein Initiative) has qualified for the November 2022 South San Francisco ballot. The City has retained Brion Economics, Inc. to assist in the analysis of the financial and other impacts of the Initiative so that the City Council can consider the impacts of a new parcel tax in the City. To do this work, BEI has made certain assumptions about the initiative's directives. The Initiative is very unclear on many points and issues, and further clarification is needed if the Initiative passes. Kathleen White, who recently prepared the City's Child Care Master Plan (CCMP) for the City, has assisted in the effort of interpreting the Initiative. There are 31 questions that are "asked" and "answered" in the Approach and Assumptions section, which were required to conduct the analysis. Many more additional questions are raised that relate to the implementation of the Initiative, should it pass. These questions are important to consider as there are many unanswered issues, particularly regarding the prioritization of funds, should there not be enough to fund all aspects of the Initiative's directives or mandates.

The analysis is organized into four sections: 1. Summary of Findings; 2. Financial Impacts; 3. Approach and Assumptions; and Appendix A: Other Questions and Issues.

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1. Summary of Findings

Table S-1 summarizes the financial analysis of the proposed Initiative. The analysis is presented in constant 2022 dollars. Note that the demand for preschool spaces and the costs associated with resident and employee demand in the future scenario may be higher; this analysis assumes the same costs for both scenarios.

- **Estimated Parcel Tax Revenue**: Based on information developed by Strategic Economics for the City, we assume the parcel tax would generate a total of $55.9M currently and $68.2M when projects in the pipeline are completed.
- **Administrative Costs**: The estimate of annual administrative costs is about $5.6M under current conditions and $6.8M under future conditions.
- **Net Revenue Available**: An estimated $50.3M would be available for free tuition, wage enhancements, and infrastructure. Under the scenario with current projects that will be completed in the near future, this figure is $61.4M.
- **Children Served**: An estimated 1,462 children 2.5 to 5 years old are expected to require preschool and be served in this analysis.[1] This includes children needing licensed care, and children in the Daly City and San Bruno pockets of the South San Francisco Unified School District (SSFUSD) boundaries. It also includes children of parents that live and work in SSF.
- **Average Tuition Cost of Preschool**: The weighted average full-time monthly cost of preschool in South San Francisco is $1,341, based on current data.
- **Resident Preschool Tuition Remission Costs**: The estimated cost of serving children 2.5 to 5 years old is about $23.9M per year.
- **Preschool Staff Wage Enhancements**: Based on an average current wage of $20.21 per hour, and a total of 379 ELC staff in the City, the total cost of wage enhancements is estimated at $17.5M per year. A base minimum wage in the City of $15.80 per hour is used, and wages are scaled up 10% by each staff level.
- **Non-Resident Employee Tuition Remission:** The cost of providing free child care or tuition remission to non-resident employees that work in the City but live outside the City (called non-resident workers) is $19.6M. This is a conservative estimate.
- **Total ELC Initiative Costs:** The cost of meeting the free tuition, wage enhancement, and administration cost of the Initiative is estimated to be $61.0M, or about $10.7M more than the estimated available funds under current conditions.

[1] Adjusted for children in TK, Kindergarten, and receiving child care subsidies.

Table S-1
Summary of ELC Parcel Tax Analysis
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current Estimates	Maximum Estimates	Notes
Estimated Parcel Tax Revenue	**$55,897,444**	**$68,202,147**	See Table 1
Administrative Costs	$5,589,744	$6,820,215	See Table 1
Net Parcel Tax Revenues for Program Costs	**$50,307,700**	**$61,381,932**	See Table 1
RESIDENT PRESCHOOLER FREE TUITION ANALYSIS			
Average FT Monthly Preschool Tuition	$1,341	$1,341	See Table 4
Estimated Preschool Age Children	2,440	2,440	See Table 2
Preschool Children Needing Licensed Care	1,332	1,332	See Table 4
Preschool Children in Subsidized Care	(418)	(418)	See Table 4
Plus Children in SSFSUD San Bruno/Daly City	130	130	See Table 4
Children Needing Free Tuition	1,462	1,462	See Table 4
Parent Co-Payment Fees	$395,606	395,606	See Table 4
Preschool Tuition Remission	**$23,917,716**	**23,917,716**	See Table 4
CHILD CARE STAFF WAGE ENHANCEMENT ANALYSIS			
Estimated Preschool Staff (1)	379	379	See Table 6
Average Currently Hourly Wage	$20.21	$20.21	Derived
Proposed Wage at 230% of Min. Wage	$36.34	$36.34	See Table 7
Current Estimated Wages	$15,941,677	15,941,677	See Table 7
Child Care Wage Enhancements	**$17,492,554**	**$17,492,554**	See Table 7
Percent Increase in Child Care Staff Wages	110%	110%	Derived
NON-RESIDENT EMPLOYEE PRESCHOOLER ANALYSIS			
Estimated Non-Residents Working in SSF	40,672	40,672	See Table 8
Estimated Non-Residents Needing Preschool	1,220	1,220	See Table 8
Average FT Monthly Preschool Tuition	$1,341	$1,341	See Table 3
Non-Resident Employee Tuition Remission Cost (2)	**$19,630,985**	**$19,630,985**	See Table 8
Total Estimated Costs of ELC Parcel Tax Program	**$61,041,255**	**$61,041,255**	Derived
Surplus / (Shortfall)	**($10,733,555)**	**$340,677**	Derived
Percent Shortage	-21%	1%	
Supply and Demand for Child Care Spaces			
Current Supply	2,482	2,482	See Table 2
Current Demand - Resident & Non Resident Workers	2,970	2,970	See Tables 2 and 7
Surplus or Shortage of Preschool Spaces	**(488)**	**(488)**	
Percent Shortage	-20%	-20%	

(1) Assumes no new employees are required over existing conditions.

(2) Non-Resident employee demand will likely be higher than current practice, if it is free.

Sources; CCMP-2022; Strategic Economics; Brion Economics, Inc.

- **Available Funding for Infrastructure:** Given the funding shortfall shown in **Table S-1**, no funding is assumed for infrastructure or new child care spaces. Under future conditions there is a slight surplus of $340,700.
- **Current Supply and Demand of Preschool Spaces:** There are currently 2,482 preschool spaces available in the City. The demand or need for preschool spaces estimated in this analysis is 1,750 from residents and 1,220 from non-resident workers. This leaves a current shortage of 488 preschool spaces or a 20% shortfall. This shortage may increase over time as demand increases with the news that free preschool is available in the City.

2. Financial Analysis

This section describes the analysis that was prepared to estimate the possible uses of the Parcel Tax revenue and analyzes the Initiative as closely as possible to its intent. **Section 3** describes the approach and assumptions in more detail and explains why certain approaches were taken. The analysis uses available child care data from the City's recently completed Child Care Master Plan (2022)[2] and data available to BEI from other current child care projects in San Mateo County and the state. No new or original data was gathered for this effort given the timeframe of the study.

There are several limiting factors or situations that affect this analysis including the following:

- BEI assumes the Oversight Committee costs are included in the Fund's Administrative Cost estimate.
- BEI does not see a required inflation factor for the parcel tax amount (i.e., $2.50 per sqft of land), and thus over time, total revenues will be less than actual costs of child care and wages and fund less activity. The current and future conditions assume constant 2022 dollars.
- BEI does not set any priority between Free Tuition for residents and non-resident employees, or wage enhancements.
- The analysis is prepared in constant 2022 dollars.
- No new staff, child care demand, or wage enhancements are assumed between the two scenarios although demand is likely to increase.
- Data is not available on how many unlicensed care providers exist in the City and the analysis does not assume any funding goes to this category of provider.

[2] Prepared by Kathleen White, see https://www.ssf.net/departments/parks-recreation/recreation-division/childcareplan

- The analysis presumes that licensed providers[3] are the focus of the Initiative's efforts in order to ensure quality care.

Estimated Parcel Tax Revenue

This analysis uses Strategic Economics' (SE) estimate of potential revenue to be generated by the Initiative for this analysis.[4] BEI is familiar with their work, reviewed the analysis, and believes that this is a valid estimate of potential revenues. The analysis excludes parcels under 25,000 sqft. The Initiative proposed to levy a non-ad valorem[5] parcel tax of $2.50 per sqft of land, on 105 parcels with office, biotechnology, or R&D land uses identified in the City's parcel dataset, as well as three parcels associated with recently completed developments that were not yet updated in the dataset. The maximum estimate includes an additional 19 parcels associated with planned development projects that would likely transition to one of these three uses once completed.

The 109 parcels that are over 25,000 sqft in size would generate $55.9M currently and there are 144 parcels over 25,000 sqft that would generate $68.2M, as shown in **Table 1**.[6] These estimates are based on the use of the City's actual parcel database and have been reviewed by the City. BEI has not prepared an independent analysis or estimate of potential revenues.

Administrative costs cannot exceed 10% of the parcel tax revenues. **Table 1** estimates this maximum funding amount for administrative costs. As shown, there could be $5.6M under current conditions and $6.8M under SE's future estimate. Subtracting these potential administrative costs leaves $50.3M under current conditions, and $61.4M under maximum conditions, available to fund the Initiative's mandates.

[3] The Initiative language refers to family child care homes as "providers." This analysis refers to all child care entities as "providers," including center-based, family child care homes, and school age programs.
[4] See "Childcare Parcel Tax Ballot Measure Analysis" prepared for South San Francisco, by Strategic Economics, February 7, 2022.
[5] A non-ad valorem assessment is a special assessment or service charge which is not based on the value of the property.
[6] Based on updated estimates by Strategic Economics on July 22, 2022.

Table 1
Base and Future Estimates of Projected Annual Revenue Generated by Parcel Tax
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current or Base Estimate (1)	Future Estimate (2)
Parcels	109	144
Land Sq. Ft.	22,358,978	27,280,859
Parcel Tax Per Land Sq. Ft.	$2.50	$2.50
Total Annual Revenue	**$55,897,444**	**$68,202,147**
City's Funding for Admin. at 10%	$5,589,744	$6,820,215
Min. Remaining Revenue	**$50,307,700**	**$61,381,932**

Data updated by Strategic Economics, July 22, 2022.

(1) Includes parcels associated with existing Biotech, Office, and R&D uses.

(2) Includes parcels associated with existing, under construction, and planned Biotech, Office, and R&D uses.

Source: City of South San Francisco, 2022; Strategic Economics, Feb. 2022; Brion Economics, Inc.

Estimated Preschool Children and Supply of Preschool Spaces

Table 2 estimates the number of children in the City and South San Francisco Unified School District (SSFUSD) that are used in the analysis. These estimates are based on currently available data including population projections from ABAG's Projections 2040 and American Community Survey (ACS) 2018. Currently, there are a total of 2,440 children ages 2.5 to 5 years old in the City.[7] The analysis assumes that not all preschool-age children will use or need a preschool space, which is standard practice in child care Needs Assessments. The analysis assumes that 90% of 2.5-year-olds will use a preschool space and 95% of 3-year-olds will use a preschool space. For 4-year-olds, we assume that 58% will use a preschool space, based on the estimate that 160 4-year-olds are in TK currently.[8] For 5-year-olds, the analysis assumes that 25% will use a preschool space and the remainder will be in Kindergarten at SSFUSD. The Initiative explicitly states that the parcel tax funding shall not supplant state and federal funding, and we have assumed that children attending TK and Kindergarten are not funded for preschool under the

[7] 50% of 2-year-olds are assumed to equal children 2.5 years old. Note that preschool-age children are normally considered 2 to 4-year-olds; this analysis uses the definition of preschool-age children included in the Initiative.
[8] TK or Transitional Kindergarten estimates from the City's Child Care Master Plan – 2022.

Initiative's guidelines. Hence, as shown in **Table 2**, there is a total of 1,750 children living in the City that would likely use and quality for free preschool tuition.

Table 2 also summarizes the currently available child care preschool spaces available through Family Child Care Homes (FCCHs) and center-based providers, both of which are licensed or license-exempt.[9] The analysis does not include any unlicensed providers as this data is not readily available, and unlicensed care would not meet any definition of quality preschool in the profession. As shown, there are 272 estimated preschool spaces associated with FCCHs, based on licensing requirements. The actual number likely varies as FCCHs have some flexibility in how many children they serve in each age group. There are a total of 2,210 center-based licensed preschool spaces based on data from the CCMP-2022. These include spaces by private providers, non-profits, the City, the school district, and other types of providers. It should be noted that the Initiative calls FCCHs owners "providers" but for this analysis, providers mean all types of licensed entities, including for-profit and not-for-profit, and employer-based providers such as Genentech. It is estimated that there is currently a surplus of preschool-age spaces of about 732 in the City. The CCMP and other studies prepared by BEI for the City find that there is not a significant shortage of preschool spaces. Many of these spaces are likely to serve employees that commute into the City for work. Based on the estimates of demand from non-resident workers, below, there will likely be a shortage of available preschool spaces in the City, unless additional supply is provided.

Estimated Average Preschool Tuition Costs

In order to estimate the cost of free tuition for all preschool-age children of residents and non-resident employees, the analysis needs to consider the average cost of preschool care. Based on average cost data by type of provider from the CCMP, we estimate the weighted average preschool tuition for the analysis. The analysis uses this estimate to quantify the cost of free tuition as shown in **Table 3**. This is considered a baseline cost for the analysis. It is assumed that current conditions and tuition rates will need to be determined and applied equally across all providers and that providers will not be reimbursed for any tuition that is above this rate.[10] Otherwise, providers can increase tuition costs to any level they want and expect to be reimbursed. BEI suggests that the maximum reimbursement rates set by the State for preschool be used as a baseline as well.

[9] License-Exempt care includes programs run by school districts, etc. Licensed means Licensed and License-Exempt in this study.
[10] The Initiative is silent on inflation and normal cost increases for tuition and wages.

