

File No. 150406

Committee Item No. 22

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date June 3, 2015

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date May 29, 2015

Completed by: Linda Wong Date _____

1 [Contract Amendment - Aon Risk Insurance Services West, Inc. - Insurance Broker and Risk
2 Management Consulting Services - \$17,125,000]

3 **Resolution authorizing the Director of Risk Management to enter into the First**
4 **Amendment of a contract with Aon Risk Insurance Services West, Inc., for insurance**
5 **broker and risk management consulting services, to increase the contract limit from**
6 **\$9,500,000 to \$17,125,000 for the term ending July 21, 2016.**

7
8 WHEREAS, It is necessary by function of law for the City and County of San
9 Francisco ("City") to procure the services of a qualified brokerage firm to place insurance
10 coverages; and

11 WHEREAS, In May 2011, the City, acting through the Director of Risk Management
12 ("Risk Manager"), issued a Request for Qualifications for Insurance Broker and Risk
13 Management Consulting Services and selected Aon Risk Insurance Services West, Inc.
14 ("Aon Risk") as one of the qualified firms; and

15 WHEREAS, In July 2011, the Risk Manager selected Aon Risk as the broker of
16 record for the placement of coverages for the San Francisco Airport, and negotiated a two-
17 year professional services agreement with Aon Risk for a not-to-exceed contract amount of
18 \$9,500,000; and

19 WHEREAS, The Division of Risk Management estimates that the money projected to
20 be spent with Aon Risk could reach the contract's limit in the reasonably near future; and

21 WHEREAS, Charter, Section 9.118, (b) "Contract and Lease Limitations," requires
22 the Board of Supervisors to approve any contract estimated to exceed \$10,000,000 in
23 expenditures; now, therefore, be it

24 RESOLVED, That the Board of Supervisors authorizes the Director of Risk
25 Management to enter into the First Amendment to the contract with Aon Risk Insurance

1 Services West, Inc. to increase the contract limit from \$9,500,000 to \$17,125,000 (including
2 the cost of insurance premiums) in substantially the form on file with the Clerk of the Board
3 in such final form as approved by the Director of Risk Management and the City.

4 Attorney; and, be it

5 FURTHER RESOLVED, That within thirty (30) days of the contract being fully executed
6 by all parties, the Director of Risk Management shall provide the final contract to the Clerk of
7 the Board for inclusion into the official file.

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| Items 22 and 23 Files 15-0406 & 15-0407 | Department: General Services Agency - City Administrator's Office (CAO) |
| EXECUTIVE SUMMARY | |
| Legislative Objectives | |
| <p><u>File No. 15-0406:</u> The proposed resolution approve the first amendment to the agreement with Aon Risk Insurance Services West, Inc. (Aon Risk) for insurance broker and risk management consulting services, increasing the agreement not-to-exceed amount by \$7,625,000 from \$9,500,000 to \$17,125,000. The agreement end date is July 21, 2016.</p> | |
| <p><u>File No. 15-0407:</u> The proposed resolution would approve the first amendment to the agreement with Alliant Insurance Services, Inc. (Alliant) for insurance broker and risk management consulting services, increasing the agreement not-to-exceed amount by \$13,000,000, from \$19,520,840 to \$32,520,840. The first amendment exercises the first two-year option to extend the contract through July 30, 2017.</p> | |
| Key Points | |
| <ul style="list-style-type: none"> • The City's Risk Management Division uses insurance brokerage services to purchase insurance for City departments, including property, liability, and other forms of third-party insurance. The Risk Management Division procured insurance brokerage services provided by Aon Risk and Alliant through competitive Request for Qualifications (RFQ) processes. • The requested increases to the Aon Risk and Alliant agreements are due to increases in insurance premium costs largely due to claims that paid for incidents such as a fire at Pier 29 in 2012, the crash of the Asiana Airlines plane at San Francisco International Airport in 2013, and the Rim Fire in Yosemite Valley in 2012. | |
| Fiscal Impact | |
| <ul style="list-style-type: none"> • The proposed resolution increases the Aon agreement by \$7,625,000 from \$9,500,000 to \$17,125,000. The increase of \$7,625,000 is \$1,369,708 more than the estimated amount of \$6,600,000 required for the agreement. Therefore, the proposed resolution should be amended to reduce the Aon Risk agreement amount by \$1,369,708, from \$17,125,000 to \$15,755,292. • The proposed resolution increases the agreement amount by \$13,000,000 from \$19,520,840 to \$32,520,840. The increase of \$13,000,000 is \$232,592 more than the estimated amount of \$12,767,408 required for the agreement. The proposed resolution should be amended to reduce the Alliant agreement amount by \$232,592, from \$32,520,840 to \$32,288,248 | |
| Recommendations | |
| <ul style="list-style-type: none"> • Amend File 15-0406 to reduce the Aon Risk agreement amount by \$1,369,708, from \$17,125,000 to \$15,755,292. • Approve File 15-0406, as amended. • Amend File 15-0407 to reduce the Alliant agreement amount by \$232,592, from \$32,520,840 to \$32,288,248. • Approve File 15-0407, as amended. | |

MANDATE STATEMENT

City Charter Section 9.118(b) states that a contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The City's Risk Management Division uses insurance brokerage services to purchase insurance for City departments, including property, liability, and other forms of third-party insurance. These brokers are responsible for evaluating City departments' insurance needs and assuring that City departments have the appropriate level of insurance coverage. The Risk Management Division procures these insurance brokerage services through competitive Request for Qualifications (RFQ) processes.

Aon Risk Contract

In 2011, the Risk Management Division entered into an agreement with Aon Risk Insurance Services West, Inc. (Aon Risk) to provide insurance brokerage services and aviation liability coverage for the San Francisco International Airport following a competitive RFQ process. The agreement not-to-exceed amount was \$9,500,000, which did not require Board of Supervisors approval because the amount was less than \$10,000,000. The term of the agreement was five years, from July 22, 2011 to July 21, 2016, with two two-year options to extend the agreement through July 21, 2020, for a total agreement term of nine years.

Alliant Insurance Contract

The Risk Management Division entered into an agreement with Alliant Insurance Services, Inc. (Alliant) in July 2011 to provide insurance brokerage services for various City departments¹ following a competitive RFQ process.

The agreement was for a period of approximately two years, from July 28, 2011 through July 21, 2013, with two additional two-year options to extend through July 21, 2017, for a total agreement term of six years. The original not-to-exceed amount was \$9,500,000, which did not require Board of Supervisors approval because the amount was less than \$10,000,000. In September 2012, the Board of Supervisors approved an amendment to the agreement which increased the not-to-exceed amount to \$15,100,000.

In July 2013, the City entered into a new agreement with Alliant to perform insurance brokerage services rather than exercise the options to extend the previous agreement, based on the City's previous RFQ process in 2011. The new agreement was for an amount not-to-exceed \$19,520,840. The agreement term was for two years and two months, from June 1,

¹ Departments included in the Alliant agreement are: Airport, Art Commission, Asian Art Museum, City Hall, Controller's Office, Convention Facilities, Elections, Emergency Communications, Environment, Fine Art Museums, Human Services Agency, Juvenile Probation, Law Library, Library, MTA, Planning, Port, Public Health, Public Utilities Commission, Public Works, Real Estate Division, Recreation and Park, Rent Board, Retirement, SFGOVTV, Sheriff, Superior Court, Technology and Treasurer/Tax Collector. The Aon agreement covers the Airport.

2013 through July 31, 2015 with two two-year options to extend the contract through July 30, 2019, for a total agreement term of six years and two months.

DETAILS OF PROPOSED LEGISLATION

File No. 15-0406 (Aon Risk Agreement)

The proposed resolution would authorize the Director of Risk Management to enter into the first amendment to the agreement with Aon Risk Insurance Services West, Inc. (Aon Risk) for insurance broker and risk management consulting services, increasing the agreement not-to-exceed amount by \$7,625,000 from \$9,500,000 to \$17,125,000. The agreement end date would remain unchanged at July 21, 2016.

File No. 15-0407 (Alliant Agreement)

The proposed resolution would authorize the Director of Risk Management to enter into the first amendment to the agreement with Alliant Insurance Services, Inc. (Alliant) for insurance broker and risk management consulting services, increasing the agreement not-to-exceed amount by \$13,000,000, from \$19,520,840 to \$32,520,840. The first amendment exercises the first two-year option to extend the contract through July 30, 2017.

