

**AGREEMENT FOR WITHDRAWAL FROM PASIS MEMBERSHIP BETWEEN
PASIS AND CITY OF SAN MARCOS**

This agreement (“Agreement”) provides for the withdrawal from membership only of the CITY OF SAN MARCOS, (hereinafter “CITY”), from the PUBLIC AGENCIES SELF-INSURANCE SYSTEM, a joint powers authority (hereinafter, “PASIS”). This Agreement is entered into as of July 1, 2026 by and between CITY and PASIS, also referred to herein individually as a “Party” or collectively as the “Parties”, with reference to the following facts:

RECITALS

A. CITY, together with various other public agencies, is a party to a First Amended Joint Powers Agreement executed in 1992 and amended from time to time including a Second Amended Joint Powers Agreement executed on various dates in 2007 and 2008 and a Third Amended Joint Powers Agreement executed in 2023 (“Joint Powers Agreement”) pursuant to which PASIS operates a cooperative program of self-insurance and risk management.

B. The Parties hereto desire to enter into this Agreement upon the terms and conditions set forth below in order to allow CITY to withdraw from PASIS membership and to effectuate a mutual settlement and release of all claims between CITY and PASIS.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the Parties hereto mutually promise, covenant and agree as follows:

1. ASSUMPTION OF RESPONSIBILITY; WITHDRAWAL OF MEMBERSHIP

CITY hereby agrees to withdraw from PASIS membership and to assume full and complete responsibility for amounts that become due and owing resulting from the adjustment, payment and resolution as required by law, including claim file expenditures and liabilities, of past, present and/or future workers’ compensation benefits or claims arising out of an injury to an employee, or other person designated by law, of the CITY whether or not resolved prior to July 1, 2026, the effective date of CITY’S withdrawal from participation in PASIS, including incurred but not reported claims. CITY acknowledges and agrees that as of the effective date of this Agreement, it will be responsible for the full cost of resolving such past, present, and/or future workers’ compensation claims as required by law, including all claim file expenditures and liabilities, and that it shall have no claim against PASIS for any amount in connection with the processing or further resolution of such claims.

Except as expressly stated herein, PASIS shall be relieved of all further responsibility for CITY and any of its claims and PASIS shall immediately transfer all outstanding CITY claim files to the person or persons designated by CITY. CITY shall be responsible to update, send and/or post all notices, including notices to employees and benefit notices, identifying the CITY’S change of claims administrators in accordance with the California workers compensation laws and

regulations, including but not limited to Labor Code section 3550 et seq. and California Code of Regulations, title 8, section 9810.

Following the effective date of this Agreement, CITY shall be responsible, or continue to be responsible as the case may be, to reimburse PASIS for all of the following:

A. Any assessments and fees levied by the State of California, including the Department of Industrial Relations (“DIR”), related to CITY’S claims incurred prior to withdrawal of membership in PASIS (“Claims”).

B. Its proportionate share of any assessments or fees levied by PRISM for the time period in which CITY was a member of PASIS.

C. PRISM’s 2025-26 payroll premium adjustment. In the event additional premium is due, CITY shall be responsible to pay for its proportionate share. In the event any premium is returned to PASIS, CITY shall be entitled to its proportionate share.

D. Its proportionate share of administration and overhead costs resulting from or attributable to the time period in which CITY was a member of PASIS, including but not limited to administrative expenses, legal fees, claims administration, risk management, and preparation of the 2025-26 audited financial statements regardless of whether such fees and costs are actually incurred or billed before or after CITY’S withdrawal of membership in PASIS.

E. An annual risk management administrative fee of \$1,000 due July 1, 2026 with increases in each of the following years tied to the CPI-U (Consumer Price Index for all Urban Consumers) for the San Diego County areas, unadjusted for 12-months ending in December of the preceding year, but not below zero percent (0%). The fee shall be due each year until all claims are closed and filing of the State Annual Report is no longer required.

F. Any filing fees or other fees or costs incurred by PASIS resulting from or attributable to CITY’S withdrawal of membership in PASIS, and/or any assessments or reporting requirements associated with CITY’S Claims.

G. Any and all attorneys’ fees and costs incurred by PASIS related to or associated with CITY’S withdrawal of membership in PASIS, including PASIS’ preparation of this Agreement.

H. Its proportionate share of any and all attorneys’ fees and costs incurred by PASIS related to or associated with the dissolution of PASIS prior to July 1, 2029.