Table 2
Estimate of Children 2.5 to 5 Years Old and Current Supply and Demand for Child Care Spaces
Early Care and Education for All Parcel Tax Initiative Analysis

Item	2022 Estimate (1)	Percent Distribution	Percent Served	Total Served 2022	Notes
Estimate of Preschool Age Children					
2.5 years old (2)	438	18%	90%	394	not all children will use licensed care
3 years old	1,040	43%	95%	988	not all children will use licensed care
4 years old	380	16%	58%	222	42% or 158 assumed to be in TK
5 years old	581	24%	25%	145	75% are in kindergarten
Total Children	2,440	100%	72%	1,750	
Adjusted Preschool Need				**1,750**	
Supply of Preschool Spaces in SSF (3)					
Family Child Care Home Spaces	272				From BEI
Center Based Child Care Spaces	2,210				from CCMP - 2022
Total Preschool Spaces Available	**2,482**				
Estimated Surplus or (Shortfall) of Preschool Spaces				**732**	Derived

(1) 2020 U.S. Census; ABAG Projections 2040 (Oct 21); American Community Survey 2018.
(2) Assumes 50% of 2 year olds are 2.5 years old.
(3) This analysis does not include estimates of non-licensed care including Friends Family and Neighbors (FFNs), or Nannies as data on these types of care is not readily available.
Sources: American Community Survey 2018; ABAG Projections 2040 (Oct 21); Brion Economics, Inc.

Table 3 shows that the average full-time preschool tuition is $1,359 per month, and for FCCH preschool spaces it is slightly less or $1,195 per month for full-time care. The weighted average cost of care comes out to be $1,341 per preschool-age child. This figure is used to estimate free tuition costs. The current maximum reimbursement monthly rates (established by the State) for San Mateo County for preschool are $1,641 per full-time preschool center-based space, and $1,419 for an FCCH preschool-age full-time space. Part-time rates are less, of course. This analysis assumes all children require full-time care. The actual cost of free tuition or tuition remission will depend on the mix of full-time and part-time children using care.

Table 3
Estimated Average Cost of Child Care in SSF
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Average Center Preschool FT Monthly Fee	$1,359	CCMP - 2022 -Center Based Care, 2019 data
Average FCCH Preschool FT Monthly Fee	$1,195	CCMP - 2022 - Family Child Care Home, 2019 data
Current Center Based Preschool Spaces	2,210	From BEI, 2022 - See Table 3
Current FCCH Preschool Spaces	272	From BEI, 2022; based on licensing rates - See Table 3
Total Supply of Preschool Spaces	2,482	From BEI, 2022 - See Table 3
Wt. Average FT Monthly Fee	**$1,341**	Derived

Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Estimated Free Tuition Costs for Resident Children

Table 4 estimates the cost of free tuition or tuition remission possibly available to families with children within the boundaries of SSFUSD. The number of children receiving child care subsidies is subtracted first from the total number of children estimated to need preschool from **Table 2**. Currently, there are 418 preschool-age children receiving some type of subsidy for care in the City. The net number of children requiring tuition remission is estimated at 1,332 in total. Another 130 preschool-age children that live in the San Bruno and Daly City pockets of SSFSUD are added to this figure as they are potentially eligible for free care. The total number of children possibly requiring tuition remission is estimated at 1,462 as shown. The average monthly cost of care of $1,341 is applied to the total number of children for a total monthly tuition remission cost of $1.96M per month. On an annual basis, this comes to $23.5M per year. We estimate that families that have a co-pay for their subsidized care (from General Child Care and Alternative Payment subsidy programs) would be eligible for another $395k in tuition remission. This brings the total cost of free tuition to $23.9M, in constant 2022 dollars.

Table 4
Estimated Annual Tuition for Free Preschool Children
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Total Children Needing Licensed Care	1,750	see Table 3
Minus Children in Subsidized Care (1)	(418)	from CCMP 2022, page 50.
Eligible Preschool Children in SSF	1,332	Derived
Plus Children in SSFSUD San Bruno/Daly City	130	children that live outside SSF but in SSFUSD boundary
Total Children Eligible	**1,462**	
Average cost of Preschool Per Month	$1,341	See Table 3; from CCMP-2022.
Total Monthly Preschool Tuition Remission Cost	$1,960,176	Derived
Annual Tuition Remission Cost	**$23,522,109**	Derived
Family Fees for Subsidized Care Remission	$395,606	CCMP - 2022 Data
Total Tuition Remission Cost	**$23,917,716**	

(1) Some families in subsidized care are assessed parents fees based on their income; the fees vary based on household income and family. These fees would need to be reimbursed to parents.

Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Estimated Preschool Workforce

The next step in the analysis is to estimate the preschool workforce in the City, and the wage enhancement costs. **Table 5** shows the teacher-to-child ratios required by California's Community Care Licensing Division. These ratios are used to estimate the total workforce currently in the City. There are two statutes dictating teacher ratios. One is Title 22, and the other is Title 5. Title 22 covers all child care center based providers not offering subsidies. Title 5 has slightly higher standards, or requirements, for subsidized children. As shown, the required number of teachers or caregivers for FCCHs can vary depending on how many children by age group they serve.

Table 5
Teacher Staffing Assumptions
Early Care and Education for All Parcel Tax Initiative Analysis

Title	Age Groups	Adults Per	# of Children	Notes
Title 22/Child Care Centers				
	Infants (1)	1	4	
	Preschool	1	12	
	School Age	1	15	
Title 5/Subsidized Care				
	Infants (1)	1	3	or 4 children in 0-3 classrooms
	Preschool	1	8	
	School Age	1	14	
Small Family Child Care Homes (2)				Normally 6 or 8 spaces each
	Infants (1)	1	4	
	All Children	1	6	May include up to 3 infants
	Or	1	8	May include up to 2 infants and must include at least 2 children over the age of six
Family Child Care Homes (2)				Normally 12 or 14 spaces each
	12 Space Homes	2	12	May include up to 4 infants
	14 Spaces Homes	2	14	May include up to 3 infants and must include at least 2 children over the age of six

(1) Infants are considered to be children under the age of 2.
(2) Provider's own children under the age of 10 must be included in adult to child ratio.
Sources: Community Care Licensing Division - Title 22 and Title 5, DSS; CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Table 6 estimates the preschool teacher workforce in the City. It includes FCCH owners, directors of child care programs or providers, and support staff and aides. Applying the teacher ratios from **Table 5** to the estimated supply of preschool providers and the number of spaces (proxy for the number of children) results in an estimate of 379 staff or workers. Teachers are estimated at 289, directors at 30, and support staff/aides at 60 workers. This estimate is approximate, and each provider may have circumstances that warrant different staffing levels. License-exempt preschool providers may have lower teacher-to-child ratios. This figure of 379 workers is then used to estimate possible wage enhancements.

Table 6
Estimate of ELC Teaching and Other Staff
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Small FCCHs Spaces	Large FCCHS Spaces	Preschool Spaces (1)	Subsidized Preschool Spaces	Totals	Notes
No of Spaces	96	174	1,729	481	2,480	FCCH spaces are for all age groups
No. of Providers	21	32	17	13	83	Provider Count from BEI and CCMP-2022
Number of Teachers Required (1)	**21**	**64**	**144**	**60**	**289**	
Estimated Directors	na	na	17	13	30	one per provider except for FCCHs
Aides and Support Staff	na	na	34	26	60	2 per Center Based Provider
Total Staff	**21**	**64**	**195**	**99**	**379**	Approximate staffing levels

(1) Based on Title 22 and Title 5 teacher ratio requirements. See Table 5.
Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Estimated Wage Enhancement Costs

Table 7 summarizes the estimate of wage enhancement costs based on the directives of the Initiative. The Initiative's main requirement is that staff wages be 230% of the current minimum wage. The current minimum wage in South San Francisco is $15.80, as noted. We apply this base to the teacher aide/support staff category. Current wages are shown in the first column of **Table 7**. These hourly wage rates are based on data from the CCMP, and data from the California Economic Development Department (i.e., for directors). The hourly wage increase is estimated in the second column and assumes a 10% wage differential between each staff level, up to directors.[11] The analysis distributes the workforce by type of teacher and staff, based on typical staffing levels. Actual staffing levels will vary by provider. Current wages are estimated at $15.9M annually for the 379 workers. The wage enhancement is the difference between the current hourly rates and enhancement hourly rates as applied to the number of staff in each category. The total estimated wage enhancement equals $17.5M annually or 110% of current wages. The annual wage cost for the current total preschool workforce is estimated at $33.4M.

[11] This approach may not be reflective of job duties and experience levels, etc. for each level.

Table 7
Estimated Wage Enhancements
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current Avg. Wage / Hr.	230% of Min. Wage / Hr. (1)	Estimated Wage Increase (2)	Percent Increase	Estimated Staff by Role (3)	Percent Distribution	Estimated Current Wages	Estimated Wage Enhancement	Total Wages with Enhancement
Preschool Workforce									
Teacher Aides & Support Staff	$15.80	$36.34	$20.54	130%	92	24%	$3,023,488	$3,930,534	$6,954,022
Assist./Assoc. Teacher	$17.35	$39.97	$22.62	130%	102	27%	$3,684,735	$4,804,810	$8,489,545
Lead Teachers/Asst. Directors	$20.07	$43.97	$23.90	119%	102	27%	$4,262,400	$5,076,100	$9,338,499
FCCH Owners	$27.11	$48.37	$21.26	78%	53	14%	$2,988,606	$2,343,541	$5,332,148
Directors (4)	$31.77	$53.21	$21.44	67%	30	8%	$1,982,448	$1,337,569	$3,320,017
Total Teachers and EC Staff					**379**	**100%**	**$15,941,677**	**$17,492,554**	**$33,434,231**
Percent Wage Increase								110%	

Note the analysis brings all staff up to the minimum base of 230% of minimum wage and does not project additional pay due to various roles, education, and experience. How this Initiative would put upward pressure on wages beyond this requirement is not possible to estimate.

(1) Minimum wage is South San Francisco is currently $15.80 230% is $36.34 Each level increases 10% above that base.
https://www.ssf.net/departments/city-manager/local-minimum-wage
(2) A 10% mark up for each level is assumed based on the needs of equity with education and experience.
(3) See Table 6 for estimate of total preschool staff.
(4) CA EDD Data - 11-9031 Education and Childcare Administrators, Preschool and Daycare.
https://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html#OES

Sources: CCMP 2022, City of South San Francisco; CA EDD; Brion Economics, Inc.

Estimated Non-Resident Workers Requiring Preschool and Costs

Table 8 estimates the total number of jobs in the City and the amount of those workers that commute into the City for employment, or non-resident workers. Currently, there are an estimated 47,849 jobs in the City, according to ABAG Projections 2040 (extrapolated for 2022). Of these, about 85% are filled by workers that commute into the City for employment.[12] This includes workers that commute into the City from other cities in San Mateo County and those that commute into the City from outside the County as a whole. The total non-resident workforce is estimated at 40,672. Of these, about 5% typically want child care for children 0 to 5 years old, or a total of 2,034, near their place of work. We assume one 0 – 5 year old child per worker. Typically, 60% of these children ae preschool age. About 1,220 workers are estimated to need a Preschool Space, with one child per employee assumed.

[12] Based on journey to work data for2016-2019, the latest year data is available for this measure from MTC.

Table 8
Estimated Employment in Non-Resident Workers and Free Child Care Costs
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Employment Estimate - 2022	47,849	ABAG Projections 2040
Percent Non-Resident (1)	85.0%	from Journey-to-Work data, 2018
Non Resident Workers - 2022	40,672	ABAG Projections 2040 & JTW data
Estimated Demand for Infant/Preschool Care from Non-Resident Workers 0 to 5 year olds	5%	BEI - Needs Assessments
Estimated 0-5 Demand from Non-Resident Workers	**2,034**	Derived
Estimated Preschool Spaces Needed	**1,220**	60% of total above
Average Cost of Preschool per Month	$1,341	Per CCMP, See Table 5
Yearly Tuition Remission Cost per Preschooler	$16,089	Derived
Total Annual Tuition Remission Cost for Non-Resident Employees' Children	**$19,630,985**	Derived

Note: Assumes one child per non-resident employee.

(1) Includes workers that commute into SSF from other cities in the County and from outside the County. Based on Journey to Work Census data, from Shimon Israel, MTC. 7.19.22

Sources: 2019 5-Year American Community Survey Journey-to-Work Data; ABAG Projections 2040 (Oct 21); Brion Economics, Inc.

Table 8 estimates the cost of non-resident child care costs. About 60% of the children estimated are assumed to be of preschool age and required preschool. As shown, 1,220 children of non-resident workers are assumed to require preschool care. Applying the same average tuition cost as for residents, the monthly cost of required care is about $16k per month. Annually this figure is estimated at $19.6M. It is likely that many more non-resident employees will want to take advantage of the free tuition and this cost is likely to be much higher.

3. Approach and Assumptions for Analysis

The following asks various questions and summarizes our approach and assumptions used in the financial analysis of the Initiative.

1. What data source does BEI use for the estimate of children by age?

BEI uses population by age data from ABAG's Projections 2040 for South San Francisco and estimated for 2022. Using recently published projections ensures that our estimates are current. BEI assumes that 50% of 2-year-olds are 2.5 years old for purposes of this analysis. It also adjusts preschool age children for those in Transitional Kindergarten and Kindergarten.

2. What is the definition of Preschool age children in the Initiative?

As stated in the Initiative, early care, and education for all children between the ages of 2.5 and 5 years old who have a parent, legal guardian, foster parent, or authorized caregiver residing or working within the boundaries of the South San Francisco Unified School District qualify as Preschool age children (see page 2 of 10 of the Initiative text).[13]

3. What data should BEI use for estimates of child care spaces or seats by age group?

BEI uses the supply data from the Child Care Master Plan (CCMP). These data seem to be very current compared to data that was just collected by BEI for the County.

4. Are 4- and 5-year-old children in TK and Kindergarten at SSFUSD eligible for Parcel Tax funding?

BEI assumes that these children are not eligible for parcel tax funding because their care is already provided by state funding and state mandates. The Initiative does not talk about supplanting or replacing state or federal funding.