Insurance Brokerage Services

Under the agreements between the City and Aon Risk and Alliant, the insurance broker:

- Acts as an independent insurance advisor to the City, including analyzing the City's insurance programs and risk financing options, monitoring the City's operation's and loss exposures, and making recommendations for coverage changes or new coverage;
- Processes requests for additions or deletions to insurance policies;
- Assists the City's Risk Management Division Director in renewing or obtaining new policies, including providing statistical analysis of loss and expense data to assist in the establishment of premiums;
- Assists City departments and staff in filing and reviewing claims;
- Provides risk management consulting services as needed; and
- Provides other insurance broker services, such as providing certificates of insurance or written reports.

Under the agreements, the City pays insurance premiums to the insurance providers obtained through Aon Risk and Alliant. Aon Risk and Alliant are compensated by commissions paid by the insurance providers.

According to Mr. Matt Hansen, Risk Management Division Director, the requested increases to the Aon Risk and Alliant agreements are due to increases in insurance premium costs paid through these agreements. Mr. Hansen states that the increased premium costs are largely due to claims that paid for incidents such as a fire at Pier 29 in 2012, the crash of the Asiana Airlines plane at San Francisco International Airport in 2013, and the Rim Fire in Yosemite Valley in 2012, which damaged San Francisco Public Utilities Commission property.

FISCAL IMPACT

Insurance companies set property and liability insurance premiums based on (a) the expected risk and cost of claims of the insured entity, and (b) insurance market conditions. According to Mr. Hansen, the Risk Management Division cannot estimate with certainty the City's premium costs under the agreements with Aon Risk and Alliant due to constantly changing insurance market conditions.

Aon Risk

The City's estimated expenditures under the Aon Risk agreement through FY 2014-15 are \$9,155,292, which is \$344,708 less than the agreement not-to-exceed amount of \$9,500,000, as shown in Table 1 below.

Table 1: Previous Expenditures for the Aon Risk Agreement

| Expenditures | Amount |
|------------------------------------|--------------------|
| FY 11-12 | \$1,874,968 |
| FY 12-13 | 1,803,319 |
| FY 13-14 | 3,027,005 |
| FY 14-15 (estimated) ^a | <u>2,450,000</u> |
| Expenditures Subtotal | <u>\$9,155,292</u> |
| Not-To-Exceed Amount | <u>\$9,500,000</u> |
| Remaining Agreement Balance | \$344,708 |

^a Estimated based on expenditures as of May 2015

Under the proposed resolution, the Aon Risk agreement amount would increase from \$9,500,000 to \$17,125,000, an increase of \$7,625,000 for the remaining agreement term through July 21, 2016. However, the Risk Management Division estimates premium and contingency costs of \$6,600,000 from July 1, 2015 through July 21, 2016², which is \$1,025,000 or 13.4 percent less than the requested increase of \$7,625,000.

The Budget and Legislative Analyst recommends reducing the agreement not-to-exceed amount in the proposed resolution by \$1,369,708, which equals the remaining agreement balance of \$344,708 (see Table 1) and the surplus amount of \$1,025,000 (noted above). Table 2 below summarizes the recommended reduction.

² According to Mr. Hansen, although the end date of the agreement with Aon is July 21, 2016, premium payments to insurers for FY 2016-17 will be made through the agreement with Aon prior to July 21, 2016. Mr. Hansen states that, even if the City does not extend the agreement with Aon after July 21, 2016, each insurance policy the Risk Management Division purchases through Aon binds both the insurer and broker to provide services required for each policy for the entire policy period, regardless of the expiration date of the Risk Management Division's agreement with Aon.

Table 2: Recommended Reduction in the Aon Risk Agreement

| Proposed Budget | |
|--|--------------------|
| FY 2015-16 Premium Amount | \$3,000,000 |
| FY 2016-17 Premium Amount | <u>3,000,000</u> |
| Subtotal Premium Amount | \$6,000,000 |
| Contingency (10%) | <u>600,000</u> |
| Subtotal Premium Amount and Contingency | \$6,600,000 |
| Recommended Reduction | |
| Requested Increase in Agreement Amount | \$7,625,000 |
| Remaining Agreement Balance (Table 1) | <u>344,708</u> |
| Subtotal Requested Increase and Agreement Balance | \$7,969,708 |
| Required Agreement Amount in FY 2015-16 and FY 2016-17 | <u>(6,600,000)</u> |
| Recommended Reduction | \$1,369,708 |

Therefore, the proposed resolution should be amended to reduce the Aon Risk agreement amount by \$1,369,708, from \$17,125,000 to \$15,755,292.

Alliant

The City's estimated expenditures under the Alliant agreement through FY 2014-15 are \$19,506,400, which is \$14,440 less than the agreement not-to-exceed amount of \$19,520,000, as shown in Table 3 below.

Table 3: Previous Expenditures for the Alliant Contract

| | Amount |
|------------------------------------|-------------------|
| FY 13-14 | \$9,006,400 |
| FY 14-15 (estimated) ^a | <u>10,500,000</u> |
| Expenditures Subtotal | \$19,506,400 |
| Not-To-Exceed Amount | \$19,520,840 |
| Remaining Agreement Balance | \$14,440 |

^a Estimated based on expenditures through May 12, 2015

The proposed resolution extends the agreement by two years from July 31, 2015 through July 30, 2017 and increases the agreement amount by \$13,000,000 from \$19,520,840 to \$32,520,840. The Risk Management Division estimates premium costs of \$12,767,408 in FY 2015-16, as shown in Table 4 below, which is \$232,592 less than the requested increase of \$13,000,000. According to Mr. Hansen, the Risk Management Division will submit a future resolution to the Board of Supervisors to amend the agreement with Alliant to increase the agreement amount for FY 2016-17.

Table 4: Budget for Requested Increase to Alliant Contract

| Category | FY 2015-16 |
|-------------------------------|---------------------|
| Property | \$9,810,437 |
| Art Collection | 1,046,298 |
| Exhibits, Events and Projects | 750,000 |
| Contingency (10%) | 1,160,673 |
| Total | \$12,767,408 |

The proposed resolution should be amended to reduce the Alliant agreement amount by \$232,592, from \$32,520,840 to \$32,288,248.

RECOMMENDATIONS

File No. 15-0406

1. Amend the proposed resolution to reduce the Aon Risk agreement amount by \$1,369,708, from \$17,125,000 to \$15,755,292.
2. Approve the proposed resolution, as amended.

File No. 15-0407

3. Amend the proposed resolution to reduce the Alliant agreement amount by \$232,592, from \$32,520,840 to \$32,288,248.
4. Approve the proposed resolution, as amended.



OFFICE OF THE
CITY ADMINISTRATOR



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

April 20, 2015

Ms. Angela Calvillo
Clerk of the Board of Supervisors
City Hall, Room 244
San Francisco, CA 94102

RECEIVED
BOARD OF SUPERVISORS
CITY OF SAN FRANCISCO
2015 APR 20 PM 11:55
AK

Dear Ms. Calvillo:

Attached, please find a resolution for introduction authorizing the Director of Risk Management to amend its contract with Aon Insurance Services, Inc. to increase the contract limit to \$17,125,000 through July 21, 2016

Please contact John Gavin of my office at (415) 554-5665 or Matt Hansen, Director Risk Management Division at (415) 554-2302, with any questions.

Sincerely,

NAOMI M. KELLY
City Administrator

CC: Matt Hansen
Jennifer Johnston

**City and County of San Francisco
Risk Management Division
25 Van Ness Ave., Ste 750
San Francisco, CA 94102**

First Amendment

THIS AMENDMENT (this "Amendment") is made as of April 1, 2015, in San Francisco, California, by and between **Aon Risk Insurance Services West, Inc.** ("Broker"), and the City and County of San Francisco, a municipal corporation ("City"), acting by and through its Director, Risk Management Division or the Director's designated agent.

RECITALS

WHEREAS, City and Broker have entered into the Agreement (as defined below); and

WHEREAS, City and Broker intend to increase Broker's compensation by **\$7,625,000** to a new total of **\$17,125,000**; and

WHEREAS, City and Broker intend to modify Section 5 (Compensation) to reflect the compensation increase;

NOW, THEREFORE, City and Broker agree as follows:

1. Definitions. The following definitions shall apply to this Amendment:

a. Agreement. The term "Agreement" shall mean the Agreement dated July, 22, 2011, between Broker and City, as amended by the:

First amendment, dated April 1, 2015;

b. Other Terms. Terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Agreement.

