AGENDA

Meeting of the
Scotts Valley City Council
In-Person and Remote Access
Date: May 20, 2026
Time: 6:00 PM

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066 OR Zoom Video Conference https://us02web.zoom.us/j/83295730901	Agenda posted on 5-15-2026 at City Hall, SV Senior Center, SV Public Works Building, and on the Internet at: www.scottsvalley.gov

ELECTED OFFICIALS	CITY STAFF MEMBERS
Donna Lind, Mayor Steve Clark, Vice Mayor Krista Jett, Council Member Derek Timm, Council Member Greg Wimp, Council Member	Mali LaGoe, City Manager Kirsten Powell, City Attorney Cathie Simonovich, City Clerk

MEETING NOTICE AND AGENDA PACKET MATERIALS

Notice regarding City Council Meetings:
The City Council meets regularly on the 1st and 3rd Wednesday of each month at 6:00 PM in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066, and via Zoom Webinar remote access.

Agenda and Agenda Packet Materials:
The City Council agenda and the complete agenda packet are available for review by 5:00 PM the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.gov and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.gov.

Public Participation:
The meeting will be available on Zoom and livestreamed to the City of Scotts Valley's YouTube channel: https://www.youtube.com/@cityofscottsvalley
For those wishing to participate via Zoom you can join the following ways:
Zoom Webinar meeting link: https://us02web.zoom.us/j/83295730901
Or dial one of these numbers: (669) 900-9128 or (669) 444-9171
Webinar ID: 832 9573 0901

Whether attendance is in-person or remote, you will be given opportunities to provide public comment at the appropriate times throughout the meeting. The time limit is up to 3 minutes for an individual, or 5 minutes for someone who is representing a group of three or more, at the discretion of the Mayor. Please note that this is not a question-and-answer time, but simply a time to provide comments to the Council. At the appropriate times during the meeting for public comment, on items not on the agenda, and on specific agenda items, the Mayor will announce that public comment will be accepted.

How to comment via in-person attendance:
Please proceed to the public comment podium when the Mayor opens the item for public comment.

How to comment via Zoom Webinar:
Use the webinar attendee option to “raise hand” when the Mayor opens the item for public comment. The Clerk will unmute you when it is your turn. If you have joined via Zoom phone call, dial *9 or your phone to “raise your hand”, and the Clerk will unmute you when it is your turn.

CALL TO ORDER 6:00 PM

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

SPECIAL SET MATTER

1. Mayor's Proclamation declaring May 17 to May 23 as Public Works Week

COMMITTEE REPORTS

Council members are appointed to committees which are either City committees or committees dealing with other jurisdictions. This portion of the agenda allows the committee member to present oral or written reports to the Council regarding their committee assignments. It also allows the Council to make comments and give the committee member direction, as required.

CITY MANAGER REPORT

PUBLIC COMMENT TIME

This is the opportunity for individuals attending in person to make oral comments to the Council on any items within the purview of the Council, which are NOT part of the Agenda. No action on the item may be taken, but the Council may request the matter be placed on a future agenda. Written public comment may be emailed to the City Clerk by 5:00 PM on the day of the meeting at csimonovich@scottsvalley.gov.

ALTERATIONS TO CONSENT AGENDA
Council can remove or add items to the Consent Agenda.

CONSENT AGENDA
The Consent Agenda is comprised of items which are intended to be non-controversial and are approved without discussion. Persons wishing to speak on any item may request the item be moved to the Regular Agenda by raising their hand to be recognized by the Mayor. An item will only be moved from the Consent Agenda to the Regular Agenda if a City Council Member requests it to be moved and a majority of the Council agrees.

1. Approve City Council minutes of 05-06-2026
2. Road closure for City's 4th of July Parade
3. Monthly Treasurer's Report - March 2026
4. Pinewood Estates Maintenance Assessment District Request for Engineer's Report
5. Skypark Open Space Maintenance Assessment District Request for Engineer's Report
6. Second reading and adoption of Ordinance No. 203, an ordinance of the City Council of the City of Scotts Valley amending Section 15.20.030 of Title 15, Chapter 15.20 of the Scotts Valley Municipal Code to establish a Fire Facilities Impact Fee and providing for its adoption by resolution of the Scotts Valley Fire District Board of Directors

ALTERATIONS TO REGULAR AGENDA
Council can remove or add items to the Regular Agenda.

REGULAR AGENDA
Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.

1. Five-Year Capital Improvement Plan for Fiscal Year 2026-2027 to Fiscal Year 2030-2031
2. Presentation of the Proposed Fiscal Year 2026-27 Budget and Long-Range Financial Forecast

3. Award Contract to VSS International, Inc. for the Scotts Valley Drive/Mt. Hermon Road Improvements Project No. P26-002 and Authorize the City Manager to Execute a Contract in an Amount Not to Exceed $1,536,211.00

4. Future Council Agenda Items

CONVENE TO CLOSED SESSION

CLOSED SESSION SUBJECT(S)

1. Conference with legal counsel regarding liability claim
   Legal Authority: Government Code Section 54956.9
   Name of Case: Stacy Murphy Claim
   Staff Present: City Manager, City Attorney, Police Chief

2. Conference with legal counsel regarding real property negotiations
   Legal Authority: Government Code Section 54956.8
   Location: 251 Kings Village Road, Scotts Valley, CA 95066
   Staff Present: City Manager, City Attorney

RECONVENE TO OPEN SESSION

REPORT ON ACTION TAKEN DURING CLOSED SESSION

ADJOURNMENT

ADA NOTICE

The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend a City Council meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the City Clerk's office at (831) 440-5608 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a City Council meeting be available in an alternative format consistent with a specific disability, please call the City Clerk's Office. The California State Relay Service (TTY/VCO/HCO to Voice: English 1-800-735-2929, Spanish 1-800-855-3000; or, Voice to TTY/VCO/HCO: English 1-800-735-2922, Spanish 1-800-855-3000), provides Telecommunications Devices for the Deaf and Disabled and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.

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City of Scotts Valley

Mayor's Proclamation

National Public Works Week

May 17 – 23, 2026

"Rooted in Service, Powered by Community"

WHEREAS, the City of Scotts Valley depends on the dedication and expertise of public works professionals—engineers, maintenance crews, wastewater plant staff, and support staff—who work tirelessly to keep our community safe, connected, and thriving; and

WHEREAS, the 2026 theme, "Rooted in Service, Powered by Community," reflects the spirit of Scotts Valley, where public works teams combine technical skill with a deep commitment to serving our residents; and

WHEREAS, these professionals design, build, operate, and maintain the systems and services that make daily life possible, including our roads, parks, water and wastewater systems, public facilities, and environmental programs; and

WHEREAS, the health, safety, comfort, and quality of life in Scotts Valley are directly linked to the dedication and hard work of our public works employees, whose efforts often go unseen but are essential to our city's success; and

WHEREAS, it is both fitting and proper to recognize and express our gratitude for the contributions of these individuals, who embody the values of service, stewardship, and community pride.

NOW, THEREFORE, I, Donna Lind, as Mayor of the City of Scotts Valley, on behalf of the entire City Council, do hereby proclaim the week of May 17-23, 2026, as National Public Works Week in the City of Scotts Valley, and I encourage all residents to join me in celebrating and supporting the dedicated individuals who keep our City strong, safe, and beautiful.

Donna Lind, Mayor

Signed and sealed this 20th day of May 2026

CITY OF SCOTTS VALLEY CALIFORNIA 1966

MINUTES

Meeting of the
Scotts Valley City Council
Date: May 6, 2026
Time: 6:00 PM

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066 OR Zoom Video Conference https://us02web.zoom.us/j/83295730901	The agenda was posted on 5-1-2026at City Hall, SV Senior Center, SV Public Works Building, and on the Internet at www.scottsvalley.gov.

CALL TO ORDER 6:00 PM

The City Council meeting was called to order at 6:00 PM.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

ELECTED OFFICIALS PRESENT:	CITY STAFF MEMBERS PRESENT:
Donna Lind, Mayor Steve Clark, Vice Mayor Krista Jett, Council Member Derek Timm, Council Member Greg Wimp, Council Member	Mali LaGoe, City Manager Kirsten Powell, City Attorney Jayson Rutherford, Police Chief Taylor Bateman, Community Development Director Rodolfo Onchi, Public Works Director Stephanie Hill, Administrative Services Director Lauren Lambert, Acting Administrative Secretary

SPECIAL SET MATTER

1. Mayor's Proclamation for Peace Officers' Memorial Day, May 15, 2026

Mayor Lind presented the proclamation declaring May 15, 2026, as Peace Officers' Memorial Day. Police Chief Jayson Rutherford accepted the proclamation.

2. Mayor's Proclamation for Older Americans Month, May 2026

Mayor Lind presented the proclamation declaring May 2026 as Older Americans Month. Zachary Johnson, Administrative Services Officer for the Seniors Council, and Antonio Rivas, Seniors Council Board Member, accepted the proclamation.

COMMITTEE REPORTS

CM Timm attended a Special Board Meeting for Central Coast Community Energy (3CE), and he noted that the battery rebate program is oversubscribed and will be discontinued. However, there will be other programs in the future.

CM Timm attended the Enhanced Infrastructure Financing District Public Financing Authority (EIFD PFA) meeting where they discussed the bylaws, the make-up of the board, and important projects.

CM Jett attended a Pathways to Possibility (P2P) meeting, as part of her involvement with the Youth Action Network, where the students did some creative activities. She congratulated the students for presenting at the previous Council meeting.

CM Jett, along with CM Wimp, attended a Safety Advisory Committee meeting where they discussed a variety of safety concerns throughout the City. They also looked ahead to the repaving project on Scotts Valley Drive this summer, and they heard a presentation from Director Onchi on the Safety Action Plan.

CM Jett attended a Town Center Subcommittee meeting, and she noted that the Request for Proposals window has closed and the proposals are currently under review. They discussed the process for independently reviewing the proposals and they will meet again next week to review the independent scores.

CM Jett attended a Childrens Network meeting where they heard a presentation from Santa Cruz County about child welfare.

CM Wimp attended the Safety Action Committee meeting which CM Jett reported on above.

VM Clark attended a Seniors Council meeting where they covered the quarterly Master Plan for Aging workgroup.

VM Clark and Mayor Lind attended a couple of Budget Subcommittee meetings.

Mayor Lind attended a Santa Cruz Metropolitan Transit District (METRO) Planning and Projects meeting where they worked on budget items and the potential tax measure, and she also attended a METRO Board of Directors meeting where they focused on budget items and the Reimagine METRO program.

Mayor Lind, as Chamber Ambassador, has been attending the Scotts Valley Chamber of Commerce Awards Gala planning meetings.

Mayor Lind gave welcome remarks at the Home Hardening and Wildfire Prevention Workshop, which was a collaboration between the City of Scotts Valley and Assemblymember Pellerin.

CITY MANAGER REPORT

City Manager LaGoe noted that it is Public Service Recognition Week, and she thanked the staff, volunteers, commissions and the Council Members for their service to the Community.

City Manager LaGoe thanked Administrative Services Director Hill for filling in for her at the last Council meeting.

The Fiscal Year 26-27 budget is receiving finishing touches. The budget and the Capital Improvement Plan will be presented to the Council on May 20. She thanked the subcommittee members for their efforts during the long meetings.

The first Enhanced Infrastructure Financing District Public Financing Authority board meeting was held on May 5. The Board provided direction to staff to draft bylaws and the Infrastructure Financing Plan (IFP) which will be the guiding document for the financing district. The bylaws and the IFP will be presented at the next meeting, likely this summer, and in the meantime staff will work on setting up a website and doing some public outreach.

The Citizens Academy participants toured the Wastewater Treatment Plan this week and heard presentations from Public Works Director Onchi and City Attorney Powell.

The Local Agency Formation Commission (LAFCO) met today in the Council Chambers, and they took action to approve the Scotts Valley Service and Sphere of Influence Review.

The work on the Scotts Valley Drive sinkhole is complete and the remaining work that is being completed is a coordinated effort between the Scotts Valley Water District and Caltrans.

Governor Newsome recently declared a disaster for the storm event that caused the slide on Glenwood Drive. Staff has been working with CalOES on completing the funding request, and this disaster declaration should make it easier for the City to be reimbursed for the repair costs.

The Recreation team released a Senior Survey to gain input on what services they would like to see and also their opinion of the Senior Center. This survey went out in the May Senior Center Newsletter and QR codes are posted around town. Complete surveys can also be brought into the Senior Center or mailed in.

The City recently completed an employee engagement survey, and the results are being reviewed. Preliminarily, job satisfaction is high, employees feel supported, and employees plan to stay for several years.

The Police Department participated in the Race to Remember event last weekend.

The Police Department completed lockdown drills at Vine Hill Elementary School and at Scotts Valley Middle School last week.

The Police staff received a new motorcycle that was paid for with grant funding.

The Blue and Gold Dinner is next Friday, and big congratulations goes out to Officer Aaron Roberts for being awarded Police Employee of the Year.

The City received a $700K check from the federal government for the funding reimbursement for the Skypark big kids' playground.

Reminder — follow the City on Social Media and sign up to receive the City's newsletter.

PUBLIC COMMENT TIME

VM Clark attended the Rotary Club Student Awards, along with Mayor Lind and CM Wimp.

VM Clark, along with Mayor Lind and CM Wimp, attended the candlelight vigil for crime victims hosted by the District Attorney's office.

VM Clark attended the Reserve Officers, Volunteers, and Explorers Recognition Dinner.

VM Clark attended the first Food Truck Friday event of the season, which supports the Scotts Valley Educational Foundation (SVEF).

VM Clark met with the new Comcast Government Relations Representative.

Mayor Lind noted that the Never Forget Relay benefits the Fallen Officers Foundation.

CM Wimp reiterated that the student awards and the vigil were moving events.

CM Wimp attended the Leadership Santa Cruz session on Art and Culture Day.

Mayor Lind announced that the Chamber Gala is Friday, May 8, and the Blue and Gold Dinner is the following Friday.

ALTERATIONS TO CONSENT AGENDA

CM Timm welcomed Genelle Chetcuti to the Senior Center Board.

CM Timm asked if the Parks and Recreation Commission was advised about the Skypark Master Plan contract award, and City Manager LaGoe confirmed that they were notified.

M/S: Timm/Clark
To approve the Consent Agenda with no alterations.
Carried 5/0 (AYES: Lind, Clark, Jett, Timm, Wimp)

CONSENT AGENDA

1. Approve City Council minutes of 04-15-2026
2. Contract Award for Development of Skypark Master Plan in Amount of $171,006
3. Ratify appointment of Scotts Valley Senior Center Advisory Commission Member
4. Approval of Wastewater Recycling Facility Membrane Bioreactor Preliminary Design (Phase 2) Agreement in amount of $628,406.90
5. Investment Report for the Quarter Ended March 31, 2026
6. Monthly Treasurer's Report - February 2026
7. Second reading and adoption of Ordinance No. 15.14 an amendment to the Business License Tax Ordinance to establish economic development event exemption and associated administrative fee
8. Second reading and adoption of Ordinance No. 22-200.4 approving Lexipol Policy 706 pertaining to the funding, acquisition, and use of military equipment as mandated by Assembly Bill 481
9. Second reading and adoption of Ordinance No. 202 designating no stopping, no parking areas

PUBLIC HEARINGS

1. Public Hearing to consider the adoption of Fire Facility Impact Fees to be collected by the City on behalf of the Scotts Valley Fire Protection District

This item was presented by City Attorney Powell. Jeff McNeil, Battalion Chief of the Fire District, was in attendance to answer questions.

Mayor Lind opened the public hearing at 6:55 PM. There were no comments from the public, and the hearing was closed at 6:55 PM.

M/S: Clark/Timm
To Introduce Ordinance No. 203, amending Section 15.20.030 of the Municipal Code to establish a Fire Facility Impact Fee and waive the reading thereof.
Carried 5/0 (AYES: Lind, Clark, Jett, Timm, Wimp)

M/S: Clark/Wimp
To Adopt Resolution No. 2092, Adopting the Scotts Valley Fire District Fire Facilities Impact Fee Study and Impact Fees and authorize the City Manager to enter into that certain agreement with the Scotts Valley Fire Protection District regarding the collection of the impact fees.
Carried 5/0 (AYES: Lind, Clark, Jett, Timm, Wimp)

2. Public Hearing to consider Resolution 1198.81 adopting proposed Fiscal Year 2026-27 User Fee Schedule and Charges

Administrative Services Director Hill presented this item and answered questions from the Council.

Mayor Lind opened the public hearing at 7:01 PM. There were no comments from the public, and Mayor Lind closed the public hearing at 7:01 PM.

M/S: Timm/Jett
To adopt Resolution No. 1198.81 adopting the proposed FY2026/27 User Fee Schedule and Charges.
Carried 5/0 (AYES: Lind, Clark, Jett, Timm, Wimp)

3. Public Hearing for presentation of Vacancy Status and Recruitment Strategies per AB 2561

Administrative Services Director Hill presented this item.

Mayor Lind opened the public hearing at 7:03 PM. There were no comments from the public, and Mayor Lind closed the public hearing at 7:03 PM.

ALTERATIONS TO REGULAR AGENDA

None.

REGULAR AGENDA

1. Adoption of the Santa Cruz County Safety Action Plan

Public Works Director Onchi introduced this item and Zachary Ramalingam, the City's consultant from Kimley-Horn, presented this item.

M/S: Clark/Timm
To adopt Resolution No. 2090 authorizing the adoption of the Santa Cruz County Safety Action Plan, affirming the City's commitment to improving roadway safety, and authorizing staff to use the Plan to guide future project prioritization and pursue state and federal grant funding opportunities.
Carried 5/0 (AYES: Lind, Clark, Jett, Timm, Wimp)

2. Santa Cruz METRO Transit District Presentation

METRO Chief Executive Officer and General Manager Corey Aldridge presented this item.

A community member inquired if there were any other available options for increasing revenues other than the 1/2 cent sales tax.

3. Future Council Agenda Items

None.

ADJOURNMENT

The meeting adjourned at 7:42 PM..

Approved: ___________________________
Donna Lind, Mayor

Attest: ______________________________
Cathie Simonovich, City Clerk

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE:	5/20/2026
TO:	Honorable Mayor and City Council
FROM:	Scott Garner, Police Captain
APPROVED:	Mali LaGoe, City Manager
SUBJECT:	**Road closure for City's 4th of July Parade**

SUMMARY OF ISSUE

On July 4, 2026, the City of Scotts Valley will celebrate Independence Day by hosting a parade along Scotts Valley Drive. The proposed parade route will begin at Carbonero Way, travel northbound to El Pueblo Road, make a U-turn, and travel southbound to Civic Center Drive, make a U-turn, and return to Carbonero Way. The roadway will be closed in both directions in order to maximize pedestrian/audience safety, with police officers and volunteers manning various driveways and barricaded sections along the parade route.

The parade will begin at 11:00 AM. Anticipated participants for the parade include antique/classic car enthusiasts, children's groups (such as 4H, cub scouts, etc), dance groups, martial arts clubs, bicyclists, pets, emergency vehicles, service clubs, floats, etc.

Closure of the roadway will require the City Council to adopt a resolution in compliance with California Vehicle Code 21101(e). Appropriate notice letters will be distributed to affected businesses and residences, and the police department will further alert the public via the mobile radar trailer message board prior to the event. A press release will be issued for media coverage, and appropriate teletypes will be sent to affected agencies (such as fire, ambulance, transit, sheriff, CHP, etc).

FISCAL IMPACT

Additional overtime will be necessary for police staff to work this event. Approximately eight police officers (in addition to the two already working patrol July 4th) will be required to work this event from 10:00 AM to 2:00 PM. The cost of $4,000 will be absorbed by the Police Department's overtime budget.

STAFF RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 1851.13 establishing a road closure along the above-specified route of Scotts Valley Drive in order to host a parade in celebration of Independence Day on July 4, 2026.

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RESOLUTION NO. 1851.13

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY TEMPORARILY CLOSING A PORTION OF SCOTTS VALLEY DRIVE FOR THE CITY'S 4th OF JULY PARADE

WHEREAS, in celebration of Independence Day, the City has planned a parade to be held on July 4, 2026; and

WHEREAS, the parade route shall be along Scotts Valley Drive from Carbonero Way, travel northbound to El Pueblo Road, make a U-turn and then southbound to Civic Center Drive, make a U-turn and return to Carbonero Way; and

WHEREAS, participants in the parade and spectators will utilize all lanes of Scotts Valley Drive; and

WHEREAS, it is necessary to temporarily close Scotts Valley Drive from Civic Center Drive to El Pueblo Road for the safety and protection of the participants and spectators of the parade.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Scotts Valley hereby orders the temporary closure of Scotts Valley Drive from Civic Center Drive to El Pueblo Road from 10:30 AM until 2:30 PM. on July 4, 2026. Such road closure shall be posted along the parade route by June 23, 2026.

The above and foregoing resolution was adopted at a duly held regular meeting of the City Council on the 20th of May 2026 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved:______________________________
Donna Lind, Mayor

Attest: ______________________________
Cathie Simonovich, City Clerk

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE:	5/20/2026
TO:	Honorable Mayor and City Council
FROM:	Stephanie Hill, Administrative Services Director
APPROVED:	Mali LaGoe, City Manager
SUBJECT:	**Monthly Treasurer's Report - March 2026**

SUMMARY OF ISSUE

Summary and Statutory Requirement

California Government Code Section 41004 requires the City Treasurer to submit a written report and accounting of all receipts, disbursements, and fund balances to the City Clerk and the legislative body. The attached Treasurer's Report is prepared to fulfill this statutory requirement.

The attachment provides a summary of the City's cash-based investment activity and financial position for March. This report reflects only cash receipts, disbursements, and fund balances for the period presented. It does not include internal accounting entries, accrual adjustments, depreciation, interfund reclassifications, or other year-end transactions that occur as part of the annual audit and close process.

Third Quarter Financial Interpretation, January Through March

The information presented reflects financial activity through the third quarter of the fiscal year. By this stage, the City's financial trends are more clearly established, and staff gains stronger visibility into anticipated year-end outcomes.

Additional recurring revenues, including sales tax, transient occupancy tax, franchise fees, and intergovernmental revenues, continue to be realized during this period. The City also begins preparing for the second major property tax distribution, which typically occurs in April.

Expenditure activity at this point reflects the majority of regular operating costs for the fiscal year. Capital project activity, contract services, and seasonal programs become more visible in third-quarter reports.

Third-quarter data is a key indicator for:

- Preliminary year-end revenue projections
- Identification of emerging budget pressures

- Early baseline assumptions for the upcoming fiscal year budget, including labor, insurance, utilities, and contract cost trends

At this stage, financial variances are increasingly evaluated as either true structural changes or remaining timing differences.

How to Interpret the Treasurer’s Report

The Treasurer’s Report is a cash-based snapshot of the City’s financial activity. It reflects money received, money spent, and fund balances based on actual cash activity only. It does not include accruals or year-end accounting adjustments and should not be interpreted as the City’s final financial position.

Relationship to the Annual Audit and Financial Forecasting

The Treasurer’s Report remains unaudited. Staff uses third-quarter information to refine year-end revenue and expenditure projections and to support upcoming budget development for the next fiscal year.

Ongoing Use Throughout the Fiscal Year

Third-quarter reporting plays a critical role in shaping forward-looking financial planning. While not final, these results offer a strong preview of anticipated year-end performance.

FISCAL IMPACT

There is no fiscal impact in receiving and filing the report.

STAFF RECOMMENDATION

Review and accept the Treasurer’s Report for the month ended March 31, 2026.

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Cash and Investments Balance by Fund

In accordance with California Government Code Section 53601, the City utilizes a pooled cash and investment approach. This means that all available cash from various City funds is consolidated into a single investment pool for the purpose of maximizing interest earnings and ensuring effective cash management.

The pooled funds are invested in compliance with the City's adopted Investment Policy, which is guided by the primary objectives of safety, liquidity, and yield. Investments are made only in instruments permitted under Government Code §53601, including but not limited to:

- U.S. Treasury and agency securities
- Bank certificates of deposit
- Bank demand deposits
- Local Agency Investment Fund (LAIF)
- California Asset Management Program (CAMP)
- Municipal bonds
- Money market accounts

Each fund participating in the pool retains its individual equity interest and receives its proportionate share of investment earnings based on its average cash balance.

This pooling strategy provides economies of scale, increases investment diversification, and ensures that public funds are managed responsibly in accordance with state law and best practices for public sector finance.

As of March 31, 2026, the City's unaudited cash and investments totaled $22,579,322.

Fund Category	Cash Summary	
General Fund	$	2,615,185
General Capital Improvement Fund	$	(1,711,370)
Special Revenue Fund - Development Impact Fees	$	3,942,157
Special Revenue Fund	$	14,297,602
Debt Service	$	769,878
Wastewater Enterprise Fund	$	2,665,870
	$	**22,579,322**

- *A negative fund balance may occur temporarily when expenditures are incurred before related revenues are received, or when internal transfers from other funds are pending. These timing differences are expected to be resolved in future periods as revenues are collected or transfers are completed.*

Investment Type	Cash Summary	
Bank of America	$	382,831
LAIF	$	19,016,846
CAMP	$	545,844
WCCB	$	252,745
SCHWAB	$	2,381,056
	$	**22,579,322**

City's Current Financial Position

In accordance with California government code section 53646 (b) (3), the City is financially positioned and able to meet its estimated expenditure requirements for the next six months.

The following Fund Balance schedule represents actual funding available for all funds at the end of the monthly period. This amount differs from the above Cash Summary schedule as assets and liabilities are components of the fund balance. As illustrated in the summary below, *Total Cash* is adjusted by the addition of *Total Assets* less the amount of *Total Liabilities* to arrive at the *Ending Fund Balance* – which represents the actual amount of funds available.

Working capital represents the difference between the Wastewater Fund's current assets (such as cash, investments, and receivables) and its current liabilities (such as accounts payable and accrued expenses). It is a measure of the Fund's short-term financial health and its ability to meet operating obligations as they come due.

Adjusting Cash to Ending Fund Balance		
Total Cash	$	22,579,322
Plus: Assets	$	5,877,830
Less: Liabilities	$	(4,422,430)
Ending Fund Balance	**$**	**24,034,722**

City of Scotts Valley
Changes in Total Fund Balance
For the month ended March 31, 2026

Fund	Description	Beginning Fund Balance 07/01/2025	Increase / (Decrease) July-February	Current Period Revenue	Current Period Expenditure	Fund Balance as of 03/31/2026
General Fund						
1	General Fund	3,258,974	(342,349)	817,954	(1,300,808)	2,433,771
6	Equipment Replacement Reserve	960,604	9,107	6,756	-	976,467
	Recreation Funds (4, 28, 123)	(92,151)	(193,629)	24,846	(59,630)	(412,472)
Subtotal General Funds		**4,035,277**	**(526,871)**	**849,556**	**(1,360,438)**	**2,997,767**
General Capital Improvement Fund						
150	Major Capital Projects	841,873	(2,407,346)	-	-	(1,565,473)
151	Capital Outlay Projects	6,589	(235,446)	-	-	(228,857)
Subtotal Capital Improvement Fund		**848,462**	**(2,642,792)**	**-**	**-**	**(1,794,330)**
Special Revenue Fund - Development Impact Fees						
7	Drainage Construction Impact Fees	143,947	8,796	1,795	(15)	154,523
8	Traffic Impact Mitigation Fees	1,176,836	48,295	14,188	(117)	1,239,202
9	Park & Recreation Facilities Impact Fees	1,786,209	79,435	22,260	(179)	1,887,725
21	General Facility Impact Fees	6,202	1,932	273	(1)	8,406
27	Police Facility Building Impact Fees	410,308	12,726	4,461	(40)	427,455
86	Library Impact Fees	213,991	8,382	2,491	(21)	224,843
Subtotal Special Revenue Funds - Development Impact F		**3,737,494**	**159,566**	**45,468**	**(373)**	**3,942,155**
Special Revenue Fund						
2	Recycling/Environment	198,335	(66,248)	1,257	(6,937)	126,407
3	Gas Tax	1,173,854	224,242	39,733	(134)	1,437,695
5	SMIP Fees	5,722	(2,389)	76	-	3,409
17	Home Grant Program	511,064	2,316	1,074	(11)	514,443
19	Affordable Housing	4,546,602	86,779	33,935	(342)	4,666,974
24	Lennar Funds	621,150	-	-	-	621,150
31	STP Exchange Projects	-	-	-	-	-
33	Tree Replacement	55,416	1,360	320	-	57,096
35	Green Building Funding	624,993	51,125	44	-	676,162
36	Disability Compliance	25,919	3,060	172	(17)	29,134
50	Pinewood Estates Maint. Dist.	222	767	-	(10)	979
51	Mt. Hermon Traffic Mitigation	162,706	3,393	1,574	(16)	167,657
77	Skypark Landscape Maint. Dist.	(3,988)	552	-	(1,134)	(4,570)
78	Skypark Landscape Maint. Dist. Insurance	562,869	11,738	5,444	(55)	579,996
88	Library Improvements (Measure S)	140	22,213	212	(2)	22,563
89	Library - Cty MOE Excess Distribution	647,062	11,508	6,239	(63)	664,746
115	Section 115 Set Aside - Pension	2,270,164	183,123	(71,823)	(409)	2,381,055
155	Measure D Sales Tax for Transportation	1,032,320	176,266	50,356	(116)	1,258,826
156	SB-1 (RMRA)	1,149,812	221,843	38,451	(131)	1,409,975
200	Quimby Act	204,508	4,265	1,978	(20)	210,731
201	Measure Q	-	-	101,109	(3)	101,106
306	Supplemental Law Enforcement Services	156,585	107,641	17,994	(25)	282,195
313	Youth Focused Programs	51,173	(175)	-	(162)	50,836
317	Community And Economic Grants	472,689	9,857	4,572	(46)	487,072
Subtotal Special Revenue Funds - Other		**14,469,318**	**1,053,236**	**232,717**	**(9,633)**	**15,745,638**
Debt Service						
66	Debt Service	1,069,878	(300,000)	-	-	769,878
Subtotal Debt Service Funds		**1,069,878**	**(300,000)**	**-**	**-**	**769,878**
Wastewater Enterprise Fund						
10	Wastewater Operations	2,324,179	2,473,186	283,560	(186,545)	4,894,380
11	Tertiary Operating	(262,632)	(213,844)	58,134	(27,482)	(445,824)
12	Waterwater Treatment Facility Fee (DIF)	436,775	34,280	15,373	(45)	486,383
14	Wastewater Capital Replacement Fund	237,817	(2,131,998)	-	(45,995)	(1,940,176)
Subtotal Wastewater Enterprise Funds		**2,736,139**	**161,624**	**357,067**	**(260,067)**	**2,994,763**
Total All Funds		**26,896,567**	**(2,095,237)**	**1,484,808**	**(1,630,511)**	**24,655,870**