5. How is funding split between Free Tuition and Wage Enhancement?

BEI estimates the required funds to address all possible needs based on the Initiative.

6. Will free tuition funding be provided to the child care provider or parents?

The Initiative suggests that funding be provided to the Provider and that the Provider must provide wage enhancements to receive the tuition reimbursements. It does not address the

[13] Note this definition of parent or parents is used though out this memo and includes of parent, legal guardian, foster parent, or an authorized caregiver under California Family Code Sections 6550 and 6552.

possible situation that there could be insufficient funding to fund both of these costs. BEI is silent on who will receive, track, and verify tuition remission and administrative costs associated with providers implementing the Initiative's requirements. This will need to be addressed by the Administrative Organization and Oversight Committee.

The Initiative language suggests that the providers apply for and receive tuition. There would be additional administrative costs and staff needed, and training for provider staff on how to administer this program. BEI has not estimated this cost.

BEI suggests it would be more efficient for the city to administer all funds, and qualify participants, whether parents or employees.

7. What if there are not enough child care spaces to serve preschool needs?

BEI focuses on the number of children in the 2.5- to 5-year-old age range. BEI assumes revenue is allocated to:

1. Residents first residing in the boundaries of the SSFUSD, and employees working in the SSFUSD boundaries;
2. With low-income residents receiving priority (if there are not enough funds);
3. BEI backs out the number of children currently receiving subsidized care.; and
4. Less parent fees for co-pays on state and federal subsidized spaces.

If there is any funding left after estimating tuition needs and wage enhancement needs, BEI estimates possible revenue available for the development of child care infrastructure.

If there are not enough funds to fund all residents and employees, then some form of means testing would be required to identify low-income parents and employees.

8. Should the analysis assume every parent will want to use a licensed child care space if it is free or assume some parents will still choose not to use licensed care?

Currently, 32% of parents do not use licensed care according to the CCMP (2022). This may be due to a lack of supply, price, or location. BEI assumes that a small percentage of children will not use licensed care for the analysis as some families choose relatives or nannies to care for these children.

There is a need for relatives, friends, nannies, and informal care, due to scheduling needs, lack of available child care for occasions such as nights, weekends, extended hours, multi-age sibling care, children with special needs, and children that need health-related exempt care.

Additionally, SSF families may also utilize care outside of SSF and they may want to stay in a familiar setting or may prefer to have their children near their place of work as opposed to home. It will need to be determined whether parents can use tuition funding outside the City or SSFUSD boundaries.

9. How to determine FCCH eligibility when % of enrollment are infants, preschoolers, and school-age children?

To be conservative, BEI proposes to use state licensing ratios for FCCHs as follows:

1. For Large FCCHs licensed for 14, it is estimated that there are 3 infant, **6 preschool,** and 5 school age spaces;
2. For Large FCCHs licensed for 12, it is estimated that there are 4 infant and **8 preschool** spaces.[14]

10. What is the estimated number of children the in SSFUSD Service Area in Daly City and San Bruno?

The CCMP (2022) estimates that there are 130 children of preschool age in these two areas. This represents about 10% of the total number of children in the two areas according to the CCMP.

11. How many children are TK Eligible in SSFUSD?

As of 2021, there are about 110 in TK, according to the CCMP (2022). This number is estimated to grow by 48 additional children in 2022, to a total of 1658, and will increase annually thereafter. BEI is using the CCMP figure of 158.

12. What is the minimum wage assumption for the analysis and how will it scale up for teachers and other staff?

BEI uses the minimum wage in South San Francisco is $15.80 per hour.[15] BEI assumes 10% pay increase over the minimum level of pay in the analysis. An actual pay scale matrix will need to be created by the City Administrative team.

[14] School age children in these areas, accounting for school district boundaries at J. Serra, Skyline and Monte Verde that are inclusive of SSF resident counts in addition to San Bruno and Daly City areas and include estimates of younger children based on school-grade enrollments.
[15] https://www.ssf.net/departments/city-manager/local-minimum-wage

13. How does BEI estimate the ELC teacher workforce?

BEI uses the Title 22 and Title 5 requirements for teacher ratios from Community Care Licensing Division and information from the CCMP.[16]

BEI does not have estimates of staff associated with informal, unlicensed caregivers and will not include these in the estimates of wage enhancement costs although they may be eligible.

14. Would wage enhancement apply to directors and other support staff?

The Initiative states: [17]

1. *Minimum wage for entry-level positions that is at least 230 percent of South San Francisco's minimum wage;*
2. *Minimum wage increases for **Center-based teachers, Providers, and Providers' staff** to achieve parity in compensation with preschool and elementary school teachers in South San Francisco who have commensurate education and experience; and,*
3. *Minimum wage increases of **Providers and their staff** that are proportional to the minimum wage increases of Center-employed teachers.*

BEI presumes funding is available for FCCH owners as they are directly involved in providing care, and also center-based directors, and other support staff based on the above language of the Initiative.

15. Will the analysis estimate the cost of providing the following?[18]

1. *Program funds shall provide for each Seat up to ten hours of care and learning per day.*
2. *Centers and Providers shall make options for half-day or full-day schedules, and for year-round or school-year schedules, available for all Seats.*

BEI's analysis assumes all children receive full-time care for tuition remission estimates. In reality, some may choose part-time care. Most child care providers are open for 10 hours per day. Whether parents use 10 hours per day is not possible to estimate.

[16] Title 22 applies to all child care programs and the regulations are enforced by Community Care Licensing. Title 5 requirements are Contract requirements for state-funded programs that are contracted with the California Dept. of Education. In other words, Title 22 applies to everyone. For state funded programs, they have contract requirements that exceed Title 22 requirements.
[17] See page 8 of 10.
[18] Page 6 of 10.

BEI does not estimate the additional costs associated with these two requirements, but to truly estimate these costs we would have to know how many people desire part-time care, year-round care, and care 10 hours per day, in addition to how many days per week.

16. How would the Wage Enhancement be estimated and tracked against actual wages paid?

BEI assumes that each provider would be screened and provide proof of current wages from payroll records and that the difference between actual wages and 230% of the City's current minimum wage would be provided in advance. An audit would occur of actual wages paid and any adjustments based on actuals would be made at the end of a set time period. For instance, if a provider paid a teacher $20 per hour, and 230% of $15.80 is $36.34, then the provider would receive a wage enhancement of $16.34 for that hour worked.

Current average wages will be taken from data collected in the CCMP and the Draft SMC Needs Assessment being prepared by BEI.

17. Will teachers teaching in subsidized programs be eligible for wage enhancements?

For this analysis, BEI assumes they are.

18. Will teachers that work for the City be eligible for wage enhancements?

For this analysis, we assume they would be eligible, and they are included in the estimate of staff based on the number of Child Care Providers and spaces or seats analyzed.

However, this will create pay equity issues relative to other City staff and pay scales and civil codes on pay equity. This will need to be addressed during implementation.

19. What about children aged 6 months to 2.5 years old or Infants and Toddlers?

The analysis will focus on 2.5- to 5-year-olds. Other age groups are not analyzed. Although the Initiative does state that if there are sufficient funds for all 2.5 to 5-year-olds of residents and employees within the SSUSD boundary, 0 to 2.5-year-olds can be served. The analysis also does not estimate any wage enhancements for staff serving infants and toddlers.

20. Are School Age children available for support in the parcel tax?

The Initiative does not appear to cover school age care, either after or before, or during the summer. The analysis also does not estimate any wage enhancements for staff serving school age children.

21. How does BEI prioritize funding in the analysis in terms of Residents and Employees that work in the City?

BEI first prioritizes funding for all residents, employees, and children in the SSFUSD boundaries (discussed above). If there is insufficient funding for this approach, then low-income residents would have priority. Whether low-income employees are on par with low-income residents is not clear.

22. What is the priority between Tuition Remission and Wage Enhancements?

This needs to be determined as the Initiative appears to treat these equally. BEI assumes they are of equal priority.

23. Does BEI assume a total of 10% of funds are used for administration?

Administrative costs are assumed at the 10% rate. Administrative Funding may need to be allocated to providers for implementation costs if they are to qualify and vet parents' eligibility for tuition remission. BEI has not estimated this cost. It is not clear if it would come out of the 10% or net tax funding.

24. How does BEI manage the proposed restriction that City funding cannot be reduced, given that this restriction is likely illegal?

BEI assumes that the City cannot be forced to continue to fund subsidized spaces, but we will assume that current funding stands for this analysis. In the future, this may not be the case. This clause would bind the hands of future councils. The state and federal programs funding continually change the availability of subsidies based on available funding and contract compliance year to year. BEI assumes the City spaces will continue to be funded at their current rate, and that the City can be reimbursed for the full cost of the care per space. This will require an analysis of the City's Child Care budget. We have not estimated the difference between the City's costs and the parent fees charged for City subsidized spaces.

The City Attorney's office needs to address the legality of this requirement of the Initiative.

25. How does BEI treat existing subsidized child care spaces, and are they eligible for Parcel Tax funding? This includes State Preschool, Federal programs, General Child Care, Alternative Payment programs, etc.

BEI does not assume the parcel tax revenues replace or supplant current local, state, and federal subsidies in the analysis. We will assume that these subsidies still occur. These

estimated subsidies will be backed out of estimates, but they may vary year to year. However, the issue of assessed Family Fees are estimated. Parents receiving state subsidies are often assessed family fees (their portion) of tuition. This would be a covered expenditure.

26. Will parents be eligible based on a child between 2.5 years and 5 years?

The child care space serving children 2.5- to 5-year-olds is eligible for funding. A parent with a child that is 2.5 to 5 years old and using preschool age child care is eligible for tuition remission. The provider must prove that they are serving residents or employees working in the City (and be located within SSFUSD boundaries). Parents will need to provide proof of their children and addresses.

27. Will parents be able to utilize care outside of the SSF boundary or near their place of employment if employed outside SSF?

BEI assumes the funding cannot be taken out of SSF to providers outside the City. We assume that if there are not enough child care spaces then other uses of the funds could be implemented. Clarification is needed regarding SSF residents using care outside of the City (if schedule, type of care, quality, language, etc. is not available in the City).

It does not seem reasonable to expect providers outside the City to administer the Parcel Tax parameters and qualify parents eligible for tuition remission.

Appendix A: Other Implementation Issues and Questions

This appendix includes questions and issues that will need to be addressed if the Initiative passes. BEI has not addressed these questions and issues in the analysis.

K. White further clarified these questions.[19] Questions posed and answers to questions have the potential to significantly impact fiscal outcomes and financial viability and add to administrative costs..

Child Care Implementation - Family/Parent Eligibility

1. If funds are not sufficient to serve all residents, will there be an eligibility requirement?

[19] Author of the Child Care Master Plan-2022 and City staff.

- State subsidies are reliant on income, family size and employment or school eligibility.

2. Will parents then be screened, and will tuition be reimbursed based on eligibility (low-income) if funds are not sufficient?

   - Language considers all residents in SSF (SSFUSD) equally in terms of eligibility and full funding available to serve all residents.

3. Will parents and providers be jointly paid or jointly verified for tuition costs, or will providers be paid directly, and the administrative process of tracking be up to providers?

4. How will the residence of homeless or housing insecure children/families be managed?

5. Will parents be referred to other subsidies (federal, state, local) based on eligibility first to reduce supplantation?

   - What is the process for referrals? Who will refer? How will approval for subsidy be managed?

Child Care Implementation - Provider Eligibility

6. Will licensed (regulated) child care providers only be considered for tuition subsidy?

   - Language mentions exempt care providers (per Health and Safety code) which would include a broad range of family members, friends, and neighbors (FFN's).

   - Licensing provides regulatory function and investigative responsibilities for violations or complaints.

7. Will tuition remission be available for evening, weekend, and sick care, custodial care (child asleep during the evening, etc.), care by license exempt providers (family, friends, and neighbors)?

   - Clarification is needed as to the required elements of preschool (as described in measure) and the provision of child care (provided in licensed settings and by non-licensed caregivers (FFN's) that are covered under measure.

- "Preschool" implies preparation for school and may consist of curriculum designed to provide socialization, appropriate environments, scheduling, and pre-school readiness.

- "Child care" can provide all of the above elements and may or may not provide developmentally appropriate care, however, unregulated care can be custodial as there are no requirements for specific elements.

- Currently, there are no unlicensed centers providing child care services in SSF as the majority of group care preschool settings need to be licensed, however, unlicensed/exempt individual providers (FFN's) provide care in a parent's homes or the caregivers homes and exemptions allow for services by relatives, neighbors, friends, etc. caring for children from one family, or a group of related children (description of exemptions found in Section #3 of the CCMP). A "preschool" curriculum is not required.

- Licensed care must comply with minimal health and safety standards (including fingerprinting, educational requirements for center staff, physical environment standards, etc.) and is regulated by Community Care Licensing. Complaints are filed with Community Care Licensing and Child Protective Services as needed.

- Exempt care (FFN's) has no external standards for care or monitoring. There is no agency "in-between" the City and the caregiver to monitor care. Complaints would be filed with law enforcement directly, and/or Child Protective Services.

8. Will costs be reimbursed or paid up-front?

9. How will provider eligibility, appropriateness, quality, and priority be determined?

10. How will providers be selected for wage enhancements?

    - What administrative functions will be performed by providers to comply with wage enhancement expectations? Will technical assistance and support be provided?

11. Will providers be able to recoup additional administrative costs related to tracking tuition and wage enhancements?

    - Is provider recordkeeping and administration currently a funded activity as part of administrative costs?

12. What quality indicators will be utilized to ensure quality preschool services?

    - Provisions of preschool services as well as benefits stated imply quality settings and services. How will quality be determined?

13. Who will determine provider eligibility?

    - Will all licensed providers in SSF be approved?
    - Will all exempt care individuals be approved? Relatives? Nannies? Neighbors? Friends?
    - Those caring for a child or children and not charging a fee.
    - Will employment taxes, social security be required if exempt care providers are included?