2. Modifications to the Agreement. The Agreement is hereby modified as follows:

a. Section 5. Compensation (paragraph 2) of the Agreement currently reads as follows:

* * *

In no event shall the City's total expenditure (for example premiums, fees, and taxes for insurance coverage, and Special Projects, including technology services, and/or Claims Administration Services from Broker) for insurance, goods, and services secured or provided by Broker under this Agreement exceed **\$9,500,000 (Nine Million Five Hundred Thousand dollars) over the term of the contract.** Each component of the Broker's compensation and the breakdown of costs associated with this Agreement will be itemized in specific proposals in response to task orders requested by Department and

will appear in Appendix B, "Calculation of Charges," attached hereto and will be incorporated by reference as though fully set forth herein.

b. Such section is hereby amended to read as follows:

* * *

In no event shall the City's total expenditure (for example premiums, fees, and tases for insurance coverage, and Special Projects, including technology services, and/or Claims Administration Services from Broker) for insurance, goods, and services secured or provided by Broker under this Agreement exceed **\$17,125,000 (Seventeen Million One Hundred Twenty Five Thousand dollars) over the term of the contract**. Each component of the Broker's compensation and the breakdown of costs associated with this Agreement will be itemized in specific proposals in response to task orders requested by Department and will appear in Appendix B, "Calculation of Charges," attached hereto and will be incorporated by reference as though fully set forth herein.

3. Effective Date. Each of the modifications set forth in Section 2 shall be effective on and after the date of this Amendment.

4. Legal Effect. Except as expressly modified by this Amendment, all of the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Broker and City have executed this Amendment as of the date first referenced above.

CITY

BROKER

Recommended by:

AON Risk Insurance Services West, Inc.

Matt Hansen
Director
Risk Management Division

William S. Deeb, Director of Public Entities

City vendor number: 31438

Approved as to Form:

Dennis J. Herrera
City Attorney

By:

Gus Guibert
Deputy City Attorney

**City and County of San Francisco
Risk Management Division
25 Van Ness Ave., Suite 750
San Francisco, California 94102**

Agreement between the City and County of San Francisco

and

AON Risk Insurance Services West, Inc.

This Agreement is made this 22nd day of July, 2011, in the City and County of San Francisco, State of California, by and between: **AON Risk Insurance Services West, Inc.**, hereinafter referred to as "Broker," and the City and County of San Francisco, a municipal corporation, hereinafter referred to as "City," acting by and through its Director, Risk Management Division or the Director's designated agent, hereinafter referred to as "Risk Management."

Recitals

WHEREAS, the Risk Management Division of the City and County of San Francisco ("Department") wishes to secure the services of an insurance Broker for the San Francisco International Airport ("Airport"); and,

WHEREAS, a Request for Qualifications ("RFQ") was issued on **May 11, 2011**, and City selected Broker as one of the qualified firms pursuant to the RFQ; and

WHEREAS, Broker represents and warrants that it is qualified to perform the services required by City as set forth under this Contract; and,

WHEREAS, approval for this Agreement was obtained when the Civil Service Commission approved Contract number PSC # 4021-10/11 on August 2, 2010; and

Now, THEREFORE, the parties agree as follows:

1. Certification of Funds; Budget and Fiscal Provisions; Termination in the Event of Non-Appropriation

This Agreement is subject to the budget and fiscal provisions of the City's Charter. Charges will accrue only after prior written authorization certified by the Controller, and the amount of City's obligation hereunder shall not at any time exceed the amount certified for the purpose and period stated in such advance authorization. This Agreement will terminate without penalty, liability or expense of any kind to City at the end of any fiscal year if funds are not appropriated for the next succeeding fiscal year. If funds are appropriated for a portion of the fiscal year, this Agreement will terminate, without penalty, liability or expense of any kind at the end of the term for which funds are appropriated. City has no obligation to make appropriations for this Agreement in lieu of appropriations for new or other agreements. City budget decisions are subject to the discretion of the Mayor and the Board of Supervisors. Broker's assumption of risk of possible non-appropriation is part of the consideration for this Agreement.

THIS SECTION CONTROLS AGAINST ANY AND ALL OTHER PROVISIONS OF THIS AGREEMENT.

2. Term of the Agreement

Subject to Section 1, the term of this Agreement shall for a five (5) year period beginning on July 22, 2011, and ending on July 21, 2016; (the "Service Period"). City shall have the option, in its sole discretion, to extend this Agreement two (2) times, in each case for a period of up to two (2) additional years, for a total maximum term of nine (9) years if both options are exercised by City. City shall exercise each option by giving Broker written notice thereof no later than thirty (30) days prior to the expiration of the then-current term of this Agreement, whereupon the term of this Agreement shall be extended for up to an additional two (2) years as provided in such notice.

Prior to expiration of this Agreement, Broker shall commence and perform, with diligence, all actions necessary on the part of Broker to effect the termination of this Agreement and to minimize the liability of Broker and City to third parties as a result of expiration. Further, Broker shall perform all actions necessary for the uninterrupted continuance of insurance policies secured pursuant to this Agreement with the City and/or through an alternative Broker of the City's choosing. All such actions shall be subject to the prior approval of City. Such actions shall include, without limitation those listed in Section 21(b) of this Agreement.

3. Effective Date of Agreement

This Agreement shall become effective when the Controller has certified to the availability of funds and Broker has been notified in writing.

4. Services Broker Agrees to Perform

The Broker agrees to perform the services provided for in Appendix A, "Description of Services," attached hereto and incorporated by reference as though fully set forth herein.

5. Compensation

Broker shall be compensated for providing the services to the City through retail and wholesale commissions received from City's payment to insurance companies either directly or through Broker. With the exception of claims administration services set forth in Appendix A, the City will not directly compensate Broker for goods or services provided under this Agreement but only through Brokers commission arrangements with City's insurers.

In no event shall the City's total expenditure (for example premiums, fees, and taxes for insurance coverage, including technology services, and/or claims administration services from Broker) for insurance, goods, and services secured or provided by Broker under this Agreement exceed **\$9,500,000 (Nine Million Five Hundred Thousand dollars)** over the term of the contract. Each component of the Broker's compensation and the breakdown of costs associated with this Agreement will be itemized in specific proposals in response to task orders requested by Department and will appear in Appendix B, "Calculation of Charges," attached hereto and will be updated annually and incorporated by reference as though fully set forth herein.

No charges shall be incurred under this Agreement nor shall any payments become due to Broker until reports, services, or both, required under this Agreement are received from Broker and approved by the City's Director of Risk Management as being in accordance with this Agreement. Only upon agreement by City's Director of Risk Management, in applicable cases, advance or prepayment of insurance premiums, goods, services or fees may be made. Payment for insurance premiums, including Broker commissions, are due in full within 60 (sixty) calendar days of coverage placement or receipt of

correct and complete Broker invoice, whichever is later. City may withhold payment to Broker in any instance in which the City's Director of Risk Management reasonably concludes, in his or her sole discretion, that Broker has failed or refused to satisfy any material obligation provided for under this Agreement.

Broker shall not bind any coverage for the City's insurance programs until the City approves any commissions and/or contingent income collected or to be collected by Broker or its affiliates with respect to such placement. In addition Broker shall disclose the following:

1. All compensation agreements Broker already has with any insurer to which it has marketed the City's book of insurance;
2. An accounting of any amounts that would be paid to Broker's affiliates, and/or non-Broker intermediaries if available, in connection with coverages placed for the City's insurance programs, including any fees, if applicable, paid to Broker for services it provides to third parties;
3. All applicable premium taxes and/or fees;
4. An annual summary of all Broker revenue applicable to the City's insurance programs including all fees paid to or income generated from wholesale operations or intermediaries used in the process of obtaining the City's insurance coverage or services.

Broker may receive commissions from insurers for the individual coverages placed for the City's insurance programs, provided that Broker may not include the coverages placed for the City in its aggregate with the insurer that would be used to calculate contingent income based on the total volume of coverage placed by Broker with that insurer.

In no event shall City be liable for interest or late charges for any late payments.

6. Guaranteed Maximum Costs

The City's obligation hereunder shall not at any time exceed the amount certified by the Controller for the purpose and period stated in such certification. Except as may be provided by laws governing emergency procedures, officers and employees of the City are not authorized to request, and the City is not required to reimburse the Broker for, Commodities or Services beyond the agreed upon contract scope unless the changed scope is authorized by amendment and approved as required by law. Officers and employees of the City are not authorized to offer or promise, nor is the City required to honor, any offered or promised additional funding in excess of the maximum amount of funding for which the contract is certified without certification of the additional amount by the Controller. The Controller is not authorized to make payments on any contract for which funds have not been certified as available in the budget or by supplemental appropriation.