City of Scotts Valley

Monthly Wire Payments

MARCH 2026

Date	Vendor	Description		Amount
3/9/2026	CalPERS	CalPERS Pension 02/20 PR	$	61,728.25
3/6/2026	Payroll	Payroll 03/06/2026	$	305,243.31
3/6/2026	SVPOA	Payroll Deductions	$	209.00
3/6/2026	PORAC	Payroll Deductions	$	573.75
3/6/2026	SEIU	Payroll Deductions	$	561.42
3/6/2026	COPE	Payroll Deductions	$	10.00
3/6/2026	ICMA	Payroll Deductions	$	13,221.41
3/6/2026	Health Equity (FSA)	Payroll Deductions	$	1,312.51
3/6/2026	Fallen Officer	Payroll Deductions	$	5.00
3/13/2026	CalPERS	CalPERS Pension 03/06 PR	$	63,928.57
3/16/2026	Bank of America	Bank Fees	$	1,087.13
3/20/2026	Payroll	Payroll 03/20/26	$	300,691.18
3/20/2026	PARS	Payroll Deductions	$	189.05
3/20/2026	SVPOA	Payroll Deductions	$	209.00
3/20/2026	LEGAL	Payroll Deductions	$	1,000.00
3/20/2026	COPE	Payroll Deductions	$	10.00
3/20/2026	ICMA	Payroll Deductions	$	13,323.64
3/20/2026	Health Equity (FSA)	Payroll Deductions	$	1,312.51
3/20/2026	Fallen Officer	Payroll Deductions	$	5.00
3/30/2026	BNY	Lease Revenue Refunding Bonds 19	$	80,275.00
3/30/2026	BNY	Lease Revenue Refunding Bonds 19B	$	16,714.35
3/26/2026	CalPERS	CalPERS UAL	$	188,768.92
3/31/2026	Retirees	Retiree Medical April	$	46,226.47
			$	**1,096,605.47**

Check Number	Check Date	Vendor Name	Check Amount
135683	03/06/2026	ADAMSON POLICE PRODUCTS	$ 307.92
135684	03/06/2026	AMAZON CAPITAL SERVICES	$ 580.75
135685	03/06/2026	ASSOCIATED SERVICES CO.	$ 140.05
135686	03/06/2026	AT&T	$ 287.87
135687	03/06/2026	COMCAST	$ 768.57
135688	03/06/2026	COMCAST	$ 1,050.55
135689	03/06/2026	CRYSTAL SPRINGS WATER CO	$ 282.25
135690	03/06/2026	LLOYD'S TIRE SERVICE INC.	$ 482.64
135691	03/06/2026	MP EXPRESS, INC.	$ 269.13
135692	03/06/2026	NATIONAL COMTEL NETWORK INC.	$ 9.26
135693	03/06/2026	PHILLIP D NEUMAN	$ 29,800.22
135694	03/06/2026	PHOENIX GROUP	$ 247.08
135695	03/06/2026	RALEY'S	$ 37.85
135696	03/06/2026	SCARBOROUGH LUMBER	$ 102.35
135697	03/06/2026	STANDARD INSURANCE COMPANY	$ 991.62
135698	03/06/2026	STEVEN LOPEZ	$ 500.00
135699	03/06/2026	URETSKY SECURITY	$ 9,810.69
135700	03/06/2026	WAGE WORKS	$ 125.00
135701	03/06/2026	WIZIX TECHNOLOGY GROUP, INC	$ 328.70
135702	03/13/2026	A TOOL SHED, INC.	$ 375.69
135703	03/13/2026	ACCENT CLEAN & SWEEP INC	$ 5,478.00
135704	03/13/2026	ACE PORTABLE SERVICES	$ 2,724.48
135705	03/13/2026	ALVAREZ IND INC CLEAN BLDG	$ 295.00
135706	03/13/2026	AMAZON CAPITAL SERVICES	$ 438.20
135707	03/13/2026	AT&T	$ 8.91
135708	03/13/2026	BATTERIES + BULBS #314	$ 2,909.09
135709	03/13/2026	BRASS KEY LOCKSMITH	$ 12.40
135710	03/13/2026	CHRIS GALLI	$ 230.00
135711	03/13/2026	COUNTY OF SANTA CRUZ	$ 1,216.80
135712	03/13/2026	DAWN BANKS	$ 190.80
135713	03/13/2026	DOCTORS ON DUTY	$ 150.00
135714	03/13/2026	ENVIRONMENTAL INNOVATIONS	$ 8,373.05
135715	03/13/2026	GRAINGER	$ 931.04
135716	03/13/2026	HERC RENTALS	$ 2,626.11
135717	03/13/2026	HOSE SHOP	$ 45.99
135718	03/13/2026	JAYSON RUTHERFORD	$ 215.00
135719	03/13/2026	K & D LANDSCAPING, INC.	$ 3,711.00
135720	03/13/2026	KENNEDY-JENKS CONSULTANTS	$ 45,994.51
135721	03/13/2026	LT MUNICIPAL CONSULTANTS	$ 1,910.00
135722	03/13/2026	MARY LOUISE DEFALCO	$ 129.00
135723	03/13/2026	MEREDITH ROBERTS	$ 215.00
135724	03/13/2026	MISSION UNIFORM SERVICE	$ 295.70
135725	03/13/2026	MONTEREY BAY ANALYTICAL SVCS	$ 823.00

Check Number	Check Date	Vendor Name	Check Amount
135726	03/13/2026	MP EXPRESS, INC.	$ 615.59
135727	03/13/2026	NATIONAL COMTEL NETWORK INC.	$ 12.54
135728	03/13/2026	O'REILLY AUTOMOTIVE,INC	$ 49.36
135729	03/13/2026	OLIVE SPRINGS QUARRY INC.	$ 460.03
135730	03/13/2026	OPERATIONAL TECHNICAL SERVICES	$ 9,444.48
135731	03/13/2026	PERALTA'S MACHINE SHOP	$ 3,719.38
135732	03/13/2026	PETERSON POWER SYSTEMS, INC.	$ 8,362.90
135733	03/13/2026	PHILLIP D NEUMAN	$ 6,164.04
135734	03/13/2026	PURETEC INDUSTRIAL WATER	$ 59.66
135735	03/13/2026	ROSS RECREATION EQUIPMENT INC.	$ 66.77
135736	03/13/2026	SARAH ORRE	$ 640.80
135737	03/13/2026	SCARBOROUGH LUMBER	$ 1,130.65
135738	03/13/2026	SCOTTS VALLEY SPRINKLER	$ 840.49
135739	03/13/2026	SHARRON BARTH	$ 90.00
135740	03/13/2026	SOUTHLAND INDUSTRIES	$ 9,780.00
135741	03/13/2026	STATE WATER RESOURCES CONTROL	$ 228.00
135742	03/13/2026	STERICYCLE INC	$ 266.99
135743	03/13/2026	STRATEGIC GOVERNMENT RESOURCES	$ 4,930.00
135744	03/13/2026	SYCAL ENGINEERING INC	$ 1,625.88
135745	03/13/2026	THE PIED PIPER INC.	$ 226.00
135746	03/13/2026	THOMSON REUTERS-WEST	$ 416.30
135747	03/13/2026	TYLER GREEN	$ 500.00
135748	03/13/2026	WEX BANK	$ 8,846.54
135749	03/13/2026	YOGA FOR ALL MOVEMENT	$ 84.00
135750	03/24/2026	ACC BUSINESS	$ 1,838.87
135751	03/24/2026	AFLAC-FLEX ONE	$ 883.70
135752	03/24/2026	ALVAREZ IND INC CLEAN BLDG	$ 451.00
135753	03/24/2026	AT&T	$ 56.24
135754	03/24/2026	AT&T MOBILITY	$ 1,743.52
135755	03/24/2026	B & B SMALL ENGINE	$ 169.36
135756	03/24/2026	BLUETRITON BRANDS INC	$ 80.53
135757	03/24/2026	CENTRAL HOME SUPPLY	$ 6,285.72
135758	03/24/2026	COMCAST	$ 777.68
135759	03/24/2026	CSG CONSULTANTS, INC	$ 240.00
135760	03/24/2026	CSG CONSULTANTS, INC	$ 742.50
135761	03/24/2026	DASH MEDICAL GLOVES	$ 147.36
135762	03/24/2026	DIXON & SON TIRE	$ 907.42
135763	03/24/2026	DUNCAN AUTO TECH	$ 2,475.22
135764	03/24/2026	ENTERPRISE FM TRUST	$ 13,137.52
135765	03/24/2026	GOOD CITY COMPANY	$ 5,780.00
135766	03/24/2026	INTERWEST CONSULTING GROUP	$ 1,328.25
135767	03/24/2026	INTERWEST CONSULTING GROUP	$ 1,270.51
135768	03/24/2026	KOSMONT COMPANIES, INC	$ 2,227.50

Check Number	Check Date	Vendor Name	Check Amount
135769	03/24/2026	LIEBERT CASSIDY WHITMORE	$ 5,262.00
135770	03/24/2026	LOGAN & POWELL, LLP	$ 17,414.77
135771	03/24/2026	M-GROUP	$ 20,034.00
135772	03/24/2026	MISSION UNIFORM SERVICE	$ 392.75
135773	03/24/2026	MONTEREY BAY ANALYTICAL SVCS	$ 428.00
135774	03/24/2026	MONTEREY REGIONAL	$ 10,146.00
135775	03/24/2026	OPERATIONAL TECHNICAL SERVICES	$ 4,574.67
135776	03/24/2026	PACIFIC GAS & ELECTRIC CO	$ 69,969.57
135777	03/24/2026	PETERSON POWER SYSTEMS, INC.	$ 2,591.58
135778	03/24/2026	PHILLIP D NEUMAN	$ 8,745.58
135779	03/24/2026	PITNEY BOWES GLOBAL	$ 585.15
135780	03/24/2026	RIVERSIDE LIGHTING INC	$ 63.17
135781	03/24/2026	S.V. WATER DISTRICT - BULK	$ 123.25
135782	03/24/2026	SANTA CRUZ CO ENVIRONMENTAL	$ 767.25
135783	03/24/2026	SCARBOROUGH LUMBER	$ 80.82
135784	03/24/2026	SCOTTS VALLEY CAR WASH	$ 50.96
135785	03/24/2026	TALLEN CALIFORNIA, LLC	$ 3,500.00
135786	03/24/2026	THE PIED PIPER INC.	$ 70.50
135787	03/24/2026	VISIT SANTA CRUZ COUNTY	$ 18,059.88
135788	03/24/2026	WEBER,HAYES, & ASSOCIATES	$ 918.75
			$ 388,303.22

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 5/20/2026

TO: Honorable Mayor and City Council

FROM: Rodolfo Onchi, Public Works Director

APPROVED: Mali LaGoe, City Manager

SUBJECT: **Pinewood Estates Maintenance Assessment District Request for Engineer's Report**

SUMMARY OF ISSUE

On July 15, 1987, the City Council adopted Resolution No. 1213 establishing the Pinewood Estates Maintenance Assessment District pursuant to the Landscaping and Lighting Act of 1972. District improvements generally include ornamental landscaping, irrigation equipment, signage, fencing, and storm detention ponds. These improvements were dedicated to the City by the developer of the Pinewood Estates subdivision and are located within the Lockewood Lane right-of-way and subdivision landscaping easements.

The District consists of twenty-five Pinewood Estates homeowners who are assessed annually for the maintenance, repair, and operation of the district improvements.

Each year, the District special fund is depleted through maintenance activities, requiring preparation of an Annual Engineer's Report. The report includes a description of the improvements and proposed maintenance activities, an estimated budget, and the annual benefit assessments for the district. In accordance with Article 4, Chapter 1, Part 2 of the Landscaping and Lighting Act of 1972, the City Council must adopt a resolution directing the City's engineer to prepare and file the report with the City Clerk for Fiscal Year 2026–2027.

Following completion of the Engineer's Report, the City Council will consider the report and adopt a resolution of intention to levy the annual assessments, which is anticipated to occur at the June 3, 2026, City Council meeting. A public hearing to consider the proposed assessments and any protests is scheduled for June 17, 2026. In accordance with state law, all 25 property owners will be notified by mail prior to the public hearing.

FISCAL IMPACT

There is no fiscal impact associated with this action.

STAFF RECOMMENDATION

Staff recommends that the City Council adopt Resolution No. 1213.40 directing the City's engineer to prepare and file the Annual Engineer's Report with the City Clerk in accordance with the Landscaping and Lighting Act of 1972.

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RESOLUTION NO. 1213.40

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY DIRECTING THE PREPARATION AND FILING OF THE ANNUAL ENGINEER'S REPORT FOR THE PINEWOOD ESTATES MAINTENANCE ASSESSMENT DISTRICT FOR FISCAL YEAR 2026–2027

WHEREAS, on July 15, 1987, the City Council adopted Resolution No. 1213 establishing the Pinewood Estates Maintenance Assessment District pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code; and

WHEREAS, the improvements within the District generally consist of ornamental landscaping, irrigation equipment, signage, fencing, and storm detention ponds located within the Lockewood Lane right-of-way and subdivision landscaping easements; and

WHEREAS, the Landscaping and Lighting Act of 1972 requires the preparation and filing of an Annual Engineer's Report for each fiscal year in which assessments are to be levied; and

WHEREAS, the Annual Engineer's Report includes a description of the improvements and proposed maintenance activities, estimated costs, and the proposed assessments for Fiscal Year 2026–2027.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED as follows:

1. The City Council hereby orders the preparation and filing of the Annual Engineer's Report for the Pinewood Estates Maintenance Assessment District for Fiscal Year 2026–2027 pursuant to Article 4, Chapter 1, Part 2 of the Landscaping and Lighting Act of 1972.
2. The City's engineer is hereby directed to prepare and file the Annual Engineer's Report with the City Clerk in accordance with the requirements of the Landscaping and Lighting Act of 1972.

The above and foregoing resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a regular meeting held on the 20th day of May 2026 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: ______________________________
Donna Lind, Mayor

Attest: ______________________________
Cathie Simonovich, City Clerk

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 5/20/2026

TO: Honorable Mayor and City Council

FROM: Rodolfo Onchi, Public Works Director

APPROVED: Mali LaGoe, City Manager

SUBJECT: **Skypark Open Space Maintenance Assessment District Request for Engineer's Report**

SUMMARY OF ISSUE

In 1995, the City Council formed the Skypark Open Space Maintenance Assessment District No. 1 pursuant to the Landscaping and Lighting Act of 1972 and authorized the levy and collection of annual assessments to maintain the district. The district includes a linear park, two greenbelt areas, and a self-insurance reserve fund established for potential slope failure within the assessment area. The assessment district must be renewed annually.

Each year, an Annual Engineer's Report is prepared and filed in accordance with Article 4, Chapter 1, Part 2 of the Landscaping and Lighting Act of 1972. The report includes a description of the improvements and maintenance activities, estimated costs, and the proposed benefit assessments for Fiscal Year 2026–2027. The City Council must adopt a resolution directing the City's engineer to prepare and file the report with the City Clerk.

Assessment revenue funds landscape maintenance services including cultivation, trimming, spraying, fertilization, disease treatment, and removal of debris and green waste. Revenue also supports the repair, reconstruction, removal, and replacement of infrastructure associated with maintaining the open space areas, including irrigation systems, lighting, curbs, gutters, sidewalks, and utilities such as water and electricity. In addition, the assessment provides for reserve funding in the event of slope failure within the district.

Following completion of the Engineer's Report, the City Council will consider the report and adopt a resolution of intention to levy the annual assessments, which is anticipated to occur at the June 3, 2026, City Council meeting. A public hearing to consider the proposed assessments and any protests is scheduled for June 17, 2026. In accordance with state law, all 190 property owners will be notified by mail prior to the public hearing.

FISCAL IMPACT

There is no fiscal impact associated with this action.

STAFF RECOMMENDATION

Staff recommends that the City Council adopt Resolution No. 1555-SP-038 directing the City's engineer to prepare and file the Annual Engineer's Report with the City Clerk in accordance with the Landscaping and Lighting Act of 1972.

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RESOLUTION NO. 1555-SP-038

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY DIRECTING THE PREPARATION AND FILING OF THE ANNUAL ENGINEER'S REPORT FOR THE SKYPARK OPEN SPACE MAINTENANCE ASSESSMENT DISTRICT NO. 1 FOR FISCAL YEAR 2026–2027

WHEREAS, in 1995, the City Council formed the Skypark Open Space Maintenance Assessment District No. 1 pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code; and

WHEREAS, the District includes a linear park, two greenbelt areas, landscaping, irrigation and related infrastructure, and a reserve fund established for potential slope failure within the assessment area; and

WHEREAS, the Landscaping and Lighting Act of 1972 requires the preparation and filing of an Annual Engineer's Report for each fiscal year in which assessments are to be levied; and

WHEREAS, the Annual Engineer's Report includes a description of the improvements and proposed maintenance activities, estimated costs, and the proposed assessments for Fiscal Year 2026–2027.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED as follows:

1. The City Council hereby orders the preparation and filing of the Annual Engineer's Report for the Skypark Open Space Maintenance Assessment District No. 1 for Fiscal Year 2026–2027 pursuant to Article 4, Chapter 1, Part 2 of the Landscaping and Lighting Act of 1972.

2. The City's engineer is hereby directed to prepare and file the Annual Engineer's Report with the City Clerk in accordance with the requirements of the Landscaping and Lighting Act of 1972.

The above and foregoing resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a regular meeting held on the 20th day of May 2026 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: ______________________________
Donna Lind, Mayor

Attest: ______________________________
Cathie Simonovich, City Clerk

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 5/20/2026

TO: Honorable Mayor and City Council

FROM: Kirsten Powell, City Attorney

APPROVED: Mali LaGoe, City Manager

SUBJECT: **Second reading and adoption of Ordinance No. 203, an ordinance of the City Council of the City of Scotts Valley amending Section 15.20.030 of Title 15, Chapter 15.20 of the Scotts Valley Municipal Code to establish a Fire Facilities Impact Fee and providing for its adoption by resolution of the Scotts Valley Fire District Board of Directors**

SUMMARY OF ISSUE

On May 6, 2026, the City Council introduced Ordinance No. 203 which amended Scotts Valley Municipal Code Section 15.20.030 to establish a Fire Facilities Impact Fee ("Impact Fee"). The establishment of the Impact Fee was requested by the Scotts Valley Fire Protection District ("District") in order to fund fire facilities necessitated by growth in the City. The District is unable to collect impact fees but cities are able to do so on behalf of the District.

In addition to introducing the ordinance, the City Council authorized the City Manager to enter into a Memorandum of Understanding with the District which details the process by which the City will collect and disperse the Impact Fee to the District, compensates the City for the time associated with the collection and dispersement and requires the District to indemnify the City for the collection of the Impact Fee.

This evening, the City Council is being asked to adopt the ordinance. If adopted, it will be effective in 30 days, at which time the City will begin collecting the Impact Fee for new development projects in the City.

FISCAL IMPACT

The adoption of the ordinance and the collection of the fees on behalf of the District will result in a recovery of 5% of the fees collected by the City. At this time, it is difficult to determine the exact amount of fees that will be collected as it is based on development projects.

STAFF RECOMMENDATION

Staff recommends Council adopts Ordinance No. 203 Fire Facility Impact Fees.

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ORDINANCE NO. 203

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AMENDING SECTION 15.20.030 OF TITLE 15, CHAPTER 15.20 OF THE SCOTTS VALLEY MUNICIPAL CODE TO ESTABLISH A FIRE FACILITIES IMPACT FEE AND PROVIDING FOR ITS ADOPTION BY RESOLUTION OF THE SCOTTS VALLEY FIRE DISTRICT BOARD OF DIRECTORS

WHEREAS, this Ordinance sets forth the requirements for establishing and administering a development impact fee program imposed by the City of Scotts Valley ("City") on behalf of the Scotts Valley Fire District ("District"); and

WHEREAS, new development within the boundaries of the Scotts Valley Fire Protection District ("District") impacts and necessitates the need and demand for fire protection services and other emergency services, including, but not limited to, the need for certain District capital facilities and other District capital assets; and

WHEREAS, wildfires are a frequent natural disaster in California, causing significant harm and loss to individuals, communities, property, and great swaths of natural landscape, and the frequency, duration and size of wildfires have increased over the last several decades; and

WHEREAS, as climate change extends and exacerbates fire risk in California, there are areas within the District that are at relatively high risk for fire and according to the Santa Cruz County Climate Vulnerability Technical Compendium (January 2025), the decadal probability of a wildfire is projected to increase to the 50th and 90th percentiles for 2040s and 2070s, respectively, compared to historical baseline for emissions scenarios; and

WHEREAS, on June 11, 2025, the District adopted the Scotts Valley Fire District Hazard Map Ordinance No. 2025-1, establishing fire hazard severity zones (FHSZ) within the District, including FHSZs high and moderate fire hazard zones, thereby increasing the importance of fire protection services and capital facilities; and

WHEREAS, the District has prepared the required documentation to comply with the California Mitigation Fee Act (Government Code §§66000-66025) including a Fire Facilities Impact Fee Study dated July 22, 2025 ("Nexus Study") which established the legal and policy basis to support a new Impact Fee program within the District; and

WHEREAS, there is a reasonable relationship between the fees used and the types of development projects on which the fee is imposed for the reasons set forth in the District's resolution and nexus study attached to this Ordinance; and

WHEREAS, there is a reasonable relationship between the need for the Public Facilities, including Fire Facilities, Equipment, and Apparatus, and the development projects on which the fee is imposed for the reasons set forth in the District's resolution and nexus study attached to this Ordinance; and

WHEREAS, on November 12, 2025, after considering the Nexus Study and testimony received at a public hearing, the Board of Directors of the District established a Fire Facility Fee and made the following findings pursuant to Government Code § 66001:

1. The broad purpose of the Impact Fees is to protect public health, safety, and general welfare by providing adequate District facilities. The specific purpose of the Impact Fees is to fund the acquisition or construction of fire protection and emergency fire protection services and other emergency services, including, but not limited to, the need for certain capital facilities and other capital assets (collectively, "Fire Protection Facilities and Assets") provided by the District attributable to new development in the District.

2. The uses of the Impact Fees will be used to fund the District's Fire Protection Facilities and Assets to serve new development. The specific Fire Protection Facilities and Assets are further set forth in the District's Capital Improvement Plan ("CIP"), which was approved by the Board on November 12, 2025. The CIP indicates the approximate location, size, time of availability, and estimates of costs for all Fire Protection Facilities and Assets that may be funded with Impact Fees.

3. The uses of the Impact Fees are reasonably related to the types of development projects for which the Impact Fees are imposed, in that the Impact Fees will be used to expand the District's Fire Protection Facilities and Assets to meet the additional demand generated by new development.

4. The Impact Fees bear a reasonable relationship to the need for Fire Protection Facilities and Assets and the type of development on which the Impact Fees are imposed.

The Nexus Study demonstrates that there is a reasonable relationship between the amount of the Impact Fees and the cost of the Fire Protection Facilities and Assets attributable to the new development within the District's boundaries.

WHEREAS, the District requests the establishment and administration of a development impact fee because the District lacks statutory authority to impose development impact mitigation fees independently, and the District has prepared all of the supporting documentation to support the findings required to establish the fee, collect the fee and comply with all necessary reporting and accounting procedures for the fee.

NOW, THEREFORE, the City Council of the City of Scotts Valley hereby ordains as follows:

Section 1. Recitals. The foregoing recitals are true and correct and are incorporated into the findings herein.

Section 2. Section 15.20.030 of Chapter 15.20 of Title 15 of the Scotts Valley Municipal Code is hereby amended to read as follows:

"SECTION 15.20.030. The following development impact fees are hereby established and imposed on the issuance of all building permits for development within the city to finance the cost of the following categories of public facilities and improvements required by new development:

A. General Facilities and Equipment. A development impact fee is hereby established for general facilities and equipment.

B. Wastewater Treatment Facilities. A development impact fee is hereby established for wastewater treatment facilities.

C. Law Enforcement Facilities, Equipment and Training. A development impact fee is hereby established for law enforcement facilities, equipment and training.

D. Storm Drainage Facilities. A development impact fee is hereby established for storm drainage facilities.

E. Park and Recreation Facilities. A development impact fee is hereby established for park and recreation facilities.

F. Library Facilities. A development impact fee is hereby established for library facilities.

G. Streets and Thoroughfares. A development impact fee is hereby established for streets and thoroughfares.

H. Administrative Overhead. A development impact fee is hereby established for administrative overhead to cover the cost of general administration of this chapter and any resolution adopted pursuant hereto, performance of accounting tasks associated herewith, supervision and handling of funds, preparation and/or updating of master facilities plans and/or capital financing plans, and the like. This fee shall be set as a percentage of the fees set forth in subsections A through G, above, which are collected pursuant to this chapter. This fee does not relate to and is not designed to cover administrative costs incurred by the city in the case of any specific public facility constructed with the fees referenced in subsections A through G, above, since such project specific administrative costs are included in and shall be recovered from such fees.

I. Fire Facilities Impact Fee. A development impact fee is hereby established for fire facilities. The specific amount of the fee shall be established by resolution of the Scotts Valley Fire District or its successor.

Except as provided above, the city council shall, by council resolution, set forth the specific amount of the fees, describe the benefit and impact area on which the fees are imposed, list the specific public improvements to be financed and describe the estimated cost of these facilities."

Section 3. **CEQA COMPLIANCE.** The proposed amendments are exempt pursuant to the CEQA Guidelines Section 15061(b)(3), which provides that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The establishment of the Fire Facilities Fee does not have the potential for causing a significant effect on the environment.

Section 4. **SEVERABILITY.** If any section, subsection, subdivision, sentence, clause, phrase or portion of this Ordinance, is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions thereof be declared invalid or unconstitutional.

Section 5. To the extent the provisions of the Scotts Valley Municipal Code as amended by this Ordinance are substantially the same as the provisions of that Code as they read immediately prior to the adoption of this Ordinance, then those provisions shall be construed as continuations of the earlier provisions and not as new enactments.

Section 6. **EFFECTIVE DATE**. This ordinance shall be in full force and effect thirty (30) days from and after the date of its adoption.

Section 7. **PUBLICATION.** The City Clerk shall certify as to the adoption of this Ordinance and shall cause a summary thereof to be published within fifteen (15) days of adoption and shall post a certified copy of this Ordinance, including the vote for and against same, in the Office of the City Clerk, in accordance with Government Code Section 36933.

This Ordinance was introduced on the 6th date of May, 2026, and passed and adopted on the 20th day of May, 2026, at a duly held meeting of the City Council of the City of Scotts Valley by the following votes:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED: ______________________________
Donna Lind, Mayor

ATTEST:

____
Cathie Simonovich, City Clerk

APPROVED AS TO FORM:

____
Kirsten Powell, City Attorney

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 5/20/2026

TO: Honorable Mayor and City Council

FROM: Rodolfo Onchi, Public Works Director

APPROVED: Mali LaGoe, City Manager

SUBJECT: **Five-Year Capital Improvement Plan for Fiscal Year 2026-2027 to Fiscal Year 2030-2031**

SUMMARY OF ISSUE

BACKGROUND

The Capital Improvement Plan (CIP) is the City's multi-year planning document for major infrastructure, facility, equipment, and capital outlay needs. The CIP is updated annually and is used to guide project planning, funding decisions, and implementation priorities. The full project list is included as Attachment 1.

The proposed CIP continues to organize projects into two categories: major capital projects, which generally include larger infrastructure and facility projects with longer useful lives; and capital outlay projects, which generally include equipment, vehicle replacements, deferred maintenance, and smaller facility improvements.

PROJECT PRIORITIZATION

Projects are prioritized to help guide funding and scheduling decisions within available resources. The priority categories are intended to distinguish projects that are critical to health, safety, regulatory compliance, or infrastructure reliability from projects that are important but may be scheduled over a longer period as funding becomes available.
Priority A: Projects that are essential or critical to health and safety, legal or regulatory requirements, or the protection of existing public infrastructure.
Priority B: Projects that are important to maintain service levels, safety, infrastructure condition, or quality of life, but are not considered immediately critical.
Priority C: Projects that are desirable or may be deferred until higher-priority projects are funded or additional resources become available.

DISCUSSION

The proposed FY 2026-27 CIP totals $9,426,650 citywide. This includes $8,536,150 in major capital projects and $890,500 in capital outlay projects. The plan also identifies anticipated

projects and funding needs through FY 2030-31.
The proposed CIP focuses on maintaining and improving core public infrastructure, advancing projects that support Council priorities, and identifying future funding needs. Key areas include:

- Wastewater system improvements, including treatment plant reliability, collection system upgrades, lift station improvements, the Wastewater Master Plan, and continued work toward the MBR upgrade.
- Transportation improvements, including annual street resurfacing, Scotts Valley Drive and Mount Hermon Road corridor improvements, Granite Creek Overpass work, pedestrian safety lighting, and traffic signal upgrades.
- Storm drain improvements, including culvert and drainage repairs, trash capture improvements, and stormwater master planning.
- Parks and facility improvements, including the Shugart Park buildout, public works facility planning, Siltanen improvements, and public safety radio equipment upgrades.

The attached CIP table provides the detailed project list, estimated costs, funding sources, anticipated fiscal year, and priority category for each project. Several projects remain partially or fully unfunded in later years. Staff will continue to evaluate grant opportunities, restricted funding sources, development impact fees, and other available funding to advance projects as resources become available.

PLANNING COMMISSION REVIEW

The Planning Commission reviewed the proposed CIP on May 14, 2026, and found the FY 2026-27 portion of the CIP consistent with the Scotts Valley General Plan. The CIP will be incorporated into the FY 2026-27 budget for City Council consideration on June 3, 2026.

FISCAL IMPACT

There is no direct fiscal impact associated with receiving this report and presentation. Project funding will be appropriated through the FY 2026-27 budget adoption process or through separate Council actions, as needed. The proposed FY 2026-27 CIP totals $9,426,650 from a combination of restricted funds, grants, enterprise funds, development impact fees, and other identified sources.

STAFF RECOMMENDATION

Staff recommends that the City Council receive the presentation on the proposed Five-Year Capital Improvement Plan for Fiscal Year 2026-27 through Fiscal Year 2030-31, provide direction as appropriate, and direct staff to incorporate the Capital Improvement Plan into the proposed FY 2026-27 budget for final consideration.