PASIS shall obtain and include information regarding CITY’S Claims in the PASIS’ State Annual Report. In order to ensure timely preparation of such report, CITY shall require its third-party administrator to provide PASIS with any required information promptly upon request. Should CITY’S third-party administrator fail to provide the required information within fifteen (15) calendar days after receipt by the administrator of PASIS’ written request for such information

(which has been concurrently copied to CITY), CITY shall be responsible for all fees, charges, penalties, fines and costs incurred by PASIS (and its members) as a result of such late reporting.

PASIS' release of claims stated in this Agreement does not include, and does not affect, PASIS' right to enforce any claims PASIS may have against CITY for the assessments, fees and costs stated in this Section 1.

2. MINIMUM FUND BALANCE

CITY agrees that commencing on July 1, 2026, it shall maintain a fund balance equal to or greater than Fifty Thousand Dollars (\$50,000) ("Minimum Fund Balance"), for any future assessments, risk management administrative fees, accounting, audit fees, attorneys' fees and costs incurred by PASIS related to CITY'S withdrawal of membership, from PASIS. At PASIS' discretion, the Minimum Fund Balance shall be increased if expected costs allocated to the CITY exceed \$50,000 annually. PASIS shall periodically bill CITY for any amounts due which are required to be paid for CITY to maintain this Minimum Fund Balance, and payments shall be due and payable within 35 days of receipt of any billing.

CITY shall maintain the Minimum Fund Balance until all CITY Claims have been closed and reporting to the Office of Self-Insurance Plans is no longer required. At PASIS' sole discretion, this Minimum Fund Balance shall be maintained in the PASIS administrative account, or PASIS investment accounts without interest earned by the CITY.

3. ASSIGNMENT OF EXCESS AND REINSURANCE CONTRACT RIGHTS

CITY acknowledges and agrees that as of the effective date of this Agreement CITY will have the full and complete responsibility for collection of any receivables from excess carriers to PASIS for unresolved claims for which it is re-assuming responsibility, to the extent that PASIS has assigned and such carriers have agreed to assignment of PASIS' rights (as respects CITY claims) under excess and reinsurance policies and treaties issued to PASIS for the benefit of CITY during CITY'S participation in PASIS. Reimbursements have historically been made by excess carriers to CITY; however, should PASIS receive any funds due to CITY, PASIS will forward the same forthwith to CITY. CITY acknowledges and agrees that PASIS does not guarantee and is not by this Agreement guaranteeing CITY'S collection of receivables from excess and reinsurance carriers for unresolved claims for which CITY is re-assuming responsibility, and that CITY must comply with any and all policies and procedures of the excess and reinsurance carriers, including claim reporting requirements. The Parties acknowledge that CITY has and may in the future have claims covered by excess or reinsurance policies and treaties issued to PASIS, including PRISM. In the event PRISM is not amenable to an arrangement that would allow CITY to directly enforce the excess insurance and reinsurance contracts PASIS holds, PASIS agrees to continue to act as CITY'S agent for the purpose of enforcing the obligations of such excess carriers, at CITY'S expense until an assignment or agency agreement that permits CITY to directly enforce such contracts is executed. PASIS agrees to immediately transmit to CITY any claims information, including payments or invoices, received on its behalf from PRISM or any other such carrier, and CITY shall provide to PASIS such information, payments or other cooperation as may be required for PASIS to enforce the policies or treaties for the benefit of CITY. CITY and PASIS agree to work cooperatively in an effort to secure a direct assignment of CITY'S rights under excess and

reinsurance contracts from each excess carrier and agree to execute such assignments, agency agreements, or other documents necessary to allow CITY to deal directly with such carriers, and relieve PASIS of further obligations to assert CITY'S rights under such excess and reinsurance policies.

4. WITHDRAWAL OF FUNDS

The CITY'S fund balance held in CLASS and/or LAIF shall be returned to the CITY upon acceptance of the PASIS audited financial statements. Interest earned on funds between July 1, 2026 and acceptance of the audited financial statements shall not accrue interest.

The PASIS Administrative funds held by the CITY shall be returned to PASIS on July 1, 2026 except for the portion of funds allocated to the CITY and less their required \$50,000 Minimum Fund Balance.

PASIS, in its sole discretion, may require security from the CITY in the form of a bond or letter of credit if the CITY defers all or part of the sum owed to PASIS, and may require the payment of interest on amounts outstanding. Any such security shall be in addition to the Minimum Fund Balance the CITY shall be required to maintain in accordance with this Agreement.

5. INDEMNIFICATION

Each Party hereby agrees to indemnify, defend and hold the other Party and its agents and related entities, and each of them, free and harmless from and against any and all claims, demands, actions or causes of action which may be brought against the other relating to claims, demands, actions, causes of action or damages of any kind to the extent that Party has agreed to assume responsibility as set forth in this Agreement.