7. Payment; Invoice Format

Invoices furnished by Broker under this Agreement must be in a form acceptable to the Controller, and must include a unique invoice number. All amounts paid by City to Broker shall be subject to audit by City. Payment shall be made by City to Broker at the address specified in the section entitled "Notices to the Parties."

8. Submitting False Claims; Monetary Penalties

Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor,

subcontractor or consultant who submits a false claim shall also be liable to the City for the costs, including attorneys' fees, of a civil action brought to recover any of those penalties or damages, and may be liable to the City for a civil penalty of up to \$10,000 for each false claim. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

9. Disallowance – Left blank by agreement of the parties

10. Taxes

a. In some instances, insurance placements made by Broker on the City's behalf may require the payment of state surplus lines or other premium taxes and or fees in addition to the premium itself. Broker will make every effort to identify all such taxes and/or fees prior to binding any coverages for the City's insurance programs, but in all instances the payment of these taxes and/or fees shall be the obligation of City. Broker will invoice the City for the payment of such taxes and fees.

b. Payment of any other taxes, including possessory interest taxes and California sales and use taxes, levied upon or as a result of this Agreement, or the services delivered pursuant hereto, shall be the obligation of Broker.

c. Broker recognizes and understands that this Agreement may create a "possessory interest" for property tax purposes. Generally, such a possessory interest is not created unless the Agreement entitles the Broker to possession, occupancy, or use of City property for private gain. If such a possessory interest is created, then the following shall apply:

1) Broker, on behalf of itself and any permitted successors and assigns, recognizes and understands that Broker, and any permitted successors and assigns, may be subject to real property tax assessments on the possessory interest;

2) Broker, on behalf of itself and any permitted successors and assigns, recognizes and understands that the creation, extension, renewal, or assignment of this Agreement may result in a "change in ownership" for purposes of real property taxes, and therefore may result in a revaluation of any possessory interest created by this Agreement. Broker accordingly agrees on behalf of itself and its permitted successors and assigns to report on behalf of the City to the County Assessor the information required by Revenue and Taxation Code section 480.5, as amended from time to time, and any successor provision.

3) Broker, on behalf of itself and any permitted successors and assigns, recognizes and understands that other events also may cause a change of ownership of the possessory interest and result in the revaluation of the possessory interest. (see, e.g., Rev. & Tax. Code section 64, as amended from time to time). Broker accordingly agrees on behalf of itself and its permitted successors and assigns to report any change in ownership to the County Assessor, the State Board of Equalization or other public agency as required by law.

4) Broker further agrees to provide such other information as may be requested by the City to enable the City to comply with any reporting requirements for possessory interests that are imposed by applicable law.

11. Payment Does Not Imply Acceptance of Work

The granting of any payment by City, or the receipt thereof by Broker, shall in no way lessen the liability of Broker to replace unsatisfactory work, equipment, or materials, although the unsatisfactory character of such work, equipment or materials may not have been apparent or detected at the time such payment was made. Materials, equipment, components, or workmanship that does not conform to the requirements of this Agreement may be rejected by City and in such case must be replaced by Broker without delay.

12. Qualified Personnel

Work under this Agreement shall be performed only by competent personnel under the supervision of and in the employment of Broker. Broker will comply with City's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at City's request, must be supervised by Broker. Broker shall commit adequate resources to provide the required services within the project schedule specified in this Agreement.

13. Responsibility for Equipment

City shall not be responsible for any damage to persons or property as a result of the use, misuse or failure of any equipment used by Broker, or by any of its employees, even though such equipment be furnished, rented or loaned to Broker by City.

14. Independent Contractor; Payment of Taxes and Other Expenses

a. Independent Contractor

Broker or any agent or employee of Broker shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. Broker or any agent or employee of Broker shall not have employee status with City, nor be entitled to participate in any plans, arrangements, or distributions by City pertaining to or in connection with any retirement, health or other benefits that City may offer its employees. Broker or any agent or employee of Broker is liable for the acts and omissions of itself, its employees and its agents. Broker shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Broker's performing services and work, or any agent or employee of Broker providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between City and Broker or any agent or employee of Broker. Any terms in this Agreement referring to direction from City shall be construed as providing for direction as to policy and the result of Broker's work only, and not as to the means by which such a result is obtained. City does not retain the right to control the means or the method by which Broker performs work under this Agreement.

b. Payment of Taxes and Other Expenses

Should City, in its discretion, or a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division, or both, determine that Broker is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the tax due (and offsetting any credits for amounts already paid by Broker which can be applied against this liability). City shall then forward those amounts to the relevant taxing authority. Should a relevant taxing authority determine a

liability for past services performed by Broker for City, upon notification of such fact by City, Broker shall promptly remit such amount due or arrange with City to have the amount due withheld from future payments to Broker under this Agreement (again, offsetting any amounts already paid by Broker which can be applied as a credit against such liability). A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, Broker shall not be considered an employee of City. Notwithstanding the foregoing, should any court, arbitrator, or administrative authority determine that Broker is an employee for any other purpose, then Broker agrees to a reduction in City's financial liability so that City's total expenses under this Agreement are not greater than they would have been had the court, arbitrator, or administrative authority determined that Broker was not an employee.

15. Insurance

a. Without in any way limiting Broker's liability pursuant to the "Indemnification" section of this Agreement, Broker must maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:

(1) Workers' Compensation, in statutory amounts, with Employers' Liability Limits not less than \$1,000,000 for each accident, injury, or illness; and

(2) Commercial General Liability Insurance with limits not less than \$2,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations; and

(3) Commercial Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable; and

(4) Errors and Omissions insurance with limits not less than \$10,000,000 each claim with respect to negligent acts, errors or omissions in connection with professional services to be provided under this Agreement.

b. Commercial General Liability and Commercial Automobile Liability Insurance policies must provide the following:

(1) Name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

(2) That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that insurance applies separately to each insured against whom claim is made or suit is brought.

c. All policies shall be endorsed to provide thirty (30) days' advance written notice to City of reduction or nonrenewal of coverages or cancellation of coverages for any reason. Notices shall be sent to the City address in the "Notices to the Parties" section 25 below.

d. Should any of the required insurance be provided under a claims-made form, Broker shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three (3) years beyond the expiration of this Agreement; to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.

e. Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.

f. Should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

g. Before commencing any operations under this Agreement, Broker shall do the following: (a) furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above, and (b) furnish to City complete copies of policies promptly upon City request. Failure to maintain insurance shall constitute a material breach of this Agreement.

h. Approval of the insurance by City shall not relieve or decrease the liability of Broker hereunder.

i. If a subcontractor will be used to complete any portion of this Agreement, the Broker shall ensure that the subcontractor shall provide all necessary insurance and shall name the City, its officers, agents and employees and the Broker listed as additional insureds.

16. Indemnification and Infringement Indemnification

Broker shall indemnify and save harmless City and its officers, agents and employees from, and, if requested, shall defend them against any and all loss, cost, damage, injury, liability, and claims thereof for injury to or death of a person, including employees of Broker or loss of or damage to property, arising directly or indirectly from Broker's performance of this Agreement, including, but not limited to, Broker's use of facilities or equipment provided by City or others, regardless of the negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on City, except to the extent that such indemnity is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Agreement, and except where such loss, damage, injury, liability or claim is the result of the active negligence or willful misconduct of City and is not contributed to by any act of, or by any omission to perform some duty imposed by law or agreement on Broker, its subcontractors or either's agent or employee. The foregoing indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City's costs of investigating any claims against the City. In addition to Broker's obligation to indemnify City, Broker specifically acknowledges and agrees that it has an immediate and independent obligation to defend City from any claim which actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent, which obligation arises at the time such claim is tendered to Broker by City and continues at all times thereafter. Broker shall indemnify and hold City harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses for any infringement of the patent rights, copyright, trade secret or any other proprietary right or trademark, and all other intellectual property claims of any person or persons in consequence of the use by City, or any of its officers or agents, of articles or services to be supplied in the performance of this Agreement.

17. Incidental and Consequential Damages

Broker shall be responsible for incidental and consequential damages resulting in whole or in part from Broker's acts or omissions. Nothing in this Agreement shall constitute a waiver or limitation of any rights that City may have under applicable law.

18. Liability of City

CITY'S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT OF THE AMOUNTS PROVIDED FOR IN SECTION 5 OF THIS AGREEMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PERFORMED IN CONNECTION WITH THIS AGREEMENT.