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FY 2026-27 City-Wide 5-Year Capital Improvement Plan

Priority	Description	Funding Source	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Wastewater							
A	WWTP-Clarifier Struc/Wlkways	WWTP-C	-	2,000,000	2,000,000	-	-
A	Wastewater Master Plan	WWTP-C/WWDIF	200,000	-	-	-	-
A	Collection System Pipeline Upgrades	WWTP-C/WWDIF	575,000	500,000	-	-	-
A	MBR Upgrade	WWTP-C/WWDIF	748,000	2,090,000	-	-	-
A	WWTP Collection Lift Stations	WWTP-C	300,000	200,000	-	-	-
		Wastewater Total	**1,823,000**	**4,790,000**	**2,000,000**	**-**	**-**
Transportation							
A	Annual St Resurface & Repair	Gas Tax/SB-1/Measure D	1,000,000	-	1,000,000	-	666,667
A	Mt Hermon Road Improvements	RTC/SB-1/Measure D	759,150	-	-	-	-
A	Scotts Valley Drive Cooridor Improvements	RTC/SB-1/Measure D/Gas Tax	1,575,000	-	-	-	-
A	Granite Creek Overpass	RTC/SB-1/Gas Tax/Unfunded	125,000	3,000,000	-	-	-
B	Janis Way Digout, Overlay, Sidewalk, Bike Lanes	Measure D	-	250,000	500,000	-	-
B	Lockwood Lane Street Improvements	Measure D	-	100,000	-	-	-
B	Scotts Valley Drive - Pedestrian Safety Street Lighting	CIP	-	-	300,000	-	-
A	Traffic Signal Upgrade	TDIF	500,000	-	-	250,000	-
B	Lockhart Gulch Pavement Rehab Project	Unfunded	-	-	496,000	-	-
B	Glen Canyon Carbonera Creek Overcrossing	Unfunded	-	1,790,000	-	-	-
		Transportation Total	**3,959,150**	**5,140,000**	**2,296,000**	**250,000**	**666,667**
Storm Drains							
B	Hacienda Road Storm Drain Extension	CIP	-	100,000	-	-	-
A	Granite Creek Culvert	CIP	300,000	-	-	-	-
B	Pinecone Dr Draining Imprvmt	CIP	327,000	-	-	-	-
A	Storm Drain Trash Capture System	CIP/Fund 2	60,000	-	75,000	-	-
A	N. Scotts Valley Drive (S. of Redwood Vista) - Drainage	CIP	50,000	250,000	-	-	-
A	Storm Water Master Plan	CIP/SDIF	-	250,000	-	-	-
		Storm Drains Total	**737,000**	**600,000**	**75,000**	**-**	**-**
Parks							
A	Shugart Park Buildout	Parks DIF	1,200,000	1,500,000	-	-	-
B	Vern Hart (Fish Park) Creek Pathway	Unfunded	-	-	-	500,000	-
		Parks Total	**1,200,000**	**1,500,000**	**-**	**500,000**	**-**
General Facilities							
A	PW Facility Improvements Design	CIP	-	-	250,000	1,300,000	-
A	Public Safety Answering Point Radio Equipment Upgrade	Grant	682,000	-	-	-	-
B	Siltanen Restroom Upgrade	Lennar	135,000	-	-	-	-
		General Facilities Total	**817,000**	**-**	**250,000**	**1,300,000**	**-**
		Total Major Capital Projects	**8,536,150**	**12,030,000**	**4,621,000**	**2,050,000**	**666,667**

FY 2026-27 Capital Outlay Projects

Priority	Description	Funding Source	FY 2026-27
Wastewater Enterprise Funds			
B	Dewatering Polymer Makedown System	WWTP-C	75,000
B	Belt Press Grinder Replacement	WWTP-C	40,000
A	Recycled Water Pump Replacement P501	TTP Reserve	45,000
B	SCADA computer replacement	WWTP-C	40,000
A	Clarifier Scum Pump Replacement	WWTP-C	25,000
A	Grit Pump	WWTP-C	65,000
A	Grit Removal Equipment	WWTP-C	60,000
		Wastewater Total	**350,000**
Government Funds			
B	Parks Lighting Project	Lennar	65,000
B	Parks Buildings Roofing	Lennar	26,000
A	Police Patrol Vehicle	Police SLES	80,000
B	Boom Truck for Tree Work	Equip. Replacement	100,000
A	New Arrow Board for Traffic Control	Equip. Replacement	18,500
B	New Gate for Corp Yard	Equip. Replacement	22,000
B	Striping Walk Behind	Equip. Replacement	30,000
B	Siltanen Snack Shack Roof & Gutters	Lennar	25,000
B	MacDorsa Sidewalk Repairs	Lennar	40,000
B	Hocus Pocus Sidewalk Repairs	Lennar	30,000
B	Senior Center Trash Enclosure	Lennar	20,000
B	Senior Center Siding & Paint	Lennar	22,000
B	Siltanen Parking Lot Resurfacing	Lennar	22,000
B	Skypark Parking Lot Resurfacing	Lennar	40,000
		Government Funds Total	**540,500**

Total FY26/27 Major Capital & Capital Outlay **9,426,650**

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 5/20/2026

TO: Honorable Mayor and City Council

FROM: Stephanie Hill, Administrative Services Director

APPROVED: Mali LaGoe, City Manager

SUBJECT: **Presentation of the Proposed Fiscal Year 2026-27 Budget and Long-Range Financial Forecast**

SUMMARY OF ISSUE

Budget Document and Overview

The FY 2026–27 Preliminary Budget is presented for the City Council's consideration and includes a long-range financial forecast and detailed analysis of the General Fund, the City's primary operating fund. The City's budget continues to be maintained through the OpenGov platform, providing residents, elected officials, and stakeholders with interactive online access to current and historical budget information, including revenues, expenditures, and capital projects. This platform remains an important component of the City's commitment to transparency and public engagement.

To assist with development of the FY 2026–27 Preliminary Budget, the City Council provided policy and budget direction through several actions during the fiscal year, including:

- **FY 2025–26 Mid-Year Budget Review:** City Council reviewed and approved mid-year budget amendments and updated financial forecasts.
- **Strategic Planning Goals:** City Council reviewed and reaffirmed the City's Strategic Goals, which were incorporated into the development of the FY 2026–27 Preliminary Budget.
- **Guiding Budget Principles:** City Council adopted annual Guiding Budget Principles to establish fiscal policy direction and long-term financial priorities.
- **Capital Improvement Program (CIP):** The Planning Commission reviewed the proposed CIP for consistency with the General Plan, and City Council reviews the proposed FY 2026–27 CIP as part of the budget process.
- **City Council Budget Subcommittee:** Staff met regularly with the Budget Subcommittee, consisting of the Mayor and Vice Mayor, to review revenues, expenditures, forecasts, staffing, capital projects, and long-range financial planning assumptions.

The FY 2026–27 Preliminary Budget reflects cautious revenue assumptions as the City and broader region continue to navigate inflationary pressures, economic uncertainty, and slowing revenue growth. Total revenues are projected at approximately $32.8 million, including approximately $16.6 million in tax revenues generated primarily through sales tax, property tax, Measure Z, and Measure X revenues. Total expenditures are projected at approximately $38.0 million, including $27.3 million in operating expenditures, approximately $9.4 million in capital improvement projects and the balance in special revenue funds.

The proposed budget includes the planned use of approximately $0.9 million in General Fund reserves, along with approximately $4.3 million from other funds to support capital improvements, recreation programming, and other restricted activities. As in prior years, actual year-end impacts are expected to be lower than budget due to project timing, staffing vacancies, and operational savings realized throughout the fiscal year.

The proposed FY 2026–27 budget continues the City's emphasis on restoring service levels, rebuilding infrastructure, and strengthening organizational capacity. The budget includes one additional full-time Engineering Technician position to support the City's expanding Capital Improvement Program and increasing project management demands. In addition, the budget converts a temporary part-time administrative support position within the Police Department into a permanent part-time position to provide greater operational continuity and administrative support services. The budget also incorporates strategic organizational restructuring efforts, including ongoing evaluation of vacancies and position classifications to ensure staffing structures best align with operational needs and service delivery priorities. The City continues to refine internal cost allocation practices, force accounting procedures, and use of special revenue funds to maximize operational efficiency and preserve General Fund reserves.

Long-Range Financial Planning

The FY 2026–27 Preliminary Budget includes a comprehensive analysis of the City's long-range financial condition, with a focus on the General Fund as the City's primary operating fund. The forecast incorporates current economic trends, Measure X business license tax revenues, Measure Z sales tax revenues, anticipated pension cost increases, debt service obligations, and ongoing infrastructure investment needs.

The long-range financial forecast demonstrates that while Measure Z continues to provide critical financial stability for the City, revenue growth is expected to remain relatively flat in the near term due to broader economic conditions. Measure X is projected to generate approximately $1.2 million during its first full year of implementation in FY 2026–27. In addition, the forecast assumes consideration of a future ballot measure in 2026 to increase the Transient Occupancy Tax (TOT) rate from 11% to 12%, aligning Scotts Valley with surrounding jurisdictions in Santa Cruz County.

Despite these revenues, expenditures are projected to continue outpacing revenues in future years due to increasing labor costs, pension obligations, debt service, and infrastructure maintenance needs. Under current assumptions, the General Fund reserve balance is projected to fall below the City's minimum reserve target in FY 2027–28. Without additional corrective actions or new revenue sources, long-range forecasts indicate reserves could be depleted within the next decade.

The City continues to evaluate operational efficiencies, staffing needs, revenue opportunities, and long-term financial strategies to improve fiscal sustainability while maintaining service levels and advancing Council priorities.

Fiscal Sustainability Planning

Consistent with the City's Guiding Budget Principles, staff continues to identify strategies to address projected structural budget deficits and improve long-term fiscal sustainability. Proposed and ongoing actions include:

1. Continued monitoring and evaluation of Measure X revenues and business impacts.
2. Evaluation of a 2026 ballot measure to increase the Transient Occupancy Tax rate from 11% to 12%, with up to 13% as an option.
3. Ongoing review of staffing levels, operational efficiencies, and vacant positions prior to refilling.
4. Continued refinement of force accounting, internal service allocations, and use of special revenue funds to reduce pressure on the General Fund.
5. Strategic prioritization of capital projects and infrastructure investments based on long-term funding capacity.

While recent financial conditions have improved compared to prior years, significant long-term infrastructure and operational funding needs remain. Continued strategic planning and fiscal prudence will be necessary to maintain service levels and advance community priorities.

Transfers

Transfers represent the movement of resources between funds within the City's financial structure to support operational needs, capital improvements, debt obligations, and legally restricted activities. Transfers do not represent expenditures to outside vendors, but rather internal reallocations of funding to ensure resources are aligned with operational and capital priorities.

The FY 2026–27 Preliminary Budget reflects expanded use of transfers associated with special revenue funds, force accounting, and capital project funding. These adjustments improve transparency, maximize eligible funding sources, and reduce reliance on the General Fund to support capital and operational activities.

Capital Improvement Projects

The proposed FY 2026–27 Capital Improvement Program totals approximately $9.4 million and continues the City's focus on infrastructure reinvestment, roadway improvements, park enhancements, and facility modernization.

During FY 2025–26, the City is projected to complete approximately $4.5 million in capital projects, including approximately $1.8 million in roadway resurfacing covering 15 lane miles throughout the community. In addition, the City completed the new Skypark playground project, a $750,000 improvement that was fully grant funded.

The FY 2026–27 CIP emphasizes continued roadway rehabilitation efforts, improvements along Scotts Valley Drive, and initial phases of the Shugart Park buildout. The City also continues long-range infrastructure planning efforts through completion of the Wastewater Master Plan and Skypark Facility Master Plan.

Economic Development and Community Investment

The FY 2026–27 Preliminary Budget continues the City's commitment to supporting community partnerships, youth engagement, and local economic vitality. The proposed budget includes $50,000 in General Fund support for the City's Community Grant Program, which provides assistance to local organizations and programs that enhance community services and quality of life for Scotts Valley residents.

The budget also proposes continued support for youth-focused initiatives, including funding for two participants in the Pathways to Possibility Youth City Liaison Program and a partial funding match to support the schools' O'Neill Sea Odyssey educational program. These investments reflect the City's commitment to youth engagement, educational opportunities, and community partnership development.

In addition, staff is developing potential business support programs intended to assist local businesses with improvements related to Americans with Disabilities Act (ADA) compliance, green building initiatives, and other community-enhancing investments. These efforts are intended to provide streamlined opportunities for local businesses to reinvest in their properties while supporting broader community goals related to accessibility, sustainability, and economic development.

The FY 2026–27 budget also continues targeted investment in economic development activities associated with the Town Center initiative and broader efforts to strengthen the City's long-term economic resilience.

FISCAL IMPACT

The FY 2026–27 Preliminary Budget establishes the proposed appropriations for City operations, capital improvements, and other governmental activities for the upcoming fiscal year. Staff will incorporate any feedback and policy direction provided by the City Council into the final FY 2026–27 Annual Budget anticipated for adoption in June 2026.

STAFF RECOMMENDATION

Staff recommends the City Council provide feedback and policy direction associated with the FY 2026-27 Proposed Budget.

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City Manager Budget Message

May 20, 2026

Honorable Mayor and Members of the City Council:

With appreciation for the tremendous collective effort dedicated to its development, the FY 2026–27 City of Scotts Valley Preliminary Budget is presented to the City Council for consideration. As I reflect on this budget and the City's accomplishments over the last year, I am proud of the progress we've made toward restoring fully functional municipal services to the Scotts Valley community.

With full staffing in the Public Works Engineering Division, the City advanced an ambitious capital improvement program, with approximately $4.5 million in capital projects projected to be completed in FY 2025–26. Notable accomplishments include approximately $1.8 million invested in resurfacing 15 lane miles of roadway, as well as the completion of the new Skypark playground project, a $750,000 improvement that was fully grant funded. Building on this momentum, and with the addition of a new Engineering Tech position, the proposed FY 2026–27 Capital Improvement Program totals approximately $9.4 million. The City also continues to strengthen its long-term operational stability through initiatives such as a five-year technology equipment replacement plan designed to improve cybersecurity, modernize systems, and enhance workforce efficiency.

The City's workforce has also continued to stabilize following several years of recruitment and retention challenges. At the time of this report in April 2026, the City reported a 0% vacancy rate across all departments, reflecting substantial progress in organizational staffing and service capacity. For example, in the Police Department, under Chief Rutherford's leadership, positions have been restructured to create career paths to encourage emerging leaders to stay with Scotts Valley PD rather than leave the City for career advancement in another agency. These successes in hiring and retaining employees have positioned the organization to better deliver services, manage increasing workloads, and sustain long-term operational resilience.

Our administration team, although behind the scenes, has also accomplished great success in ensuring the city runs smoothly and public facing departments have the support they need, and in modernizing systems and minimizing risk. As a result, the City organization is more stable, productive and responsive to resident needs than it has been in many years.

We've accomplished these successes even though economic uncertainty continues to persist due to inflationary pressures, interest rate volatility, new tariffs, and shifting federal and state economic policies. Fortunately, the Scotts Valley economy has remained relatively stable, with sales tax revenues

Fiscal Year 2026-2027 Budget

$32.8 Million Revenue

- $4.3 Million Measure Z
- $1.2 Million Measure X

$38.0 Million Expenses

- $27.3 Million Operating Expenses
- $9.4 Million Capital Projects

Labor Force

- 66.5 Staff
- <2% Vacancy Rate

Planned Use of Reserves

$0.9 Million General Fund

$4.3 Million Other Funds

remaining flat and only slight declines in hotel and utility users taxes, compared to other areas of California. Looking ahead, the City's economic outlook remains cautious, with sales tax projections anticipated to remain flat into the coming fiscal year. As a result, the City must continue making thoughtful and often difficult decisions to maintain quality service levels for our community while balancing the budget and planning for long-term financial stability.

Due to being a low-property tax City, Scotts Valley is highly dependent on local voter-approved revenue measures and much of our recent success is due to revenue generated by Measure Z, the City's 1.25% sales and use tax approved by voters in March 2020. In the current fiscal year, Measure Z provided approximately $4.3 million in revenue, allowing the City to address critical staffing needs across multiple departments. For the FY 2026–27 Preliminary Budget, Measure Z revenues are projected to remain flat. As one of the City's most significant revenue sources, sales tax performance will continue to be closely monitored as economic conditions evolve and market trends become clearer.

Measure X, approved overwhelmingly by Scotts Valley voters in November 2024, modernized the City's business license tax structure by transitioning from an employee-based model to a gross receipts-based system. FY 2026–27 represents the first full year of Measure X implementation, with total Business License Tax revenue estimated at approximately $1.2 million. The City recognizes that local businesses continue to face economic challenges, including inflationary pressures, rising operating costs, and broader economic uncertainty. As a result, the implementation and ongoing administration of Measure X remains an important area of focus and communication with the business community as they work to balance increasing expenses in a difficult economic climate. In addition, the City continues compliance efforts to identify businesses operating without a business license in order to promote fairness and ensure all businesses contribute equitably to City services.

The City Council established the following priorities for the current and next fiscal years:

1. *Maximize citywide high performance through efficient use of resources, proactive revenue development, adaptability, and strategic thinking across all operational areas.*
2. *Promote safety across the City through improving road conditions including safe routes for cyclists and pedestrians, preparing for and preventing wildfire impacts, and continuing proactive, community-based policing.*
3. *Support a thriving city through economic development, diverse and affordable housing, recreation programs, (protecting and) promoting the City's brand and supporting community building events.*
4. *Improve City facilities to meet the needs of a modern workforce and community services.*
5. *Invest in and continue planning the City's Town Center.*

These goals have been used to inform the proposed budget and are supported by strategies and tactics developed by staff. Quarterly reports track progress of each goal and are posted to the City's website.

Budget Overview

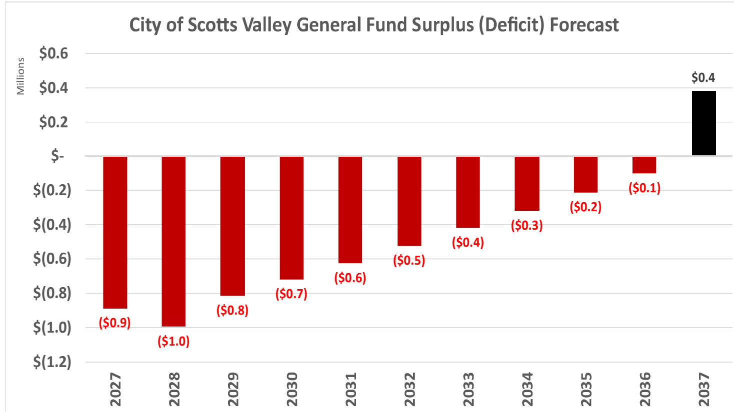
The proposed FY 2026–27 Annual Budget reflects cautious revenue assumptions as the City and the broader region continue to navigate inflationary pressures and ongoing economic uncertainty. The Preliminary Budget includes total revenues of approximately $32.8 million, of which $16.6 million is generated from tax revenues, including Measures X and Z. Total expenditures are budgeted at approximately $38 million, including $27.3 million in operating expenditures and an ambitious $9.4 million Capital Improvement Program focused on maintaining and enhancing City infrastructure and services.

The budget includes the planned use of approximately $0.9 million in General Fund balance, along with an additional $4.3 million from other funds to support capital projects and recreation programming. As in prior years, it is unlikely that every capital project will be completed within the fiscal year or that all positions will remain fully staffed throughout the year, which historically has resulted in expenditure savings and reduced impacts to fund balance as the year progresses.

Highlights from the proposed FY 2026-27 budget are as follows:

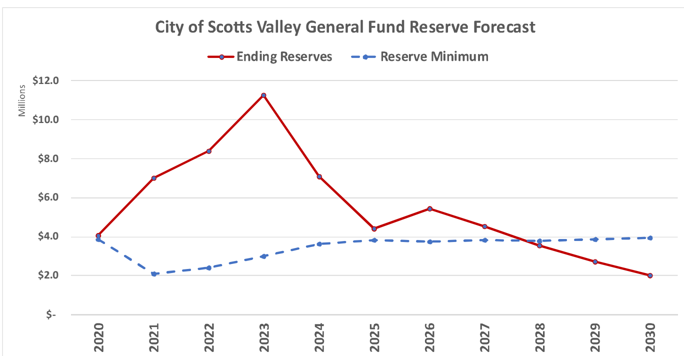
- The City's General Fund balance is above the minimum reserve levels for FY 2026-27. It is projected to decline below minimum reserve targets by the end of FY 2027–28 due to sluggish revenue growth, increasing pension obligations, and rising debt service payments in future years.
- In alignment with the City's fiscal policies, the proposed budget strategically relies on special revenue funds and other available funding sources to preserve General Fund reserves. A comprehensive review of allowable expenditures, expanded use of force accounting, and restructuring of the Capital Improvement Program (CIP) and capital outlay funding has eliminated the need for a General Fund transfer to the CIP Fund in FY 2026–27. These efforts are reflected in increased transfer activity between funds and a broader allocation of departmental expenses to eligible non-General Fund sources.
- The FY 2026–27 budget and long-range forecast assume placement of a 2026 ballot measure to increase the Transient Occupancy Tax (hotel tax) from 11% to 12%, beginning in 2027. Any variations to the rate and passage of the measure will be updated during the Mid-Year Budget review.
- Labor cost increases included in the budget reflect the City's current three-year labor agreements and the City's commitment to maintaining competitive compensation packages for employees. The largest personnel cost increases continue to occur within the Police Department. The proposed budget also includes the addition of one new Engineering Technician position to support the City's expanding Capital Improvement Program and increasing project needs. In addition, select programs and staffing assignments have been restructured to improve operational efficiency. Vacant positions will continue to be evaluated throughout the year to assess operational necessity and organizational efficiency prior to refilling.
- The School Resource Officer program continues to be funded entirely by the City's General Fund.
- The budget allocates $50,000 in General Fund support for the City's Community Grant Program. Additionally, two youth-focused programs are proposed to receive $12,000 from the Youth Programs Special Revenue Fund.
- The Economic Development budget continues to prioritize investments that support future Town Center development and long-term economic vitality. The City is also exploring additional economic development opportunities to assist local businesses with ADA improvements, green building enhancements, and similar investments intended to strengthen and support the local business community.
- The FY 2026–27 Capital Improvement Program emphasizes continued roadway improvements, including planned work along Scotts Valley Drive, as well as the initial phases of the new Shugart Park buildout.

Fiscal Reserves and Long-Range Forecast



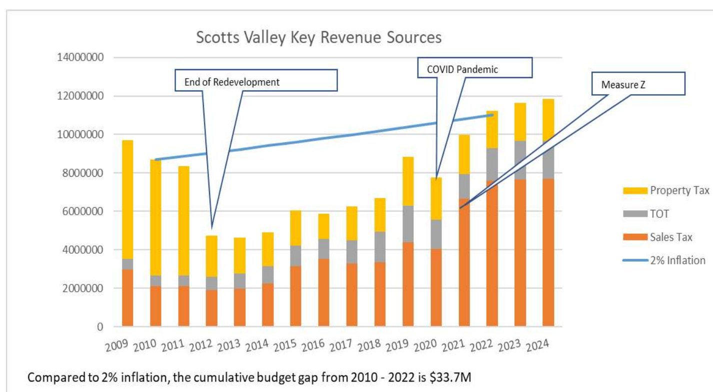
The City Council has established reserve policies intended to maintain fiscal stability for both operating and capital funds. The General Fund is projected to utilize approximately $0.9 million in reserves during FY 2026–27 as expenditures continue to outpace revenues in order to maintain core City services and deliver critical capital improvement projects. The projected ending General Fund balance for FY 2026–27 is approximately $4.6 million, or 21% of operating expenditures, which remains above the City's minimum reserve target of 17%. However, based on current projections, the General Fund balance is expected to fall below the minimum reserve target in FY 2027–28.

The City's long-range financial forecast incorporates the full implementation of Measure X as well as a proposed increase in the Transient Occupancy Tax (hotel tax) from 11% to 12% beginning in 2027. Even with these revenue assumptions, expenditures are projected to exceed revenues by approximately $1 million annually in the near term, with gradual improvement over time. While these projections present significant long-term challenges, they also provide the City time to closely monitor economic conditions, evaluate operational efficiencies, and consider future revenue and expenditure strategies.



The operating surpluses experienced between 2021 and 2023 were largely attributable to one-time federal American Rescue Plan Act (ARPA) funding, combined with reduced staffing levels and limited capital project activity during and following the pandemic period. In 2024, the City Council established a Section 115 Pension Trust Fund with an initial $2 million contribution to begin proactively addressing future pension obligations and long-term liabilities.

To fully understand the City's long-range financial outlook, it is important to recognize the lasting impacts of past fiscal challenges. The chart below illustrates the City's major tax revenue sources from 2009 through 2024. The loss of redevelopment revenue was not meaningfully offset for nearly a decade, leaving the City in a difficult financial position until the passage of Measure Z in 2020. When adjusted for inflation, the cumulative impact of those lost revenues exceeds $30 million. Today, property tax revenues generate approximately $2.1 million annually, representing only 9% of the City's governmental revenues, while Measure Z generates approximately $4.3 million annually, accounting for nearly 20% of total governmental revenue. This revenue structure



highlights the City's continued reliance on voter-approved local funding measures to maintain service levels and operational stability.

In addition, years of deferred maintenance on streets, parks, buildings, and other public infrastructure have left the City facing substantial reinvestment needs. The City continues to work through a costly period of catching up on long-deferred capital improvements and infrastructure modernization. Natural disasters requiring emergency road repairs exasperate the City's challenged infrastructure, and our engineering team's capacity to focus on planned CIP projects. The City's budget forecast cannot predict the unanticipated costs or the cashflow impacts of waiting for state or federal emergency funding reimbursements when natural disasters hit and the City does not currently have set aside reserves for emergencies.

To better understand and prioritize capital needs, Public Works has completed several long-range planning assessments, including the Citywide Parks Master Plan, Pavement Condition Assessment, and Facility Conditions Assessment. Currently underway are the Wastewater Master Plan and the Skypark Facility Master Plan, both of which are intended to guide efficient infrastructure investment and resource planning over the next decade and beyond. This budget also includes $50,000 for a future City Hall feasibility study, the first step in identifying a long-term solution to City's facility inadequacies. The projects identified through these planning efforts will continue to inform the City's long-range financial forecast and future Capital Improvement Program priorities.

I would be remiss to not dedicate a portion of this summary to the Town Center. Over the last three years, the City has made incredible progress toward making the Town Center a reality and FY 2026-27 will be no different as we negotiate a development agreement with a to-be-determined private development partner, based on the City's updated vision. The City has invested wisely to remove the prior barriers to development, and with market forces on our side, soon we will see the Town Center constructed!

In Closing

Scotts Valley is not alone in facing financial challenges; however, our challenges are unique due to our low property tax rate. The City is on a path of modernization and renewal to bring back our streets, parks and services to a level that our staff and community can be proud of. I believe the team at the City is up to this task, but the community will need to continue to fund this important work for current and future generations.

Thank you to the City Council for your ongoing support and commitment to the Scotts Valley community. Thank you to Mayor Lind and Vice Mayor Clark, as the budget subcommittee, for your guidance and feedback as we prepared this budget; and a huge thank you to the finance team and the entire City staff for your incredibly hard work to help move our City forward.

Mali LaGoe
Mali LaGoe (May 14, 2026 12:46:26 PDT)

Mali LaGoe, City Manager

City of Scotts Valley
Summary of Financial Resources and Requirements
FY 2026-27

Fund	Description	Projected Beginning Fund Balance 07/01/2026	Estimated Revenues FY27	Transfers In	Estimated Total Funds Available	Proposed Budget Expenditures FY27	Transfers Out	Projected Ending Fund Balance 06/30/2027
General Funds								
1	General Fund	4,694,332	20,344,115	1,141,250	26,179,697	21,670,000	571,927	3,937,770
6	Equipment Replacement Reserve	870,604	33,000	-	903,604	-	196,500	707,104
	Recreation Funds (4, 28, 123)	-	378,174	635,731	1,013,905	950,101	63,804	-
Subtotal General Funds		**5,564,936**	**20,755,289**	**1,776,981**	**28,097,206**	**22,620,101**	**832,231**	**4,644,874**
Capital Improvement Projects								
150	Major Capital Projects	793,873	682,000	5,354,150	6,830,023	6,713,150	-	116,873
151	Capital Outlay Projects	6,589	-	540,500	547,089	540,500	-	6,589
Subtotal Capital Improvement Projects		**800,462**	**682,000**	**5,894,650**	**7,377,112**	**7,253,650**	**-**	**123,462**
Special Revenue Funds - Development Impact Fees								
7	Drainage Construction Impact Fees	153,947	27,128	-	181,075	59	-	181,016
8	Streets and Thoroughfares Impact Fees	1,230,836	496,237	-	1,727,073	543	500,000	1,226,530
9	Park & Recreation Facilities Impact Fees	1,576,209	753,963	-	2,330,172	817	1,200,000	1,129,355
21	General Facility Impact Fees	8,702	57,236	-	65,938	61	-	65,877
27	Police Facility Building Impact Fees	430,308	144,714	-	575,022	194	-	574,828
86	Library Impact Fees	224,991	104,523	-	329,514	99	-	329,415
Subtotal Special Revenue Funds - Development Impact Fees		**3,624,994**	**1,583,801**	**-**	**5,208,795**	**1,773**	**1,700,000**	**3,507,022**
Special Revenue Funds - Other					-			
2	Recycling/Environment	53,335	271,789	-	325,124	265,039	60,000	85
3	Gas Tax (HUTA)	778,539	391,949	-	1,170,488	587	830,333	339,568
5	SMIP Fees	5,722	-	-	5,722	200	-	5,522
17	HOME Grant Program	111,064	3,441	-	114,505	13	-	114,492
19	Affordable Housing	3,892,722	109,449	-	4,002,171	831,733	-	3,170,438
24	Lennar Funds	474,150	-	-	474,150	-	425,000	49,150
31	STP Exchange Projects (RSTPX)	-	1,148,000	-	1,148,000	-	1,148,000	-
33	Tree Replacement	59,416	-	-	59,416	-	-	59,416
35	Green Building Funding	599,455	-	-	599,455	59,000	-	540,455
36	Disability Compliance	25,919	-	-	25,919	5,000	-	20,919
50	Pinewood Estates Maint. Dist.	222	6,000	-	6,222	6,000	-	222
51	Mt. Hermon Traffic Mitigation	162,706	5,041	-	167,747	-	-	167,747
77	Skypark Landscape Maint. Dist.	0	41,750	-	41,750	41,750	-	0
78	Skypark Landscape Maint. Dist. Insurance	582,869	17,440	-	600,309	272	-	600,037
88	Library Improvements (Measure S)	140	1,878	-	2,018	6	-	2,012
89	Library - Cty MOE Excess Distribution	692,062	18,464	-	710,526	220	-	710,306
115	Section 115 Set Aside - Pension	2,370,164	126,000	-	2,496,164	7,210	270,000	2,218,954
155	Measure D Sales Tax for Transportation	895,320	407,612	-	1,302,932	398	475,000	827,534
156	SB-1 (RMRA)	966,464	378,203	-	1,344,667	432	1,005,817	338,418
200	Quimby Act	211,508	6,336	-	217,844	77	-	217,767
201	Measure Q	17,000	200,000	-	217,000	-	127,250	89,750
306	Supplemental Law Enforcement Services	191,585	106,530	-	298,115	77	148,000	150,038
313	Youth Based Programs	51,173	4,000	-	55,173	17,300	-	37,873
317	EDG Revolving Loan	487,689	14,646	-	502,335	229	-	502,106
Subtotal Special Revenue Funds - Other		**12,629,225**	**3,258,528**	**-**	**15,887,753**	**1,235,543**	**4,489,400**	**10,162,810**
Debt Service Funds								
66	COP Debt Service Reserve	769,878	-	-	769,878	-	650,000	119,878
Subtotal Debt Service Funds		**769,878**	**-**	**-**	**769,878**	**-**	**650,000**	**119,878**
Total Governmental Funds		**23,389,495**	**26,279,618**	**7,671,631**	**57,340,744**	**31,111,067**	**7,671,631**	**18,558,046**
Wastewater Enterprise Funds *(funds are presented with working capital (current assets, less current liabilities)*								
10	Wastewater Operations	2,895,352	4,898,785	-	7,794,137	4,058,793	814,599	2,920,745
11	Tertiary Operating	(262,632)	352,000	595,849	685,217	685,217	-	(0)
12	Waterwater Treatment Facility Fee (DIF)	481,775	600,239	-	1,082,014	12,704	1,028,250	41,060
14	Wastewater Capital Replacement Fund	327,217	634,730	1,292,000	2,253,947	2,173,000	-	80,947
Subtotal Wastewater Enterprise Funds		**3,441,711**	**6,485,754**	**1,887,849**	**11,815,314**	**6,929,714**	**1,842,849**	**3,042,751**
Total All Funds		**26,831,206**	**32,765,372**	**9,559,480**	**69,156,058**	**38,040,781**	**9,514,480**	**21,600,797**
			42,324,852	*Total revenues with transfers*		*47,555,261*	*Total expenses with transfers*	

Financial Summary – City-Wide Category Review

The FY26/27 City-Wide Budget reflects moderate revenue growth alongside increasing operational and capital costs. Total revenues are projected at $32.8 million, a 6% increase over the FY25/26 budget, while total expenditures are budgeted at $38.0 million, increasing 5% year-over-year.