Each Party further agrees to indemnify and hold the other Party and its agents and related entities, and each of them, free and harmless from and against any and all liability, loss, claims and/or expense arising directly or indirectly out of the enforcement or attempted enforcement of any of the liability, claims, demands, actions, causes of action and rights herein released and discharged.

6. MUTUAL RELEASE OF CLAIMS

CITY for itself, its officers and employees, successors and assigns, and all others who may take any interest in the matter herein, hereby fully and forever releases, acquits, and discharges PASIS from all claims, causes of action, actions, demands, or damages of any kind which CITY has made, or may make against PASIS based upon (i) any workers' compensation benefits or claims arising out of an injury to an employee, or other person designated by law, of the CITY, which PASIS had any responsibility to administer and/or cover while CITY was a member of PASIS, or (ii) the Joint Powers Agreement, except to the extent that said claims, causes of action, actions, demands, and/or damages of any kind are caused in whole or in part by the negligence and/or willful misconduct of PASIS.

PASIS for itself, its officers and employees, successors and assigns, and all others who may take any interest in the matter herein, hereby fully and forever releases, acquits, and discharges CITY from all claims, causes of action, actions, demands, or damages of any kind which PISIS has made, or may make against CITY based upon the CITY'S obligations under the Joint Powers Agreement, and provided this release shall not apply to any claims, causes of action, actions, demands or damages of any kind which PISIS may make against CITY arising from, pertaining to, related to, or in any manner directly or indirectly connected to CITY'S obligations under this Agreement, including but not limited to CITY'S continuing responsibility to pay future assessments, administrative, accounting, audit, legal, filing and other fees and costs.

Nothing in this mutual release shall limit the rights of either Party to enforce compliance with this Agreement.

7. WAIVER OF SECTION 1542 OF THE CIVIL CODE

In entering into this Agreement each Party intends to release the other Party, its affiliated entities, agents and successors from any liability of any nature whatsoever for any claim or injury or for damages or equitable or declaratory relief of any kind relating to the Joint Powers Agreement, whether the claim, or any facts on which such a claim might be based, is known or unknown to the Party possessing the claim. Each Party expressly waives all rights under Section 1542 of the Civil Code of the State of California, which the releasing Party understands provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Each Party acknowledges that it may hereafter discover facts different from or in addition to those which they now believe to be true with respect to the release of claims. Each Party agrees that the foregoing releases shall be and remain effective in all respects notwithstanding such different or additional facts or the releasing Party's discovery thereof.

Each Party has made such investigation of the facts pertaining to this Agreement and of all other matters pertaining thereto, as it deems necessary.

8. ATTORNEY'S FEES AND COSTS

In the event of litigation relating to this Agreement, the prevailing Party (as determined by the court, arbitrator, or other trier of fact) shall be entitled to reasonable attorneys' fees and costs.

9. ACKNOWLEDGEMENT OF GOOD FAITH NEGOTIATIONS

CITY and PISIS agree and acknowledge that all negotiations by them and their representatives in connection with the settled claims have been conducted in complete good faith.

This Agreement has been achieved between the Parties without evidence of bad faith, collusion, unfair practices or tortious conduct of any kind injurious to the interests of the Parties or of non-settling individuals or entities.

10. LEGAL AUTHORITY AND CONSULTATION WITH COUNSEL

The Parties represent and warrant that they have the right, power, legal capacity, and authority to enter into and perform the obligations under this Agreement and that no further approval or consent of any person or entity is necessary for them to enter into and perform such obligations on their own behalf. Moreover, the Parties declare and represent that they are releasing and executing this Agreement after having had an opportunity to receive legal advice as to their rights from legal counsel of their own choosing and that they are freely entering into this Agreement.

11. GOVERNING LAW, VENUE

This Agreement shall be subject to, governed by, construed and enforced pursuant to the laws of the State of California. Any dispute arising from this Agreement shall be submitted to final and binding arbitration, and the appropriate venue for such proceeding shall be within the County of San Diego.

12. ENTIRE AGREEMENT

This Agreement is the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous oral or written agreements and discussions. This Agreement may be amended only upon an agreement in writing.

13. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall constitute an original document, and all of which together shall be one and the same agreement.

14. COOPERATION

The Parties agree to cooperate in carrying out this Agreement, and to promptly execute any all documents necessary to effectuate its purposes.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

PASIS: Public Agencies Self-Insurance System

Signature

Print Name

Title

Date

CITY: City of San Marcos

Signature

Print Name

Title

Date