19. Liquidated Damages – Left blank by agreement of the parties

20. Default; Remedies

a. Each of the following shall constitute an event of default ("Event of Default") under this Agreement:

(1) Broker fails or refuses to perform or observe any term, covenant or condition contained in any of the following Sections of this Agreement: 8, 10, 15, 24, 30, 37, 53, 55, 57, or 58.

(2) Broker fails or refuses to perform or observe any other term, covenant or condition contained in this Agreement, and such default continues for a period of ten days after written notice thereof from City to Broker.

(3) Broker (a) is generally not paying its debts as they become due, (b) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of Broker or of any substantial part of Broker's property or (e) takes action for the purpose of any of the foregoing.

(4) A court or government authority enters an order (a) appointing a custodian, receiver, trustee or other officer with similar powers with respect to Broker or with respect to any substantial part of Broker's property, (b) constituting an order for relief or approving a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction or (c) ordering the dissolution, winding-up or liquidation of Broker.

b. On and after any Event of Default, City shall have the right to exercise its legal and equitable remedies, including, without limitation, the right to terminate this Agreement or to seek specific performance of all or any part of this Agreement. In addition, City shall have the right (but no obligation) to cure (or cause to be cured) on behalf of Broker any Event of Default; Broker shall pay to City on demand all costs and expenses incurred by City in effecting such cure, with interest thereon from the date of incurrence at the maximum rate then permitted by law. City shall have the right to offset from any

amounts due to Broker under this Agreement or any other agreement between City and Broker all damages, losses, costs or expenses incurred by City as a result of such Event of Default and any liquidated damages due from Broker pursuant to the terms of this Agreement or any other agreement.

c. All remedies provided for in this Agreement may be exercised individually or in combination with any other remedy available hereunder or under applicable laws, rules and regulations. The exercise of any remedy shall not preclude or in any way be deemed to waive any other remedy.

21. Termination for Convenience

a. City shall have the option, in its sole discretion, to terminate this Agreement or certain coverage parts of this Agreement, at any time during the term hereof, for convenience and without cause. City shall exercise this option by giving Broker written notice of termination. The notice shall specify the date on which termination shall become effective.

b. Upon receipt of the notice, Broker shall commence and perform, with diligence, all actions necessary on the part of Broker to effect the termination of this Agreement on the date specified by City and to minimize the liability of Broker and City to third parties as a result of termination. Further, Broker shall perform all actions necessary for the uninterrupted continuance of insurance policies secured pursuant to this Agreement with the City and/or through an alternative Broker of the City's choosing. All such actions shall be subject to the prior approval of City. Such actions shall include, without limitation:

- (1) Halting the performance of all services and other work under this Agreement on the date(s) and in the manner specified by City.
- (2) Not placing any further orders or subcontracts for materials, services, equipment or other items.
- (3) Terminating all existing orders and subcontracts.
- (4) At City's direction, assigning to City any or all of Broker's right, title, and interest under the orders and subcontracts terminated. Upon such assignment, City shall have the right, in its sole discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts.
- (5) Subject to City's approval, settling all outstanding liabilities and all claims arising out of the termination of orders and subcontracts.
- (6) Completing performance of any services or work that City designates to be completed prior to the date of termination specified by City.
- (7) Taking such action as may be necessary, or as the City may direct, for the protection and preservation of any property related to this Agreement which is in the possession of Broker and in which City has or may acquire an interest.

c. Within 30 days after the specified termination date, Broker shall submit to City an invoice, which shall set forth the next due premiums, fees, taxes and other costs for which the City is responsible and the amounts and due dates for all such charges due by the City for the balance of insurance policies secured pursuant to this Agreement. Further, Broker shall provide the City with a list and description of all insurance policies secured pursuant to this Agreement and all documents and authorizations necessary for the City to continue coverage with or without another Broker.

d. In no event shall City be liable for costs incurred by Broker or any of its subcontractors after the termination date specified by City, except for those costs specifically enumerated and described in the immediately preceding subsection (c). Such non-recoverable costs include, but are not limited to, anticipated profits on this Agreement, post-termination employee salaries, post-termination administrative expenses, post-termination overhead or unabsorbed overhead, attorneys' fees or other costs relating to the prosecution of a claim or lawsuit, prejudgment interest, or any other expense which is not reasonable or authorized under such subsection (c).

e. In arriving at the amount due to Broker under this Section, City may deduct: (1) all payments previously made by City for work or other services covered by Broker's final invoice; (2) any claim which City may have against Broker in connection with this Agreement; (3) any invoiced costs or expenses excluded pursuant to the immediately preceding subsection (d); and (4) in instances in which, in the opinion of the City, the cost of any service or other work performed under this Agreement is excessively high due to costs incurred to remedy or replace defective or rejected services or other work, the difference between the invoiced amount and City's estimate of the reasonable cost of performing the invoiced services or other work in compliance with the requirements of this Agreement.

f. City's payment obligation under this Section shall survive termination of this Agreement.

22. Rights and Duties upon Termination or Expiration

This Section and the following Sections of this Agreement shall survive termination or expiration of this Agreement:

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| 8. Submitting false claims | 24. Proprietary or confidential information of City |
| 9. Disallowance | 26. Ownership of Results |
| 10. Taxes | 27. Works for Hire |
| 11. Payment does not imply acceptance of work | 28. Audit and Inspection of Records |
| 13. Responsibility for equipment | 48. Modification of Agreement. |
| 14. Independent Contractor; Payment of Taxes and Other Expenses | 49. Administrative Remedy for Agreement Interpretation. |
| 15. Insurance | 50. Agreement Made in California; Venue |
| 16. Indemnification | 51. Construction |
| 17. Incidental and Consequential Damages | 52. Entire Agreement |
| 18. Liability of City | 56. Severability |
| | 57. Protection of private information |

Subject to the immediately preceding sentence, upon termination of this Agreement prior to expiration of the term specified in Section 2, this Agreement shall terminate and be of no further force or effect. Broker shall transfer title to City, and deliver in the manner, at the times, and to the extent, if any, directed by City, any work in progress, completed work, supplies, equipment, and other materials produced as a part of, or acquired in connection with the performance of this Agreement, and any completed or partially completed work which, if this Agreement had been completed, would have been required to be furnished to City. This subsection shall survive termination of this Agreement.

23. Conflict of Interest

Through its execution of this Agreement, Broker acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

24. Proprietary or Confidential Information of City

Broker understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Broker may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Broker agrees that all information disclosed by City to Broker shall be held in confidence and used only in performance of the Agreement. Broker shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

If Broker or one of its affiliates prepares a loss control report regarding some or all of City's operations, City hereby consents and agrees that any such report may be disclosed to insurers or prospective insurers in providing the services described in Appendix A, provided that the recipient agrees to hold any confidential information in confidence to the same manner and extent as Broker has agreed herein.

25. Notices to the Parties

Unless otherwise indicated elsewhere in this Agreement, all written communications sent by the parties may be by U.S. mail, e-mail or by fax, and shall be addressed as follows:

To City: City and County of San Francisco
Risk Management Division
25 Van Ness Ave., Suite 750
San Francisco, California 94102
Attention: Matt Hansen
Telephone: 415-554-2302
Fax: 415-554-2357
Email: matt.hansen@sfgov.org

To Broker: AON Risk Insurance Services West, Inc.
199 Fremont Street, Suite 1500
San Francisco, CA 94105
Attention: William S. Deeb
Telephone: 213-630-3210
Fax: 213-996-1783
Email: Billy.Deeb@aon.com

Any notice of default must be sent by registered mail.

26. Ownership of Results

Any interest of Broker or its Subcontractors in insurance applications, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Broker or its subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to City. However, Broker may retain and use copies for reference and as documentation of its experience and capabilities.

27. Works for Hire

If, in connection with services performed under this Agreement, Broker or its subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by Broker or its subcontractors under this Agreement are not works for hire under U.S. law, Broker hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, Broker may retain and use copies of such works for reference and as documentation of its experience and capabilities.

28. Audit and Inspection of Records

Broker agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. Broker will permit City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Broker shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon City by this Section.

29. Subcontracting

Broker is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by City in writing. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

30. Assignment

The services to be performed by Broker are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Broker unless first approved by City by written instrument executed and approved in the same manner as this Agreement.