Taxes remain the City's largest revenue source at $16.6 million, increasing 4% from the prior year budget. The most significant growth is in Charges for Service, which increases 37% to $8.2 million, reflecting higher service and development activity. These gains are partially offset by declines in Other Revenues (-18%) and Investment Earnings (-19%) due to reduced one-time revenues and lower interest income projections.

Expenditures are primarily driven by increases in Salaries & Benefits (+7%) and Capital (+7%), reflecting rising labor costs and continued infrastructure investment. Services & Supplies remain stable with a slight 2% decrease, while Debt Service increases 43% due to scheduled repayment obligations.

Overall, the budget continues to prioritize core City services, infrastructure investment, and long-term financial stability while managing ongoing cost pressures and revenue variability.

City-Wide Revenues

Category	Prior Year	FY25/26 Budget	FY26/27 Budget	*Diff to PY Budget*
Taxes	$15,279,636	$15,887,813	$16,563,553	*4%*
Charges For Service	$6,373,284	$5,961,000	$8,162,345	*37%*
Other Revenues	$10,195,874	$6,104,870	$4,997,630	*-18%*
Franchise Fees	$1,370,685	$1,345,000	$1,385,000	*3%*
Investment Earnings	$1,142,573	$748,000	$731,920	*-2%*
Intergovernmental	$634,090	$452,000	$456,250	*1%*
Recreation & Rental Fees	$523,862	$398,400	$436,174	*9%*
Fines & Forfeitures	$47,360	$29,000	$32,500	*12%*
Total Revenues	**$35,567,364**	**$30,926,083**	**$32,765,372**	***6%***

City-Wide Expenses

Category	Prior Year	FY25/26 Budget	FY26/27 Budget	Diff to PY Budget
Salaries & Benefits	$14,522,878	$15,643,589	$16,790,284	*7%*
Services & Supplies	$10,320,922	$11,091,482	$10,884,098	*-2%*
Capital	$9,763,669	$8,643,800	$9,236,650	*7%*
Debt	$1,908,730	$789,000	$1,129,750	*43%*
Total Expenses	**$36,516,199**	**$36,167,871**	**$38,040,782**	***5%***

Financial Summary – General Fund

The FY26/27 General Fund Budget reflects steady revenue growth alongside continued increases in departmental operating costs. Total General Fund revenues are projected at $20.8 million, an increase of 3% over the FY25/26 budget, while expenditures are budgeted at $22.6 million, increasing 5% year-over-year.

Taxes remain the General Fund's primary revenue source at $15.9 million, increasing 4% from the prior year budget. Charges for Service show significant growth of 26% to $1.5 million, reflecting increased service and development activity.

General Fund expenditures are primarily driven by increases in public safety, administration, and development-related services. The Police Department budget increases 7% to $8.9 million, while Community Development increases 10% to $2.1 million, reflecting staffing and operational needs. City Administration increases of 6% is mainly due to larger debt payments, while Public Works remains relatively flat and Recreation decreases slightly by 2%.

Overall, the FY26/27 General Fund Budget continues to prioritize essential City services, public safety, and operational stability while addressing rising personnel and service delivery costs amid changing revenue conditions.

General Fund Revenues by Category

Category	Prior Year	FY25/26 Budget	FY26/27 Budget	*Diff to PY Budget*
Taxes	$ 14,611,425	$ 15,229,476	$ 15,873,375	*4%*
Charges For Service	$ 1,713,154	$ 1,174,500	$ 1,480,200	*26%*
Franchise Fees	$ 1,370,685	$ 1,345,000	$ 1,385,000	*3%*
Other Revenues	$ 959,922	$ 1,345,000	$ 1,288,150	*-4%*
Recreation & Rental Fees	$ 523,862	$ 398,400	$ 436,174	*9%*
Intergovernmental	$ 459,090	$ 352,000	$ 137,500	*-61%*
Investment Earnings	$ 309,111	$ 200,000	$ 122,390	*-39%*
Fines & Forfeitures	$ 47,360	$ 29,000	$ 32,500	*12%*
Total Revenues	**$ 19,994,609**	**$ 20,073,376**	**$ 20,755,289**	***3%***

General Fund Expenses by Department

Department	Prior Year	FY25/26 Budget	FY26/27 Budget	*Diff to PY Budget*
City Administration	$ 6,589,884	$ 6,384,590	$ 6,744,658	*6%*
Community Development	$ 1,730,974	$ 1,896,434	$ 2,085,261	*10%*
Police	$ 7,788,935	$ 8,339,791	$ 8,934,942	*7%*
Recreation	$ 783,731	$ 971,985	$ 950,101	*-2%*
Public Works	$ 4,055,263	$ 3,919,968	$ 3,905,139	*0%*
Total Expenses	**$20,948,787**	**$21,512,768**	**$22,620,101**	***5%***

Financial Summary – Wastewater Enterprise Fund

The FY26/27 Wastewater Budget reflects stable operating revenues and continued investment in system operations and infrastructure. Total revenues are projected at $6.5 million, a 5% decrease from the FY25/26 budget, while total expenditures are budgeted at $6.9 million, increasing 3% year-over-year.

Wastewater revenues continue to be primarily supported by Charges for Service, which increase 11% to $5.2 million, with $550 thousand being in development impact fees. Overall revenue growth is limited because FY25/26 represented the final year of the current wastewater rate study increases, resulting in no additional scheduled rate increases in FY26/27. Other Revenues decrease significantly by 51% due to lower anticipated one-time revenues compared to the prior year budget, while Investment Earnings decline 44% as interest income projections moderate. The budget also includes $218,750 in intergovernmental revenue associated with a grant for the Wastewater Master Plan.

Expenditures are projected to increase modestly, driven primarily by personnel and capital-related costs. Salaries & Benefits increase 9% to $1.6 million, reflecting staff and benefit cost increases. Capital Outlay increases 3% to $2.0 million, supporting continued investment in wastewater infrastructure and system reliability. Services & Supplies remain essentially flat compared to the prior year budget.

Overall, the FY26/27 Wastewater Budget maintains a focus on operational stability, infrastructure investment, and long-term system maintenance while managing fluctuations in one-time revenues and preparing for future rate study considerations.

Wastewater Revenues by Category

Category	Prior Year	FY25/26 Budget	FY26/27 Budget	*Diff to PY Budget*
Charges For Service	$4,297,471	$4,701,000	$5,216,100	11%
Other Revenues	$213,558	$2,022,000	$986,730	-51%
Intergovernmental	$0	$0	$218,750	100%
Investment Earnings	$104,725	$115,000	$64,174	-44%
Total Revenues	**$4,615,754**	**$6,838,000**	**$6,485,754**	**-5%**

Wastewater Expenses by Category

Category	Prior Year	FY25/26 Budget	FY26/27 Budget	*Diff to PY Budget*
Salaries & Benefits	$1,409,593	$1,432,011	$1,554,961	9%
Services & Supplies	$2,618,011	$3,402,004	$3,401,753	0%
Capital Outlay	$949,842	$1,915,000	$1,973,000	3%
Total Expenses	**$4,977,446**	**$6,749,015**	**$6,929,714**	**3%**

FY 2026-27 Budgeted Positions

The FY 2026–27 Budget includes a total of 66.50 Full-Time Equivalent (FTE) positions allocated across the City's major operating departments to support essential municipal services and organizational priorities. The Police Department represents the largest staffing allocation with 28.50 FTEs, reflecting the City's continued commitment to public safety, law enforcement, and emergency response services. FY 2026–27 staffing changes within the Police Department include the conversion of a temporary Administrative Analyst position to a permanent part-time position and a departmental reorganization transitioning to a 1 Captain / 2 Lieutenant management structure.

Public Works accounts for a combined 21.50 FTEs across General Fund and Wastewater operations and is responsible for maintaining the City's infrastructure, public facilities, streets, utilities, and environmental systems. FY 2026–27 includes the addition of 1.00 FTE for an Engineering Technician position to support increasing operational and capital improvement demands.

Administrative Services, which includes the City Manager's Office, Finance, and Human Resources functions, is allocated 7.00 FTEs to support citywide administrative and internal service operations. Community Development is allocated 6.00 FTEs to oversee planning, permitting, building, and economic development activities. The Recreation Department includes 3.50 FTEs dedicated to recreational programming, community services, and public amenities.

Overall, the staffing plan reflects a balanced approach that aligns personnel resources with operational needs, strategic priorities, and community expectations while maintaining long-term fiscal responsibility.

Department	FTE Count
City Administration	7
Community Development	6
Police	28.5
Recreation	3.5
Public Works - General	13.15
Public Works - Wastewater	8.35
Total FTE	**66.5**

FY 2026-27 Budgeted Positions by Title

The following tables reflect the City's budgeted positions and authorized full-time equivalent (FTE) allocations for the fiscal year and are intended to present staffing levels included in the adopted budget, not necessarily the exact positions filled at any given time. Certain classifications are flexibly staffed in Level I/II/III series, allowing positions to be filled at varying levels depending on operational needs, employee promotions, vacancies, or recruitment conditions during the year. As a result, specific position titles and classification levels may change while remaining within the overall authorized staffing and budget framework. City Council approves the total personnel budget and overall authorized FTE allocations through the annual budget process but does not approve staffing at the individual position classification level. The City Manager, serving as the Personnel Officer, is authorized to administer staffing assignments and classification allocations within the adopted budget and authorized FTE limits.

City Administration	FTE
Accountant I	1
Administrative Services Director	1
City Clerk	1
City Manager	1
Finance Manager	1
Human Resources Manager	1
Senior Accountant	1
Dept. Total	**7**

Community Development	FTE
Administrative Analyst II	1
Associate Planner	1
Building Official	1
Community Development Director	1
Senior Building Permit Technician	1
Senior Planner	1
Dept. Total	**6**

Police	FTE
Administrative Secretary/Analyst	1
Emergency Dispatch Clerk I/II	5
Emergency Dispatch Clerk III	1
Police Captain	1
Police Chief	1
Police Lieutenant	2
Police Officer	12
Police Sergeant	4
Senior Admin Analyst	0.5
Services Supervisor	1
Dept. Total	**28.5**

Recreation	FTE
Administrative Assistant III	1
Recreation Coordinator	1.5
Recreation Division Manager	1
Dept. Total	**3.5**

Public Works - General	FTE
Administrative Assistant III	0.5
Associate Civil Engineer	1
Engineering Technician	1
Laborer	0.5
Maintenance Division Manager	1
Maintenance Worker I/II	4
Maintenance Worker III	2
Project Manager	1
Public Works Director/City Eng	0.65
Senior Admin Analyst	0.5
Senior Civil Engineer	1
Dept. Total	**13.15**

Public Works - Wastewater	FTE
Administrative Assistant III	0.5
Chief Wastewater Plant Operator	1
Public Works Director/City Eng	0.35
Senior Admin Analyst	0.5
Wastewater Division Manager	1
Wastewater Plant Operator I/II	5
Dept. Total	**8.35**

City-wide FTE	66.5

Does not include temps

FY 2026/27 Transfer_Allocation Activity

In municipal budgeting, transfers refer to the movement of funds between different accounts or funds within the City's financial structure. These transfers are used to allocate resources where they are most needed, ensure balanced funding across operations, and support specific purposes such as capital projects, debt repayment, or special projects. Unlike direct expenditures for goods and services, transfers do not represent spending on external vendors but rather reflect internal reallocations of financial resources. By including these transfers in the budget package, the City provides transparency into how it strategically manages and prioritizes financial resources across departments and programs.

Method: The method determines if the funds are transferred based on actuals or the budget.
Actuals: If it is Special Revenue that is restricted to be used only as expended, it should be listed as the Actuals method.
Budget: For funds that Council can assign, it could be listed as the Budget method if the intention is to dedicate these funds regardless of if the full expense purpose has been recognized. This is to allow for future year continuity of fund balance assignments.

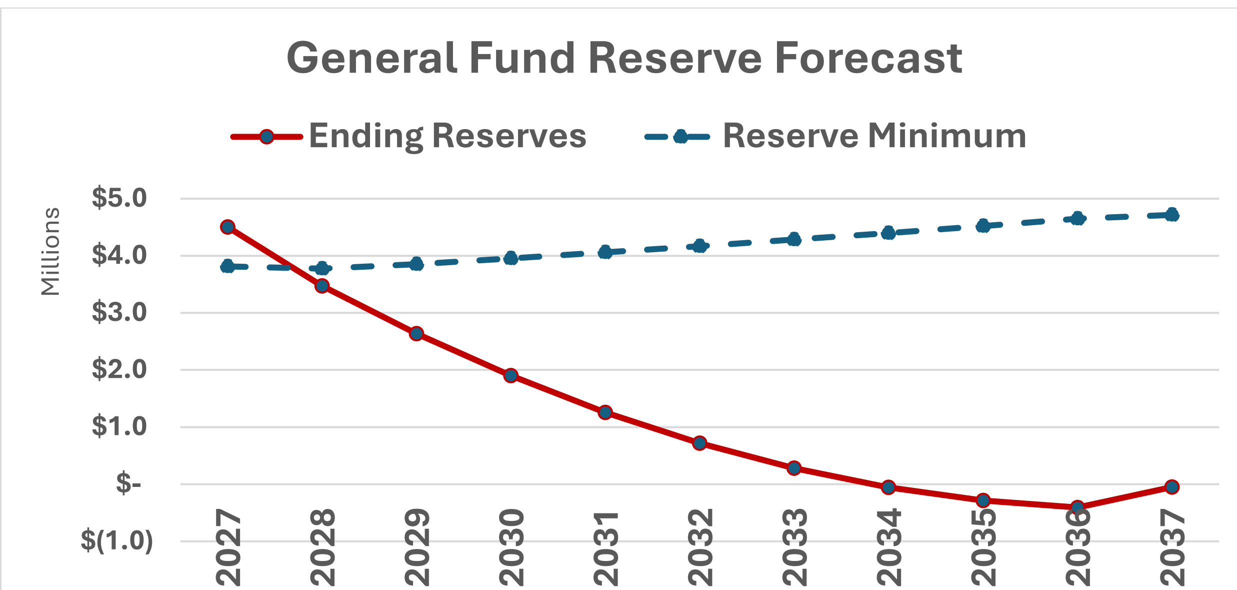
Transfer From	Transfer To	Amount	Method	Purpose
66	1	$ 650,000	Budget	Fund 66 debt smoothing
115	1	$ 270,000	Budget	Section 115 Trust CalPERS UAL smoothing
6	1	$ 26,000	Actuals	Computer Replacements
306	1	$ 68,000	Budget	Axon Equipment
6	151	$ 170,500	Actuals	Capital Outlay
2	150	$ 60,000	Actuals	Capital - Storm Drain Trash Capture System
3	150	$ 333,333	Actuals	Capital - Annual Street Resurfacing Project
3	150	$ 497,000	Actuals	Capital - Scotts Valley Drive Corridor Improvements
8	150	$ 500,000	Actuals	Capital - Traffic Signal Upgrade
9	150	$ 1,200,000	Actuals	Capital - Shughart Park Buildout
12	14	$ 50,000	Actuals	Capital - Wastewater Master Plan
12	14	$ 268,750	Actuals	Capital - Wastewater Collection System Pipeline Upgrades
12	14	$ 709,500	Actuals	Capital - Wastewater MBR Upgrade
15	14	$ 45,000	Actuals	Capital Outlay - Wastewater - Recycled Water Pump Replacement
24	151	$ 65,000	Actuals	Capital Outlay - Parks Lighting Project
24	151	$ 25,000	Actuals	Capital Outlay - Siltanen Snack Shack Roof & Gutters
24	151	$ 40,000	Actuals	Capital Outlay - MacDorsa Sidewalk Repairs
24	151	$ 30,000	Actuals	Capital Outlay - Hocus Pocus Sidewalk Repairs
24	151	$ 20,000	Actuals	Capital Outlay - Senior Center Trash Enclosure
24	151	$ 22,000	Actuals	Capital Outlay - Senior Center Siding & Paint
24	151	$ 22,000	Actuals	Capital Outlay - Siltanen Parking Lot Resurfacing
24	151	$ 40,000	Actuals	Capital Outlay - Skypark Parking Lot Resurfacing
24	150	$ 135,000	Actuals	Capital - Siltanen Restroom Upgrade
24	151	$ 26,000	Actuals	Capital Outlay - Parks Buildings Roofing
31	150	$ 523,000	Actuals	Capital - Mt Hermon Road Improvements
31	150	$ 500,000	Actuals	Capital - Scotts Valley Drive Cooridor Improvements
31	150	$ 125,000	Actuals	Capital - Granite Creek Overpass
155	150	$ 200,000	Actuals	Capital - Mt Hermon Road Improvements
155	150	$ 275,000	Actuals	Capital - Scotts Valley Drive Cooridor Improvements
156	150	$ 666,667	Actuals	Capital - Annual Street Resurfacing Project
156	150	$ 36,150	Actuals	Capital - Mt Hermon Road Improvements
156	150	$ 303,000	Actuals	Capital - Scotts Valley Drive Cooridor Improvements
306	151	$ 80,000	Actuals	Capital Outlay - Police Patrol Vehicle
123	28	$ 62,862	Actuals	Recreation Activity Subsidy
123	4	$ 942	Actuals	Recreation Activity Subsidy
1	4	$ 571,927	Actuals	Recreation Activity Subsidy
201	1	$ 47,250	Budget	Street Sweeping for Clean Drains
201	1	$ 80,000	Budget	Parks maintenance, field treatments, Land Trust contract
10	14	$ 218,750	Actuals	WW Master Plan Grant
10	11	$ 595,849	Actuals	Tertiary
		$ 9,559,480		

Long-Range Financial Forecast

The City prepares a long-range financial forecast to support strategic decision-making, evaluate fiscal sustainability, and identify future financial challenges and opportunities. The forecast is intended to provide a planning framework rather than predict exact outcomes. It allows the City Council and community to better understand long-term trends affecting operations, capital investment needs, reserve levels, and service sustainability.

The General Fund forecast incorporates current revenue trends, projected operating expenditures, reserve policies, and anticipated capital and service needs over the next ten years. The model assumes the continuation of current service levels while also recognizing increasing costs associated with infrastructure maintenance, personnel obligations, and long-term liabilities.

The City Council has established reserve policies to maintain financial stability and ensure the City can respond to economic uncertainty and emergency needs. Under current projections, the General Fund is expected to utilize approximately $0.9 million in reserves during FY 2026/27 as expenditures continue to outpace revenues. The projected ending fund balance for FY 2026/27 is approximately $4.6 million, or 21% of operating expenditures, which remains above the City's minimum reserve target of 17%. However, based on current assumptions, reserve levels are projected to decline below the minimum policy target beginning in FY 2027/28.

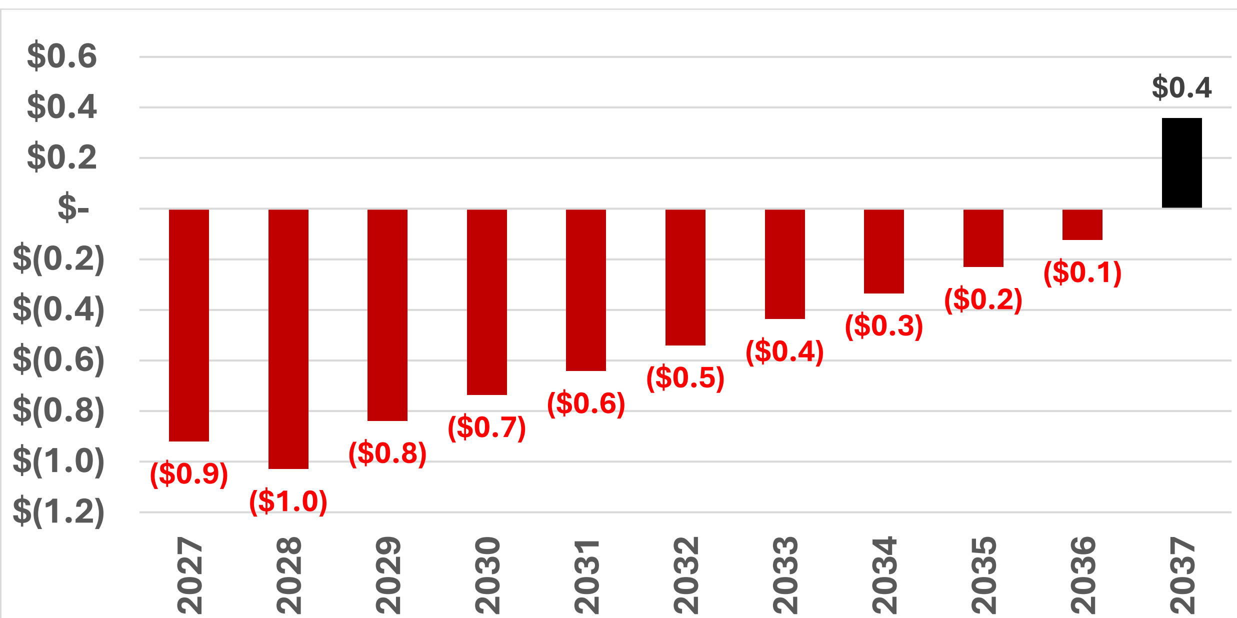


The long-range forecast assumes full implementation of Measure X and includes a proposed increase to the Transient Occupancy Tax (TOT) from 11% to 12% beginning in 2027. Even with these additional revenues, the City is projected to experience annual operating deficits in the near term, with gradual improvement occurring over the forecast period as revenues stabilize and expenditure growth moderates.

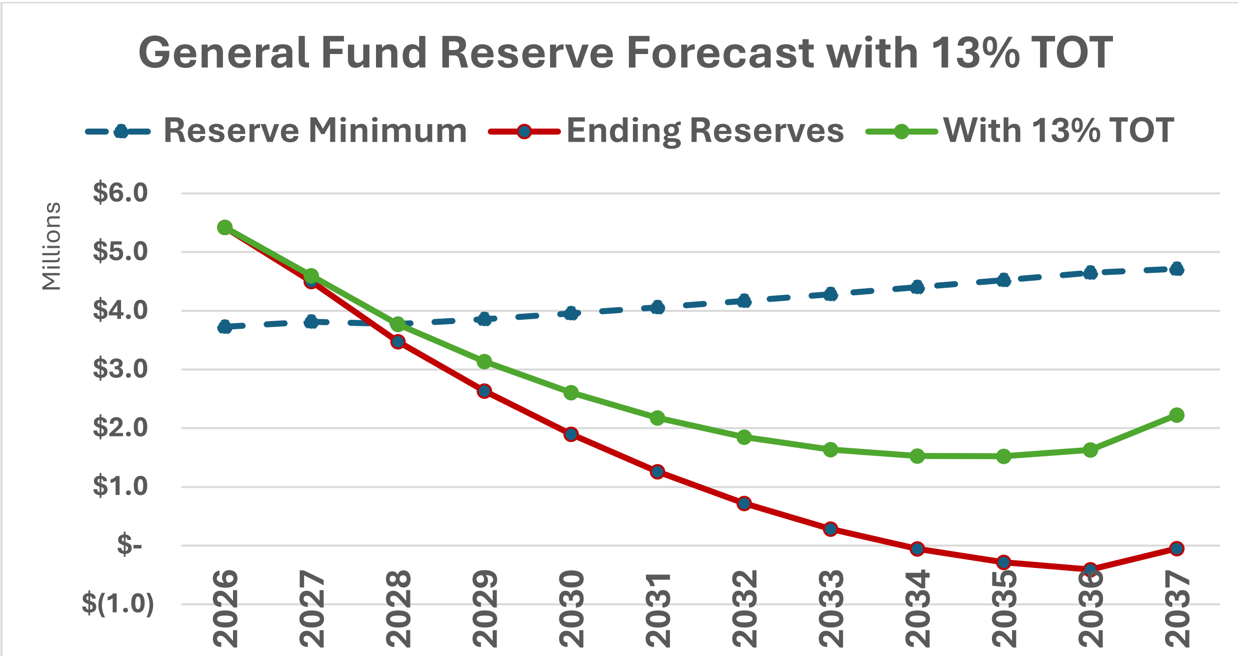
The City continues to face long-term financial pressures resulting from the loss of redevelopment funding, which was not substantially replaced for nearly a decade. While voter-approved local revenue measures have helped stabilize operations in recent years, the City remains heavily reliant on those sources to maintain current service levels. Property tax revenues currently generate approximately $2.1 million annually, representing only 9% of governmental revenues, while Measure Z generates approximately $4.3 million annually, accounting for nearly 20% of total governmental revenue.

In 2024, the City Council established a Section 115 Pension Trust Fund with an initial $2 million contribution to proactively address future pension obligations and reduce long-term unfunded liabilities. This action reflects the City's commitment to long-term financial planning and fiscal sustainability.

The forecast is based on several key assumptions, including steady growth in core revenues, continued inflationary pressures on labor and operating costs, and no major economic downturns during the forecast period. The model does not include speculative or unidentified revenue sources unless they have been formally approved or reasonably defined.



To evaluate potential alternatives for improving long-term fiscal sustainability, the forecast also includes a scenario analysis assuming an increase in the TOT from 12% to 13%. The current TOT rate is 11%, and the base forecast assumes a future voter-approved increase to 12% beginning in 2027. The alternative 13% scenario demonstrates the potential impact an additional percentage point could have on reserve preservation and long-term financial stability.



While the forecast shows gradual improvement over time, the City continues to face a structural imbalance between recurring revenues and expenditures under current assumptions. Maintaining long-term fiscal sustainability will require ongoing evaluation of revenues, operational efficiencies, service delivery models, and expenditure priorities.

City staff will continue to monitor economic conditions, tax revenues, and expenditure trends closely, including the performance of Measure X revenues approved by voters in November 2024. The long-range financial forecast will remain a living planning document and will be updated regularly, beginning with the FY 2026/27 Mid-Year Review, to ensure the City remains responsive to changing financial conditions and positioned for long-term fiscal resilience.

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 5/20/2026

TO: Honorable Mayor and City Council

FROM: Rodolfo Onchi, Public Works Director

APPROVED: Mali LaGoe, City Manager

SUBJECT: **Award Contract to VSS International, Inc. for the Scotts Valley Drive/Mt. Hermon Road Improvements Project No. P26-002 and Authorize the City Manager to Execute a Contract in an Amount Not to Exceed $1,536,211.00**

SUMMARY OF ISSUE

On September 18, 2024, the City Council received a presentation regarding safety, multimodal access, and roadway improvement alternatives for the Scotts Valley Drive corridor. Scotts Valley Drive and Mt. Hermon Road are separate roadway improvement projects; however, both corridors serve as major arterial roadways providing access to local businesses, schools, residential neighborhoods, and Highway 17, and both have been identified as priority areas for roadway rehabilitation and complete streets improvements.

The Scotts Valley Drive presentation included traffic operations analysis, collision history data, roadway configuration alternatives, and potential bicycle and pedestrian safety enhancements consistent with the City's General Plan and Active Transportation Plan. Following the presentation and community outreach efforts, the City Council provided direction on the preferred project elements and scope of work for the Scotts Valley Drive Improvement Project.

The Scotts Valley Drive and Mt. Hermon Road projects generally include pavement resurfacing, lane narrowing, buffered bike lanes, bike lane markings, and high-visibility crosswalks intended to improve bicyclist and pedestrian safety along both arterial corridors. Due to the similar scope and construction elements of the two projects, staff combined them into a single construction contract to increase project efficiency and improve bid competitiveness by advertising a larger combined project.

The City advertised the Scotts Valley Drive/Mt. Hermon Road Improvement Project for public bidding on March 31, 2026. Bids were due and publicly opened on April 28, 2026. A total of seven (7) bids were received from licensed contractors.

A summary of the bids received is provided below:

Bidder	Amount of Bid
VSS International, Inc.	$1,536,211.00
QA Constructers	$1,546,143.30
Precision Grade	$1,637,016.00
Anderson Pacific	$1,667,561.00
Joseph Albanese	$1,692,863.00
Monterey Peninsula Engineering	$1,717,865.00
Zara Construction	$2,326,010.00

Following review of the bid proposals, staff determined that VSS International, Inc. submitted the lowest responsive and responsible bid for the project. Staff reviewed the bid for responsiveness, contractor licensing, references, and compliance with the project specifications and requirements.

The bid submitted by VSS International, Inc. was within the Engineer's Estimate for the project and staff determined the submitted pricing to be competitive and consistent with current market conditions.

Construction is anticipated to begin in early Summer 2026 and is expected to be completed by October 15, 2026, weather and field conditions permitting.

FISCAL IMPACT

Funding for the Scotts Valley Drive and Mt. Hermon Road Improvement Project is included in the FY 2025/26 Capital Improvement Program budget and is supported through Measure D revenues, a Regional Transportation Commission (RTC) grant, and SB1 funding sources. There is no impact to the General Fund.

STAFF RECOMMENDATION

Staff recommends that the City Council adopt Resolution No. 2094 which:

1. Awards the contract for the Scotts Valley Drive/Mt. Hermon Road Improvements Project to VSS International, Inc. as the lowest responsive and responsible bidder in the amount of $1,536,211.00;
2. Authorizes a 20% construction contingency in the amount of $307,242.20, for a total

project authorization not to exceed $1,843,453.20; and

3. Authorizes the City Manager to execute the construction contract and approve change orders within the authorized contingency amount.