14. How will wage increases of provider portion be documented? Will wage decreases of provider portion be allowed?

15. Will only teachers working with children 2.5 to 5 years be eligible for wage increases?

    - As all child care workforce members in SSF are impacted by insufficient wages for education, experience, job responsibilities, etc., limiting wage enhancements to one segment of the child care community could create a tiered system and staff vacancies in school – age programs.

16. How will impacts on infant/toddler staff, school age staff and support and administrative staff be managed if only preschool staff receive wage increases?

17. How will compaction within ELC program structure be managed (e.g., Directors making less than teachers)?

18. How will represented employees (union) be impacted by wage enhancements outside of job classifications and wage increases available to some members and not others?

    - What are the impacts on the represented workforce?

19. Will there be minimum educational, experience, and quality requirements for staff and/or providers to receive wage enhancements?

- If so, how will this be tracked?

20. Wage enhancements do not imply access to benefits if none are currently offered. Are employee benefits part of the wage enhancement?

21. How will programs utilizing current subsidies (federal, state, city, local) calculate tuition costs?

    - An assumption is made that supplantation of state and federal subsidies will not be encouraged.

    - A further assumption that staff in subsidized programs as well as represented programs will be eligible for wage enhancements.

22. For parents currently receiving subsidies and assessed a family/parent fee, will that portion be reimbursed to the parent or provider?

23. If a lack of child care spaces, schedules, types exist in SSF and all eligible children cannot be served in SSF, will residents be allowed to use care outside of SSF?

24. If parents choose and prefer care outside of SSF will their choices be accommodated?

25. Will licensing violations and findings be shared with administrators of program and will funding be withheld from programs or individuals under-going licensing, health and safety or criminal investigations?

    - What will the process be to manage time-sensitive and confidential data and information?

26. Will the parcel tax revenues be available to preschool providers that are run by religious organizations and provide religious instruction?

    - Currently state and federal subsidy use prohibits subsidies for religious instruction as well as a range of discriminatory enrollment policies and practices.

27. Are wages 230% of existing salaries or 230% of minimum wage?

    - Clarification needed around intent of 230% of wage enhancements

    - Parcel Tax language refers to the development of a “3 tier matrix”. If existing employer salary scale is not compressed into 3 tiers, additional detail is needed.

28. Can parents of 4- and 5-year-old children (TK eligible) opt into private transitional kindergarten and kindergarten when there is a public option available for free?

    - Will the before and after – school costs of transitional kindergarten be reimbursable for 4 and-5-year-old children?

    - School districts in CA are now required to provide TK (phase in through 2025) for some 4-year-old children and all 5-year-old children (dependent on school district funding availability).

Child Care Implementation – Employees Working in SSF

29. If funds are not sufficient to serve all employees (resident priority) then what method will be used to select from employee pool?

    - Low – income priority? Lottery? Employees from assessment area?

    - Screening and selection process will need to be developed.

Child Care Implementation - Facilities

30. If funds are not sufficient to develop facilities needed to serve all priority groups, how will facilities and program expansions be supported?

31. Will out-of-area programs and providers be allowed? Under what conditions?

Economic Impacts

32. Further detail is needed from Strategic Economics on:

    - Impacts related to small business operations and development
    - Impact on biotech development
    - Impact on affordable housing development
    - Commercial linkage fees and pass-through fees to tenants

Legal Questions and Impacts

33. Further detail needed from City's Attorney's Office, including:

    - Possible costs of contested components in measure and litigation.
    - How does the City guard against fraud?

- Possible risks and costs associated with the utilization of unlicensed and unregulated child care and the use of exempt care providers (relatives, neighbors, friends (FFN's), nannies, etc.).
- Possible risks on the utilization of licensed care especially as related to children in care facilities being investigated by licensing agency for licensing violations.
- Stated restrictions on city-funding for child care services.
- Clarification on the use of public funding for religious instruction and/or non-compliance with anti-discrimination policies.

Is the Parcel Tax Aligned with the 2022 Child Care Master Plan?

34. The Parcel Tax as written seeks to address several primary issues identified as key recommendations within the SSF Child Care Master Plan, 2022. Those include:

- Raising workforce salaries and the need for immediate solutions to low wages in child care resulting in significant workforce shortages.
- The need for subsidized child care for all eligible children in SSF.
- The stated long-term benefits of quality programs for young children, including increased school readiness and long-term academic, financial, and, social successes.

35. Areas of misalignment include:

- Priority recommendation in the CCMP for school-age child care spaces and programs, due to significant needs and gaps.
- Wage enhancements and increases needed for all child care staff including those caring for infants and toddlers, school-age children as well as preschoolers and directors, support staff and office staff.
- Subsidies needed for infants and toddlers as infant toddler care is typically more expensive.
- Wage compression for non-wage-enhanced staff may cause additional job loss.
- Recommendations made to ensure that quality programs and services are encouraged.
- Efforts to support exempt care (FFN's) to become licensed and engaged in professional development.
- Priorities for career pathways in SSF linking child care, after-school and other related jobs to careers with children in classrooms, as teachers, counselors, recreation staff, program administrators, lead teachers, etc. Career pathways assume linkages to higher education which are not stated.

7. Early Learning and Education for All Initiative City Council Questions

1. **Does the measure adhere to the SSF Child Care Master Plan (CCMP)?**
   The *Early Learning and Education for All Initiative* as written seeks to address several primary issues identified as key recommendations within the SSF Child Care Master Plan, which was adopted in June of 2022. Those include:
   - Raising workforce salaries and the need for immediate solutions to low wages in child care, which has resulted in significant workforce shortages;
   - The need for subsidized child care for all eligible children in SSF;
   - The stated long-term benefits of quality programs for young children, including increased school readiness and long-term academic, financial, and social successes.

   Areas of misalignment include:
   - Priority recommendation in the CCMP for school-age child care spaces and programs, due to significant needs and gaps;
   - Wage enhancements and increases needed not only for preschool staff, but for all child care staff, including those caring for infants and toddlers and school-age children;
   - Subsidies and expanded slots needed for infants and toddlers as infant toddler care is typically in short supply, and more expensive;
   - Wage compression for non-wage-enhanced staff may cause additional job loss;
   - Recommendations made to ensure that quality programs and services are encouraged;
   - Efforts to support exempt care to become licensed and engaged in professional development;
   - Priorities for career pathways in SSF linking child care, after-school and other related jobs to careers with children in classrooms, as teachers, counselors, recreation staff, program administrators, lead teachers, etc. Career pathways assume linkages to higher education which are not addressed.

2. **Is revenue the only barrier to childcare? Are the other barriers to providing childcare?**
   Barriers to providing childcare include:
   a. Workforce issues (recruitment/retention of qualified teachers/staff);
   b. Lack of infrastructure/facilities and available spaces;
   c. Lack of development pathways for training teachers/staff;
   d. Lower wages for staff lead to "training" at preschool level and moving up to higher grades for higher wages.

3. **If this measure fails, what are the alternatives? How can we collaborate to achieve the spirt of the measure?**
   Recommendations for providing and supporting quality early learning care are laid out in the South San Francisco Childcare Master Plan. Council may choose to direct staff to focus on implementing any of the proposed recommendations.

   An alternative Initiative could be written and sponsored by citizens, or by the City in the future.

4. **Would non-biotech businesses that are tenants of 25,000 Sq. ft lot be affected. I know we do have other industries or businesses that are on lots this size. Would they be taxed?**
   The Early Learning for All initiative requires a special non-ad valorem parcel tax shall be levied annually on the owner of each commercial office parcel within the city, at a rate of $2.50 per square

foot of parcel size, starting with Fiscal year that begins on July 1, 2023. "Commercial office parcel" is defined as any parcel that is developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature. Such services or operations include but are not limited to computer programming, data processing, research and development activities, or operation of an internet retailing business. Such services or operations do not include warehousing, industrial, or retail activities.

The Strategic Economics (SE) study preliminarily identified parcels which may be subject to the tax. A list of those parcels is included as part of the staff report. As noted in the summary of SE report, the identification of parcels potentially subject to the tax is preliminary and not a final determination of the status of any existing parcel. If voters approve the initiative, implementation of the tax will require a formal determination of the parcels subject to the tax.

5. The proponents mention money for teachers. What positions are included in the ballot measure?

The Early Learning for All initiative requires the Administering Organization to "compensate the teachers and staff members who are providing early care and education to Eligible Children in amounts no less than indicated on the compensation matrix established by the Administrating Organization with input from the Oversight Committee."

Section 4.40.100 under Administration requires minimum wage for entry level positions that is at least 230% of the minimum wage in South San Francisco. Additionally, the initiative requires minimum wage increases for Center-based teachers, providers, and providers' staff to achieve parity in compensation with preschool and elementary school teachers in the city who have commensurate education and experience; and minimum wage increases of providers and their staff that are proportional to the minimum wage increases of center-employed teachers.

The City retained Brion Economics to assist in the analysis of the financial and other impacts of the Initiative. Table 6 estimates the preschool teacher workforce in the city. It includes FCCH owners, directors of childcare programs or providers, and support staff and aides.

Table 6
Estimate of ELC Teaching and Other Staff
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Small FCCHs Spaces	Large FCCHS Spaces	Preschool Spaces (1)	Subsidized Preschool Spaces	Totals	Notes
No of Spaces	96	174	1,729	481	2,480	FCCH spaces are for all age groups
No. of Providers	21	32	17	13	83	Provider Count from BEI and CCMP-2022
Number of Teachers Required (1)	**21**	**64**	**144**	**60**	**289**	
Estimated Directors	na	na	17	13	30	one per provider except for FCCHs
Aides and Support Staff	na	na	34	26	60	2 per Center Based Provider
Total Staff	**21**	**64**	**195**	**99**	**379**	Approximate staffing levels

(1) Based on Title 22 and Title 5 teacher ratio requirements. See Table 5.
Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Table 7 summarizes the estimate of wage enhancement costs based on the Initiative which requires staff wages be 230% of the minimum wage. The current minimum wage is $15.80. This base is applied to the teacher/aide support staff category.

Table 7
Estimated Wage Enhancements
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Current Avg. Wage / Hr.	230% of Min. Wage / Hr. (1)	Estimated Wage Increase (2)	Percent Increase	Estimated Staff by Role (3)	Percent Distribution	Estimated Current Wages	Estimated Wage Enhancement	Total Wages with Enhancement
Preschool Workforce									
Teacher Aides & Support Staff	$15.80	$36.34	$20.54	130%	92	24%	$3,023,488	$3,930,534	$6,954,022
Assist./Assoc. Teacher	$17.35	$39.97	$22.62	130%	102	27%	$3,684,735	$4,804,810	$8,489,545
Lead Teachers/Asst. Directors	$20.07	$43.97	$23.90	119%	102	27%	$4,262,400	$5,076,100	$9,338,499
FCCH Owners	$27.11	$48.37	$21.26	78%	53	14%	$2,988,606	$2,343,541	$5,332,148
Directors (4)	$31.77	$53.21	$21.44	67%	30	8%	$1,982,448	$1,337,569	$3,320,017
Total Teachers and EC Staff					**379**	**100%**	**$15,941,677**	**$17,492,554**	**$33,434,231**
Percent Wage Increase								110%	

Note the analysis brings all staff up to the minimum base of 230% of minimum wage and does not project additional pay due to various roles, education, and experience. How this Initiative would put upward pressure on wages beyond this requirement is not possible to estimate.
(1) Minimum wage is South San Francisco is currently $15.80 230% is $36.34 Each level increases 10% above that base.
https://www.ssf.net/departments/city-manager/local-minimum-wage
(2) A 10% mark up for each level is assumed based on the needs of equity with education and experience.
(3) See Table 6 for estimate of total preschool staff.
(4) CA EDD Data - 11-9031 Education and Childcare Administrators, Preschool and Daycare.
https://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html#OES
Sources: CCMP 2022, City of South San Francisco; CA EDD; Brion Economics, Inc.

6. How does this proposed program compare to those in San Francisco and Portland Oregon? Specifically, revenue sources and process for implementation. Is there a means test?

Portland:
Staff obtained a copy of the *Preschool for All Plan* developed by Multnomah County in Oregon (FINAL-Preschool-for-All-Plan-July-2020.pdf (multco-web7-psh-files-usw2.s3-us-west-2.amazonaws.com), and met with Brooke Chilton Timmons, Management Analyst with the Multnomah County Department of Human Services. Multnomah County has a population of approximately 815,000, which includes most of Portland and a number of smaller cities. The Plan evolved from the Ready for Kindergarten Collaborative, which began with a task force in 2012. Over an eight-year period the Task Force, which included parents and community leaders from early learning, healthcare, housing, human services, school districts, higher education, culturally specific organizations, local non-profits, and the business community, developed comprehensive recommendations for the *Preschool for All Plan* prior to the successful passage of a ballot measure in 2020.

The Multnomah program is funded by a marginal income tax on high income earners, with a tiered, progressive approach to income thresholds. The tax is structured to generate an estimated $133 million in 2021, increasing to an estimated $202 million in 2026. The program is designed to ramp up over several years to full capacity by 2026. The County Board of Commissioners has the authority to adjust the tax rate over time as needed to ensure the program is fully funded. Hundreds of public, private, and social sector leaders, community members, and preschool practitioners participated in a coalition to design the program parameters. Since the initiative passed in 2020, the County has spent 2 years working toward service delivery, which will begin in the fall of 2022. All 3- and 4-year-olds are eligible for approximately 5 hours of tuition-free preschool program per day; before and after program care options are available for families below the Multnomah County

Self-Sufficiency Standard; children with developmental delays and disabilities are provided with targeted support; the program offers a mixed delivery model which includes full-day and part-day programming., year-round options, home-based, center-based, and public-school based settings. There is an application process, with children offered seats in participating programs. Priority is given to children who have the least access to preschool. Resources are devoted to outreach to families to inform them of their options, coaching for providers, and assistance to home-based providers. The program addresses workforce development and provides a living wage for participating providers, with a compensation matrix that adjusts wages based on teacher credentialing, education, certification, licensure, special skills such as language, and experience. Lead preschool teachers are to be paid on par with kindergarten teachers.