31. Non-Waiver of Rights

The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

32. Earned Income Credit (EIC) Forms - FEDERAL LAW HAS BEEN RESCINDED

33. Local Business Enterprise Utilization; Liquidated Damages

a. The LBE Ordinance

Broker, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase Broker's obligations or liabilities, or materially diminish Broker's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this section. Broker's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Broker's obligations under this Agreement and shall entitle City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Broker shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

b. Compliance and Enforcement

If Broker willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, Broker shall be liable for liquidated damages in an amount equal to Broker's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of HRC") may also impose other sanctions against Broker authorized in the LBE Ordinance, including declaring the Broker to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Broker's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17. By entering into this Agreement, Broker acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. Broker further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Broker on any contract with City. Broker agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

34. Nondiscrimination; Penalties

a. Broker Shall Not Discriminate

In the performance of this Agreement, Broker agrees not to discriminate against any employee, City and County employee working with such contractor or subcontractor, applicant for employment with such contractor or subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

b. Subcontracts

Broker shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subcontractors to comply with such provisions. Broker's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

c. Nondiscrimination in Benefits

Broker does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

d. Condition to Contract

As a condition to this Agreement, Broker shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

e. Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Broker shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Broker understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Broker and/or deducted from any payments due Broker.

35. MacBride Principles—Northern Ireland

Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Broker acknowledges and agrees that he or she has read and understood this section.

36. Tropical Hardwood and Virgin Redwood Ban

Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

37. Drug-Free Workplace Policy

Broker acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. Broker agrees that any violation of this prohibition by Broker, its employees, agents or assigns will be deemed a material breach of this Agreement.

38. Resource Conservation

Chapter 5 of the San Francisco Environment Code ("Resource Conservation") is incorporated herein by reference. Failure by Broker to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

39. Compliance with Americans with Disabilities Act

Broker acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. Broker shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Broker agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Broker, its employees, agents or assigns will constitute a material breach of this Agreement.

40. Sunshine Ordinance

In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

41. Public Access to Meetings and Records

If the Broker receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Broker shall comply with and be bound by all the applicable provisions of that Chapter and this Section. By executing this Agreement, the Broker agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. Broker further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Broker acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Agreement. The Broker further acknowledges that such material breach of the Agreement shall be grounds for the City to terminate and/or not renew the Agreement, partially or in its entirety.

42. Limitations on Contributions

Through execution of this Agreement, Broker acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Broker acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Broker further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Broker's board of directors; Broker's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Broker; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Broker. Additionally, Broker acknowledges that Broker must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Broker further agrees to provide to City the names of each person, entity or committee described above.

43. Requiring Minimum Compensation for Covered Employees

a. Broker agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Broker's obligations under the MCO is set forth in this Section. Broker is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

b. The MCO requires Broker to pay Broker's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Broker is obligated to keep informed of the then-current requirements. Any subcontract entered into by Broker shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Broker's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Broker.

c. Broker shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

d. Broker shall maintain employee and payroll records as required by the MCO. If Broker fails to do so, it shall be presumed that the Broker paid no more than the minimum wage required under State law.

e. The City is authorized to inspect Broker's job sites and conduct interviews with employees and conduct audits of Broker.

f. Broker's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Broker fails to comply with these requirements. Broker agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Broker's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

g. Broker understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Broker fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Broker fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

h. Broker represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

i. If Broker is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but Broker later enters into an agreement or agreements that cause Broker to exceed that amount in a fiscal year, Broker shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Broker and this department to exceed \$25,000 in the fiscal year.

44. Requiring Health Benefits for Covered Employees

Broker agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

a. For each Covered Employee, Broker shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Broker chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

b. Notwithstanding the above, if the Broker is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

c. Broker's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Broker if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Agreement for violating the HCAO, Broker fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Broker fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to

completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

d. Any Subcontract entered into by Broker shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Broker shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Broker shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Broker based on the Subcontractor's failure to comply, provided that City has first provided Broker with notice and an opportunity to obtain a cure of the violation.

e. Broker shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Broker's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

f. Broker represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

g. Broker shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

h. Broker shall keep itself informed of the current requirements of the HCAO.

i. Broker shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

j. Broker shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

k. Broker shall allow City to inspect Broker's job sites and have access to Broker's employees in order to monitor and determine compliance with HCAO.

l. City may conduct random audits of Broker to ascertain its compliance with HCAO. Broker agrees to cooperate with City when it conducts such audits.

m. If Broker is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Broker later enters into an agreement or agreements that cause Broker's aggregate amount of all agreements with City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Broker and the City to be equal to or greater than \$75,000 in the fiscal year.

45. First Source Hiring Program

a. Incorporation of Administrative Code Provisions by Reference

The provisions of Chapter 83 of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Broker shall comply fully with, and be bound by, all of the provisions that apply to this Agreement under such Chapter, including but not limited to the remedies provided therein. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 83.

b. First Source Hiring Agreement

As an essential term of, and consideration for, any contract or property contract with the City, not exempted by the FSHA, the Broker shall enter into a first source hiring agreement ("agreement") with the City, on or before the effective date of the contract or property contract. Brokers shall also enter into an agreement with the City for any other work that it performs in the City. Such agreement shall:

(1) Set appropriate hiring and retention goals for entry level positions. The employer shall agree to achieve these hiring and retention goals, or, if unable to achieve these goals, to establish good faith efforts as to its attempts to do so, as set forth in the agreement. The agreement shall take into consideration the employer's participation in existing job training, referral and/or Brokerage programs. Within the discretion of the FSHA, subject to appropriate modifications, participation in such programs maybe certified as meeting the requirements of this Chapter. Failure either to achieve the specified goal, or to establish good faith efforts will constitute noncompliance and will subject the employer to the provisions of Section 83.10 of this Chapter.

(2) Set first source interviewing, recruitment and hiring requirements, which will provide the San Francisco Workforce Development System with the first opportunity to provide qualified economically disadvantaged individuals for consideration for employment for entry level positions. Employers shall consider all applications of qualified economically disadvantaged individuals referred by the System for employment; provided however, if the employer utilizes nondiscriminatory screening criteria, the employer shall have the sole discretion to interview and/or hire individuals referred or certified by the San Francisco Workforce Development System as being qualified economically disadvantaged individuals. The duration of the first source interviewing requirement shall be determined by the FSHA and shall be set forth in each agreement, but shall not exceed 10 days. During that period, the employer may publicize the entry level positions in accordance with the agreement. A need for urgent or temporary hires must be evaluated, and appropriate provisions for such a situation must be made in the agreement.

(3) Set appropriate requirements for providing notification of available entry level positions to the San Francisco Workforce Development System so that the System may train and refer an adequate pool of qualified economically disadvantaged individuals to participating employers. Notification should include such information as employment needs by occupational title, skills, and/or experience required, the hours required, wage scale and duration of employment, identification of entry level and training positions; identification of English language proficiency requirements, or absence thereof, and the projected schedule and procedures for hiring for each occupation. Employers should provide both long-term job need projections and notice before initiating the interviewing and hiring process. These notification requirements will take into consideration any need to protect the employer's proprietary information.

(4) Set appropriate record keeping and monitoring requirements. The First Source Hiring Administration shall develop easy-to-use forms and record keeping requirements for documenting compliance with the agreement. To the greatest extent possible, these requirements shall utilize the employer's existing record keeping systems, be nonduplicative, and facilitate a coordinated flow of information and referrals.

(5) Establish guidelines for employer good faith efforts to comply with the first source hiring requirements of this Chapter. The FSHA will work with City departments to develop employer good faith effort requirements appropriate to the types of contracts and property contracts handled by each department. Employers shall appoint a liaison for dealing with the development and implementation of the employer's agreement. In the event that the FSHA finds that the employer under a City contract or property contract has taken actions primarily for the purpose of circumventing the requirements of this Chapter, that employer shall be subject to the sanctions set forth in Section 83.10 of this Chapter.

(6) Set the term of the requirements.

(7) Set appropriate enforcement and sanctioning standards consistent with this Chapter.

(8) Set forth the City's obligations to develop training programs, job applicant referrals, technical assistance, and information systems that assist the employer in complying with this Chapter.