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RESOLUTION NO. 2094

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF Scotts Valley AWARDING A CONSTRUCTION CONTRACT TO VSS INTERNATIONAL, INC. FOR THE SCOTTS VALLEY DRIVE/MT. HERMON ROAD IMPROVEMENTS PROJECT NO. P26-002, AUTHORIZING A CONSTRUCTION CONTINGENCY, AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE CONTRACT AND APPROVE CHANGE ORDERS WITHIN THE AUTHORIZED CONTINGENCY AMOUNT

WHEREAS, the City of Scotts Valley identified Scotts Valley Drive and Mt. Hermon Road as priority corridors for roadway rehabilitation and complete streets improvements to improve safety and multimodal access; and

WHEREAS, on September 18, 2024, the City Council received a presentation regarding safety, multimodal access, roadway improvement alternatives, and potential bicycle and pedestrian enhancements for the Scotts Valley Drive corridor; and

WHEREAS, the Scotts Valley Drive and Mt. Hermon Road Improvement Projects generally include pavement resurfacing, lane narrowing, buffered bike lanes, bike lane markings, and high-visibility crosswalks intended to improve bicyclist and pedestrian safety; and

WHEREAS, due to the similar scope and construction elements of the two projects, the City combined the projects into a single construction contract to improve project efficiency and bid competitiveness; and

WHEREAS, the City publicly advertised the Scotts Valley Drive/Mt. Hermon Road Improvements Project No. P26-002 for bids on March 31, 2026, and bids were publicly opened on April 28, 2026; and

WHEREAS, seven (7) bids were received from licensed contractors; and

WHEREAS, VSS International, Inc. submitted the lowest responsive and responsible bid in the amount of $1,536,211.00; and

WHEREAS, staff reviewed the bid proposal for responsiveness, contractor licensing, references, and compliance with the project specifications and requirements and determined the bid to be competitive and consistent with current market conditions; and

WHEREAS, funding for the project is included in the FY 2025/26 Capital Improvement Program budget and is supported through Measure D revenues, Regional Transportation Commission grant funding, and SB1 funding sources, with no impact to the General Fund.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED:

1. The City Council hereby awards the construction contract for the Scotts Valley Drive/Mt. Hermon Road Improvements Project No. P26-002 to VSS International, Inc. in the amount of $1,536,211.00 as the lowest responsive and responsible bidder.
2. The City Council hereby authorizes a construction contingency in the amount of $307,242.20, representing twenty percent (20%) of the contract amount, for a total project authorization not to exceed $1,843,453.20.
3. The City Council hereby authorizes the City Manager to execute the construction contract and approve change orders within the authorized contingency amount.

The above and foregoing resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a regular meeting held on the 20th day of May 2026 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: ______________________________
Donna Lind, Mayor

Attest: ______________________________
Cathie Simonovich, City Clerk

PUBLIC WORKS CONSTRUCTION CONTRACT BETWEEN THE CITY OF SCOTTS VALLEY AND VSS INTERNATIONAL, INC.

Section 1. Contract Intro/Parties

THIS AGREEMENT, made and concluded this May 20, 2026 between the CITY OF SCOTTS VALLEY, hereinafter called CITY, and VSS International, Inc., hereinafter called CONTRACTOR.

WITNESS TO, that for and in consideration of the payments and agreements hereinafter mentioned, to be made and performed by CITY, and under the conditions expressed in the bonds, bearing even date with these presents and hereunto annexed, CONTRACTOR agrees with CITY, at CONTRACTOR'S own proper cost and expense, to do all the work and furnish all the materials, except such as are mentioned in the specifications to be furnished by CITY, necessary to construct and complete the work of the improvement herein referenced in a good workmanlike and substantial manner and to the satisfaction of the CITY'S Director of Public Works, VSS International, Inc., in accordance with the Standard Provisions hereto annexed, and also in accordance with the General Prevailing Wage Rates as determined by the Department of Industrial Relations, which said Standard Provisions and General Prevailing Wage Rates are hereby specifically referred to and by such reference made a part hereof.

The work to be done is described in Section 1 "Description of Work" of the Standard Provisions, which said Standard Provisions are hereby made a part of this contract, and is shown upon the plans entitled Scotts
Valley Dr/Mt. Hermon Rd Improvements Project, which said plans are hereby made a part of the contract. **The work shall be completed 60 working days after issuance of notification to proceed.**

Section 2. Contract Terms

CITY hereby promises and agrees with CONTRACTOR to employ, and does hereby employ, CONTRACTOR to provide the materials and to do the work according to the terms and conditions herein contained and referred to, for the prices set forth in the Bid of CONTRACTOR for the work to be constructed and completed under this Agreement, which prices shall be considered as though repeated herein, subject to additions and deductions as provided therein, and hereby contracts to pay the same at the time, in the manner upon the conditions herein set forth; and the said parties for themselves, their heirs, executors, administrators, successors and assigns, do hereby agree to the full performance of the covenants herein contained.

Section 3. Prevailing Wages

The statement of prevailing wages appearing in the General Prevailing Wage Rates is hereby specifically referred to and by this reference is made a part of this contract. It is further expressly agreed by and between the parties hereto that should there be any conflict between the terms of this instrument and the bid or proposal of said CONTRACTOR, then this instrument shall control, and nothing herein shall be considered as an acceptance of the said terms of said proposal conflicting herewith.

Section 4. Labor Code Compliance

By its signature hereunder, as CONTRACTOR, CONTRACTOR hereby certifies that it is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workmen's compensation or to undertake self-insurance in accordance with the provisions of that code, and it will comply with such provisions before commencing the performance of the work of this contract.

Section 5. Compensation

CONTRACTOR shall be compensated for satisfactory completion of the work in compliance with the contract documents for the sum not to exceed $1,536,211.00 in accordance with the Bid Schedule outlined in the CONTRACTOR'S Bid and Bid Price Schedule dated April 28, 2026.

CONTRACTOR agrees to receive and accept the prices as set forth in the Bid of CONTRACTOR for the work to be constructed and completed under this Agreement, which prices shall be considered as though repeated herein, subject to additions and deductions as provided therein, as full compensation for furnishing all materials and for doing all the work contemplated and embraced in this agreement; also, for all loss or damage arising out of the nature of the work aforesaid, or from the action of elements, or from any unforeseen difficulties or obstructions which may arise or be encountered in the prosecution of the work until its acceptance by CITY, and for all the risks of every description connected with the work; also, for all expenses incurred by or in consequence of the suspension or discontinuance of work; and for well and faithfully completing the work, and the whole thereof, in the manner and according to the plans and specifications, and the requirements of Engineer.

Section 6. Indemnification

CONTRACTOR shall indemnify and save harmless and defend CITY, its elected officials, officers, agents, consultants, servants and employees, and each of them from and against:

A. Any and all claims, demands, causes of action, damages, costs, expenses, losses or liabilities, in law or in equity, of every kind and nature whatsoever for, but not limited to, injury to or death of any person including CONTRACTOR, or any elected official, officer, agent, consultant, servant and/or employee of CITY or CONTRACTOR, and damages to or destruction of property of any person, including, but not limited to, CITY and/or CONTRACTOR and their elected officials, officers, agents, consultants, servants and/or employees, arising out of or in any manner directly or indirectly connected with the work to be performed under this agreement, however caused, regardless of any negligence of CITY or its elected officials, officers, agents, consultants, servants or employees, except the sole negligence or willful misconduct of CITY or its elected officials, officers, agents, consultants, servants or employees, or the active negligence of CITY, its elected officials, officers, agents, consultants, servants or employees;

B. and any and all actions, proceedings, damages, costs, expenses, penalties or liabilities, in law or equity, of every kind or nature whatsoever, arising out of, resulting from, or on account of the violation of any governmental law or regulation, compliance with which is the responsibility of CONTRACTOR.

CONTRACTOR shall, at CONTRACTOR'S own cost, expense and risk, defend any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against CITY or CITY'S elected officials, officers, agents, consultants, servants or employees.

CONTRACTOR shall pay and satisfy and judgment, award or decree that may be rendered against CITY or its elected officials, officers, agents, consultants, servants or employees, in any such suit, action or other legal proceedings;

CONTRACTOR shall reimburse CITY and its elected officials, officers, agents, consultants, servants and employees for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided.

Section 7. Insurance Requirement

Prior to the commencement of any work, CONTRACTOR shall provide CITY with evidence that it has obtained insurance and Performance and Payment Bonds satisfying all requirements outlined in the Insurance Certificate. Failure to do so shall be deemed a material breach of this Construction Contract.

Section 8. Contract Documents/References

The complete contract for the work of improvement herein referenced consists of the following documents, all of which are hereby expressly made a part hereof and incorporated herein by this reference. CONTRACTOR shall be bound by the requirements and obligations of such documents.

1. Notice To Bidders
2. Construction Agreement
3. Bond for Faithful Performance
4. Bond of Security of Laborers and Material Person
5. Proposal
6. General Provisions
7. Contractor's Bid and Bid Price Schedule
8. Public Contract Code Section 10162 Questionnaire
9. Public Contract Code Section 10232 Statement
10. Public Contract Code Section 10285.1 Statement
11. Noncollusion Affidavit
12. Bidder's Bond

13. Standard Provisions

14. Standard Specifications dated 2024 and Standard Plans dated 2024 of the California Department of Transportation

15. Labor Surcharge and Equipment Rental Rates and the General Prevailing Wage Rates as determined by the California Department of Transportation Division of Construction (all as referenced herein)

16. Technical specifications

17. Plans entitled,

18. Insurance Certificate

19. Information for Bidders

Section 9. Signatures

IN WITNESS WHEREOF, CITY has caused these presents to be executed by its officers hereunto duly authorized, and CONTRACTOR has subscribed same, all on the day and year first above written.

SIGNATURE	**SIGNATURE**
Jeff Roberts, President	Mali LaGoe
CONTRACTOR	**FULL NAME**
DATE SIGNED	**DATE SIGNED**
A, B, & C12 293727	City Manager
LICENSE NO.:	**TITLE**

SIGNATURE

Kirsten Powell

FULL NAME

DATE SIGNED

City Clerk

TITLE

SIGNATURE

Cathie Simonovich

FULL NAME

DATE SIGNED

City Attorney

TITLE

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 5/5/2026

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Gallagher Brokerage & Insurance Solutions, Inc.
50 California St
Floor 12
San Francisco CA 94111
License#: 0329598

CONTACT NAME: Susan Lane
PHONE (A/C, No, Ext): 415-391-2141 FAX (A/C, No): 415-989-9923
E-MAIL ADDRESS: certrequests@ajg.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Admiral Insurance Company	24856
INSURER B : Hartford Fire Insurance Company	19682
INSURER C : Harleysville Insurance Co of New York	10674
INSURER D : Ironshore Specialty Insurance Company	25445
INSURER E : Navigators Specialty Insurance Company	36056
INSURER F :	

INSURED REEDFAM-01
VSS International, Inc.
3785 Channel Drive
West Sacramento CA 95691

COVERAGES **CERTIFICATE NUMBER:** 538844136 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
B	X COMMERCIAL GENERAL LIABILITY	Y	Y	57CSEQU2541	3/1/2026	3/1/2027	EACH OCCURRENCE	$ 2,000,000
	CLAIMS-MADE X OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$ 5,000
							PERSONAL & ADV INJURY	$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$ 4,000,000
	POLICY X PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$ 4,000,000
	OTHER:							$
B	AUTOMOBILE LIABILITY	Y	Y	57CSEQU2542	3/1/2026	3/1/2027	COMBINED SINGLE LIMIT (Ea accident)	$ 2,000,000
	X ANY AUTO						BODILY INJURY (Per person)	$
	OWNED AUTOS ONLY / SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	HIRED AUTOS ONLY / NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
								$
E A C	UMBRELLA LIAB X OCCUR	Y	Y	AZ26EXCZ0GTKMIC UX00000074803 CRA0000159	3/1/2026 3/1/2026 3/1/2026	3/1/2027 3/1/2027 3/1/2027	EACH OCCURRENCE	$ 5,000,000
	X EXCESS LIAB CLAIMS-MADE						AGGREGATE	$ 5,000,000
	DED RETENTION $						**	$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A					PER STATUTE / OTH-ER	CA Self-Insured
							E.L. EACH ACCIDENT	$ Certificates
							E.L. DISEASE - EA EMPLOYEE	$ Attached.
							E.L. DISEASE - POLICY LIMIT	$
D	Pollution Liability	Y	Y	ICELLUW00167493	3/1/2026	3/1/2027	Occurrence Aggregate	$5,000,000 $5,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
** Excess - Additional Primary Layer - Axis Surplus Lines - Policy Number: P-001-001534935-02 - Effective: 3-1-2026 Expiration 3-1-2027
VSSI Job No. 26-039 City of Scotts Valley- Scotts Valley Dr/Mt. Hermon Rd Improvements Project PW Project No. P26-002 - City of Scotts Valley, its officers, officials, employees and volunteers are additional insured with respect to General Liability, Automobile Liability and Pollution Liability per endorsements attached. Coverage is Primary and Non-Contributory. Waiver of Subrogation is applicable per endorsements attached. Umbrella Excess Liability is Excess of Underlying general Liability, Automobile Liability and Employer's Liability on a following form basis. Policies contain a 30-day notice of cancellation, 10-days for non-payment of premium.

CERTIFICATE HOLDER
City of Scotts Valley
361 Kings Village Road
Scotts Valley CA 95006

CANCELLATION
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Gallagher Brokerage & Insurance Solutions, Inc.

STATE OF CALIFORNIA Gavin Newsom, Governor

DEPARTMENT OF INDUSTRIAL RELATIONS
OFFICE OF SELF-INSURANCE PLANS
1750 Howe Avenue, Suite 215
Sacramento,CA 95825
Phone No. (916) 464-7000
FAX (916) 464-7007

CERTIFICATION OF SELF-INSURANCE OF WORKERS' COMPENSATION

TO WHOM IT MAY CONCERN:

This certifies that Certificate of Consent to Self-Insure No. **2106-C** was issued by the Director of Industrial Relations to:

VSS International, Inc.

under the provisions of Section 3700, Labor Code of California with an effective date of **August 1, 1988.** The certificate is currently in full force and effective.

Dated at Sacramento, California
This day the 05th of January 2026

Lyn Asio Booz, Chief

ORIG: Krissy Deleon
Corporate Safety & Risk Manager
Reed Family Companies
928 12th St, Ste 700
Modesto, Ca 95354

NUMBER : **2106 - C**

STATE OF CALIFORNIA
DEPARTMENT OF INDUSTRIAL RELATIONS
OFFICE OF THE DIRECTOR

CERTIFICATE OF CONSENT TO SELF-INSURE

THIS IS TO CERTIFY, That

VSS International, Inc.
(Name of Subsidiary)
STATE OF INCORPORATION CA

Reed Family Companies
(Master CertificateHolder)
STATE OF INCORPORATION CA

has complied with the requirements of the Director of Industrial Relations under the provisions of Sections 3700 to 3705, inclusive, of the Labor Code of the State of California and is hereby granted this Certificate of Consent to Self-Insure, holder of Master Certificate No, 2106.

This certificate may be revoked at any time for good cause shown.*

EFFECTIVE DATE : **August 1, 1988** **DEPARTMENT OF INDUSTRIAL RELATIONS OF THE STATE OF CALIFORNIA**

Lyn Asio Booz, Chief

Katrina S. Hagen, Director

*Revocation of Certificate.--"A certificate of consent to self-insure may be revoked by the Director of Industrial Relations at any time for good cause after a hearing. Good cause includes, among other things, the impairment of solvency of such employer, the inability of the employer to fulfill his obligations, or the practice of such employer or his agent in charge of the administration of obligations, under the this division of any of the following: (a) Habitually and as a matter of practice and custom inducing claimants for compensation to accept less than the compensation due or making it necessary for them to resort to proceedings against the employer to secure the compensation due; (b) Discharging his compensation obligations in a dishonest manner; (c) Discharging his compensation obligations in such a manner as to cause injury to the public or those dealing with him."(Section 3702 of Labor Code.) The Certificate may be revoked for non compliance with Title 8, California Administrative Code, Group 2 -- Administration of Self Insurance

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

COMMERCIAL AUTOMOBILE BROAD FORM ENDORSEMENT

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

To the extent that the provisions of this endorsement provide broader benefits to the "insured" than other provisions of the Coverage Form, the provisions of this endorsement apply.

1. BROAD FORM INSURED

Paragraph .1. - WHO IS AN INSURED - of Section II - Liability Coverage is amended to add the following:

d. Subsidiaries and Newly Acquired or Formed Organizations

The Named Insured shown in the Declarations is amended to include:

(1) Any legal business entity other than a partnership or joint venture, formed as a subsidiary in which you have an ownership interest of more than 50% on the effective date of the Coverage Form. However, the Named Insured does not include any subsidiary that is an "insured" under any other automobile policy or would be an "insured" under such a policy but for its termination or the exhaustion of its Limit of Insurance.

(2) Any organization that is acquired or formed by you and over which you maintain majority ownership. However, the Named Insured does not include any newly formed or acquired organization:

(a) That is a partnership or joint venture,

(b) That is an "insured" under any other policy,

(c) That has exhausted its Limit of Insurance under any other policy, or

(d) 180 days or more after its acquisition or formation by you, unless you have given us notice of the acquisition or formation.

Coverage does not apply to "bodily injury" or "property damage" that results from an "accident" that occurred before you formed or acquired the organization.

e. Employees as Insureds

(1). Any "employee" of yours while using a covered "auto" you don't own, hire or borrow in your business or your personal affairs.

f. Lessors as Insureds

(1). The lessor of a covered "auto" while the "auto" is leased to you under a written agreement if:

(a) The agreement requires you to provide direct primary insurance for the lessor and

(b) The "auto" is leased without a driver.

Such a leased "auto" will be considered a covered "auto" you own and not a covered "auto" you hire.

g. Additional Insured if Required by Contract

(1) When you have agreed, in a written contract or written agreement, that a person or organization be added as an additional insured on your business auto policy, such person or organization is an "insured", but only to the extent such person or organization is liable for "bodily injury" or "property damage" caused by the conduct of an "insured" under paragraphs a. or b. of Who Is An Insured with regard to the ownership, maintenance or use of a covered "auto."

The insurance afforded to any such additional insured applies only if the "bodily injury" or "property damage" occurs:

(a) During the policy period, and

(b) Subsequent to the execution of such written contract, and

(c) Prior to the expiration of the period of time that the written contract requires such insurance be provided to the additional insured.

(2) How Limits Apply

If you have agreed in a written contract or written agreement that another person or organization be added as an additional insured on your policy, the most we will pay on behalf of such additional insured is the lesser of:

(a) The limits of insurance specified in the written contract or written agreement; or

(b) The Limits of Insurance shown in the Declarations.

Such amount shall be a part of and not in addition to Limits of Insurance shown in the Declarations and described in this Section.

(3) Additional Insureds Other Insurance

If we cover a claim or "suit" under this Coverage Part that may also be covered by other insurance available to an additional insured, such additional insured must submit such claim or "suit" to the other insurer for defense and indemnity.

However, this provision does not apply to the extent that you have agreed in a written contract or written agreement that this insurance is primary and non-contributory with the additional insured's own insurance.

(4) Duties in The Event Of Accident, Claim, Suit or Loss

If you have agreed in a written contract or written agreement that another person or organization be added as an additional insured on your policy, the additional insured shall be required to comply with the provisions in LOSS CONDITIONS 2. - DUTIES IN THE EVENT OF ACCIDENT, CLAIM , SUIT OR LOSS – OF SECTION IV – BUSINESS AUTO CONDITIONS, in the same manner as the Named Insured.

2. Primary and Non-Contributory if Required by Contract

Only with respect to insurance provided to an additional insured in A.1.g. - Additional Insured If Required by Contract, the following provisions apply:

(1) Primary Insurance When Required By Contract

This insurance is primary if you have agreed in a written contract or written agreement that this insurance be primary. If other insurance is also primary, we will share with all that other insurance by the method described in Other Insurance 5.d.

(2) Primary And Non-Contributory To Other Insurance When Required By Contract

If you have agreed in a written contract or written agreement that this insurance is primary and non-contributory with the additional insured's own insurance, this insurance is primary and we will not seek contribution from that other insurance.

Paragraphs **(1)** and **(2)** do not apply to other insurance to which the additional insured has been added as an additional insured.

When this insurance is excess, we will have no duty to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit". If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

(1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and

(2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, by the method described in SECTION IV- Business Auto Conditions, B. General Conditions, Other Insurance 5.d.

3. AUTOS RENTED BY EMPLOYEES

Any "auto" hired or rented by your "employee" on your behalf and at your direction will be considered an "auto" you hire.

The SECTION IV- Business Auto Conditions, B. General Conditions, 5. OTHER INSURANCE Condition is amended by adding the following:

e. If an "employee’s" personal insurance also applies on an excess basis to a covered "auto" hired or rented by your "employee" on your behalf and at your direction, this insurance will be primary to the "employee’s" personal insurance.

4. AMENDED FELLOW EMPLOYEE EXCLUSION

EXCLUSION 5. - FELLOW EMPLOYEE - of SECTION II - LIABILITY COVERAGE does not apply if you have workers' compensation insurance in-force covering all of your "employees".

Coverage is excess over any other collectible insurance.

5. HIRED AUTO PHYSICAL DAMAGE COVERAGE

If hired "autos" are covered "autos" for Liability Coverage and if Comprehensive, Specified Causes of Loss, or Collision coverages are provided under this Coverage Form for any "auto" you own, then the Physical Damage Coverages provided are extended to "autos" you hire or borrow, subject to the following limit.

The most we will pay for "loss" to any hired "auto" is:

(1) $100,000;

(2) The actual cash value of the damaged or stolen property at the time of the "loss"; or

(3) The cost of repairing or replacing the damaged or stolen property,

whichever is smallest, minus a deductible. The deductible will be equal to the largest deductible applicable to any owned "auto" for that coverage. No deductible applies to "loss" caused by fire or lightning. Hired Auto Physical Damage coverage is excess over any other collectible insurance. Subject to the above limit, deductible and excess provisions, we will provide coverage equal to the broadest coverage applicable to any covered "auto" you own.

We will also cover loss of use of the hired "auto" if it results from an "accident", you are legally liable and the lessor incurs an actual financial loss, subject to a maximum of $1000 per "accident".

This extension of coverage does not apply to any "auto" you hire or borrow from any of your "employees", partners (if you are a partnership), members (if you are a limited liability company), or members of their households.

6. PHYSICAL DAMAGE - ADDITIONAL TEMPORARY TRANSPORTATION EXPENSE COVERAGE

Paragraph A.4.a. of SECTION III - PHYSICAL DAMAGE COVERAGE is amended to provide a limit of $50 per day and a maximum limit of $1,000.

7. LOAN/LEASE GAP COVERAGE

Under SECTION III - PHYSICAL DAMAGE COVERAGE, in the event of a total "loss" to a covered "auto", we will pay your additional legal obligation for any difference between the actual cash value of the "auto" at the time of the "loss" and the "outstanding balance" of the loan/lease.

"Outstanding balance" means the amount you owe on the loan/lease at the time of "loss" less any amounts representing taxes; overdue payments; penalties, interest or charges resulting from overdue payments; additional mileage charges; excess wear and tear charges; lease termination fees; security deposits not returned by the lessor; costs for extended warranties, credit life Insurance, health, accident or disability insurance purchased with the loan or lease; and carry-over balances from previous loans or leases.

8. AIRBAG COVERAGE

Under Paragraph B. EXCLUSIONS - of SECTION III - PHYSICAL DAMAGE COVERAGE, the following is added:

The exclusion relating to mechanical breakdown does not apply to the accidental discharge of an airbag.

9. ELECTRONIC EQUIPMENT - BROADENED COVERAGE

a. The exceptions to Paragraphs B.4 - EXCLUSIONS - of SECTION III - PHYSICAL DAMAGE COVERAGE are replaced by the following:

Exclusions **4.c.** and **4.d.** do not apply to equipment designed to be operated solely by use of the power from the "auto's" electrical system that, at the time of "loss", is:

(1) Permanently installed in or upon the covered "auto";

(2) Removable from a housing unit which is permanently installed in or upon the covered "auto";

(3) An integral part of the same unit housing any electronic equipment described in Paragraphs (1) and (2) above; or

(4) Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system.

b. Section III, Physical Damage Coverage, Limit of Insurance, Paragraph C.2. is amended to add the following:

$1,500 is the most we will pay for "loss" in any one "accident" to all electronic equipment (other than equipment designed solely for the reproduction of sound, and accessories used with such equipment) that reproduces, receives or transmits audio, visual or data signals which, at the time of "loss", is:

(1) Permanently installed in or upon the covered "auto" in a housing, opening or other location that is not normally used by the "auto" manufacturer for the installation of such equipment;

(2) Removable from a permanently installed housing unit as described in Paragraph 2.a. above or is an integral part of that equipment; or

(3) An integral part of such equipment.

c. For each covered "auto", should loss be limited to electronic equipment only, our obligation to pay for, repair, return or replace damaged or stolen electronic equipment will be reduced by the applicable deductible shown in the Declarations, or $250, whichever deductible is less.

10. EXTRA EXPENSE - BROADENED COVERAGE

Under Paragraph A. - COVERAGE - of SECTION III - PHYSICAL DAMAGE COVERAGE, we will pay for the expense of returning a stolen covered "auto" to you.

11. GLASS REPAIR - WAIVER OF DEDUCTIBLE

Under Paragraph D. - DEDUCTIBLE - of SECTION III - PHYSICAL DAMAGE COVERAGE, the following is added:

No deductible applies to glass damage if the glass is repaired rather than replaced.

12. TWO OR MORE DEDUCTIBLES

Under Paragraph D. - DEDUCTIBLE - of SECTION III - PHYSICAL DAMAGE COVERAGE, the following is added:

If another Hartford Financial Services Group, Inc. company policy or coverage form that is not an automobile policy or coverage form applies to the same "accident", the following applies:

(1) If the deductible under this Business Auto Coverage Form is the smaller (or smallest) deductible, it will be waived;

(2) If the deductible under this Business Auto Coverage Form is not the smaller (or smallest) deductible, it will be reduced by the amount of the smaller (or smallest) deductible.

13. AMENDED DUTIES IN THE EVENT OF ACCIDENT, CLAIM, SUIT OR LOSS

The requirement in LOSS CONDITIONS 2.a. - DUTIES IN THE EVENT OF ACCIDENT, CLAIM, SUIT OR LOSS - of SECTION IV - BUSINESS AUTO CONDITIONS that you must notify us of an "accident" applies only when the "accident" is known to:

(1) You, if you are an individual;

(2) A partner, if you are a partnership;

(3) A member, if you are a limited liability company; or

(4) An executive officer or insurance manager, if you are a corporation.

14. UNINTENTIONAL FAILURE TO DISCLOSE HAZARDS

If you unintentionally fail to disclose any hazards existing at the inception date of your policy, we will not deny coverage under this Coverage Form because of such failure.

15. HIRED AUTO - COVERAGE TERRITORY

SECTION IV, BUSINESS AUTO CONDITIONS, PARAGRAPH B. GENERAL CONDITIONS, 7. - POLICY PERIOD, COVERAGE TERRITORY - is added to include the following:

(6) For short-term hired "autos", the coverage territory with respect to Liability Coverage is anywhere in the world provided that if the "insured's" responsibility to pay damages for "bodily injury" or "property damage" is determined in a "suit," the "suit" is brought in the United States of America, the territories and possessions of the United States of America, Puerto Rico or Canada or in a settlement we agree to.

16. WAIVER OF SUBROGATION

Paragraph 5. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US - of SECTION IV - BUSINESS AUTO CONDITIONS A. Loss Conditions is amended by adding the following:

We waive any right of recovery we may have against any person or organization with whom you have a written contract that requires such waiver because of payments we make for damages under this Coverage Form.

17. RESULTANT MENTAL ANGUISH COVERAGE

The definition of "bodily injury" in SECTION V-DEFINITIONS, C. is replaced by the following:

"Bodily injury" means bodily injury, sickness or disease sustained by any person, including mental anguish or death resulting from any of these.

18. EXTENDED CANCELLATION CONDITION

Paragraph 2. of the COMMON POLICY CONDITIONS - CANCELLATION - applies except as follows:

If we cancel for any reason other than nonpayment of premium, we will mail or deliver to the first Named Insured written notice of cancellation at least 60 days before the effective date of cancellation.

19. HYBRID, ELECTRIC, OR NATURAL GAS VEHICLE PAYMENT COVERAGE

In the event of a total loss to a "non-hybrid" auto for which Comprehensive, Specified Causes of Loss, or Collision coverages are provided under this Coverage Form, then such Physical Damage Coverages are amended as follows:

a. If the auto is replaced with a "hybrid" auto or an auto powered solely by electricity or natural gas, we will pay an additional 10%, to a maximum of $2,500, of the "non-hybrid" auto's actual cash value or replacement cost, whichever is less,

b. The auto must be replaced and a copy of a bill of sale or new lease agreement received by us within 60 calendar days of the date of "loss,"

c. Regardless of the number of autos deemed a total loss, the most we will pay under this Hybrid, Electric, or Natural Gas Vehicle Payment Coverage provision for any one "loss" is $10,000.

For the purposes of the coverage provision,

a. A "non-hybrid" auto is defined as an auto that uses only an internal combustion engine to move the auto but does not include autos powered solely by electricity or natural gas.

b. A "hybrid" auto is defined as an auto with an internal combustion engine and one or more electric motors; and that uses the internal combustion engine and one or more electric motors to move the auto, or the internal combustion engine to charge one or more electric motors, which move the auto.

20. VEHICLE WRAP COVERAGE

In the event of a total loss to an "auto" for which Comprehensive, Specified Causes of Loss, or Collision coverages are provided under this Coverage Form, then such Physical Damage Coverages are amended to add the following:

In addition to the actual cash value of the "auto", we will pay up to $1,000 for vinyl vehicle wraps which are displayed on the covered "auto" at the time of total loss. Regardless of the number of autos deemed a total loss, the most we will pay under this Vehicle Wrap Coverage provision for any one "loss" is $5,000. For purposes of this coverage provision, signs or other graphics painted or magnetically affixed to the vehicle are not considered vehicle wraps.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED - OWNERS, LESSEES OR CONTRACTORS - OPTION I

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s):	Designated Project(s) Or Location(s) Of Covered Operations:
ANY PERSON OR ORGANIZATION WHOM YOU BECOME OBLIGATED TO INCLUDE AS AN ADDITIONAL INSURED AS REQUIRED BY WRITTEN CONTRACT.	PER WRITTEN CONTRACT OR AGREEMENT
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. With respect to those person(s) or organization(s) shown in the Schedule above when you have agreed in a written contract or written agreement to provide insurance such as is afforded under this policy to them, Subparagraph **f.**, **Any Other Party**, under the **Additional Insureds When Required By Written Contract, Written Agreement Or Permit** Paragraph of **Section II – Who Is An Insured** is replaced with the following:

f. Any Other Party

Any other person or organization who is not an insured under Paragraphs **a.** through **e.** above, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

(1) In the performance of your ongoing operations for such additional insured at the project(s) or location(s) designated in the Schedule;

(2) In connection with your premises owned by or rented to you and shown in the Schedule; or

(3) In connection with "your work" for the additional insured at the project(s) or location(s) designated in the Schedule and included within the "products-completed operations hazard", but only if:

(a) The written contract or written agreement requires you to provide such coverage to such additional insured at the project(s) or location(s) designated in the Schedule; and

(b) This Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

The insurance afforded to the additional insured shown in the Schedule applies:

(1) Only if the "bodily injury" or "property damage" occurs, or the "personal and advertising injury" offense is committed:

(a) During the policy period; and

(b) Subsequent to the execution of such written contract or written agreement; and

(c) Prior to the expiration of the period of time that the written contract or written agreement requires such insurance be provided to the additional insured.