Program administration is handled through a contract with a non-profit agency in combination with County staff. Positions include application, eligibility, and enrollment specialists, accountants, trauma-informed mental health professionals, outreach specialists, and educational coaches. To grow the number of preschool slots across the county, funding is allocated to support providers who want to improve or expand their facilities. Public oversight and accountability are provided by a 12–15-member Community Advisory Group appointed by the County Board of Commissioners. The Advisory Group includes parents, preschool providers, culturally specific organizations, school districts, early childhood organizations, and other representatives from organizations that work to support children and families in the county.

San Francisco:
Staff interviewed Kathleen White, the consultant retained for the South San Francisco Child Care Master Plan. Kathleen worked closely with several committees involved in designing and implementing San Francisco's program. Some key differences include:

- San Francisco passed Prop C in 2018;
- Measure was tied up in court challenges for approximately 3 years;
- San Francisco is both a City and a County, and has established a large department, the Office of Early Childhood Education, to design and implement programs;
- Leverages federal, state, county, and local funding sources;
- San Francisco is investing in teacher wage increases in City-run programs;
- Addresses children aged 0 – 5, with children under 4 years a priority;
- There is a means test for prioritization of service to lower income families;
- Ensuring and enhancing program quality is addressed;
- Workforce development is a priority;
- Staff training is incentivized.

7. **Sky Woodruff mentioned looking at potential legal issues that might arise if voters approve this new tax. We currently collect monies from developers for child care facilities. How many San Mateo County cities collect fees for this purpose? Does the County collect a fee for child care?**
The Quimby Act and California Fee Mitigation Act allows communities to require developers to dedicate land or pay an in-lieu fee as a condition of approval. Development Impact Fees offset the impact by providing park, recreational facilities, and childcare facilities to serve new residents. The city currently has impact fees for parks, childcare, and public art. Developer impact fees are exclusively for capital improvements serving new development to offset the impact of a particular project or new growth. The City of South San Francisco and San Mateo have childcare impact fees to help fund childcare facilities. The City's current impact fee balance as of January 2022 is

$11,000,000. The City will consider the Master Plan recommendations into consideration for utilization of these funds.

San Mateo County does not collect a fee for childcare.

8. How many commuting workers would be eligible for this new program?

According to analysis provided by Brion Economics, approximately 1,220 children of non-resident workers are assumed to require preschool care. The monthly cost of required care is approximately $16,000 per month, about $19,600,000 annually.

Table 8
Estimated Employment in Non-Resident Workers and Free Child Care Costs
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Employment Estimate - 2022	47,849	ABAG Projections 2040
Percent Non-Resident (1)	85.0%	from Journey-to-Work data, 2018
Non Resident Workers - 2022	40,672	ABAG Projections 2040 & JTW data
Estimated Demand for Infant/Preschool Care from Non-Resident Workers 0 to 5 year olds	5%	BEI - Needs Assessments
Estimated 0-5 Demand from Non-Resident Workers	**2,034**	Derived
Estimated Preschool Spaces Needed	**1,220**	60% of total above
Average Cost of Preschool per Month	$1,341	Per CCMP, See Table 5
Yearly Tuition Remission Cost per Preschooler	$16,089	Derived
Total Annual Tuition Remission Cost for Non-Resident Employees' Children	**$19,630,985**	Derived

Note: Assumes one child per non-resident employee.

(1) Includes workers that commute into SSF from other cities in the County and from outside the County. Based on Journey to Work Census data, from Shimon Israel, MTC. 7.19.22

Sources: 2019 5-Year American Community Survey Journey-to-Work Data; ABAG Projections 2040 (Oct 21); Brion Economics, Inc.

9. How will city of residence or place of employment be verified?

This has yet to be determined. The ELC Initiative requires the City Council to designate an Administering Organization to administer the program. By July 1, 2024, the City shall require the Administering Organization to receive and review applications from Centers and Providers who wish to participate, monitor program participants' use of funds, prepare and submit quarterly reports to the Oversight Committee and annual reports to City Council describing disbursement of program funds, numbers of children served, and overall effectiveness of the program; and take any additional action needed to implement the program.

10. Please provide the following information.

- Cost to develop 1 square foot of life science Class A

  - $1,115 (includes acquisition costs)

- Cost of leasing 1 square foot of life science Class A annually
  - $6.35 / SF to lease

- Total Annual operating costs of life science Class A including salaries and benefits.
  - This information was not available.

- Current cost of childcare
  - The weighted average full-time monthly cost of preschool in SSF is $1,341, based on current data. Note this is an average of both center-based care, and licensed family day care providers.

Table 3
Estimated Average Cost of Child Care in SSF
Early Care and Education for All Parcel Tax Initiative Analysis

Item	Amount	Notes
Average Center Preschool FT Monthly Fee	$1,359	CCMP - 2022 -Center Based Care, 2019 data
Average FCCH Preschool FT Monthly Fee	$1,195	CCMP - 2022 - Family Child Care Home, 2019 data
Current Center Based Preschool Spaces	2,210	From BEI, 2022 - See Table 3
Current FCCH Preschool Spaces	272	From BEI, 2022; based on licensing rates - See Table 3
Total Supply of Preschool Spaces	2,482	From BEI, 2022 - See Table 3
Wt. Average FT Monthly Fee	**$1,341**	Derived

Sources: CCMP 2022, City of South San Francisco; Brion Economics, Inc.

Brion provided the following information about how this cost was determined.

This was the weighted average for family child care and centers. Family child care providers tend to offer lower prices for preschool children and often offer family discounts, etc.
During the CCMP process, I also looked at advertised rates (when available) as the COVID Pandemic did impact enrollment. While providers in general had fewer children enrolled, and health related requirements increased, tuition in general did not increase, as parents struggled with additional employment limitations and costs. 4C's did not have current updated tuition data, most likely due to their own workforce issues.

Tuition will most likely be increasing this year, as employment stabilizes and vaccines become more available. Additionally, SSF has a significant number of reduced cost or free programs, including state funded, Head Start, and Parks and Recreation. These also bring tuition costs down, as parents are not paying full - cost and in many cases, the tuition is no-cost to families.

Fees are dependent on schedules, exact ages, potty-training, etc., but, for example, in 2021, Temporary Tot Tending was at $995/month, Gateway/YMCA was at $1500/month, Early Years was at $1500/month, All Souls was at $1200/month, Mills Montessori was $1600/month, etc.

Many programs in SSF do not share tuition info online or by phone and request that families contact them with specific information. I feel confident that the weighted average of near $1400/month was accurate for SSF at the time the data was gathered. The new San Mateo County Needs Assessment will have additional detail on rates.

11. Current amount spent annually by Genentech and other biotechs specifically on childcare.
This information is proprietary, and although requested, is not available. Brion Economics provided the following response:

Genentech provides child care on-site for employees and does offer reduced rates depending on income. The child care program is offered through a sub-contract with Bright Horizons. They do not publish rates, as rates are dependent on income and other elements of work-based eligibility. Unless we had specifics on income, ages of children, family needs, etc. we really cannot get a rate easily. It is described as discounted rates, based on family income, but not subsidized, so it is possible that families have a variety of tuition options dependent on their situations. There is also a waiting list.

12. Benefits to biotech workforce if they have childcare and Pre-K.
While staff cannot speak specifically to benefits of childcare for the biotechnology workforce, studies show that universal preschool has many long-term benefits. According to the Public Policy Institute of California (PPIC), early childhood education narrows the gap in school readiness, and has many other long-term benefits. Students who participated in preschool took more honors classes in middle school and were less likely to repeat a grade. Studies indicate increased rates of high school graduation, college enrollment, higher earnings, reduced rates of welfare use, and a lower rate of contact with the criminal justice system.

Brion Economics provided the following response:

Only 4% of companies in the United States provide any child care subsidy and another 4% provide referrals, parent supports and access to child care on or near-site without a subsidy. While some companies in SSF may contract with some specific providers or offer child care tuition benefits through their HR Departments, the information is deep within HR policies. Only Genentech widely advertises their stand-alone child care sites.

Benefits to employees include tax benefits (up to $5,000 can be excluded from income in 2021), employer loyalty, location of child care, family friendly policies, work-life balance, etc. Benefits to employers include tax deductions for child care benefits provided, ease of recruitment, support for women, reduced turnover, etc. Recent article on employer shifts at:
https://www.cnbc.com/2021/07/09/employers-sweeten-child-care-benefits-to-win-over-workers-.html

13. How could the Initiative Impact the City's ability to pursue other funding streams?
The Gann limit sets an annual appropriation ceiling on the amount of tax proceeds to all California municipalities. In addition to limits of tax proceeds, the Gann limit restricts the amount of money a city can appropriate based on the previous year appropriations plus a per capita personal income (CPI) change and a percent population change. The City uses the California Department of Finance statistics of CPI and percent population change to formulate the Gann Limit for the City for each fiscal year. The City is approximately $70 million below the Gann appropriation limits for FY 2022-23.

As stated earlier, Strategic Economics estimates that the parcel tax would generate approximately $54.7 million in annual revenue if implemented today, and potentially increasing to at least $63.8 million in annual revenue upon completion of planned development projects. If the parcel tax passes, the City's ability to levy additional taxes for other citywide issues such as affordable housing, public safety, parks, roads, and infrastructure will be severely limited. If the City ends a fiscal year exceeding the Gann appropriation limit, the City must return the excess either by reducing taxes or fees within the next two subsequent fiscal years, or would have to seek voter approval to increase the appropriations limit. Such a voter-approved "override" cannot be for more than four years. So, the City would have to seek voter extension of the override every four years until the "pre-override" appropriations limit catches up.

Bond Capacity

Based on the Gann limit, the City has $1.1 billion of bond capacity. The childcare initiative would use $840 million to $980 million of bond capacity leaving only $95 million for other citywide programs. A summary of the estimated bond capacity numbers assuming a 30-year fixed rate structure at 5.00% is provided below:

Scenario	Annual Revenues	Bond Capacity
GANN Limit	$70,000,000	$1,075,000,000
Base Case	$54,700,000	$841,000,000
Fully Developed	$63,800,000	$981,000,000
Remaining Capacity	$6,200,000	$95,000,000

A parcel tax is considered a qualified special tax and may be imposed by a local government such as a city, county, school district or special district. The tax would be due to San Mateo County no later than July 31st each year to be included in the following fiscal year.

14. Can the left-over funds go to Capital?

Yes. Paraphrased, the permissible uses of tax proceeds include running the childcare program; infrastructure for Centers and Providers; the City's costs to implement the program; and stipends for members of the Oversight Committee. (Section 4.40.080(A).) If the Parks and Recreation Department participates as a Center, then tax proceeds should first be used each year "to maintain or increase the number of early childcare and education Seats offered by the Parks and Recreation Department during the prior enrollment year. No more than 50 percent of each year's Tax revenue shall be used to maintain or increase the number of such Seats." (Section 4.40.090(A)(2).)

Regardless of whether the Parks and Recreation Department participates as a Center, if all Eligible Children who wish to enroll have been provided with Seats using tax proceeds, then any remaining funds may be used to offer Seats to children who are between the ages of six months and 2.5 years and whose parents or guardians live or work within the boundaries of the School District. (Section 4.40.090(A)(3)(a).)

If all qualifying children between the ages of six months and 2.5 years who want to enroll have been provided with a Seat using tax proceeds, then any remaining funds may be used for the authorized purposes of the tax, including for infrastructure for Centers and Providers. This could be further defined in Council-adopted administrative rules. (Section 4.40.100(A)(1).)

15. How much of the funding is discretionary?

As discussed above, the initiative ordinance prioritizes funding free Seats at Centers and Providers for Eligible Children. If there is more than enough funding for that first priority, then the next priority is funding free Seats for children between the ages of six months and 2.5 years whose parents or guardians live or work within the boundaries of the School District. The ordinance also states that, if the Parks and Recreation Department operates a Center, then the first use of funds each year should be to fund its Seats, with up to 50% of each year's tax revenue dedicated to that purpose. Finally, up to 10% of annual tax proceeds may be used for the City's implementation of the tax.

The ordinance also states, however, that the goals are "(1) providing free early care and education for all children between the ages of 2.5 and 5 years old who have a parent, legal guardian, foster parent, or authorized caregiver residing or working in the boundaries of the South San Francisco Unified School District; (2) expanding the infrastructure necessary to provide such early care and education; and (3) increasing the wages of teachers and staff who provide early care and education under this ordinance." (Section 4.40.020(H).) Further, it authorizes the City Council to adopt administrative rules to implement the tax. (Section 4.40.100(A)(1).) The authority for the Council to adopt administrative rules for the implementation of the tax allows for some exercise of discretion in how tax proceeds are spent, as long as the expenditures are consistent with the stated purposes of the initiative and do not directly contradict express requirements of the ordinance that lawfully constrain the administrative actions of the City to implement a ballot initiative.

16. Assuming the City participates in the program to provide preschool programs offered by Parks and Recreation at no cost, and therefore is obligated to pay preschool staff 230% of the minimum wage in South San Francisco, how would this affect wage negotiations with their bargaining unit?

The Human Resources Department provided the following response:

City childcare staff are currently represented by recognized employee unions, and nothing in the proposed legislation would change the City's duty to bargain over wages, hours, terms, and conditions of employment.

The proposed legislation includes a minimum threshold of 230% of minimum wage for entry-level workers, therefore any agreement on wages with our labor unions would need to meet the statutory minimum for covered positions if the City participates in the program as a Provider or Center. However, there is nothing that would prevent a union from bargaining for a higher wage than that which is required by the initiative for the City to be eligible to participate as a Provider or Center. Other fringe benefits would also remain subject to negotiation.

There is some complexity presented by the Oversight Committee's responsibility to develop a wage table and the Council's sole authority to bargain with labor and approve the wage and salary schedule for City employees. See the City Attorney's discussion below regarding various roles related to the compensation matrix. The compensation matrix would not impact Council's authority over bargaining and approval of agreements with employee unions, however it does present a challenge as the compensation matrix will carry significant weight in the bargaining process.