(9) Require the developer to include notice of the requirements of this Chapter in leases, subleases, and other occupancy contracts.

c. Hiring Decisions

Broker shall make the final determination of whether an Economically Disadvantaged Individual referred by the System is "qualified" for the position.

d. Exceptions

Upon application by Employer, the First Source Hiring Administration may grant an exception to any or all of the requirements of Chapter 83 in any situation where it concludes that compliance with this Chapter would cause economic hardship.

e. Liquidated Damages

Broker agrees:

(1) To be liable to the City for liquidated damages as provided in this section;

(2) To be subject to the procedures governing enforcement of breaches of contracts based on violations of contract provisions required by this Chapter as set forth in this section;

(3) That the contractor's commitment to comply with this Chapter is a material element of the City's consideration for this contract; that the failure of the contractor to comply with the contract provisions required by this Chapter will cause harm to the City and the public which is significant and substantial but extremely difficult to quantify; that the harm to the City includes not only the financial cost of funding public assistance programs but also the insidious but impossible to quantify harm that this community and its families suffer as a result of unemployment; and that the assessment of liquidated damages of up to \$5,000 for every notice of a new hire for an entry level position improperly withheld by

the contractor from the first source hiring process, as determined by the FSHA during its first investigation of a contractor, does not exceed a fair estimate of the financial and other damages that the City suffers as a result of the contractor's failure to comply with its first source referral contractual obligations.

(4) That the continued failure by a contractor to comply with its first source referral contractual obligations will cause further significant and substantial harm to the City and the public, and that a second assessment of liquidated damages of up to \$10,000 for each entry level position improperly withheld from the FSHA, from the time of the conclusion of the first investigation forward, does not exceed the financial and other damages that the City suffers as a result of the contractor's continued failure to comply with its first source referral contractual obligations;

(5) That in addition to the cost of investigating alleged violations under this Section, the computation of liquidated damages for purposes of this section is based on the following data:

A. The average length of stay on public assistance in San Francisco's County Adult Assistance Program is approximately 41 months at an average monthly grant of \$348 per month, totaling approximately \$14,379; and

B. In 2004, the retention rate of adults placed in employment programs funded under the Workforce Investment Act for at least the first six months of employment was 84.4%. Since qualified individuals under the First Source program face far fewer barriers to employment than their counterparts in programs funded by the Workforce Investment Act, it is reasonable to conclude that the average length of employment for an individual whom the First Source Program refers to an employer and who is hired in an entry level position is at least one year;

Therefore, liquidated damages that total \$5,000 for first violations and \$10,000 for subsequent violations as determined by FSHA constitute a fair, reasonable, and conservative attempt to quantify the harm caused to the City by the failure of a contractor to comply with its first source referral contractual obligations.

(6) That the failure of contractors to comply with this Chapter, except property contractors, may be subject to the debarment and monetary penalties set forth in Sections 6.80 et seq. of the San Francisco Administrative Code, as well as any other remedies available under the contract or at law; and

Violation of the requirements of Chapter 83 is subject to an assessment of liquidated damages in the amount of \$5,000 for every new hire for an Entry Level Position improperly withheld from the first source hiring process. The assessment of liquidated damages and the evaluation of any defenses or mitigating factors shall be made by the FSHA.

f. Subcontracts

Any subcontract entered into by Broker shall require the subcontractor to comply with the requirements of Chapter 83 and shall contain contractual obligations substantially the same as those set forth in this Section.

46. Prohibition on Political Activity with City Funds

In accordance with San Francisco Administrative Code Chapter 12.G, Broker may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement.

Broker agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event Broker violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit Broker from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Broker's use of profit as a violation of this section.

47. Preservative-treated Wood Containing Arsenic

Broker may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Broker may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Broker from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

48. Modification of Agreement

This Agreement may not be modified, nor may compliance with any of its terms be waived, except by written instrument executed and approved in the same manner as this Agreement. Broker shall cooperate with Director of Risk Management to submit to the Director of HRC any amendment, modification, supplement or change order that would result in a cumulative increase of the original amount of this Agreement by more than 20% (HRC Contract Modification Form).

49. Administrative Remedy for Agreement Interpretation

Should any question arise as to the meaning and intent of this Agreement, the question shall, prior to any other action or resort to any other legal remedy, be referred to the Director of Risk Management who shall decide the true meaning and intent of the Agreement.

50. Agreement Made in California; Venue

The formation, interpretation and performance of this Agreement shall be governed by the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Agreement shall be in San Francisco.

51. Construction

All paragraph captions are for reference only and shall not be considered in construing this Agreement.

52. Entire Agreement

This contract sets forth the entire Agreement between the parties, and supersedes all other oral or written provisions. This contract may be modified only as provided in Section 48, "Modification of Agreement."

53. Compliance with Laws

Broker shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

54. Services Provided by Attorneys

Any services to be provided by a law firm or attorney must be reviewed and approved in writing in advance by the City Attorney. No invoices for services provided by law firms or attorneys, including, without limitation, as subcontractors of Broker, will be paid unless the provider received advance written approval from the City Attorney.

55. Supervision of Minors – Left blank by agreement of the parties

56. Severability

Should the application of any provision of this Agreement to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Agreement shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of the parties and shall be reformed without further action by the parties to the extent necessary to make such provision valid and enforceable.

57. Protection of Private Information

Broker has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Broker agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Broker pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Broker.

58. Graffiti Removal

Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti. Broker shall remove all graffiti from any real property owned or leased by Broker in the City and County of San Francisco within forty eight (48) hours of the earlier of Broker's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a Broker to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched,

scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of Broker to comply with this section of this Agreement shall constitute an Event of Default of this Agreement.

59. Food Service Waste Reduction Requirements

Effective June 1, 2007, Broker agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, Broker agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Broker agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Broker's failure to comply with this provision.

60. Slavery Era Disclosure

a. Broker acknowledges that this contract shall not be binding upon the City until the Director receives the affidavit required by the San Francisco Administrative Code's Chapter 12Y, "San Francisco Slavery Era Disclosure Ordinance."

b. In the event the Director of Administrative Services finds that Broker has failed to file an affidavit as required by Section 12Y.4(a) and this Contract, or has willfully filed a false affidavit, the Broker shall be liable for liquidated damages in an amount equal to the Broker's net profit on the Contract, 10 percent of the total amount of the Contract, or \$1,000, whichever is greatest as determined by the Director of Administrative Services. Broker acknowledges and agrees that the liquidated damages assessed shall be payable to the City upon demand and may be set off against any monies due to the Broker from any contract with the City.

c. Broker shall maintain records necessary for monitoring their compliance with this provision.

61. Cooperative Drafting.

This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

62. Broker Standard of Conduct

Broker understands and agrees that the City desires to compare the cost of obtaining services or insurance products from Broker against other viable and competitive options and expects that the Broker will make its compensation agreements and revenue streams known to the City, so as to provide the City with a clear accounting of the costs of the placement of insurance services and products. The Broker shall conduct its business so as to fulfill all legal and ethical requirements and standards of the industry and the State of California, and shall place the best interests of the City ahead of any other concerns in the placement of insurance services and products. To this end, Broker:



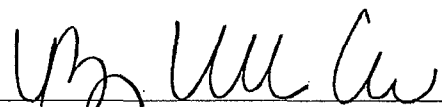
- a. Warrants that it will adhere to its ethical obligations to the City to deliver honest, competitive, and meaningful service and advice on the placement of any insurance products, services, or coverages, and to provide access to an open, fair, and competitive insurance market place;
- b. Will exercise due diligence in making a full and complete disclosure of all quotes and declinations from all markets contacted for each specific line of coverage, including the date and time of contact, and the name, address, phone number and email address of the individual contact for each market;
- c. Will make every good faith attempt to avoid even the appearance of a conflict of interest between the Broker, the City, and any provider of any insurance product or service, and will promptly notify the City of any real or potential conflict of interest;
- d. Agrees to provide to the City a copy of Broker's own Ethics Statement or Code; or Broker Compliance Statement, or to make such statements available on the Broker's website;
- e. Will work with the City to analyze, mitigate, and transfer risk in the best interests of the City.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day first mentioned above.

| CITY | CONTRACTOR |
|---|---|
| <p>Recommended by:</p> <p> Matt Hansen Director Risk Management Division</p> <p>Approved as to Form:</p> <p>Dennis J. Herrera City Attorney</p> <p>By:  Deputy City Attorney</p> | <p>AON Risk Insurance Services West, Inc.</p> <p>By signing this Agreement, I certify that I comply with the requirements of the Minimum Compensation Ordinance, which entitle Covered Employees to certain minimum hourly wages and compensated and uncompensated time off.</p> <p>I have read and understood paragraph 35, the City's statement urging companies doing business in Northern Ireland to move towards resolving employment inequities, encouraging compliance with the MacBride Principles, and urging San Francisco companies to do business with corporations that abide by the MacBride Principles.</p> <p> Regina M. Carter Managing Director Aon Risk Insurance Services West, Inc. 199 Fremont Street, Suite 1500 San Francisco, CAA 94105</p> <p>City vendor number: 31438</p> |