(2) Only to the extent permitted by law; and

(3) Will not be broader than that which you are required by the written contract or written agreement to provide for such additional insured.

With respect to the insurance afforded to the person(s) or organization(s) that are additional insureds under this endorsement, the following additional exclusion applies:

This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:

(1) The preparing, approving, or failing to prepare or approve maps, shop drawings, opinions, reports, surveys, field orders, change orders, designs or specifications; or

(2) Supervisory, inspection, architectural or engineering activities.

The limits of insurance that apply to the additional insured shown in the Schedule are described in the Limits Of Insurance section.

How this insurance applies when other insurance is available to the additional insured is described in the Other Insurance Condition in **Section IV – Commercial General Liability Conditions**, except as otherwise amended below.

B. With respect to insurance provided to the person(s) or organization(s) that are additional insureds under this endorsement, the **When You Add Others As An Additional Insured To This Insurance** subparagraph, under the **Other Insurance** Condition of **Section IV – Commercial General Liability Conditions** is replaced with the following:

When You Add Others As An Additional Insured To This Insurance

(a) Primary Insurance When Required By Contract

This insurance is primary if you have agreed in a written contract or written agreement that this insurance be primary. If other insurance is also primary, we will share with all that other insurance by the method described in Paragraph **(c)** below. This insurance does not apply to other insurance to which the additional insured in the Schedule has been added as an additional insured.

(b) Primary And Non-Contributory To Other Insurance When Required By Contract

This insurance is primary to and will not seek contribution from any other insurance available to an additional insured under your policy provided that:

(i) The additional insured in the Schedule is a Named Insured under such other insurance; and

(ii) You have agreed in a written contract or written agreement that this insurance would be primary and would not seek contribution from any other insurance available to the additional insured in the Schedule.

(c) Method Of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach, each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

All other terms and conditions in the policy remain unchanged.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CONTRACTORS BROAD FORM ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

INDEX

1 . ALIENATED PREMISES COVERAGE

Exclusion j. Damage To Property of **Section I - Coverage A** is amended as follows:

a. The following exception to the exclusion is deleted:

Paragraph **(2)** of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

b. This exception is replaced by the following:

Paragraph **(2)** of this exclusion does not apply if the premises are "your work".

2. DAMAGE TO YOUR WORK

A. Section I - Coverage A - Bodily Injury And Property Damage Liability, Paragraph **1. Insuring Agreement** is amended to add the following:

f. Damages because of "property damage" include damages the insured becomes legally obligated to pay because of "property damage" to "your work" or caused by "your work", and such "property damage" shall be deemed to be caused by an "occurrence", if not intended or expected from the standpoint of the insured , regardless of whether the "property damage" arises from breach of contract.

B. Exclusion l. Damage To Your Work of Section I - Coverage A is replaced by the following:

l. Damage to Your Work

"Property damage" to that particular part of "your work" that must be restored, repaired or replaced because "your work" was incorrectly performed and included in the "products-completed operations hazard".

This exclusion does not apply if the damaged work or the work performed incorrectly was performed on your behalf by a subcontractor.

This Paragraph **2.B.** does not apply if **Exclusion l. Damage To Your Work** has been otherwise modified by endorsement.

3. THAT PARTICULAR PART

This Paragraph **3.** applies to **Exclusion j. Damage to Property**, subparagraphs **(5)**, and **(6)**, **Exclusion k. Damage to Your Product**, and Exclusion **l. Damage to Your Work**.

When performing operations as a "general contractor", the term that particular part shall not mean the entire construction, improvement or renovation project. For purposes of this provision, the term "general contractor" means the contractor signing the prime construction contract for a construction, erection, improvement or renovation project and that has main responsibility for such project including hiring all of the subcontractors and suppliers.

4. CONTRACTORS LIMITED PROFESSIONAL LIABILITY

The following exclusion is added to Paragraph **2., Exclusions** of **Section I - Coverage A - Bodily Injury And Property Damage Liability,** and to Paragraph **2., Exclusions of Section I - Coverage B - Personal And Advertising Injury Liability:**

This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of or failure to render any professional services by you with respect to your providing engineering, architectural or surveying services in your capacity as an engineer, architect or surveyor.

Professional services include:

(1) The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders, or drawings and specifications; and

(2) Supervisory or inspection activities performed as a part of any related architectural or engineering activities.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved the rendering of or failure to render any professional services by you with respect to your providing engineering, architectural or surveying services in your capacity as an engineer, architect or surveyor.

This exclusion does not apply to your operations in connection with construction work performed by you or on your behalf.

However, this exception to the exclusion will not apply if you are in the business or profession of providing the professional services described above independent from the construction work performed by you or on your behalf.

In the event this insurance applies to any injury, damage, loss, cost or expense covered by Professional Liability insurance issued by a company unaffiliated with us, then the insurance afforded under this Coverage Part is excess over such other valid and collectible Professional Liability insurance (including any deductible or self-insured retention portion thereof), and any other valid and collectible insurance available to the insured whether primary, excess, contingent or on any other basis.

5. PER PROJECT AND PER LOCATION GENERAL AGGREGATE LIMITS OF INSURANCE

A. For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under **Section I - Coverage A**, and for all medical expenses caused by accidents under **Section I - Coverage C,** which can be attributed only to ongoing operations at a single "project" or a single "location";

1. A separate Per Project General Aggregate Limit or a separate Per Location General Aggregate Limit applies to each "project" or "location", whichever is applicable. The Per Project General Aggregate Limit and Per Location Aggregate Limit is equal to the amount of the General Aggregate Limit shown in the Declarations.

2. The Per Project General Aggregate Limit or the Per Location General Aggregate Limit, whichever applies, is the most we will pay for the sum of all damages under **Coverage A.** except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard", and for medical expenses under **Coverage C** regardless of the number of;

a. Insureds;

b. Claims made or "suits" brought; or

c. Persons or organizations making claims or bringing "suits".

3. Any payments made under **Coverage A** for damages or under **Coverage C** for medical expenses shall reduce the Per Project General Aggregate Limit for that "project" or the Per Location General Aggregate for that "location", whichever applies. Such payments shall not reduce the General Aggregate Limit shown in the Declarations, the Per Project General Aggregate Limit for any other "project", or the Per Location General Aggregate Limit for any other "location".

4. The limits shown in the Declarations for Each Occurrence, Damage To Premises Rented To You and Medical Expense continue to apply. However, instead of being subject to the General Aggregate Limit shown in the Declarations, such limits will be subject to the applicable Per Project General Aggregate Limit if attributable only to ongoing operations at a single "project" or the Per Location General Aggregate if attributable only to ongoing operations at a single "location".

B. For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under **Section I - Coverage A** and for all medical expenses caused by accidents under **Section I - Coverage C ,** which cannot be attributed only to ongoing operations at a single "project" or a single "location";

1. Any payments made under **Coverage A** for damages or under **Coverage C** for medical expenses shall reduce the amount available under the General Aggregate Limit or the Products-Completed Operations Aggregate Limit, whichever is applicable; and

2. Such payments shall not reduce any Per Project General Aggregate Limit or any Per Location General Aggregate Limit.

C. When coverage for liability arising out of the "products-completed operations hazard" is provided, any payments for damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard" will reduce the Products-Completed Operations Aggregate Limit, and not reduce the General Aggregate Limit,or any Per Project General Aggregate Limit or any Per Location General Aggregate Limit.

D. The provisions of **Section III - Limits Of Insurance** not otherwise modified by this endorsement shall continue to apply as stipulated.

E. For the purposes of Paragraph **5.,** the following definitions apply:

"Project" means a premises an insured does not own or rent and where such insured performs construction-related operations. Each "project" involving the same or connecting lots, or premises whose connection is separated by a street, roadway, waterway, railroad or right-of-way shall be considered a single "project".

1. If a "project" has been abandoned and then restarted, or if the authorized contracting parties deviate from plans, blueprints, designs, specifications or timetables, the "project" shall be considered a single "project". "Project" does not include a premises that is a "location".

2. "Location" means a premises an insured owns or rents and where such insured performs business operations other than construction-related operations. Each "location" involving the same or connecting lots, or premises whose connection is separated by a street, roadway, waterway or right-of-way railroad shall be considered a single "location." "Location" does not include a premises that is a "project".

This provision does not apply if the Per Project and the Per Location General Aggregate Limit has been otherwise modified by endorsement.

6. MEDICAL PAYMENTS COVERAGE - INCLUDING PRODUCTS-COMPLETED OPERATIONS

Paragraph **1.a.** of the **Insuring Agreement - Coverage C** is replaced by the following:

1. Insuring Agreement

a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

(1) On premises you own or rent;

(2) On ways next to premises you own or rent;

(3) Because of your operations; or

(4) Included within the definition of the "products-completed operations hazard;"

provided that:

(1) The accident takes place in the "coverage territory" and during the policy period;

(2) The expenses are incurred and reported to us within three years of the date of the accident; and

(3) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

7. INJURY TO EMPLOYEE'S REPUTATION WITH RESPECT TO INCIDENTAL MEDICAL MALPRACTICE

A. The following is added to Paragraph **1.e.** of the **Insuring Agreement - Coverage A**:

(3) With respect to incidental medical malpractice, "bodily injury" includes damages claimed for injury to emotions or reputation of an "employee" arising out of the rendering or failure to render professional health care services as a physician, dentist, nurse, emergency medical technician or paramedic services.

B. The following exclusion is added to **Coverage B - Personal and Advertising Injury**:

"Personal and advertising injury arising out of the rendering or failure to render professional health care services as a physician, dentist, nurse, emergency medical technician or paramedic.

8. BODILY INJURY EMPLOYEE SUITS

A. "Bodily injury" as listed in Paragraph **2.a.(1)** of **Section II - Who Is An Insured,** does not apply to **2.a.(1)(a)** through **2.a.(1)(c).**

B. Part **a.** of Paragraph **4. Nonowned Watercraft** in **Section II - Who Is An Insured** does not apply.

9. CONSOLIDATED INSURANCE (WRAP-UP) PROGRAMS

The following exclusion is added to **Section I Coverage A**:

This insurance does not apply to any "bodily injury" or "property damage" arising out of any "wrap project or premises" where an insured under this policy is or was also an insured under one or more commercial general liability (CGL) policies (including any umbrella or excess policies that include the commercial general liability policy(ies) as underlying insurance) included within a "consolidated insurance (wrap-up) program." This exclusion applies even if the limits of insurance for such "consolidated insurance (wrap-up) program" are exhausted or not collected for any reason, including bankruptcy or insolvency of the insurer providing coverage for the "consolidated insurance (wrap-up) program". This exclusion also applies if the CGL coverage afforded under the "consolidated insurance (wrap-up) program" is narrower in scope than the coverage provided by this policy.

This exclusion does not apply to:

A. Products-Completed Operations Hazard Exception

"Bodily injury" or "property damage" arising out of an "insured's operations" at or in connection with a "wrap project or premises" when such "bodily injury" or "property damage" commences after the "products-completed operations hazard" coverage or any completed operations extension coverage provided by the applicable "consolidated insurance (wrap-up) program" has ended or is no longer in effect.

B. Off-Site Location Exception

"Bodily injury" or "property damage" resulting from an "insured's operations" at or in connection with a "wrap project or premises" at a location to which the applicable "consolidated insurance (wrap-up) program" does not apply.

C. Repair Work And Punch List Work Exception

"Bodily injury" or "property damage" resulting from "repair work" or "punch list work" at a "wrap project or premises" but only when the applicable "consolidated insurance (wrap-up) program" does not apply or no longer applies to such "repair work" or "punch list work".

This exception does not apply to the cost of performing such "repair work" or "punch list work", or to the "repair work" or "punch list work" itself.

D. Additional Insured Extension

"Bodily injury" or "property damage" for which you are solely an additional insured under the "consolidated insurance (wrap-up) program".

The coverage provided under Paragraphs **9.A** through **9.D.** above is subject to all terms, conditions and exclusions of this policy.

For purposes of Paragraph **9,** the following definitions apply:

"Consolidated insurance (wrap-up) program" means any agreement or arrangement, including any contractor-controlled, owner-controlled, project-specific or similar insurance program under which one or more contractor(s) working on a specified project are insured under one or more commercial general liability (CGL) policies (including any umbrella or excess policies that include the commercial general liability policy(ies) as underlying insurance) issued by a specified carrier for injury or damage arising out of operations conducted in connection with or necessary or incidental to the project.

"Insured's operations" means all operations performed by a named insured (and not sub-contracted or performed by others on the insured's behalf).

"Punch list work" means the "insured's operations" at or in connection with a "wrap project or premises" in order to complete the work called for in an insured's contract for the "wrap project or premises".

"Repair work" means the "insured's operations" that are service, maintenance, correction, repair, replacement work, or periodic inspection performed by an insured at or in connection with a "wrap project or premises", in order to replace or repair an insured's completed work.

"Wrap project or premises" means any premises or construction, erection, improvement or renovation project subject to a "consolidated insurance (wrap-up) program".

10. ACCESS OR DISCLOSURE OF CONFIDENTIAL OR PERSONAL INFORMATION AND DATA-RELATED LIABILITY

A. Exclusion p. of **Section I - Coverage A - Bodily Injury And Property Damage** Liability is replaced by the following:

p. Access Or Disclosure Of Confidential Or Personal Information And Data-Related Liability

Damages arising out of:

(1) Any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information; or

(2) the loss of, loss of use of, damage to, corruption of, inability to access, or inability to manipulate "electronic data" that does not result from physical injury to tangible property.

This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of that which is described in Paragraph **(1)** or **(2)** above.

However, unless Paragraph **(1)** above applies, this exclusion does not apply to liability for damages because of "bodily injury".

B. Exclusion w. of **Section 1 - Coverage B - Personal and Advetising Injury** is replaced by the following: :

w. Access Or Disclosure Of Confidential Or Personal Information

"Personal and advertising injury" arising out of any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information.

This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of any access to or disclosure of any person's or organization's confidential or personal information.

C. The following Paragraph is added to **Section III - Limits Of Insurance:**

Subject to Paragraph **5. Each Occurrence Limit**, the most we will pay under **Coverage A** for "property damage" because of all loss of "electronic data" arising out of any one "occurrence" is $100,000, unless modified by endorsement.

D. The following definition is added to **Section V - Definitions:**

"Electronic data" means information, facts or programs:

a. Stored as or on;

b. Created or used on; or

c. Transmitted to or from;

computer software, (including systems and applications software) hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

E. For the purposes of the coverage provided by this provision, the definition of "property damage" in **Section V - Definitions** is replaced by the following:

"Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it;

b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it; or

c. Loss of, loss of use of, damage to, corruption of, inability to access, or inability to properly manipulate "electronic data", resulting from physical injury to tangible property. All such loss of "electronic data" shall be deemed to occur at the time of the "occurrence" that caused it.

For the purposes of this insurance, "electronic data" is not tangible property.

11. SUPPLEMENTARY PAYMENTS

In the **Supplementary Payments - Coverages A and B** provision:

The limit for the cost of bail bonds is increased to $2,500.

12. TWO OR MORE COVERAGE PARTS OR POLICIES ISSUED BY US

If this policy and any other policy issued to an insured by us or any affiliated company provides coverage that applies to the same claim or damages, the maximum applicable limit(s) of liability or limit of insurance under all the policies will not exceed the highest applicable limit of liability or limit of insurance under any one policy. This condition does not apply to any policy issued by us or an affiliated company specifically written to apply as excess insurance over this policy.

13. NOTICE OF CANCELLATION TO CERTIFICATE HOLDER(S)

This policy is subject to the following additional Conditions:

A. If this policy is cancelled by the Company, other than for nonpayment of premium, notice of such cancellation will be provided at least thirty (30) days in advance of the cancellation effective date to the certificate holder(s) with mailing addresses on file with the agent of record or the Company.

B. If this policy is cancelled by the Company for nonpayment of premium, or by the insured, notice of such cancellation will be provided within (10) days of the cancellation effective date to the certificate holder(s) with mailing addresses on file with the agent of record or the Company.

If notice is mailed, proof of mailing to the last known mailing address of the certificate holder(s) on file with the agent of record or the Company will be sufficient proof of notice.

Any notification rights provided by this endorsement apply only to active certificate holder(s) who were issued a certificate of insurance applicable to this policy's term.

Failure to provide such notice to the certificate holder(s) will not amend or extend the date the cancellation becomes effective, nor will it negate cancellation of the policy. Failure to send notice shall impose no liability of any kind upon the Company or its agents or representatives.

14. CONTRACTUAL LIABILITY COVERAGE FOR PERSONAL AND ADVERTISING INJURY

Exclusion e. of **SECTION I - COVERAGE B PERSONAL AND ADVERTISING INJURY LIABILITY** is replaced by the following:

This insurance does not apply to:

e. Contractual Liability

"Personal and advertising injury" for which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement; or

(2) Assumed in a contract or agreement that is an "insured contract", provided the "personal and advertising injury" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "personal and advertising injury", provided:

(a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and

(b) Such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

15. INSURED CONTRACT DEFINITION

a. INSURED CONTRACT-CONSTRUCTION OPERATIONS AND MUNICIPAL WORK

Paragraph **d.** of the definition of "insured contract" in **Section V - Definitions** is deleted and replaced by the following:

An obligation, as required by ordinance, to indemnify a municipality.

b. CONTRACTUAL LIABILITY

Paragraph **f.** of the definition of "insured contract" is deleted and replaced by the following:

That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury", "property damage", or "personal and advertising injury" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

Paragraph **f.** includes that part of any contract or agreement that indemnifies a railroad for "bodily injury", "property damage", or "personal and advertising injury" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing.

However, Paragraph **f.** does not include that part of any contract or agreement:

(1) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:

(a) Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or

(b) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage; or

(2) Under which the insured, if an architect, engineer or surveyor, assumes liability for an injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in **(1)** above and supervisory, inspection, architectural or engineering activities.

All other terms and conditions in the policy remain unchanged.

COMMERCIAL GENERAL LIABILITY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words "we", "us" and "our" refer to the stock insurance company member of The Hartford providing this insurance.

The word "insured" means any person or organization qualifying as such under Section **II** – Who Is An Insured.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section **V** – Definitions.

SECTION I – COVERAGES

COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in Section **III** – Limits Of Insurance; and

(2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages **A** or **B** or medical expenses under Coverage **C.**

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages **A** and **B.**

b. This insurance applies to "bodily injury" and "property damage" only if:

(1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";

(2) The "bodily injury" or "property damage" occurs during the policy period; and

(3) Prior to the policy period, no insured listed under Paragraph **1.** of Section **II** – Who Is An Insured and no "employee" authorized by you to give or receive notice of an "occurrence" or claim, knew that the "bodily injury" or "property damage" had occurred, in whole or in part. If such a listed insured or authorized "employee" knew, prior to the policy period, that the "bodily injury" or "property damage" occurred, then any continuation, change or resumption of such "bodily injury" or "property damage" during or after the policy period will be deemed to have been known prior to the policy period.

c. "Bodily injury" or "property damage" will be deemed to have been known to have occurred at the earliest time when any insured listed under Paragraph **1.** of Section **II** – Who Is An Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim:

(1) Reports all, or any part, of the "bodily injury" or "property damage" to us or any other insurer;

(2) Receives a written or verbal demand or claim for damages because of the "bodily injury" or "property damage"; or

(3) Becomes aware by any other means that "bodily injury" or "property damage" has occurred or has begun to occur.

d. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

e. Incidental Medical Malpractice And Good Samaritan Coverage

"Bodily injury" arising out of the rendering of or failure to render the following health care services by any "employee" or "volunteer worker" shall be deemed to be caused by an "occurrence" for:

(1) Professional health care services such as:

(a) Medical, surgical, dental, laboratory, x-ray or nursing services or treatment, advice or instruction, or the related furnishing of food or beverages;

(b) Any health or therapeutic service, treatment, advice or instruction; or

(c) The furnishing or dispensing of drugs or medical, dental, or surgical supplies or appliances; or

(2) First aid services, which include:

(a) Cardiopulmonary resuscitation, whether performed manually or with a defibrillator; or

(b) Services performed as a Good Samaritan.

For the purpose of determining the limits of insurance, any act or omission together with all related acts or omissions in the furnishing of these services to any one person will be considered one "occurrence".

However, this Incidental Medical Malpractice And Good Samaritan Coverage provision applies only if you are not engaged in the business or occupation of providing any of the services described in this provision.

2. Exclusions

This insurance does not apply to:

a. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement; or

(2) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:

(a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and

(b) Such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

c. Liquor Liability

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any person;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in:

(a) The supervision, hiring, employment, training or monitoring of others by that insured; or

(b) Providing or failing to provide transportation with respect to any person that may be under the influence of alcohol;

if the "occurrence" which caused the "bodily injury" or "property damage", involved that which is described in Paragraph **(1)**, **(2)** or **(3)** above.

However, this exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages. For the purposes of this exclusion, permitting a person to bring alcoholic beverages on your premises, for consumption on your premises, whether or not a fee is charged or a license is required for such activity, is not by itself considered the business of selling, serving or furnishing alcoholic beverages.

d. Workers' Compensation And Similar Laws

Any obligation of the insured under a workers' compensation, disability benefits or unemployment compensation law or any similar law.

e. Employer's Liability

"Bodily injury" to:

(1) An "employee" of the insured arising out of and in the course of:

(a) Employment by the insured; or

(b) Performing duties related to the conduct of the insured's business; or

(2) The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph (1) above**.**

This exclusion applies:

(1) Whether the insured may be liable as an employer or in any other capacity; and

(2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract".

f. Pollution

(1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

(a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured. However, this subparagraph does not apply to:

(i) "Bodily injury" if sustained within a building and caused by smoke, fumes, vapor or soot produced by or originating from equipment that is used to heat, cool or dehumidify the building, or equipment that is used to heat water for personal use, by the building's occupants or their guests;

(ii) "Bodily injury" or "property damage" for which you may be held liable, if you are a contractor and the owner or lessee of such premises, site or location has been added to your policy as an additional insured with respect to your ongoing operations performed for that additional insured at that premises, site or location and such premises, site or location is not and never was owned or occupied by, or rented or loaned to, any insured, other than that additional insured; or

(iii) "Bodily injury" or "property damage" arising out of heat, smoke or fumes from a "hostile fire";

(b) At or from any premises, site or location which is or was at any time used by or for any insured or others for the handling, storage, disposal, processing or treatment of waste;

(c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for:

(i) Any insured; or

(ii) Any person or organization for whom you may be legally responsible;

(d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations if the "pollutants" are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor. However, this subparagraph does not apply to:

(i) "Bodily injury" or "property damage" arising out of the escape of fuels, lubricants or other operating fluids which are needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" or its parts, if such fuels, lubricants or other operating fluids escape from a vehicle part designed to hold, store or receive them. This exception does not apply if the "bodily injury" or "property damage" arises out of the intentional discharge, dispersal or release of the fuels, lubricants or other operating fluids, or if such fuels, lubricants or other operating fluids are brought on or to the premises, site or location with the intent that they be discharged, dispersed or released as part of the operations being performed by such insured, contractor or subcontractor**;**

(ii) "Bodily injury" or "property damage" sustained within a building and caused by the release of gases, fumes or vapors from materials brought into that building in connection with operations being performed by you or on your behalf by a contractor or subcontractor; or

(iii) "Bodily injury" or "property damage" arising out of heat, smoke or fumes from a "hostile fire"; or

(e) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations if the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants".

(2) Any loss, cost or expense arising out of any:

(a) Request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or

(b) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, "pollutants".

However, this paragraph does not apply to liability for damages because of "property damage" that the insured would have in the absence of such request, demand, order or statutory or regulatory requirement, or such claim or "suit" by or on behalf of a governmental authority.

g. Aircraft, Auto Or Watercraft

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading".

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage" involved the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft that is owned or operated by or rented or loaned to any insured.

This exclusion does not apply to:

(1) A watercraft while ashore on premises you own or rent;

(2) A watercraft you do not own that is:

(a) Less than 51 feet long; and

(b) Not being used to carry persons for a charge;

(3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;

(4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft;

(5) "Bodily injury" or "property damage" arising out of:

(a) The operation of machinery or equipment that is attached to, or part of, a land vehicle that would qualify under the definition of "mobile equipment" if it were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged; or

(b) The operation of any of the machinery or equipment listed in Paragraph **f.(2)** or **f.(3)** of the definition of "mobile equipment"; or

(6) An aircraft that is not owned by any insured and is hired, chartered or loaned with a paid crew. However, this exception does not apply if the insured has any other insurance for such "bodily injury" or "property damage", whether the other insurance is primary, excess, contingent or on any other basis.

h. Mobile Equipment

"Bodily injury" or "property damage" arising out of:

(1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any insured; or

(2) The use of "mobile equipment" in, or while in practice for, or while being prepared for, any prearranged racing, speed, demolition, or stunting activity.

i. War

"Bodily injury" or "property damage", however caused, arising, directly or indirectly, out of:

(1) War, including undeclared or civil war;

(2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

(3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

j. Damage To Property

"Property damage" to:

(1) Property you own, rent, or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property;

(2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in the care, custody or control of the insured;

(5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraphs **(1), (3)** and **(4)** of this exclusion do not apply to "property damage" (other than damage by fire) to premises, including the contents of such premises, rented to you for a period of seven or fewer consecutive days. A separate limit of insurance applies to Damage To Premises Rented To You as described in Section **III** – Limits Of Insurance.

Paragraph **(2)** of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraphs **(3)** and **(4)** of this exclusion do not apply to "property damage" arising from the use of elevators.

Paragraphs **(3), (4), (5)** and **(6)** of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraphs **(3)** and **(4)** of this exclusion do not apply to "property damage" to borrowed equipment while not being used to perform operations at the job site.

Paragraph **(6)** of this exclusion does not apply to "property damage" included in the "products-completed operations hazard".

k. Damage To Your Product

"Property damage" to "your product" arising out of it or any part of it.

l. Damage To Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard".

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. Damage To Impaired Property Or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Recall Of Products, Work Or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product";

(2) "Your work"; or

(3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

o. Personal And Advertising Injury

"Bodily injury" arising out of "personal and advertising injury".

p. Access or Disclosure Of Confidential Or Personal Information And Data-related Liability

Damages arising out of:

(1) Any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information; or

(2) The loss of, loss of use of, damage to, corruption of, inability to access, or inability to manipulate electronic data.

This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of that which is described in Paragraph **(1)** or **(2)** above.

However, unless Paragraph **(1)** above applies, this exclusion does not apply to damages because of "bodily injury".

As used in this exclusion, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

q. Employment-Related Practices

"Bodily injury" to:

(1) A person arising out of any "employment–related practices"; or

(2) The spouse, child, parent, brother or sister of that person as a consequence of "bodily injury" to that person at whom any "employment-related practices" are directed.

This exclusion applies:

(1) Whether the injury-causing event described in the definition of "employment-related practices" occurs before employment, during employment or after employment of that person;

(2) Whether the insured may be liable as an employer or in any other capacity; and

(3) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

r. Asbestos

(1) "Bodily injury" or "property damage" arising out of the "asbestos hazard".

(2) Any damages, judgments, settlements, loss, costs or expenses that:

(a) May be awarded or incurred by reason of any claim or suit alleging actual or threatened injury or damage of any nature or kind to persons or property which would not have occurred in whole or in part but for the "asbestos hazard";

(b) Arise out of any request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, encapsulate, contain, treat, detoxify or neutralize or in any way respond to or assess the effects of an "asbestos hazard"; or

(c) Arise out of any claim or suit for damages because of testing for, monitoring, cleaning up, removing, encapsulating, containing, treating, detoxifying or neutralizing or in any way responding to or assessing the effects of an "asbestos hazard".

s. Recording And Distribution Of Material Or Information In Violation Of Law

"Bodily injury" or "property damage" arising directly or indirectly out of any action or omission that violates or is alleged to violate:

(1) The Telephone Consumer Protection Act (TCPA), including any amendment of or addition to such law;

(2) The CAN-SPAM Act of 2003, including any amendment of or addition to such law;

(3) The Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair and Accurate Credit Transaction Act (FACTA); or

(4) Any federal, state or local statute, ordinance or regulation, other than the TCPA or CAN-SPAM Act of 2003 or FCRA and their amendments and additions, that addresses, prohibits or limits the printing, dissemination, disposal, collecting, recording, sending, transmitting, communicating or distribution of material or information.

Damage To Premises Rented To You – Exception For Damage By Fire, Lightning Or Explosion

Exclusions **c.** through **h.** and **j.** through **n.** do not apply to damage by fire, lightning or explosion to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in Section **III** – Limits Of Insurance.

COVERAGE B PERSONAL AND ADVERTISING INJURY LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal and advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "personal and advertising injury" to which this insurance does not apply. We may, at our discretion, investigate any offense and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in Section **III** – Limits Of Insurance; and

(2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages **A** or **B** or medical expenses under Coverage **C.**

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages **A** and **B.**

b. This insurance applies to "personal and advertising injury" caused by an offense arising out of your business but only if the offense was committed in the "coverage territory" during the policy period.

2. Exclusions

This insurance does not apply to:

a. Knowing Violation Of Rights Of Another

"Personal and advertising injury" arising out of an offense committed by, at the direction or with the consent or acquiescence of the insured with the expectation of inflicting "personal and advertising injury".

b. Material Published With Knowledge Of Falsity

"Personal and advertising injury" arising out of oral, written or electronic publication, in any manner, of material, if done by or at the direction of the insured with knowledge of its falsity.

c. Material Published Prior To Policy Period

"Personal and advertising injury" arising out of oral, written or electronic publication, in any manner, of material whose first publication took place before the beginning of the policy period.

d. Criminal Acts

"Personal and advertising injury" arising out of a criminal act committed by or at the direction of the insured.

e. Contractual Liability

"Personal and advertising injury" for which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement.

f. Breach Of Contract

"Personal and advertising injury" arising out of a breach of contract, except an implied contract to use another's "advertising idea" in your "advertisement".

g. Quality Or Performance Of Goods – Failure To Conform To Statements

"Personal and advertising injury" arising out of the failure of goods, products or services to conform with any statement of quality or performance made in your "advertisement".

h. Wrong Description Of Prices

"Personal and advertising injury" arising out of the wrong description of the price of goods, products or services.

i. Infringement Of Intellectual Property Rights

(1) "Personal and advertising injury" arising out of any actual or alleged infringement or violation of any intellectual property rights such as copyright, patent, trademark, trade name, trade secret, trade dress, service mark or other designation of origin or authenticity; or

(2) Any injury or damage alleged in any clam or "suit" that also alleges an infringement or violation of any intellectual property right, whether such allegation of infringement or violation is made by you or by any other party involved in the claim or "suit", regardless of whether this insurance would otherwise apply.