In general, while any new legislation is not in itself subject to bargaining, the impacts, or effects of a law on wages, hours, terms, and conditions of employment are subject to bargaining. For example, if the City needs to restructure positions, job requirements, reporting relationships, salaries, etc. in order to effectuate changes under the law, how we implement those decisions are likely subject to bargaining. The easiest example here is adjusting supervisory positions for compaction – if the City chooses to participate in the program and the teachers receive a significant increase to comply with the minimums in the compensation matrix, the union representing supervisors (Mid-management/Teamsters) will have the right to bargain the effects of that change on supervisors' compensation.

The City Attorney added the following observations:

The Oversight Committee's role regarding the compensation matrix is just to provide input. (4.40.090(A)(1)(b) and 4.40.110(B)(5).) The Administering Organization is responsible for preparing the matrix. (4.40.100(E).) It is not clear in the ordinance who is responsible for approving the matrix, but this could be resolved through the administrative rules that the ordinance requires the City Council to adopt.

The matrix sets minimum compensation for teachers and staff who provide early care and education to eligible children. (4.40.100(E).) The matrix starts with entry-level positions by requiring them to receive at least 230% of the minimum wage. But it must also set "minimum wage increases for Center-based teachers, Providers, and Providers' staff to achieve parity in compensation with preschool and elementary school teachers in South San Francisco who have commensurate education and experience; and . . . minimum wage increases of Providers and their staff that are proportional to the minimum wage increases of Center-employed teachers." So, the matrix would also likely have minimum compensation levels for more experienced teachers and staff, as well.

City employees would only qualify for compensation in accordance with the matrix if the City chooses to operate as a Center or Provider. If the City does not participate, then the matrix will have no effect on employee compensation. (At least not directly. If employees of Providers and Centers are being compensated according to the matrix, then City employees might use that as a basis to bargain for commensurate compensation, even if the City is not participating in the program.)

If the City does participate, then it is reasonable to assume that the matrix will provide the floor for compensation of City employees who provide early care and education to eligible children. As Human Resources notes, the City must still bargain with those employees, so actual compensation might be higher than the minimums in the matrix. There might also be inconsistencies if there are City employees providing childcare programs that are funded by the tax and employees doing the same work but not funded by the tax. The City Council still must approve the MOU with the bargaining unit representing the teachers and staff and with the bargaining unit representing managers who will, as Human Resources notes, want to negotiate over their compensation to address compaction.

17. What is the impact to small child care providers in the neighborhoods? Can they continue to operate? Are there any compliance issues or operating rules that would change how they do business?

In the Impact Report analysis an assumption is made that only licensed small family child care providers would be eligible to participate in the program, otherwise there would be no way to control for quality, residency of participants, liability, fraud, and a host of other factors. Nothing in the Initiative would prohibit unlicensed small family child care providers from continuing to operate on a fee-based model, however these providers might have a difficult time attracting clients if free preschool becomes available. Licensed family care providers would be eligible to participate as a funded provider if they comply with the enhanced wages specified in the Ordinance, and maintain standards required by Licensing.

18. **I would like to see how the addition and expansion of Boys and Girls Club of Peninsula (BGCP) to cover the after-school population will support that need (and heat map). In other words, this initiative would only care for preschool aged children, but I want to be able to address that the subsidies and reduced cost programs that BGCP will provide and serve at the proposed school sites will help to address that need.**

The Early Learning and Education for All Initiative prioritizes providing preschool at no cost to children aged 0 to 5 years. However, no funds are provided for children aged 6 and above for after-school care. The Child Care Master Plan documented the shortage of Before and After School services. The City of South San Francisco currently provides after-school programs for 650 children. City Staff has met with staff from Boys and Girls Club of Peninsula (BGCP) and understand that BGCP is endeavoring to offer free school-site-based after-school programing at various locations in South San Francisco. In the fall of 2022 BGCP will offer after school programming at Sunshine Gardens Elementary and the BGCP Clubhouse on Orange Avenue. BGCP will also offer a college access program after school for high school students at South San Francisco High School.

Agenda Item

16. 22-666 Report regarding receipt of an Impact Report on a Citizens Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs and adoption of a Resolution Calling for the submission to South San Francisco voters of an Initiative Ordinance to Enact an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs at the General Municipal Election of November 8, 2022, establishing the schedule for submission of Ballot Arguments, and Authorizing the County of San Mateo Elections Division to Conduct the election. (Mike Futrell, City Manager; Sharon Ranals, Assistant City Manager; Sky Woodruff, City Attorney)

Legislation Text 1 - SB 343 - 9212 Impact Report on the Proposed Early Learning and Care Parcel Tax Initiative 2 - Strategic Economics Presentation, South San Francisco Parcel Tax Analysis 3 - Brion Economics Presentation, Financial Analysis of the Proposed Early Learning and Care Parcel Tax Initiative2571 SSF Parcel Tax BEI Presentation - 8.5 1 - 9212 Impact Report on the Proposed Early Learning and Care Parcel Tax Initiative - 08 05 2022 version.pdf

3 Public Comments

-

  Guest User at August 10, 2022 at 2:03pm PDT

  Support

  Hi,

  I'm in support of putting this measure on the ballot for this upcoming election because ECE improves people's lives. I'm fortunate enough to have grown up in South City, attending preschool, summer camp, and SSFUSD's after school daycare (which have all had an impactful effect on my life). I met my childhood best friend, who I'm still friends with today, in a preschool in Westborough. ECE is not only to have someone watch the kids while their parents are working. Children are given the space to interact with other children in a structured educational way. Your most formative years are between 0-3 years old, interacting/learning from children your own age will set the foundation for your social and educational development in the future.

  I can guarantee you I would've been worse off in K-12 school had I never attended preschool. Many working class families do not have access to ECE because it's so dang unaffordable. And as you know, the subsidized preschool the city offers has a multiple year waiting list. This ballot measure does right in that it taxes biotech companies to make a

childcare program that is free for all SSF residents while ALSO paying preschool workers a competitive living wage. When we say teachers need to get paid more, does that not extend to preschool teachers?

This ballot measure proposes a program which recognizes working class families' right to have a fruitful upbringing for their children in South San Francisco. If there are any lingering logistical concerns the council possesses, I'm sure they can be resolved without voting not to send this initiative to County, especially since 6,000 SSF Voters have signed their support in doing so.

Sincerely,

Russell

-

Guest User at August 09, 2022 at 3:22pm PDT

Support

Dear Councilmembers:

I'm Chet Lexvold, one of many volunteers supporting the initiative to bring universal early care and education (ECE) to all working families in South San Francisco, and a living wage for ECE workers and educators. Unfortunately I'm traveling for work during the 8/10 Council meeting and likely can't provide live comment.

The "Impact Report" confirms what we have said from the beginning: this measure provides SSF with the opportunity to add to its title as "Biotechnology Capital of the World" and become the Greatest City in the U.S. to Raise a Family, and Greatest City in the U.S. to Work. We can provide free preschool to all who live and work in SSF and pay ECE workers a living wage without raising taxes on the working class, and without major impact to development. This is an amazing opportunity to improve people's lives.

While the Report largely confirms this measure will accomplish what it sets out to accomplish if passed, the Report has material errors. First, on pages 33-35 (Table S-1), the Report fails to incorporate existing ECE funding from City, County, State, & Federal sources into its projected funding for the program- it only incorporates revenue generated by the parcel tax. Per my conversation with David Fleishman at the 4Cs, that's a substantial omission of approximately $10 million (see SSF Childcare Master Plan pgs 50-51: reported $13.3M of funding, subtract $2.4M for school-age programs and $1M for COVID-related funding). Thus, the Report's projected revenue shortfall of $10.7M in Year 1 is wrong, and the Report's projected surplus of $341k after planned development is completed should be increased by $10M. Adding existing ECE funding sources to the revenue generated by the parcel tax

means there WILL be funding for ECE infrastructure to expand existing capacity to meet demand and potentially expand into care for children under 2.5 years. Finally, the Report incorrectly implies there must be surplus before revenue can be spent on ECE infrastructure. Under the measure, the City/Administering Body must fund Parks & Rec preschool seats to maintain or increase Parks & Rec seats compared to the prior year; however, that spending is capped at 50% of annual tax revenue, and the City would then have discretion to spend on infrastructure. This was intentionally drafted to provide flexibility to invest in ECE infrastructure.

Regarding the Portland measure, the Report mischaracterizes that program. We consulted extensively with the people behind that measure while drafting this one, and again consulted them after reading this Report. While the task force mentioned in the Report did start exploring political intervention in ECE in 2012, they hadn't determined the scope until 2019 when they issued a report calling for a means-tested program that had no funding mechanism. A separate group- the "UPNOW!" (Universal Preschool Now) coalition- started in 2018 and proposed a universal program with no means testing funded through progressive taxation. The Portland program is universal and funded through progressive taxation because the UPNOW coalition qualified for the ballot independently of the other measure, and the other measure chose not to run against UPNOW and merged into the UPNOW measure 3 months before the election.

Other omissions in the Report are the questions that are never asked or answered. Are there benefits to the local economy? Yes! Research by Nobel Prize-winning economist James Heckman shows that every $1 invested in quality early childhood programs yields returns between $4 and $16 to the community. Local businesses benefit as more parents join the workforce and both parents and ECE workers will have more disposable income to spend in the local economy. Children themselves benefit greatly from high-quality ECE: higher graduation rates, college matriculation rates, and incomes, plus lower incarceration rates, teen pregnancy rates, and need for social welfare. Does paying ECE workers a living wage advance gender and racial equity? Yes! In the SF Bay Area, 99% of the ECE workforce is made up of women, and 75% are women of color.

All these benefits are why this measure is backed by a wide range of parents, teachers, ECE experts, and community members, including but not limited to: AFSCME Local 829, representing public preschool teachers and staff; UDW/CCPU, representing private childcare providers and teachers; Margaret Brodkin, who the campaign consulted with from the beginning and who literally wrote the book on funding ECE in California; both SSFUSD School Board President and Vice-President John Baker and Mina Richardson; SSF Mothers' Club President Nadia Bick; a majority of Trustees on the San Mateo County Board of Education, including Hector Camacho (representing the area that covers SSF); and many more. Please follow the will of the people of SSF and place this measure on the Nov. 2022 ballot, and I respectfully ask for your endorsement of the measure.

-

Guest User at August 08, 2022 at 4:58pm PDT

Support
United Way Bay Area is an anti-poverty nonprofit that serves SSF and the Bay Area. Our organization supports access to safety net services, including early childhood education and childcare for working and low-income communities, and supports policies that provide livable wages and economic stability for all Bay Area residents. In SSF, ECE workers are not making livable wages, while the cost of living in San Mateo County requires at least 50k annually for a single adult to meet basic needs. We support increasing ECE workers' wages to 230% of minimum wage to ensure a livable wage and keep these workers in the city. According to the Real Cost Measure for San Mateo County, a family comprised of two adults, 1 preschooler, and one school-aged child would need to budget over 20k per year in childcare alone. Currently half of all South City kids aged 2.5-5 have no access to affordable preschool and the waitlist for the affordable preschool program is 4 years long with over 700 families waiting for a spot. This measure will provide universal access to quality care for this community's preschool-aged children, raise teacher wages to a living wage, and lead the way for the rest of San Mateo County. For these reasons, UWBA endorses this measure and urges the city council to support the measure. Thank you.
TaShon Thomas,
United Way Bay Area
Public Policy Director

File #: 22-667 **Agenda Date:** 8/10/2022
Version: 1 **Item #:** 16a.

Resolution Calling for the submission to South San Francisco voters of an Initiative Ordinance to Enact an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs at the General Municipal Election of November 8, 2022, establishing the schedule for submission of Ballot Arguments, and Authorizing the County of San Mateo Elections Division to Conduct the election.

WHEREAS, at the City Council meeting of July 13, 2022, City Council received a Report regarding adoption of a Resolution accepting a Certificate of Sufficiency of Signatures on a Petition for an Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs; and

WHEREAS, the Report provided a history of the number of signatures received, and the sequence of submittals and actions required for the Initiative to qualify for the Certificate of Sufficiency of Signatures; and

WHEREAS, on July 13, 2022, the City Council approved a Resolution accepting a Certificate of Sufficiency of Signatures on a Petition for an Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs; and

WHEREAS, at the July 13, 2022 City Council meeting the Council deferred taking action on the Initiative until after consideration of a Study of the effects of the Initiative as provided for in Elections Code Section 9212, and the Elections Code requires that this study, known as a 9212 Impact Report, be provided to Council by City staff within 30 days; and

WHEREAS, the 9212 Impact Report on the Initiative Ordinance of an Annual Parcel Tax on Some Commercial Office Properties for Early Care and Education and Childcare and Development Programs was presented at the City Council meeting of August 10, 2022; and

WHEREAS, the City Council now wishes to call for an election on the Initiative to be held on November 8, 2022.

NOW, THEREFORE, BE IT RESOLVED, that:

1. Pursuant to the laws of the State of California relating to general law cities there is called and ordered

an election to be held in the City of South San Francisco, California, on November 8, 2022.

2. Pursuant to Elections Code Section 9214, subdivision (b) and Section 1405, subdivision (a)(1), the City Council hereby orders the Initiative to be placed on an all-mailed ballot Statewide General Election without alteration and does order the following question submitted to the voters at the election:

> Shall the measure imposing an annual tax on parcels of land in South San Francisco that are developed and used as commercial office parcels, as defined in the measure, and 25,000 square feet or larger, at a rate of $2.50 per square foot of parcel size, generating approximately $55,900,000 annually, not expiring automatically, to fund early learning and care for children (primarily aged 2.5 to 5) of families living or working in the South San Francisco Unified School District boundaries be adopted?
>
> YES NO

3. The text of the Initiative is attached to this resolution as Exhibit A. The full text of the Initiative shall be printed in the ballot materials and be available for public inspection in the City Clerk's office and on the City's website at www.ssf.net <http://www.ssf.net>.