Appendices

- A: Eligible Services to be Provided by Broker
- B: Calculation of Charges by Task Order

Appendix A
Eligible Services to be Provided by Broker
San Francisco International Airport

1. Description of Services

The Scope of Work, as may be modified through negotiation and/or by written addendum, will be made a part of any Final Agreement. While the exact nature and extent of the services are subject to negotiations, the minimum professional services are as follows:

A. Overview

1. Act as an independent insurance advisor to the City and proactively provide ongoing unbiased professional advice and recommendations that benefit the City and its members.
2. Proactively provide ongoing review and analysis of the City's insurance programs and identification of risk transfer and risk financing options.
3. Be familiar with:
 - a. The coverages provided by all relevant insurance policies and documents issued to the City.
 - b. The exposures of the City.
4. Assure that insurance policies are placed in a timely manner, without lapses in coverage periods, with reputable and financially responsible insurers.
5. Service insurance policies placed for the City, including processing all changes and endorsements and verifying the accuracy of invoices within a reasonable time.
6. Provide early warning of rate and coverage changes or renewal problems through a process. Promptly advise the City of any changes in exposure during the policy year that would require revisions to existing insurance coverages. Upon request of the City, but at least once a year, provide a comprehensive report that reviews all of the City's insurance programs.
7. Continually monitor City's operations and loss exposures and make any appropriate recommendations for coverage changes or new coverages.
8. Be available to answer questions or obtain answers from underwriters for policy coverage questions. Meet with City Risk Management staff, Boards, City committees, and/or staff of City departments when requested.
9. Provide consultation service and written reports as normally expected of a professional Broker to a large client including Risk Management-related training and online resource development.
10. Provide loss control services and assistance with claims as requested by City. Assist in analyzing loss exposures from existing and new operations, and determine the appropriate risk management alternatives, including types, availability, cost and extent of coverages that should be considered.
11. Set up files on City master account and each individual department account showing coverages, schedules of covered property, premium for each department for each coverage, and other information required by Broker. Handle billing of departments as approved by City management and assist in evaluating and implementing a revised cost allocation program within the City and its departments.
12. Develop and distribute mailings and other communications to City and its departments. City must approve all communications before distribution.

B. Policy Review

1. Review policies and other documents in detail within fourteen (14) days of receipt of the documents to check the wording and accuracy of each policy, binder, certificate, endorsement or other document received from insurers to ensure that the intended coverage is provided, and all

coverage, terms and conditions, and other wording is complete and accurate, and in compliance with financial arrangements and administrative procedures acceptable to City.

2. Obtain revisions needed to achieve compliance with coverage request. Timely forward to the City the original policies with a sheet attached bearing the signature of the person responsible for compliance review.
3. Provide a timeline for issuance of policy forms prior to issuance of premium invoice and provide sufficient copies of policies in both hard copy and digital media (or via secure online sources) to City Risk Management as well as the internal department client.

C. Policy Amendments

1. Process requests for additions or deletions to policies within five business days of receipt.
2. Provide City with copies of initial correspondence to the insurers. Follow up every two weeks from request date until the insurer has handled request.
3. Advise in writing of any changes to insurance policy(ies) within fourteen (14) days.
4. Provide, on renewal and upon request, participants in each coverage program, and notify within five business days of any participation changes.

D. Marketing

1. Monitor expiration dates of policies and provide City Risk Management Division Director with written notification at least 180 days prior to expiration, including a description of information needed to process the renewal.
2. Work with City Risk Management Division Director to develop and implement a marketing strategy, including identifying potential markets, for program renewals at least 180 days before policy expiration.
3. Develop underwriting information and assist in gathering and organizing exposure and loss data for renewals of policies placed including completing applications as necessary.
4. Provide actuarial and statistical analysis of loss and expense data to assist in the establishment of premium, and targets for various layers of risk.
5. Work with carriers to design policies and programs most advantageous to the City for coverage of exposures, policy form, exclusions, deductibles, self-insured retentions, coordination with other policies, costs and other pertinent factors.
6. Advise of and include City Risk Management Division Director to marketing meetings with prospective carriers.
7. Market renewal coverages for City by obtaining timely and competitive quotations from available and responsible insurers.
8. Provide indications to City at least 90 days prior to insurance policy expiration unless otherwise approved by City.
9. When more than one market is approached for a line of coverage, provide City Risk Management Division Director with copies of declination letters and all premium quotations received with a summary of coverages explaining deficiencies or benefits of the quote compared to the recommended insurance program.
10. Provide quotations for specialized types of insurance, as requested by City. These services are expected at no additional cost.

E. Claims

1. Assist City departments and staff, as necessary, with filing claims on assigned insured programs.
2. Promptly notify City of any losses or accidents reported to Broker and work with internal or outside claims adjustors as necessary.
3. Represent the interests of City and its departments in policy interpretation and other negotiations with insurance carriers.

4. Assist City with review of claim reserves, and represent City to the insurer with regard to requested explanation or reduction of reserve amounts. Follow-up with insurer every 30 days until resolution of any reserve reduction requests are accomplished or until claim is closed.
5. For all lines of insurance where loss runs are not otherwise available, provide regular (e.g. quarterly) loss runs indicating the member name, claim status, amount paid, reserves, expected outcomes of cases, and other summary information.
6. Review all quarterly loss runs for all claims on all coverages. Evaluate loss history for trends or other indicators that might dictate changes in coverage strategy. Identify any relevant issues and advise City in writing.
7. Provide annual summaries by policy year for each of the last five years indicating total number of losses by type for each line of coverage and showing earned premium, incurred losses and loss ratio.

F. Certificates of Insurance

Issue certificates of insurance within three (3) business days following the date of request and assist the City with the development and implementation of a comprehensive online insurance certificate tracking system.

G. Billing

1. As directed by City, issue invoices to City and/or its departments for premiums due for insurance.
2. Maintain appropriate accounting of amounts due, receipts, and payments to insurers.

H. Contract Review

Review contracts and lease agreements as requested to ensure that the interests of City and its departments are protected and to avoid duplications in coverage.

I. Legal Compliance

Comply with all State and Federal laws and regulations pertaining to insurance Brokers licensed in the State of California.

J. Stewardship

At least 180 days prior to program anniversary, provide City with a written annual service summary for the policy year to include:

1. A schedule of coverage showing nature of coverage, limits, deductibles, insurer, policy number, premium and other relevant information.
2. Summary of team servicing this account.
3. Anticipated renewal terms and conditions and other indications of market conditions, trends and anticipated changes.
4. Identified problem areas such as claim handling, safety hazards, insurer financial problems, etc.
5. Recommendations for improved program design.
6. Services performed for the current year and planned for the next year.
7. Accounting of all income received on this account.

K. Disaster Preparedness

The Risk Management Division of the City and County of San Francisco is implementing a business continuity program and sees the immediate need to access information under the care and control of our broker partners as critical in any recovery effort of the City and County of San Francisco after a disaster.

1. To that end, Broker will be required to provide a post-disaster access plan to the City and store data in a state other than California.

2. Broker may also be called upon to provide supplemental or surge staffing on an as-needed basis in the event of a disaster. The scope of those disaster services will be appropriate to the skills and experience of the Broker.

2. Reports

Broker shall submit written reports as requested by the Risk Management Division of the City and County of San Francisco. Format for the content of such reports shall be determined by the Risk Management Division of the City and County of San Francisco. The timely submission of all reports is a necessary and material term and condition of this Agreement. The reports, including any copies, shall be submitted on recycled paper and printed on double-sided pages to the maximum extent possible.

3. Department Liaison

In performing the services provided for in this Agreement, Contractor's liaison with the Risk Management Division of the City and County of San Francisco will be Matt Hansen.

Appendix B Calculation of Charges

As applicable, proposals submitted in response to individual task orders must include a calculation of charges breaking down the insurance placement options (including disclosure of all applicable commissions, fees, taxes, etc.), or project costs by identifying the appropriate rates and charges. Some examples are:

- Personnel or Hourly Rate
- Flat rate for specified period (e.g., monthly)
- Rate for use of Broker's equipment, if applicable
- Rates for faxes (sending only), mileage, etc.
- Actual costs for contractor meals, accommodations, long distance and cellular phone charges, postage, vehicle rental, etc., subject to the approval of City.
- Any other applicable rates or charges under the Agreement