However, this exclusion does not apply if the only allegation in the claim or "suit" involving any intellectual property right is limited to:

(1) Infringement, in your "advertisement", of:

(a) Copyright;

(b) Slogan; or

(c) Title of any literary or artistic work; or

(2) Copying, in your "advertisement", a person's or organization's "advertising idea" or style of "advertisement".

j. Insureds In Media And Internet Type Businesses

"Personal and advertising injury" committed by an insured whose business is:

(1) Advertising, broadcasting, publishing or telecasting;

(2) Designing or determining content of web sites for others; or

(3) An Internet search, access, content or service provider.

However, this exclusion does not apply to Paragraphs **a., b.** and **c.** of the definition of "personal and advertising injury" under the Definitions Section.

For the purposes of this exclusion, the placing of frames, borders or links, or advertising, for you or others anywhere on the Internet, is not by itself, considered the business of advertising, broadcasting, publishing or telecasting.

k. Electronic Chatrooms Or Bulletin Boards

"Personal and advertising injury" arising out of an electronic chatroom or bulletin board the insured hosts, owns, or over which the insured exercises control.

l. Unauthorized Use Of Another's Name Or Product

"Personal and advertising injury" arising out of the unauthorized use of another's name or product in your e-mail address, domain name or metatags, or any other similar tactics to mislead another's potential customers.

m. Pollution

"Personal and advertising injury" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants" at any time.

n. Pollution-Related

Any loss, cost or expense arising out of any:

(1) Request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or

(2) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, "pollutants".

o. War

"Personal and advertising injury", however caused, arising, directly or indirectly, out of:

(1) War, including undeclared or civil war;

(2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

(3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

p. Internet Advertisements And Content Of Others

"Personal and advertising injury" arising out of:

(1) An "advertisement" for others on your web site;

(2) Placing a link to a web site of others on your web site;

(3) Content, including information, sounds, text, graphics, or images from a web site of others displayed within a frame or border on your web site; or

(4) Computer code, software or programming used to enable:

(a) Your web site; or

(b) The presentation or functionality of an "advertisement" or other content on your web site.

q. Right Of Privacy Created By Statute

"Personal and advertising injury" arising out of the violation of a person's right of privacy created by any state or federal act.

However, this exclusion does not apply to liability for damages that the insured would have in the absence of such state or federal act.

r. Violation Of Anti-Trust law

"Personal and advertising injury" arising out of a violation of any anti-trust law.

s. Securities

"Personal and advertising injury" arising out of the fluctuation in price or value of any stocks, bonds or other securities.

t. Recording And Distribution Of Material Or Information In Violation Of Law

"Personal and advertising injury" arising directly or indirectly out of any action or omission that violates or is alleged to violate:

(1) The Telephone Consumer Protection Act (TCPA), including any amendment of or addition to such law;

(2) The CAN-SPAM Act of 2003, including any amendment of or addition to such law;

(3) The Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair and Accurate Credit Transaction Act (FACTA); or

(4) Any federal, state or local statute, ordinance or regulation, other than the TCPA or CAN-SPAM Act of 2003 or FCRA and their amendments and additions, that addresses, prohibits or limits the printing, dissemination, disposal, collecting, recording, sending, transmitting, communicating or distribution of material or information.

u. Employment-Related Practices

"Personal and advertising injury" to:

(1) A person arising out of any "employment–related practices"; or

(2) The spouse, child, parent, brother or sister of that person as a consequence of "personal and advertising injury" to that person at whom any "employment-related practices" are directed.

This exclusion applies:

(1) Whether the injury-causing event described in the definition of "employment-related practices" occurs before employment, during employment or after employment of that person;

(2) Whether the insured may be liable as an employer or in any other capacity; and

(3) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

v. Asbestos

(1) "Personal and advertising injury" arising out of the "asbestos hazard".

(2) Any damages, judgments, settlements, loss, costs or expenses that:

(a) May be awarded or incurred by reason of any claim or suit alleging actual or threatened injury or damage of any nature or kind to persons or property which would not have occurred in whole or in part but for the "asbestos hazard";

(b) Arise out of any request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, encapsulate, contain, treat, detoxify or neutralize or in any way respond to or assess the effects of an "asbestos hazard"; or

(c) Arise out of any claim or suit for damages because of testing for, monitoring, cleaning up, removing, encapsulating, containing, treating, detoxifying or neutralizing or in any way responding to or assessing the effects of an "asbestos hazard".

w. Access Or Disclosure Of Confidential Or Personal Information

"Personal and advertising injury" arising out of any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information.

This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of any access to or disclosure of any person's or organization's confidential or personal information.

COVERAGE C MEDICAL PAYMENTS

1. Insuring Agreement

a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

(1) On premises you own or rent;

(2) On ways next to premises you own or rent; or

(3) Because of your operations;

provided that:

(1) The accident takes place in the "coverage territory" and during the policy period;

(2) The expenses are incurred and reported to us within three years of the date of the accident; and

(3) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

b. We will make these payments regardless of fault. These payments will not exceed the applicable limit of insurance. We will pay reasonable expenses for:

(1) First aid administered at the time of an accident;

(2) Necessary medical, surgical, X-ray and dental services, including prosthetic devices; and

(3) Necessary ambulance, hospital, professional nursing and funeral services.

2. Exclusions

We will not pay expenses for "bodily injury":

a. Any Insured

To any insured, except "volunteer workers".

b. Hired Person

To a person hired to do work for or on behalf of any insured or a tenant of any insured.

c. Injury On Normally Occupied Premises

To a person injured on that part of premises you own or rent that the person normally occupies.

d. Workers Compensation And Similar Laws

To a person, whether or not an "employee" of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers' compensation or disability benefits law or a similar law.

e. Athletics Activities

To a person injured while practicing, instructing or participating in any physical exercises or games, sports, or athletic contests.

f. Products-Completed Operations Hazard

Included within the "products-completed operations hazard".

g. Coverage A Exclusions

Excluded under Coverage **A**.

SUPPLEMENTARY PAYMENTS – COVERAGES A AND B

1. We will pay, with respect to any claim we investigate or settle, or any "suit" against an insured we defend:

a. All expenses we incur.

b. Up to $1,000 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.

c. The cost of appeal bonds or bonds to release attachments, but only for bond amounts within the applicable limit of insurance. We do not have to furnish these bonds.

d. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to $500 a day because of time off from work.

e. All court costs taxed against the insured in the "suit". However, such costs do not include attorneys' fees, attorneys' expenses, witness or expert fees, or any other expenses of a party taxed to the insured.

f. Prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on that period of time after the offer.

g. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.

These payments will not reduce the limits of insurance.

2. If we defend an insured against a "suit" and an indemnitee of the insured is also named as a party to the "suit", we will defend that indemnitee if all of the following conditions are met:

a. The "suit" against the indemnitee seeks damages for which the insured has assumed the liability of the indemnitee in a contract or agreement that is an "insured contract";

b. This insurance applies to such liability assumed by the insured;

c. The obligation to defend, or the cost of the defense of, that indemnitee, has also been assumed by the insured in the same "insured contract";

d. The allegations in the "suit" and the information we know about the "occurrence" are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;

e. The indemnitee and the insured ask us to conduct and control the defense of that indemnitee against such "suit" and agree that we can assign the same counsel to defend the insured and the indemnitee; and

f. The indemnitee:

(1) Agrees in writing to:

(a) Cooperate with us in the investigation, settlement or defense of the "suit";

(b) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "suit";

(c) Notify any other insurer whose coverage is available to the indemnitee; and

(d) Cooperate with us with respect to coordinating other applicable insurance available to the indemnitee; and

(2) Provides us with written authorization to:

(a) Obtain records and other information related to the "suit"; and

(b) Conduct and control the defense of the indemnitee in such "suit".

So long as the above conditions are met, attorneys' fees incurred by us in the defense of that indemnitee, necessary litigation expenses incurred by us and necessary litigation expenses incurred by the indemnitee at our request will be paid as Supplementary Payments. Notwithstanding the provisions of Paragraph **2.b.(2)** of Section **I** – Coverage **A** – Bodily Injury And Property Damage Liability, such payments will not be deemed to be damages for "bodily injury" and "property damage" and will not reduce the limits of insurance.

Our obligation to defend an insured's indemnitee and to pay for attorneys' fees and necessary litigation expenses as Supplementary Payments ends when:

a. We have used up the applicable limit of insurance in the payment of judgments or settlements; or

b. The conditions set forth above, or the terms of the agreement described in Paragraph **f.** above, are no longer met.

SECTION II – WHO IS AN INSURED

1. If you are designated in the Declarations as:

a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.

d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.

e. A trust, you are an insured. Your trustees are also insureds, but only with respect to their duties as trustees.

2. Each of the following is also an insured:

a. Employees And Volunteer Workers

Your "volunteer workers" only while performing duties related to the conduct of your business, or your "employees", other than either your "executive officers" (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business.

However, none of these "employees" or "volunteer workers" are insureds for:

(1) "Bodily injury" or "personal and advertising injury":

(a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), to a co-"employee" while in the course of his or her employment or performing duties related to the conduct of your business, or to your other "volunteer workers" while performing duties related to the conduct of your business;

(b) To the spouse, child, parent, brother or sister of that co-"employee" or that "volunteer worker" as a consequence of Paragraph **(1)(a)** above;

(c) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraphs **(1)(a)** or **(1)(b)** above; or

(d) Arising out of his or her providing or failing to provide professional health care services.

If you are not in the business of providing professional health care services:

(a) Subparagraphs **(1)(a)**, **(1)(b)** and **(1)(c)** above do not apply to any "employee" or "volunteer worker" providing first aid services; and

(b) Subparagraph **(1)(d)** above does not apply to any nurse, emergency medical technician or paramedic employed by you to provide such services.

(2) "Property damage" to property:

(a) Owned, occupied or used by,

(b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by

you, any of your "employees", "volunteer workers", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

b. Real Estate Manager

Any person (other than your "employee" or "volunteer worker"), or any organization while acting as your real estate manager.

c. Temporary Custodians Of Your Property

Any person or organization having proper temporary custody of your property if you die, but only:

(1) With respect to liability arising out of the maintenance or use of that property; and

(2) Until your legal representative has been appointed.

d. Legal Representative If You Die

Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.

e. Unnamed Subsidiary

Any subsidiary, and subsidiary thereof, of yours which is a legally incorporated entity of which you own a financial interest of more than 50% of the voting stock on the effective date of the Coverage Part.

The insurance afforded herein for any subsidiary not named in this Coverage Part as a named insured does not apply to injury or damage with respect to which such insured is also a named insured under another policy or would be a named insured under such policy but for its termination or the exhaustion of its limits of insurance.

3. Newly Acquired Or Formed Organization

Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain financial interest of more than 50% of the voting stock, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:

a. Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier;

b. Coverage **A** does not apply to "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and

c. Coverage **B** does not apply to "personal and advertising injury" arising out of an offense committed before you acquired or formed the organization.

4. Nonowned Watercraft

With respect to watercraft you do not own that is less than 51 feet long and is not being used to carry persons for a charge, any person is an insured while operating such watercraft with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the watercraft, and only if no other insurance of any kind is available to that person or organization for this liability.

However, no person or organization is an insured with respect to:

a. "Bodily injury" to a co-"employee" of the person operating the watercraft; or

b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

5. Additional Insureds When Required By Written Contract, Written Agreement Or Permit

The following person(s) or organization(s) are an additional insured when you have agreed**,** in a written contract, written agreement or because of a permit issued by a state or political subdivision, that such person or organization be added as an additional insured on your policy, provided the injury or damage occurs subsequent to the execution of the contract or agreement.

A person or organization is an additional insured under this provision only for that period of time required by the contract or agreement.

However, no such person or organization is an insured under this provision if such person or organization is included as an insured by an endorsement issued by us and made a part of this Coverage Part.

a. Vendors

Any person(s) or organization(s) (referred to below as vendor), but only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business and only if this Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

(1) The insurance afforded the vendor is subject to the following additional exclusions:

This insurance does not apply to:

(a) "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;

(b) Any express warranty unauthorized by you;

(c) Any physical or chemical change in the product made intentionally by the vendor;

(d) Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;

(e) Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;

(f) Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;

(g) Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or

(h) "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

(i) The exceptions contained in Sub-paragraphs (**d)** or (**f)**; or

(ii) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

(2) This insurance does not apply to any insured person or organization, from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

b. Lessors Of Equipment

(1) Any person(s) or organization(s) from whom you lease equipment; but only with respect to their liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person(s) or organization(s).

(2) With respect to the insurance afforded to these additional insureds this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.

c. Lessors Of Land Or Premises

Any person or organization from whom you lease land or premises, but only with respect to liability arising out of the ownership, maintenance or use of that part of the land or premises leased to you.

With respect to the insurance afforded these additional insureds the following additional exclusions apply:

This insurance does not apply to:

1. Any "occurrence" which takes place after you cease to lease that land; or

2. Structural alterations, new construction or demolition operations performed by or on behalf of such person or organization.

d. Architects, Engineers Or Surveyors

Any architect, engineer, or surveyor, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

(1) In connection with your premises; or

(2) In the performance of your ongoing operations performed by you or on your behalf.

With respect to the insurance afforded these additional insureds, the following additional exclusion applies:

This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of or the failure to render any professional services by or for you, including:

1. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or

2. Supervisory, inspection, architectural or engineering activities**.**

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved the rendering of or the failure to render any professional services by or for you.

e. Permits Issued By State Or Political Subdivisions

Any state or political subdivision, but only with respect to operations performed by you or on your behalf for which the state or political subdivision has issued a permit.

With respect to the insurance afforded these additional insureds, this insurance does not apply to:

(1) "Bodily injury", "property damage" or "personal and advertising injury" arising out of operations performed for the state or municipality; or

(2) "Bodily injury" or "property damage" included within the "products-completed operations hazard".

f. Any Other Party

Any other person or organization who is not an additional insured under Paragraphs **a.** through **e**. above, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

(1) In the performance of your ongoing operations;

(2) In connection with your premises owned by or rented to you; or

(3) In connection with "your work" and included within the "products-completed operations hazard", but only if

(a) The written contract or agreement requires you to provide such coverage to such additional insured; and

(b) This Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

However:

(1) The insurance afforded to such additional insured only applies to the extent permitted by law; and

(2) If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

With respect to the insurance afforded to these additional insureds, this insurance does not apply to:

"Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:

(1) The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or

(2) Supervisory, inspection, architectural or engineering activities.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved the rendering of or the failure to render any professional services by or for you.

The limits of insurance that apply to additional insureds is described in Section **III** – Limits Of Insurance.

How this insurance applies when other insurance is available to the additional insured is described in the Other Insurance Condition in Section **IV** – Commercial General Liability Conditions.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

SECTION III – LIMITS OF INSURANCE

1. The Most We Will Pay

The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

a. Insureds;

b. Claims made or "suits" brought; or

c. Persons or organizations making claims or bringing "suits".

2. General Aggregate Limit

The General Aggregate Limit is the most we will pay for the sum of:

a. Medical expenses under Coverage **C;**

b. Damages under Coverage **A,** except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard"; and

c. Damages under Coverage **B.**

3. Products-Completed Operations Aggregate Limit

The Products-Completed Operations Aggregate Limit is the most we will pay under Coverage **A** for damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard".

4. Personal And Advertising Injury Limit

Subject to **2.** above, the Personal and Advertising Injury Limit is the most we will pay under Coverage **B** for the sum of all damages because of all "personal and advertising injury" sustained by any one person or organization.

5. Each Occurrence Limit

Subject to **2.** or **3.** above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of:

a. Damages under Coverage **A;** and

b. Medical expenses under Coverage **C**

because of all "bodily injury" and "property damage" arising out of any one "occurrence".

6. Damage To Premises Rented To You Limit

Subject to **5.** above, the Damage To Premises Rented To You Limit is the most we will pay under Coverage **A** for damages because of "property damage" to any one premises, while rented to you, or in the case of damage by fire, lightning or explosion, while rented to you or temporarily occupied by you with permission of the owner.

In the case of damage by fire, lightning or explosion, the Damage to Premises Rented To You Limit applies to all damage proximately caused by the same event, whether such damage results from fire, lightning or explosion or any combination of these.

7. Medical Expense Limit

Subject to **5.** above, the Medical Expense Limit is the most we will pay under Coverage **C** for all medical expenses because of "bodily injury" sustained by any one person.

8. How Limits Apply To Additional Insureds

If you have agreed in a written contract or written agreement that another person or organization be
added as an additional insured on your policy, the most we will pay on behalf of such additional insured is the lesser of:

a. The limits of insurance specified in the written contract or written agreement; or

b. The Limits of Insurance shown in the Declarations.

Such amount shall be a part of and not in addition to Limits of Insurance shown in the Declarations and described in this Section.

The Limits of Insurance of this Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS

1. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

2. Duties In The Event Of Occurrence, Offense, Claim Or Suit

a. Notice Of Occurrence Or Offense

You or any additional insured must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:

(1) How, when and where the "occurrence" or offense took place;

(2) The names and addresses of any injured persons and witnesses; and

(3) The nature and location of any injury or damage arising out of the "occurrence" or offense.

b. Notice Of Claim

If a claim is made or "suit" is brought against any insured, you or any additional insured must:

(1) Immediately record the specifics of the claim or "suit" and the date received; and

(2) Notify us as soon as practicable.

You or any additional insured must see to it that we receive written notice of the claim or "suit" as soon as practicable.

c. Assistance And Cooperation Of The Insured

You and any other involved insured must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and

(4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.

d. Obligations At The Insureds Own Cost

No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

e. Additional Insureds Other Insurance

If we cover a claim or "suit" under this Coverage Part that may also be covered by other insurance available to an additional insured, such additional insured must submit such claim or "suit" to the other insurer for defense and indemnity.

However, this provision does not apply to the extent that you have agreed in a written contract or written agreement that this insurance is primary and non-contributory with the additional insured's own insurance.

f. Knowledge Of An Occurrence, Offense, Claim Or Suit

Paragraphs **a.** and **b.** apply to you or to any additional insured only when such "occurrence", offense, claim or "suit" is known to:

(1) You or any additional insured that is an individual;

(2) Any partner, if you or the additional insured is a partnership;

(3) Any manager, if you or the additional insured is a limited liability company;

(4) Any "executive officer" or insurance manager, if you or the additional insured is a corporation;

(5) Any trustee, if you or the additional insured is a trust; or

(6) Any elected or appointed official, if you or the additional insured is a political subdivision or public entity.

This duty applies separately to you and any additional insured.

3. Legal Action Against Us

No person or organization has a right under this Coverage Part:

a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

b. To sue us on this Coverage Part unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured; but we will not be liable for damages that are not payable under the terms of this Coverage Part or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

4. Other Insurance

If other valid and collectible insurance is available to the insured for a loss we cover under Coverages **A** or **B** of this Coverage Part, our obligations are limited as follows:

a. Primary Insurance

This insurance is primary except when **b.** below applies. If other insurance is also primary, we will share with all that other insurance by the method described in **c.** below.

b. Excess Insurance

This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis:

(1) Your Work

That is Fire, Extended Coverage, Builder's Risk, Installation Risk or similar coverage for "your work";

(2) Premises Rented To You

That is fire, lightning or explosion insurance for premises rented to you or temporarily occupied by you with permission of the owner;

(3) Tenant Liability

That is insurance purchased by you to cover your liability as a tenant for "property damage" to premises rented to you or temporarily occupied by you with permission of the owner;

(4) Aircraft, Auto Or Watercraft

If the loss arises out of the maintenance or use of aircraft, "autos" or watercraft to the extent not subject to Exclusion g. of Section **I** – Coverage A – Bodily Injury And Property Damage Liability;

(5) Property Damage To Borrowed Equipment Or Use Of Elevators

If the loss arises out of "property damage" to borrowed equipment or the use of elevators to the extent not subject to Exclusion **j.** of Section **I** - Coverage **A** - Bodily Injury And Property Damage Liability;

(6) When You Are Added As An Additional Insured To Other Insurance

Any other insurance available to you covering liability for damages arising out of the premises or operations, or products and completed operations, for which you have been added as an additional insured by that insurance; or

(7) When You Add Others As An Additional Insured To This Insurance

Any other insurance available to an additional insured.

However, the following provisions apply to other insurance available to any person or organization who is an additional insured under this coverage part.

(a) Primary Insurance When Required By Contract

This insurance is primary if you have agreed in a written contract or written agreement that this insurance be primary. If other insurance is also primary, we will share with all that other insurance by the method described in **c.** below.

(b) Primary And Non-Contributory To Other Insurance When Required By Contract

If you have agreed in a written contract, written agreement, or permit that this insurance is primary and non-contributory with the additional insured's own insurance, this insurance is primary and we will not seek contribution from that other insurance.

Paragraphs **(a)** and **(b)** do not apply to other insurance to which the additional insured has been added as an additional insured.

When this insurance is excess, we will have no duty under Coverages **A** or **B** to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit". If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

(1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and

(2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

c. Method Of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

5. Premium Audit

a. We will compute all premiums for this Coverage Part in accordance with our rules and rates.

b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period and send notice to the first Named Insured. The due date for audit and retrospective premiums is the date shown as the due date on the bill. If the sum of the advance and audit premiums paid for the policy period is greater than the earned premium, we will return the excess to the first Named Insured.

c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

6. Representations

a. When You Accept This Policy

By accepting this policy, you agree:

(1) The statements in the Declarations are accurate and complete;

(2) Those statements are based upon representations you made to us; and

(3) We have issued this policy in reliance upon your representations.

b. Unintentional Failure To Disclose Hazards

If unintentionally you should fail to disclose all hazards relating to the conduct of your business that exist at the inception date of this Coverage Part, we shall not deny coverage under this Coverage Part because of such failure.

7. Separation Of Insureds

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:

a. As if each Named Insured were the only Named Insured; and

b. Separately to each insured against whom claim is made or "suit" is brought.

8. Transfer Of Rights Of Recovery Against Others To Us

a. Transfer Of Rights Of Recovery

If the insured has rights to recover all or part of any payment, including Supplementary Payments, we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

b. Waiver Of Rights Of Recovery (Waiver Of Subrogation)

If the insured has waived any rights of recovery against any person or organization for all or part of any payment, including Supplementary Payments, we have made under this Coverage Part, we also waive that right, provided the insured waived their rights of recovery against such person or organization in a contract, agreement or permit that was executed prior to the injury or damage.

9. When We Do Not Renew

If we decide not to renew this Coverage Part, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

SECTION V – DEFINITIONS

1. **"Advertisement"** means the widespread public dissemination of information or images that has the purpose of inducing the sale of goods, products or services through:

   a. (1) Radio;

   (2) Television;

   (3) Billboard;

   (4) Magazine;

   (5) Newspaper; or

   b. Any other publication that is given widespread public distribution.

   However, "advertisement" does not include:

   a. The design, printed material, information or images contained in, on or upon the packaging or labeling of any goods or products; or

   b. An interactive conversation between or among persons through a computer network.

2. "**Advertising idea"** means any idea for an "advertisement".

3. **"Asbestos hazard"** means an exposure or threat of exposure to the actual or alleged properties of asbestos and includes the mere presence of asbestos in any form.

4. **"Auto"** means:

   a. A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment; or

   b. Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

   However, "auto" does not include "mobile equipment".

5. **"Bodily injury"** means physical:

   a. Injury;

   b. Sickness; or

   c. Disease

   sustained by a person and, if arising out of the above, mental anguish or death at any time.

6. **"Coverage territory"** means:

   a. The United States of America (including its territories and possessions), Puerto Rico and Canada;

   b. International waters or airspace, but only if the injury or damage occurs in the course of travel or transportation between any places included in **a.** above; or

   c. All other parts of the world if the injury or damage arises out of:

   (1) Goods or products made or sold by you in the territory described in **a.** above;

   (2) The activities of a person whose home is in the territory described in **a.** above, but is away for a short time on your business; or

   (3) "Personal and advertising injury" offenses that take place through the Internet or similar electronic means of communication

   provided the insured's responsibility to pay damages is determined in the United States of America (including its territories and possessions), Puerto Rico or Canada, in a "suit" on the merits according to the substantive law in such territory or in a settlement we agree to.

7. **"Employee"** includes a "leased worker". "Employee" does not include a "temporary worker".

8. **"Employment-Related Practices"** means:

   a. Refusal to employ that person;

   b. Termination of that person's employment; or

   c. Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or malicious prosecution directed at that person.

9. **"Executive officer"** means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.

10. **"Hostile fire"** means one which becomes uncontrollable or breaks out from where it was intended to be.

11. **"Impaired property"** means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:

   a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

   b. You have failed to fulfill the terms of a contract or agreement;

   if such property can be restored to use by the repair, replacement, adjustment or removal of "your product" or "your work", or your fulfilling the terms of the contract or agreement.

12. **"Insured contract"** means:

   a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire, lightning or explosion to premises while rented to you or temporarily occupied by you with permission of the owner is subject to the Damage to Premises Rented To You Limit described in Section **III** – Limits of Insurance;

   b. A sidetrack agreement;

   c. Any easement or license agreement, including an easement or license agreement in connection with construction or demolition operations on or within 50 feet of a railroad;

   d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;

   e. An elevator maintenance agreement;

   f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization, provided the "bodily injury" or "property damage" is caused, in whole or in part, by you or by those acting on your behalf. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

   Paragraph **f.** includes that part of any contract or agreement that indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing.

   However, Paragraph **f.** does not include that part of any contract or agreement:

   (1) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:

      (a) Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or

      (b) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage; or

   (2) Under which the insured, if an architect, engineer or surveyor, assumes liability for an injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in **(1)** above and supervisory, inspection, architectural or engineering activities.

13. **"Leased worker"** means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".

14. **"Loading or unloading"** means the handling of property:

   a. After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "auto";

   b. While it is in or on an aircraft, watercraft or "auto"; or

   c. While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered;

   but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto".

15. **"Mobile equipment"** means any of the following types of land vehicles, including any attached machinery or equipment:

   a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;

   b. Vehicles maintained for use solely on or next to premises you own or rent;

   c. Vehicles that travel on crawler treads;

   d. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:

      (1) Power cranes, shovels, loaders, diggers or drills; or

      (2) Road construction or resurfacing equipment such as graders, scrapers or rollers;

   e. Vehicles not described in **a., b., c.** or **d.** above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:

(1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or

(2) Cherry pickers and similar devices used to raise or lower workers;

f. Vehicles not described in **a., b., c.** or **d.** above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

(1) Equipment designed primarily for:

(a) Snow removal;

(b) Road maintenance, but not construction or resurfacing; or

(c) Street cleaning;

(2) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

(3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

However, "mobile equipment" does not include any land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged. Land vehicles subject to a compulsory or financial responsibility law or other motor vehicle insurance law are considered "autos".

16. **"Occurrence"** means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

17. **"Personal and advertising injury"** means injury, including consequential "bodily injury", arising out of one or more of the following offenses:

a. False arrest, detention or imprisonment;

b. Malicious prosecution;

c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person or organization occupies, committed by or on behalf of its owner, landlord or lessor;

d. Oral, written or electronic publication, in any manner, of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;

e. Oral, written or electronic publication, in any manner, of material that violates a person's right of privacy;

f. Copying, in your "advertisement", a person's or organization's "advertising idea" or style of "advertisement"; or

g. Infringement of copyright, slogan, or title of any literary or artistic work, in your "advertisement".

18. **"Pollutants"** mean any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

19. **"Products-completed operations hazard"**:

a. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:

(a) When all of the work called for in your contract has been completed.

(b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.

(c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

b. Does not include "bodily injury" or "property damage" arising out of:

(1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;

(2) The existence of tools, uninstalled equipment or abandoned or unused materials; or

(3) Products or operations for which the classification, listed in the Declarations or in a policy Schedule, states that products-completed operations are subject to the General Aggregate Limit.

20. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or

b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

As used in this definition, computerized or electronically stored data, programs or software are not tangible property. Electronic data means information, facts or programs:

a. Stored as or on;

b. Created or used on; or

c. Transmitted to or from;

computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

21. "Suit" means a civil proceeding in which damages because of "bodily injury", "property damage" or "personal and advertising injury" to which this insurance applies are alleged. "Suit" includes:

a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or

b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

22. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

23. "Volunteer worker" means a person who

a. Is not your "employee";

b. Donates his or her work;

c. Acts at the direction of and within the scope of duties determined by you; and

d. Is not paid a fee, salary or other compensation by you or anyone else for their work performed for you.

24. "Your product":

a. Means:

(1) Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(a) You;

(b) Others trading under your name; or

(c) A person or organization whose business or assets you have acquired; and

(2) Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

b. Includes

(1) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and

(2) The providing of or failure to provide warnings or instructions.

c. Does not include vending machines or other property rented to or located for the use of others but not sold.

25. "Your work":

a. Means:

(1) Work or operations performed by you or on your behalf; and

(2) Materials, parts or equipment furnished in connection with such work or operations.

b. Includes

(1) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work", and

(2) The providing of or failure to provide warnings or instructions.

IRONSHORE SPECIALTY INSURANCE COMPANY
175 Berkeley Street
Boston, MA 02116
Toll Free: (877) IRON411

Insured Name: Reed Family Companies
Policy Number: ICELLUW00167493

CONTRACTORS ENVIRONMENTAL LEGAL LIABILITY (CELL)

TABLE OF CONTENTS

CONTRACTORS ENVIRONMENTAL LEGAL LIABILITY (CELL)

COVERAGE FORM

Various provisions in this policy restrict coverage. Please read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words "we", "us" and "our" refer to the Company providing this insurance.

The word "insured" means any person or organization qualifying as such under **SECTION II – WHO IS AN INSURED**.

Defined terms, other than headings, appear in bold face type. Refer to **SECTION V - DEFINITIONS**.

SECTION I - COVERAGES

COVERAGE SPECIFIC INSURING AGREEMENTS

Coverage A: Contractors Pollution Liability

1. We will pay those sums that the insured becomes legally obligated to pay as damages because of **bodily injury**, **property damage** or **environmental damage** to which this insurance applies arising out of a **pollution incident** caused by **your work** but only if:

- **a.** The **bodily injury**, **property damage** or **environmental damage** is caused by an **occurrence** that takes place in the **coverage territory**; and
- **b.** The **bodily injury**, **property damage** or **environmental damage** takes place during the **policy period**.

2. We will pay **emergency response expenses** incurred by or on behalf of any insured in response to an imminent and substantial threat to human health or the environment arising out of a **pollution incident** caused by **your work** but only if:

- **a.** The **pollution incident** first commenced during the **policy period**;
- **b.** The **pollution incident** takes place in the **coverage territory**;
- **c.** The **emergency response expenses** are incurred within seven (7) days of first commencement of the **pollution incident**; and
- **d.** The **pollution incident** and related **emergency response expenses** are reported to us within twenty-one (21) days of first commencement of the **pollution incident**.