4. The City Council directs the City Clerk to transmit a copy of the Initiative to the City Attorney and directs the City Attorney to prepare an impartial analysis of the Initiative pursuant to Elections Code Section 9280.

5. Arguments in favor of or against the Initiative shall be submitted to the City Clerk no later than August 19, 2022, by 5:00 p.m. Arguments for and against the Initiative shall not exceed 300 words and shall be signed by not more than five people. If the City Clerk receives more than one argument for and/or against, the priorities established by Elections Code Section 9287 shall control.

6. Rebuttal arguments shall be controlled by the provisions of Elections Code Section 9285 and shall not exceed 250 words and shall be signed by not more than five persons; those persons may be different persons than the persons who signed the primary arguments. The deadline for filing rebuttal arguments shall be August 29, 2022, by 5:00 p.m.

7. The Mayor [and Council Member or Vice Mayor_____] [or Council Member _____] [is/are] hereby authorized to file a written argument, not to exceed three hundred (300) words, against the proposed initiative, on behalf of the City Council. At the discretion of the member(s) of the City Council authorized to file the argument, the argument may also be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote. In the event that an argument is filed in favor of the measure, the member(s) of the City Council authorized to file an argument, is/are also authorized to file a rebuttal argument, not to exceed two hundred fifty (250) words, on behalf of the City Council. The rebuttal argument may also be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote, who are not required to be the same five people that signed the argument in favor of the measure.

8. The initiative proposes to impose a special tax, as defined in the California Constitution, Article XIIIC, section 1(d). The California Constitution, Article XIIIC, section 2(d) states, "No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote." The First Appellate District of the California Court of Appeals has issued multiple decisions holding that a simple majority vote is sufficient to pass a special tax submitted to voters pursuant to a voter-sponsored initiative. (*See Jobs & Housing Coalition v. City of Oakland* (2021) 73 Cal.App.5th 505; *City and County of San Francisco v. All Persons Interested in the Matter of Proposition G* (2021) 66 Cal.App.5th 1058; *Howard Jarvis Taxpayers Association v. City and County of San Francisco* (2021) 60 Cal.App.5th 227; *City and County of San Francisco v. All Persons Interested in Matter of Proposition C* (2020) 51 Cal.App.5th 703.) Under the currently applicable precedent of the First Appellate District, the Initiative requires only a simple majority of "yes" votes to pass. Notwithstanding the immediately preceding sentence, a two-thirds majority of "yes" votes will be required to pass the Initiative if the California Supreme Court overrules the First Appellate District, and the California Supreme Court's decision applies to the Initiative; or if a court of competent jurisdiction rules that a two-thirds majority of "yes" votes is required to pass the Initiative.

9. Pursuant to the Elections Code commencing with Section 10400, the City Council hereby requests the County of San Mateo to take all actions which are necessary or appropriate in connection with the election, including, but not limited to, printing and mailing sample ballots, arguments and applications for absentee ballots, canvassing election returns and certifying the results of the election to the Council. Pursuant to Elections Code Section 10002, the Board of Supervisors of San Mateo County is requested to permit the Registrar of Voters to render all services specified by Elections Code Section 10418 relating to the election. The City of South San Francisco acknowledges that the consolidated election will be held and conducted in the manner prescribed in Elections Code Section 10418. The City hereby agrees to reimburse San Mateo County in full for any services performed by each for the City upon presentation of an invoice to the City Clerk.

10. The jurisdictional boundaries of the City of South San Francisco have not changed since the last general municipal election.

11. The City Clerk is hereby authorized and directed to publish a notice of the election within the time and in the manner specified in Elections Code Section 12112. The City Clerk is further authorized and directed to do all other things required by law to hold the election above provided.

12. The City Clerk is hereby authorized and directed to certify to the adoption of this resolution and to transmit a certified copy to the Board of Supervisors of the County of San Mateo and to the Registrar of Voters of the County of San Mateo.

13. If any section, subsection, phrase, or clause of this Resolution is for any reason found to be invalid, such section, subsection, phrase or clause shall be severed from, and shall not affect the validity of, all remaining portions of this Resolution which can be given effect without the severed portion.

14. This Resolution shall become effective immediately upon its passage and adoption.

* * * * *

5176195.1

Section 4.40.010. Title.

This ordinance may be referred to as the "South San Francisco Early Care for All Parcel Tax Act."

Section 4.40.020. Findings and Purpose.

A. Approximately half of the children between the ages of 2.5 and 5 years old in South San Francisco do not have access to early care and education in the City due to high costs and space shortages. The City's publicly funded early care and education services, administered through the City's Parks and Recreation Department, are popular but lack funding to fully meet the City's need. Currently, approximately seven hundred families are on the program's 4-year waitlist.

B. A child's brain develops dramatically during the first five years of life. This critical period is a window of opportunity to lay the foundation for a person's entire life. Therefore, children who cannot access early care and education may enter kindergarten less prepared to flourish than their peers. Societal benefits of early care and education include higher graduation rates, lower teen pregnancy rates, and lower incarceration rates.

C. Increases in commercial offices in South San Francisco have led to sharp increases in property values, which reduces the availability of property for Early Learning and Care Centers and increases the operation costs for Family Childcare Providers—thereby reducing the space available for early care and education and increasing the costs of existing Centers and Providers in South San Francisco.

D. Increases in commercial offices in the City have also created new jobs which attract new residents to the City. As the City's population increases, the need for early care and education increases as well.

E. Many new job opportunities in the City are for low-wage service jobs that often do not pay sufficient wages for workers to cover the increasing costs of early care and education.

F. Early Learning and Care Centers and Family Childcare Providers in the City have limited opportunities to recruit and retain teachers and staff because they are unable to increase their wages commensurate with the increases in operating costs and the need for early care and education in the City.

G. Although state and federal funds provide some additional resources for early care and education in South San Francisco, these funds are insufficient to cover the needs of all Eligible Children.

H. By imposing a parcel tax on commercial offices, the City intends to generate revenue to create and support an Early Care for All Program, with the goals of (1) providing free early

care and education for all children between the ages of 2.5 and 5 years old who have a parent, legal guardian, foster parent, or authorized caregiver residing or working in the boundaries of the South San Francisco Unified School District; (2) expanding the infrastructure necessary to provide such early care and education; and (3) increasing the wages of teachers and staff who provide early care and education under this ordinance.

Section 4.40.030. Code Amendment.

A new Chapter is hereby added to the South San Francisco Municipal Code to read as follows:

Chapter 4.40 Early Care for All Parcel Tax
Section 4.40.010. Title
Section 4.40.020. Findings and Purpose
Section 4.40.030. Code Amendment
Section 4.40.040. Definitions
Section 4.40.050. Tax on Commercial Office Parcels
Section 4.40.060. Exemptions
Section 4.40.070. Appeal
Section 4.40.080. Use of Revenue
Section 4.40.090. Early Care for All Program
Section 4.40.100. Administration
Section 4.40.110. Oversight Committee
Section 4.40.120. Severability
Section 4.40.130. California Environmental Quality Act
Section 4.40.140. Approval; Effective Date

Section 4.40.040. Definitions

"Administering Organization” means the organization or entity the City designates to administer the Program, as described in Section 4.40.100 of this ordinance.

“Family Childcare Provider” or “Provider” means a provider of early care and education that is either (1) an individual who operates a family daycare home, as defined in Section 1596.78 of the Health and Safety Code, and who is licensed pursuant to Section 1596.80 of the Health and Safety Code; or (2) an individual who provides early care and education in their own home or in the home of the child receiving care and is exempt from licensing requirements pursuant to Section 1596.792 of the Health and Safety Code.

"City" means the City of South San Francisco.

"County" means San Mateo County.

"Commercial Office Parcel” means any Parcel that is developed and used by a business entity primarily for operations or services that are professional, scientific, or technical in nature. Such

services or operations include but are not limited to computer programming, data processing, research and development activities, or operation of an internet retailing business. Such services or operations do not include warehousing, industrial, or retail activities.

“Early Learning and Care Center” or “Center” means any state-licensed or license-exempt childcare and development program outside of a home setting and operated by a person, association, organization, school district, or public agency. A public agency includes the City of South San Francisco’s Parks and Recreation Department.

"Eligible Child” means a child who both (a) has a parent, legal guardian, foster parent, or an authorized caregiver under California Family Code Sections 6550 and 6552, that resides or is employed within the boundaries of the South San Francisco Unified School District, and (b) is between 2.5 to 5 years of age by September 1 of the year in which the child seeks to enroll in an Early Learning and Care Center or with a Family Childcare Provider.

“Fund” means the Early Care for All Fund established by this ordinance.

“Owner” means a person or entity holding fee title to a Parcel. If multiple persons or entities possess an ownership interest in a Parcel, “Owner” refers to each person or entity holding any portion of the fee interest in the Parcel, and the Owners’ obligations under this ordinance shall be joint and several.

“Oversight Committee” means the public oversight body described in Section 4.40.110 of this ordinance.

“Parcel” means a parcel of real estate in the City of South San Francisco as shown on the most current official assessment roll of the San Mateo County Assessor.

“Parks and Recreation Department” means the City of South San Francisco Parks and Recreation Department.

“Program” means the Early Care for All Program established by this ordinance.

“Seat” means an enrollment slot at an Early Learning and Care Center or with a Family Childcare Provider in which an Eligible Child may enroll.

“Tax” means the tax established by this ordinance.

Section 4.40.050. Tax on Commercial Office Parcels

A special non-*ad valorem* parcel tax shall be levied annually on the Owner of each Commercial Office Parcel within the City, at a rate of $2.50 per square foot of parcel size, starting with the Fiscal Year that begins on July 1, 2023.

Section 4.40.060. Exemptions

The Tax shall not be imposed on any Commercial Office Parcel for which the parcel size is less than 25,000 square feet.

Section 4.40.070. Appeal

A. Any Owner of a Commercial Office Parcel aggrieved by any decision of the tax administrator with respect to the amount of the parcel tax established by this ordinance may appeal the tax administrator's determination to the City manager by filing a notice of appeal with the City clerk within ten days of service of the tax administrator's determination of tax due.

B. The City manager shall fix a time and place for hearing such appeal, and the City clerk shall give written notice to the Owner at his or her last known place of address.

C. Following the hearing, the City manager shall make findings and issue a written decision, which shall be served upon the Owner at his or her last known place of address. The City manager's decision shall be final and conclusive and any amount found to be due shall be due and payable ten days from the service of the decision.

Section 4.40.080. Use of Revenue

A. The Early Care for All Fund is hereby created as a special revenue fund. Revenue from the Tax, including penalties and interest earned on such revenue, shall be deposited into the Fund and used only for the following purposes:

    1. creation and funding of the Early Care for All Program as described in Section 4.40.090;

    2. establishment or improvement of infrastructure for eligible Centers and Providers, including lease, purchase, development, maintenance, or improvement of facilities, as well as shared administrative, human resource services, and employee benefits;

    3. administrative costs of the City that are necessary to implement the Tax, as described in Section 4.40.100, but excluding costs of the Oversight Committee; no more than 10 percent of each year's Tax revenue may be used to pay for such administrative costs; and

    4. stipends for the members of the Oversight Committee pursuant to Section 4.40.110(E).

B. Monies from the Fund shall not be spent in lieu of expenditures from existing local funding sources supporting early care and education in South San Francisco. As a condition of

utilization of funds collected pursuant to this ordinance, the City shall continue to provide funding for early care and education from City sources other than the Fund, in amounts no less than as provided in the fiscal year concluding on June 30, 2022.

Section 4.40.090. Early Care for All Program

A. Structure of the Early Care for All Program.

1. The Program shall subsidize Seats at participating Early Learning and Care Centers and Family Childcare Providers. To participate in the Program, Centers and Providers must:

    a. be located within the boundaries of the South San Francisco Unified School District; and

    b. compensate the teachers and staff members who are providing early care and education to Eligible Children in amounts no less than indicated on the compensation matrix established by the Administering Organization with input from the Oversight Committee, pursuant to Sections 4.40.100(E) and 4.40.110(B)(5).

2. As a condition of utilization of funds collected pursuant to this ordinance, the Parks and Recreation Department shall participate as a Center, and the City and the Parks and Recreation Department shall comply with the requirements of the Program and this ordinance. Each year, monies from the Fund shall first be used to maintain or increase the number of early childcare and education Seats offered by the Parks and Recreation Department during the prior enrollment year. No more than 50 percent of each year's Tax revenue shall be used to maintain or increase the number of such Seats. The Program shall also aim to maintain or increase the number of Seats offered by the South San Francisco Unified School District (as a Center) and by Providers during their respective prior enrollment years.

3. Eligible Children may enroll in subsidized Seats at participating Early Learning and Care Centers and Family Childcare Providers at no cost.

    a. If the Tax revenue in a given year is sufficient to provide Seats for all Eligible Children who wish to enroll, any remaining revenue may be used to offer Seats to children who (1) have a parent, legal guardian, foster parent, or an authorized caregiver under California Family Code Sections 6550 and 6552 residing or employed within the boundaries of the South San Francisco Unified School District and (2) are between 0 and 2.5 years of age by September 1 of the year in which they wish to enroll.

b. If the Tax revenue in a given year is insufficient to provide Seats for all Eligible Children who wish to enroll, priority shall be given to Eligible Children from lower income households, as defined by California Health and Safety Code Section 50079.5, and children who are not eligible to receive free or subsidized early care and education from other programs (such as state or federally-funded programs). Priority shall also be given to Eligible Children who have a parent, legal guardian, foster parent, or authorized caregiver residing within (as opposed to employed within) the boundaries of the South San Francisco Unified School District. The Administering Organization, with input from the Oversight Committee, shall establish a process for implementing this prioritization.

B. Program funds shall provide for each Seat up to ten hours of care and learning per day.

C. Centers and Providers shall make options for half-day or full-day schedules, and for year-round or school-year schedules, available for all Seats.

D. The City shall not interfere with or retaliate against Providers and/or their staff or Center-based teachers who engage in unionization efforts.

Section 4.40.100. Administration

A. City Council shall collect and disburse the Tax by taking the following actions:

1. adopt administrative rules to implement the Tax, including a process by which to disburse funds to participating Centers and Providers;

2. hold in trust all funds it receives from the City derived from this Tax, to be used exclusively for the purposes specified in Section 4.40.080;

3. disburse Program funds to Centers and Providers consistent with Sections 4.40.080 and 4.40.090, after considering all recommendations provided by the Administering Organization and the Oversight Committee; and

4. take any additional actions needed to collect, administer, and expend receipts of the Tax, in a manner consistent with this ordinance.

B. City Council shall designate an Administering Organization to administer the Program. The Administering Organization may be a department of the City, or a non-profit entity retained on a contract basis and having at least 5 years of experience in providing or supporting care or education services to children of up to 5 years of age.

C. The City shall require the Administering Organization to do the following by June 30, 2024:

1. Develop a comprehensive needs assessment and implementation plan for the Program that includes commitments to:

    a. aim to cover all Eligible Children on an expeditious timeline;

    b. solicit and meaningfully incorporate public input on operation of the Program;

    c. support Centers and Providers in hiring and retaining more teachers and staff;

    d. identify sites in the City that could be used to construct or expand facilities for the Parks and Recreation Department's early care and education services;

    e. monitor annual Program enrollment numbers; and

    f. survey annual finances of Providers, to prepare the compensation matrix created pursuant to subsection (E) of this Section.

2. Identify opportunities to establish or improve physical and human resources and infrastructure for Centers and Providers.

3. Establish the compensation matrix pursuant to subsection (E) of this Section.

D. The City shall require the Administering Organization to begin doing the following by July 1, 2024:

    1. receive and review applications from Centers and Providers that wish to participate in the Program;

    2. monitor Program participants' use of funds;

    3. prepare and submit quarterly reports to the Oversight Committee and annual reports to City Council describing disbursement of Program funds, numbers of children served, and overall effectiveness of the Program; and

    4. take any additional actions needed to implement the Program.

E. The City shall require the Administering Organization to develop a compensation matrix that establishes the minimum wages that participating Centers and Providers must provide to teachers and staff who provide early care and education to Eligible Children. The compensation matrix shall require the following:

    1. minimum wage for entry-level positions that is at least 230 percent of South San Francisco's minimum wage;

2. minimum wage increases for Center-based teachers, Providers, and Providers' staff to achieve parity in compensation with preschool and elementary school teachers in South San Francisco who have commensurate education and experience; and

3. minimum wage increases of Providers and their staff that are proportional to the minimum wage increases of Center-employed teachers.

F. To the extent that duties and responsibilities of the City pertaining to expenditure of funds collected through the Tax and implementation of the Program as set forth in any provision of this ordinance are within the exclusive purview of the executive branch of City government, such duties and responsibilities are imposed by this ordinance as a condition of expenditure by the City of funds collected through the Tax.

Section 4.40.110. Oversight Committee

A. Within ninety days after the effective date of this ordinance, City Council shall appoint an Oversight Committee to facilitate public accountability on the structure, development, and implementation of the Program. The Oversight Committee shall meet at least quarterly.

B. City Council shall adopt a resolution defining the scope of its responsibilities including the following:

1. monitor and advise the City Council regarding the implementation of this ordinance and the Program;

2. review all reasonably available financial information relevant to the Tax, including quarterly reports from the Administering Organization;

3. conduct regular public hearings on the Program and report public input from the hearings to City Council and the Administering Organization;

4. conduct regular independent and public evaluations of the Program that assess its impact on the quality, affordability, and availability of early childcare and education in the City; and

5. advise the Administering Organization in its development of the compensation matrix described in Section 4.40.100(E).

C. City Council shall adopt a resolution establishing the composition of the Oversight Committee, which shall consist of seven or nine voting members who are residents of South San Francisco and representative of the City's diverse communities and geographies. City Council shall seek to appoint members to the Oversight Committee as follows:

1. one member of the Board of the South San Francisco Unified School District;

2. at least two members who are parents, legal guardians, or foster parents of one or more children under five years old; and

3. at least four members who are teachers or other professionals providing early childcare and education within the City.

H2 City Council shall appoint Oversight Committee members to staggered terms, except that an appointment to fill a partial-term vacancy shall be for the remaining portion of the term only. Appointments shall be for a term of two years, except for the initial appointments, which may be for longer terms to establish staggered terms. Each voting member of the Oversight Committee shall be limited to serving two consecutive terms.$

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However, if City Council is unable to identify a new eligible voting member to serve on the Oversight Committee by the time an existing voting member's term expires, then that voting member may continue to serve on the Oversight Committee during the following term for a period not to exceed one year, to allow for the appointment of a voting member to serve the remainder of said following term.

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E. Each voting member of the Oversight Committee shall receive a stipend in an amount intended to cover the costs of childcare during meeting attendance, transportation, and other expenses associated with serving on the Oversight Committee. Non-voting members shall not receive a stipend or any other payment for serving on the Oversight Committee.

F. A member of the Oversight Committee may be removed for cause, after public hearing, by the majority vote of City Council.

Section 4.40.120. Severability

Should any provision of this ordinance, or its application to any person or circumstance, be determined by a court of competent jurisdiction to be unlawful, unenforceable or void, that determination shall have no effect on any other provision of this ordinance or the application of this ordinance to any other person or circumstance. Thus, these provisions are severable.

Section 4.40.130. California Environmental Quality Act

This ordinance is not a "project" pursuant to the California Environmental Quality Act (CEQA), Public Resources Code section 21000 et seq., including without limitation CEQA Guidelines 15378(b)(4) and 1506l(b)(3), as there is no possibility that the adoption of the ordinance itself may have a significant effect on the environment. To the extent that revenues from the Tax may fund the production or preservation of capital improvements in the future, those "projects" will be subject to environmental review pursuant to CEQA at the "earliest feasible time" prior to "approval" consistent with CEQA Guidelines Sections 15004 and 15352.

Section 4.40.140. Approval; Effective Date

This ordinance shall become effective on July 1, 2023 after affirmative passage by a simple majority vote (50% + 1) of South San Francisco voters. This ordinance shall be considered adopted on the date that the City Council declares the results of that election.

Legislation Text

File #: 22-504
Version: 1

Agenda Date: 8/10/2022
Item #: 17.

Council discussion on designation of voting delegates and alternates for the League of California Cities Annual Conference & Expo on September 7-9, 2022. *(Mark Nagales, Mayor)*

LEAGUE OF
CALIFORNIA
CITIES

Council Action Advised by August 31, 2022

DATE: June 1, 2022

TO: City Managers and City Clerks

RE: DESIGNATION OF VOTING DELEGATES AND ALTERNATES
League of California Cities Annual Conference & Expo – September 7-9, 2022

Cal Cities 2022 Annual Conference & Expo is scheduled for September 7-9, 2022 in Long Beach. An important part of the Annual Conference is the Annual Business Meeting (during General Assembly) on Friday, September 9. At this meeting, Cal Cities membership considers and acts on resolutions that establish Cal Cities policy.

In order to vote at the Annual Business Meeting, your city council must designate a voting delegate. Your city may also appoint up to two alternate voting delegates, one of whom may vote if the designated voting delegate is unable to serve in that capacity.

Please complete the attached Voting Delegate form and return it to Cal Cities office no later than Friday, September 2. This will allow us time to establish voting delegate/alternate records prior to the conference.

Please view Cal Cities' event and meeting policy in advance of the conference.

- **Action by Council Required.** Consistent with Cal Cities bylaws, a city's voting delegate and up to two alternates must be designated by the city council. When completing the attached Voting Delegate form, please attach either a copy of the council resolution that reflects the council action taken, or have your city clerk or mayor sign the form affirming that the names provided are those selected by the city council. Please note that designating the voting delegate and alternates **must** be done by city council action and cannot be accomplished by individual action of the mayor or city manager alone.

- **Conference Registration Required.** The voting delegate and alternates must be registered to attend the conference. They need not register for the entire conference; they may register for Friday only. Conference registration will open by June 1 on the Cal Cities website. In order to cast a vote, at least one voter must be present at the Business Meeting and in possession of the voting delegate card. Voting delegates and alternates need to pick up their conference badges before signing in and picking up the voting delegate card at the Voting Delegate Desk. This will enable them to receive the special sticker on their name badges that will admit them into the voting area during the Business Meeting.

- **Transferring Voting Card to Non-Designated Individuals Not Allowed.** The voting delegate card may be transferred freely between the voting delegate and alternates, but *only* between the voting delegate and alternates. If the voting delegate and alternates find themselves unable to attend the Business Meeting, they may *not* transfer the voting card to another city official.

- **Seating Protocol during General Assembly.** At the Business Meeting, individuals with the voting card will sit in a separate area. Admission to this area will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate. If the voting delegate and alternates wish to sit together, they must sign in at the Voting Delegate Desk and obtain the special sticker on their badges.

The Voting Delegate Desk, located in the conference registration area of the Long Beach Convention Center, will be open at the following times: Wednesday, September 7, 8:00 a.m. – 6:00 p.m.; Thursday, September 8, 7:00 a.m. – 4:00 p.m.; and Friday, September 9, 7:30 a.m.–12:30 p.m. The Voting Delegate Desk will also be open at the Business Meeting on Friday, but will be closed during roll calls and voting.

The voting procedures that will be used at the conference are attached to this memo. Please share these procedures and this memo with your council and especially with the individuals that your council designates as your city's voting delegate and alternates.

Once again, thank you for completing the voting delegate and alternate form and returning it to Cal Cities office by Friday, September 2. If you have questions, please call Darla Yacub at (916) 658-8254.

Attachments:
- Annual Conference Voting Procedures
- Voting Delegate/Alternate Form

LEAGUE OF
CALIFORNIA
CITIES

Annual Conference Voting Procedures

1. **One City One Vote.** Each member city has a right to cast one vote on matters pertaining to Cal Cities policy.

2. **Designating a City Voting Representative.** Prior to the Annual Conference, each city council may designate a voting delegate and up to two alternates; these individuals are identified on the Voting Delegate Form provided to the Cal Cities Credentials Committee.

3. **Registering with the Credentials Committee.** The voting delegate, or alternates, may pick up the city's voting card at the Voting Delegate Desk in the conference registration area. Voting delegates and alternates must sign in at the Voting Delegate Desk. Here they will receive a special sticker on their name badge and thus be admitted to the voting area at the Business Meeting.

4. **Signing Initiated Resolution Petitions.** Only those individuals who are voting delegates (or alternates), and who have picked up their city's voting card by providing a signature to the Credentials Committee at the Voting Delegate Desk, may sign petitions to initiate a resolution.

5. **Voting.** To cast the city's vote, a city official must have in their possession the city's voting card and be registered with the Credentials Committee. The voting card may be transferred freely between the voting delegate and alternates, but may not be transferred to another city official who is neither a voting delegate or alternate.

6. **Voting Area at Business Meeting.** At the Business Meeting, individuals with a voting card will sit in a designated area. Admission will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate.

7. **Resolving Disputes.** In case of dispute, the Credentials Committee will determine the validity of signatures on petitioned resolutions and the right of a city official to vote at the Business Meeting.

LEAGUE OF CALIFORNIA CITIES

CITY: _____

2022 ANNUAL CONFERENCE
VOTING DELEGATE/ALTERNATE FORM

Please complete this form and return it to Cal Cities office by Friday, September 2, 2022. Forms not sent by this deadline may be submitted to the Voting Delegate Desk located in the Annual Conference Registration Area. Your city council may designate one voting delegate and up to two alternates.

To vote at the Annual Business Meeting (General Assembly), voting delegates and alternates must be designated by your city council. Please attach the council resolution as proof of designation. As an alternative, the Mayor or City Clerk may sign this form, affirming that the designation reflects the action taken by the council.

Please note: Voting delegates and alternates will be seated in a separate area at the Annual Business Meeting. Admission to this designated area will be limited to individuals (voting delegates and alternates) who are identified with a special sticker on their conference badge. This sticker can be obtained only at the Voting Delegate Desk.

1. VOTING DELEGATE

Name: _____

Title: _____

2. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

3. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

ATTACH COUNCIL RESOLUTION DESIGNATING VOTING DELEGATE AND ALTERNATES OR

ATTEST: I affirm that the information provided reflects action by the city council to designate the voting delegate and alternate(s).

Name: _____ Email _____

Mayor or City Clerk _____ Date _____ Phone _____
(circle one) (signature)

Please complete and return by Friday, September 2, 2022 to:
Darla Yacub, Assistant to the Administrative Services Director
E-mail: dyacub@calcities.org; Phone: (916) 658-8254

ID	Start time	Completion time	Email	Language	Name / Nombre	Would you like to speak	If you would like to spea
1	8/10/22 15:27:07	8/10/22 17:48:57	anonymous	English (United States)	Jason Park	No	16
2	8/10/22 17:49:47	8/10/22 17:50:32	anonymous	English (United States)	Tom Carney	Yes / Si	Public comment
3	8/10/22 17:56:51	8/10/22 17:57:37	anonymous	English (United States)	Patti	Yes / Si	No
4	8/10/22 18:36:01	8/10/22 18:36:36	anonymous	English (United States)	Yzobel	Yes / Si	N/A
5	8/10/22 18:36:25	8/10/22 18:37:08	anonymous	English (United States)	Lucia	Yes / Si	N/A
6	8/10/22 18:37:31	8/10/22 18:38:58	anonymous	English (United States)	Lucia Lachmayr	Yes / Si	Sorry, not sure if I put my full name on the previous request.
7	8/10/22 22:08:15	8/10/22 22:29:56	anonymous	English (United States)	Melissa Vernon	No	16
8	8/10/22 22:47:00	8/10/22 22:47:13	anonymous	English (United States)	Melissa Vernon	No	16