Coverage B: Pollution Liability During Transportation

1. We will pay those sums that the insured becomes legally obligated to pay as damages to which this insurance applies because of:

- **a.** **Bodily injury**, **property damage** or **environmental damage** arising out of a **pollution incident** during **transportation**; or
- **b.** **Bodily injury, property damage** or **environmental damage** arising out of **misdelivery** during **transportation**;

But only if:

- **(1)** The **bodily injury**, **property damage** or **environmental damage** is caused by an **occurrence** that takes place in the **coverage territory**; and
- **(2)** The **bodily injury**, **property damage** or **environmental damage** takes place during the **policy period.**

2. We will pay **emergency response expenses** incurred by or on behalf of any insured in response to an imminent and substantial threat to human health or the environment arising out of a **pollution incident** during **transportation** or **misdelivery** during **transportation** but only if:

   a. The **pollution incident** or **misdelivery** first commenced during the **policy period**;

   b. The **pollution incident** or **misdelivery** takes place in the **coverage territory**;

   c. The **emergency response expenses** are incurred within seven (7) days of first commencement of the **pollution incident** or **misdelivery**; and

   d. The **pollution incident** or **misdelivery** and related **emergency response expenses** are reported to us in writing within twenty-one (21) days of first commencement of the **pollution incident** or **misdelivery**.

Coverage C: Non-Owned Site Pollution Liability

We will pay those sums that the insured becomes legally obligated to pay as damages because of **bodily injury**, **property damage** or **environmental damage** to which this insurance applies arising out of a **pollution incident** on, at, under or migrating from any **non-owned site** but only if:

a. The **bodily injury**, **property damage** or **environmental damage** is caused by an **occurrence** that takes place in the **coverage territory**; and

b. The **bodily injury**, **property damage** or **environmental damage** takes place during the **policy period**.

Coverage D: Time-Element Pollution Liability

1. We will pay those sums that the insured becomes legally obligated to pay as damages because of **bodily injury**, **property damage** or **environmental damage** to which this insurance applies arising out of a **time-element pollution incident** on, at, under or migrating from any **covered property** but only if:

   a. The **bodily injury**, **property damage** or **environmental damage** is caused by an **occurrence** that takes place in the **coverage territory**;

   b. The **bodily injury**, **property damage** or **environmental damage** takes place during the **policy period**;

   c. The insured discovers the **pollution incident** within ten (10) days of first commencement of the **pollution incident**; and

   d. The **pollution incident** is reported to us in writing within thirty (30) days of first commencement of the **pollution incident**.

2. We will pay **emergency response expenses** incurred by or on behalf of any insured in response to an imminent and substantial threat to human health or the environment arising out of a **time-element pollution incident** on, at, under or migrating from any **covered property** but only if:

   a. The **pollution incident** first commenced during the **policy period**;

   b. The **pollution incident** takes place in the **coverage territory**;

   c. The **emergency response expenses** are incurred within seven (7) days of first commencement of the **pollution incident**; and

   The **pollution incident** and related **emergency response expenses** are reported to us within twenty-one (21) days of first commencement of the **pollution incident**.

Coverage E: Image Restoration Expenses

We will pay **image restoration expenses** incurred by or on behalf of you that directly result from an **image restoration event** arising out of a **pollution incident** caused by **your work**, during **transportation** or **misdelivery** during **transportation** on, at, under or migrating from any **covered property** or **non-owned site** but only if:

a. The **pollution incident** giving rise to the **image restoration expenses** first commenced during the **policy period**;

b. The **pollution incident** giving rise to the **image restoration expenses** takes place in the **coverage territory**; and

c. The **image restoration expenses** are incurred by or on behalf of you within fourteen (14) days of the first newspaper or magazine publication or television news broadcast alleging responsibility by you for such **pollution incident** giving rise to the **image restoration event** and within thirty (30) days of the first commencement of such **pollution incident.**

Coverage F: Disinfection Event Expenses

We will pay **disinfection expenses** incurred by or on behalf of any insured arising from a **disinfection event** caused by **your work** but only if:

a. The **disinfection event** first commenced during the **policy period**;

b. The **disinfection event** takes place in the **coverage territory**;

c. The **disinfection expenses** are incurred within fourteen (14) days of first commencement of the **disinfection event**; and

d. The **disinfection event** is reported to us within fourteen (14) days of first commencement of the **disinfection event**.

Coverage G: Pre-Claim Event Expenses

We will pay **pre-claim event expenses** incurred by or on behalf of any insured arising from a **pre-claim event** caused by **your work** but only if:

a. The **pre-claim event** first commenced and is reported to us during the **policy period**; and

b. The **pre-claim event** takes place in the **coverage territory.**

COMMON INSURING AGREEMENTS

The following insuring agreements apply to **Coverages A** through **G** inclusive:

1. We will have the right and duty to defend the insured against any **suit** seeking damages for **bodily injury**, **property damage** or **environmental damage** to which any of **Coverages A** through **G** applies. However, we will have no duty to defend the insured against any **suit** seeking damages to which any of those coverages do not apply. We may, at our discretion, investigate any **occurrence** and settle any **claim** or **suit** that may result. But:

  a. The amount we will pay for damages is limited as described in **SECTION III - LIMITS OF INSURANCE AND DEDUCTIBLE**;

  b. Our right and duty to defend ends when we have used up the applicable limits of insurance in the payment of judgments, settlements, **clean-up costs**, **emergency response expenses**, **image restoration expenses, disinfection event expenses** or **pre-claim event expenses**; and

  c. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under **SUPPLEMENTARY PAYMENTS**.

2. **Bodily injury**, **property damage** or **environmental damage** will be deemed to have been known to have occurred at the earliest time when any **responsible executive**:

  a. Reports all, or any part, of the **bodily injury**, **property damage** or **environmental damage** to us or any other insurer;

  b. Receives a written or verbal demand or **claim** for damages because of the **bodily injury**, **property damage** or **environmental damage**; or

  c. Becomes aware by any other means that **bodily injury**, **property damage** or **environmental damage** has occurred or has begun to occur.

3. The following applies to progressive or indivisible **bodily injury**, **property damage** or **environmental damage**, including any continuation, change or resumption of such **bodily injury**, **property damage** or **environmental damage**, which takes place over a period of days, weeks, months or longer caused by continuous or repeated exposure to the same, related or continuous **pollution incident**:

  a. Such **bodily injury**, **property damage** or **environmental damage** shall be deemed to have taken place only on the date of first exposure to such **pollution incident**; or

b. Such **bodily injury**, **property damage** or **environmental damage** shall be deemed to have taken place during the policy period of the first policy issued by us or by our affiliate(s) to you providing coverage substantially the same as that provided by this policy for **bodily injury**, **property damage** or **environmental damage** that takes place during the **policy period,** but only if:

(1) The date of first exposure cannot be determined or is before the effective date of the first policy issued by us or by our affiliate(s) to you providing coverage substantially the same as that provided by this policy for **bodily injury**, **property damage** or **environmental damage** that takes place during the **policy period**; and

(2) Such **bodily injury**, **property damage** or **environmental damage** continues, in fact, to take place during this **policy period**.

4. If the same, related or continuous **pollution incident** results in **bodily injury**, **property damage** or **environmental damage** that takes place during the policy periods of different policies issued by us or by our affiliate(s) to you providing coverage substantially the same as that provided by this policy for **bodily injury**, **property damage** or **environmental damage** that takes place during the **policy period**:

a. All such **bodily injury**, **property damage** and **environmental damage** shall be deemed to have taken place only during the first policy period of such policies in which any of the **bodily injury**, **property damage** or **environmental damage** took place; and

b. All damages arising from all such **bodily injury**, **property damage** or **environmental damage** shall be deemed to have arisen from one **occurrence** and shall be subject to the Each Occurrence Limit applicable to the policy for such first policy period.

5. Damages because of **bodily injury** include damages claimed by any person or organization for care, loss of services or death resulting at any time from the **bodily injury**.

SUPPLEMENTARY PAYMENTS

1. We will pay, with respect to any **claim** we investigate or settle, any **suit** against an insured we defend or any **emergency response expenses** incurred by or on behalf of any insured:

a. All expenses we incur.

b. All attorneys' fees or attorneys' expenses incurred by the insured in connection with **emergency response expenses**.

c. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the **claim** or **suit**, including actual loss of earnings up to $500 a day because of time off from work.

d. All court costs taxed against the insured in the **suit**. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the insured.

e. Prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on that period of time after the offer.

f. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.

These payments will not reduce the limits of insurance.

2. If we defend an insured against a **suit** and an indemnitee of the insured is also named as a party to the **suit**, we will defend that indemnitee if all of the following conditions are met:

a. The **suit** against the indemnitee seeks damages for which the insured has assumed the liability of the indemnitee in a contract or agreement that is an **insured contract**;

b. This insurance applies to such liability assumed by the insured;

c. The obligation to defend, or the cost of the defense of, that indemnitee, has also been assumed by the insured in the same **insured contract**;

d. The allegations in the **suit** and the information we know about the **occurrence** are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;

e. The indemnitee and the insured ask us to conduct and control the defense of the indemnitee against such **suit** and agree that we can assign the same counsel to defend the insured and the indemnitee; and

f. The indemnitee:

(1) Agrees in writing to:

(a) Cooperate with us in the investigation, settlement or defense of the **suit**;

(b) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the **suit**;

(c) Notify any other insurer whose coverage is available to the indemnitee;

(d) Cooperate with us with respect to coordinating other applicable insurance available to the indemnitee; and

(2) Provides us with written authorization to:

(a) Obtain records and other information related to the **suit**; and

(b) Conduct and control the defense of the indemnitee in such **suit**.

So long as the above conditions are met, attorneys' fees incurred by us in the defense of that indemnitee, necessary litigation expenses incurred by us and necessary litigation expenses incurred by the indemnitee at our request will be paid as **SUPPLEMENTARY PAYMENTS**. Notwithstanding the provisions of **COMMON EXCLUSIONS**, Exclusion **1. Contractual Liability**, Paragraph **b.**, such payments will not be deemed to be damages for **bodily injury**, **property damage** and **environmental damage** and will not reduce the limits of insurance.

Our obligation to defend an insured's indemnitee and to pay for attorneys' fees and necessary litigation expenses as **SUPPLEMENTARY PAYMENTS** ends when we have used up the applicable limit of insurance in the payment of judgments or settlements; or the conditions set forth above, or the terms of the agreement described in Paragraph **f**. above, are no longer met.

COMMON EXCLUSIONS:

The insurance does not apply to:

1. Contractual Liability

Bodily injury, **property damage** or **environmental damage** for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

a. That the insured would have in the absence of the contract or agreement; or

b. Assumed in a contract or agreement that is an **insured contract**, provided the **bodily injury**, **property damage** or **environmental damage** occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an **insured contract**, reasonable attorneys' fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of **bodily injury**, **property damage** or **environmental damage**, provided:

(1) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same **insured contract**; and

(2) Such attorneys' fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

2. Criminal Fines, Penalties and Assessments

Any criminal fines, criminal penalties or criminal assessments.

3. **Damage to Conveyance**

Property damage to any **conveyance** utilized during **transportation**. This exclusion does not apply to **claims** made by third-party carriers for such **property damage** arising from the insured's negligence.

4. **Damage to Property**

Property damage or **environmental damage** to property you own or occupy including any costs or expenses incurred by you, or any other person, organization or entity, for repair, remediation, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property.

Solely as respects **environmental damage**, this exclusion does not apply to **Coverage D: Time-Element Pollution Liability**.

5. **Damage to Your Work**

Property damage or **environmental damage** to that particular part of any property on which you are performing **your work** if the **property damage** or **environmental damage** arises out of **your work**.

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

6. **Employer's Liability**

Bodily injury to:

a. An **employee** of the insured, arising out of and in the course of employment by the insured or performing duties related to the conduct of the insured's business; or

b. Any person whose right to assert a **claim** against the insured arises by reason of any employment, blood, marital, or any other relationship with the insured or its parent, subsidiary or affiliate.

This exclusion applies whether the insured may be liable as an employer or in any other capacity and to any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an **insured contract**.

7. **Expected or Intended Injury or Damage**

Bodily injury, **property damage** or **environmental damage** expected or intended from the standpoint of a **responsible executive**.

8. **Known Injury or Damage**

Bodily injury, **property damage**, **environmental damage**, **image restoration event**, **disinfection event** or **pre-claim event** that occurred in whole or in part prior to the **policy period** and was known prior to the **policy period** by a **responsible executive**. Any continuation, change or resumption of such **bodily injury**, **property damage**, **environmental damage**, **image restoration event**, **disinfection event** or **pre-claim event** will be deemed to have been known by a **responsible executive** prior to the **policy period**.

This exclusion does not apply to any continuation, change or resumption of **environmental damage** caused by **your work** performed after the effective date of the **policy period**.

9. **Naturally Present Pollutants**

Property damage or **environmental damage** arising out of **pollutants** at levels naturally present where the **environmental damage** or **property damage** occurs.

However, this exclusion does not apply:

a. To **clean-up costs** required by **environmental laws** governing the liability or responsibilities of an insured to respond to a **pollution incident**; or

b. If such damage is a result of an unexpected or unintended **pollution incident** arising from **your work**.

10. Noncompliance

Bodily injury, **property damage, environmental damage, image restoration event**, **disinfection event** or **pre-claim event** that results from or are associated with a **responsible executive's** intentional disregard of, or deliberate, knowing, willful or dishonest noncompliance with any **environmental law**, including but not limited to the failure to comply with any regulation applicable to air emissions or effluent discharges, or any other statute, regulation, ordinance, order, administrative complaint, notice of violation, notice letter, or instruction by or on behalf of any governmental agency or representative or other federal, state, local or other applicable legal requirement.

However, this exclusion shall not apply to noncompliance based upon:

a. Good faith reliance upon written advice of qualified counsel received in advance of such noncompliance; or

b. Reasonable efforts to mitigate a **pollution incident** that necessitates immediate action, provided that such **pollution incident** is reported to us in writing within twenty-one (21) days of its first commencement.

11. Nuclear Material

Bodily injury, **property damage** or **environmental damage** based upon or arising out of the radioactive, toxic or explosive properties of **nuclear material** and with respect to which the insured is:

a. Required to maintain financial protection pursuant to the Atomic Energy Act of 1954;

b. Entitled to indemnity from the United States of America or any agency thereof; or

c. An insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of limits.

12. Prior Pollutants or Pollution Incident

Bodily injury, **property damage** or **environmental damage** arising out of **(i) pollutants** or a **pollution incident** resulting from **your work**, **(ii) pollutants** or a **pollution incident** on, at, under or migrating from any **covered property** or **non-owned site** or **(iii) pollutants** or a **pollution incident** during **transportation** or **misdelivery** during **transportation**, known to a **responsible executive** prior to the effective date of the **policy period**.

This exclusion does not apply if:

a. The **pollutants** or **pollution incident** giving rise to the **bodily injury**, **property damage** or **environmental damage** is specifically referenced, or identified on a Prior Pollutants or Pollution Incident Exclusion Amendment Endorsement attached to this policy; or

b. We have been notified in writing of a **claim** arising from such **pollution incident** giving rise to **bodily injury**, **property damage** or **environmental damage** during the policy period of a policy previously issued by us.

13. War

Bodily injury, **property damage, environmental damage**, **image restoration event**, **disinfection event** or **pre-claim event** however caused, arising, directly or indirectly, out of:

a. War, including undeclared or civil war;

b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

c. Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

14. Workers Compensation and Similar Laws

Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

15. Your Product

Bodily injury, **property damage** or **environmental damage** based upon or arising out of **your product** after you have relinquished possession of the same, except if installed as part of **your work**.

16. Asbestos and Lead

Solely with respects to **Coverage D: Time-Element Pollution Liability, environmental damage** arising from asbestos, asbestos containing materials or lead-based paint in, on or applied to any building or other structure.

a. This exclusion does not apply to **clean-up costs** for the remediation of soil, surface water or groundwater.

b. This exclusion does not apply to **clean-up costs** to remediate asbestos, asbestos containing materials or lead-based paint within any structure that has been inadvertently displaced and such **clean-up costs** are the direct result of a **pollution incident** which first commences during the **policy period** and arises from explosion, fire, lightning, **Flood** or windstorm damage, provided that:

(1) The insured discovers the **pollution incident** within ten (10) days of first commencement of the **pollution incident**;

(2) The **pollution incident** is reported to us in writing within thirty (30) days of first commencement of the **pollution incident**; and

(3) Subject to **Section III. LIMITS OF INSURANCE AND DEDUCTIBLE**, Paragraphs **1.** through **9.**, the most we will pay for **clean-up costs**, regardless of the number of insureds, **covered properties**, **pollution incidents**, **claims** or claimants, pursuant to the exception contained in this Paragraph shall not exceed $100,000.

SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:

a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.

d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your **executive officers** and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.

e. A trust, you are an insured. Your trustees are also insureds, but only with respect to their duties as trustees.

2. Each of the following is also an insured:

a. Your **volunteer workers** only while performing duties related to the conduct of your business, or your **employees**, other than either your **executive officers** (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these **employees** or **volunteer workers** are insureds for:

(1) Bodily injury:

(a) To you, to your partners or members (if you are a partnership or joint venture) or to your members (if you are a limited liability company); or

(b) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraph **(1) (a)** above.

(2) Property damage or **environmental damage** to property owned, occupied or used by rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by you, any of your

employees, **volunteer workers**, any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

b. Any person or organization having proper temporary custody of your property if you die, but only with respect to liability arising out of the maintenance or use of that property and until your legal representative has been appointed.

c. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this policy.

d. Any person or organization you agree to include as an insured in a written contract, written agreement or permit, but only with respect to **bodily injury**, **property damage** or **environmental damage** arising out of **your work**.

e. Any person or organization that has at least a 50% controlling interest in you but only with respect to **bodily injury**, **property damage** or **environmental damage** arising out of their financial control of you.

f. A joint venture to which you are a party, but only to the extent of your participation in such joint venture.

SECTION III - LIMITS OF INSURANCE AND DEDUCTIBLE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

a. Insureds;

b. **Claims** made or **suits** brought;

c. Persons or organizations making **claims** or bringing **suits**;

d. **Pollution incidents**;

e. **Image restoration events**;

f. **Disinfection events**; or

g. **Pre-claim events.**

2. The Policy Aggregate Limit is the most we will pay for the sum of all damages, **emergency response expenses**, **image restoration expenses, disinfection event expenses** and **pre-claim event expenses** under **Coverages A** through **G** inclusive.

3. Subject to Paragraph **2**. above, the Each Occurrence Limit is the most we will pay for the sum of all damages, **emergency response expenses**, **image restoration expenses, disinfection event expenses** and **pre-claim event expenses** under **Coverages A** through **G** inclusive arising out of any one **occurrence**.

4. The limit of insurance applies in excess of the deductible amount shown in the Declarations. The deductible amount applies to the sum of all damages, **emergency response expenses** and **legal and claims expense payments** because of **bodily injury**, **property damage** and **environmental damage** arising out of any one **occurrence**.

We may pay any part or the entire deductible amount to effect settlement of any **claim** or **suit** or to pay **clean-up costs** or **emergency response expenses** which may be covered under this policy and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

5. The Image Restoration Expense Aggregate Limit is the most we will pay for the sum of all **image restoration expenses**. Subject to the Image Restoration Expenses Aggregate Limit, the Image Restoration Expenses Each Occurrence Limit is the most we will pay for all **image restoration expenses** arising out of the same, related or continuous **image restoration event**. The Image Restoration Expenses Each Occurrence Limit applies in excess of the deductible amount shown in the Declarations.

6. The Disinfection Event Expenses Aggregate Limit is the most we will pay for the sum of all **disinfection event expenses**. Subject to the Disinfection Event Expenses Aggregate Limit, the Disinfection Event Expenses Each Occurrence Limit is the most we will pay for **disinfection event expenses** arising out of the same, related or continuous **disinfection event**.

The Disinfection Event Expenses Each Occurrence Limit applies in excess of the deductible amount shown in the Declarations.

7. The Pre-Claim Event Expenses Aggregate Limit is the most we will pay for the sum of all **pre-claim event expenses**. Subject to the Pre-Claim Event Expenses Aggregate Limit, the Pre-Claim Event Expenses Each Occurrence Limit is the most we will pay for **pre-claim event expenses** arising out of the same, related or continuous **pre-claim event**. The Pre-Claim Event Expenses Each Occurrence Limit applies in excess of the deductible amount shown in the Declarations.

8. The limits of insurance apply to the entire **policy period**. If the **policy period** is extended after policy issuance for an additional period, the additional period will be deemed part of the last preceding period for the purposes of determining the limits of insurance.

9. If the first named insured and us jointly agree to utilize mediation as a means to resolve a **claim** made against you, and if such **claim** is resolved as a direct result of and during such **mediation**, the deductible obligation stated in the Declarations shall be reduced by 50% subject to a maximum reduction of $25,000 for all **claims** resolved during **mediation**. We shall reimburse the first named insured for any such reimbursable deductible payments made prior to the **mediation** as soon as practical after the conclusion of such **mediation**.

SECTION IV - CONDITIONS

1. Assignment

This policy may not be assigned without our prior written consent. Assignment of interest under this policy shall not bind us until our consent is endorsed thereon.

2. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations.

3. Cancellation

a. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.

b. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:

(1) Ten (10) days before the effective date of cancellation if we cancel for nonpayment of premium; or

(2) Ninety (90) days before the effective date of cancellation if we cancel for any other reason.

c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.

d. Notice of cancellation will state the effective date of cancellation. The **policy period** will end on that date.

e. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata and will be subject to the minimum earned premium stated in the Declarations. The cancellation will be effective even if we have not made or offered a refund.

f. If notice is mailed, proof of mailing will be sufficient proof of notice.

4. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

5. Choice of Forum

In the event that the insured and we have any dispute concerning or relating to this policy, including its formation, coverage provided hereunder, or the meaning, interpretation or operation of any term, condition, definition or provision of this policy resulting in litigation, arbitration or other form of dispute resolution, the insured agrees with us that any such litigation shall take place in the appropriate federal or state courts located in New York, New York and any arbitration or other form of dispute resolution shall take place in New York, New York.

6. **Choice of Law**

In the event that the insured and we have any dispute concerning or relating to this policy, including its formation, coverage provided hereunder, or the meaning, interpretation or operation of any term, condition, definition or provision of this policy resulting in litigation, arbitration or other form of dispute resolution, the insured agrees with us that the internal laws of the State of New York shall apply without giving effect to any conflicts or choice of law principles. The terms and conditions of this policy shall not be deemed to constitute a contract of adhesion and shall not be construed in favor of or against any party hereto by reason or authorship or otherwise.

7. **Currency**

All reimbursement shall be made in United States currency at the rate of exchange prevailing on the date of judgment if judgment is rendered, the date of settlement if settlement is agreed upon with our written consent, or the date of payment of **clean-up costs**, **image restoration expenses**, **disinfection expenses**, **emergency response expenses** and **pre-claim event expenses** whichever is applicable.

8. **Duties In The Event Of Occurrence, Pollution Incident, Claim or Suit**

a. You must see to it that we are notified as soon as practicable of an **occurrence,** or **pollution incident** which may result in a **claim**. To the extent possible, notice should include:

(1) How, when and where the **occurrence** or **pollution incident** took place;

(2) The names and addresses of any injured persons and witnesses; and

(3) The nature and location of any injury or damage arising out of the **occurrence** or **pollution incident**.

b. If a **claim** is made or **suit** is brought against any insured, you must:

(1) Immediately record the specifics of the **claim** or **suit** and the date received; and

(2) Notify us as soon as practicable.

You must see to it that we receive written notice of the **claim** or **suit** as soon as practicable.

c. You and any other involved insured must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the **claim** or **suit**;

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation or settlement of the claim or defense against the **suit**; and

(4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.

d. In the event **emergency response expenses** are incurred, you must provide, in writing, all available information relating to such **emergency response expenses,** and the **pollution incident** giving rise thereto to us within twenty-one (21) days of first commencement of the **pollution incident**. Such information shall include all applicable information detailed in Paragraph **a.** above.

e. In the event **image restoration expenses**, **disinfection expenses** or **pre-claim event expenses** are incurred, you must provide, in writing, all available information relating to such expenses, and the **image restoration event**, **disinfection event** or **pre-claim event** giving rise thereto to us within fourteen (14) days of first commencement of such event. Such information shall include all applicable information detailed in Paragraph **a.** above.

f. In the event of a **time-element pollution incident**, you must provide, in writing, all available information relating to the **pollution incident** giving rise thereto to us within thirty (30) days of first commencement of the **pollution incident**. Such information shall include all applicable information detailed in Paragraph **a.** above.

e. No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid and **emergency response expenses**, without our consent.

When any insured becomes legally obligated to pay **clean-up costs** to which this insurance applies, the insured must:

(1) Submit, for our approval, all proposed work plans prior to submittal to any regulatory agency.

(2) Submit, for our approval, all bids and contracts for **clean-up costs** prior to execution or issuance.

(3) Forward progress submittals regarding **clean-up costs** at reasonable intervals and always prior to submittal to any regulatory agency that is authorized to review and approve such submittals.

We shall have the right, but not the duty, to assume direct control of such **clean-up costs**. Any **clean-up costs** incurred by us shall be applied against the applicable deductible and limit of insurance.

g. If we are prohibited under applicable law from investigating, defending or settling any such **claim** or **suit**, the insured shall, under our supervision, arrange for such investigation and defense thereof as is reasonably necessary, and subject to our prior authorization, shall effect such settlement thereof.

9. Economic and Trade Sanctions

In accordance with laws and regulation of the United States concerning economic and trade sanctions administered and enforced by The Office Of Foreign Assets Control (OFAC), this policy is void ab initio solely with respect to any term or condition of this policy that violates any laws or regulations of the United States concerning economic and trade sanctions.

10. Enforceability

If any part of this policy is deemed invalid or unenforceable, it shall not affect the validity or enforceability of any other part of this policy, which shall be enforced to the full extent permitted by law.

11. Headings

The descriptions in the headings and sub-headings of this policy are inserted solely for convenience and do not constitute any part of the terms or conditions on this policy.

12. Independent Counsel

In the event the insured is entitled by law to select independent counsel to oversee our defense of a **claim** or **suit** at our expense, the attorney fees and all other litigation expenses we must pay to that counsel are limited to the rates we actually pay to counsel we retain in the ordinary course of business in the defense of similar **claims** or **suits** in the community where the **claim** or **suit** arose or is being defended.

Additionally, we may exercise the right to require that such counsel have certain minimum qualifications with respect to their competency including experience in defending **claims** or **suits** similar to the one pending against the insured and to require such counsel have errors and omissions insurance coverage. As respects any such counsel, the insured agrees that counsel will timely respond to our request for information regarding the **claims** or **suit**.

Furthermore, the insured may at any time, by the insured's written consent, freely and fully waive these rights to select independent counsel.

13. Inspections and Surveys

a. We have the right to:

(1) Make inspections and surveys at any time;

(2) Give you reports on the conditions we find; and

(3) Recommend changes.

b. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

(1) Are safe or healthful; or

(2) Comply with laws, regulations, codes or standards.

This applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

14. Legal Action Against Us

No person or organization has a right under this policy:

a. To join us as a party or otherwise bring us into a **suit** asking for damages from an insured; or

b. To sue us on this policy unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured; but we will not be liable for damages that are not payable under the terms of this policy or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

15. Multiple Coverage Sections

No **claim**, or part thereof, for which we have accepted coverage or coverage has been held to apply under one or more Coverages in this policy shall be covered under any other Coverages in this policy.

16. Other Insurance

If other valid and collectible insurance is available to the insured for a loss we cover under this policy, our obligations are limited as follows:

a. Primary Insurance

This insurance is primary except when paragraph **b.** below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in paragraph **c**. below. However, regardless of whether **b**. below applies, in the event that a written contract or agreement or permit requires this insurance to be primary for any person or organization you agreed to insure and such person or organization is an insured under this policy, we will not seek contributions from any such other insurance issued to such person or organization.

b. Excess Insurance

(1) This insurance is excess over:

(a) Any of the other insurance, whether primary, excess, contingent or on any other basis, that is Fire, Extended Coverage, Builder's Risk, Installation Risk or similar coverage for **your work**;

(b) Any other insurance, whether primary, excess, contingent or on any other basis, available to you covering liability for damages arising out of **your work**, for which you have been added as an additional insured;

(c) Any project specific insurance, whether primary, excess, contingent or on any other basis, available to you covering liability for damages arising out of **your work** at a specified job site; or

(d) Any other insurance, whether primary, excess, contingent or on any other basis, that covers loss arising in whole or part from **mold matter**, legionella pneumophila or a **disinfection event**.

(2) When this insurance is excess, we will have no duty to defend the insured against any **suit** if any other insurer has a duty to defend the insured against that **suit**. If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

(3) When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

(a) The total amount that all such other insurance would pay for the loss in the absence of this insurance;

(b) The total of all deductible and self-insured amounts under all that other insurance; and

(c) The deductible and self-insured amounts under this insurance.

(4) We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the limits of insurance shown in the Declarations of this policy.

c. Method Of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts, excess of applicable deductible and self-insured amounts under all such insurance, until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

17. Premiums and Deductible

The first Named Insured shown in the Declarations:

a. Is responsible for the payment of all premiums;

b. Will be the payee for any return premiums we pay; and

c. Is responsible for the payment of all deductibles.

18. Representations

By accepting this policy, you agree:

a. The statements in the Declarations are accurate and complete;

b. Those statements are based upon representations you made to us; and

c. We have issued this policy in reliance upon your representations.

19. Separation Of Insureds

Except with respect to the limits of insurance and any rights or duties specifically assigned in this policy to the first Named Insured, this insurance applies:

a. As if each Named Insured were the only Named Insured; and

b. Separately to each insured against whom **claim** is made or **suit** is brought.

20. Service of Suit

Subject to **SECTION IV – CONDITIONS**, Condition **5**. **Choice of Forum** above, it is agreed that in the event of failure of us to pay any amount claimed to be due hereunder, we, at the request of the insured, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of our rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon us and that in any suit instituted against us upon this contract, we will abide by the final decision of such court or of any appellate court in the event of any appeal.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefore, we hereby designate the Superintendent, Commissioner, Director of Insurance, or other officer specified for that purpose in the statute, or his or her successor or successors in office as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the insured or any beneficiary hereunder arising out of this contract of insurance, and hereby designates the above named counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

21. Transfer Of Rights Of Recovery Against Others To Us

If the insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. At our request, the insured will bring **suit** or transfer those rights to us and help us enforce them. However, if the insured has waived rights of recovery against any person or organization prior to a loss, we waive any right of recovery we may have under this policy against such person or organization.

22. Transfer of Your Rights and Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

23. When We Do Not Renew

If we decide not to renew, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than ninety (90) days before the expiration date. If notice is mailed, proof of mailing will be sufficient proof of notice.

SECTION V - DEFINITIONS

1. **Bodily injury** means physical injury, sickness, disease, building-related illness, mental anguish, shock or emotional distress sustained by any person, including death resulting therefrom. **Bodily injury** shall also include medical monitoring costs.
2. **Claim** means a demand, notice or assertion of a legal right alleging liability or responsibility on the part of the insured.
3. **Clean-up costs** means reasonable and necessary costs, charges and expenses incurred to investigate, remove, dispose of, contain, treat, neutralize, monitor or test soil, surface water, groundwater or other contaminated media but only:
   - **a.** To the extent required by **environmental laws** governing the liability or responsibilities of the insured to respond to a **pollution incident**;
   - **b.** In the absence of an applicable **environmental law**, to the extent recommended in writing by an **environmental professional**;
   - **c.** To the extent incurred by the government or any political subdivision within Definition **5**.**a**. **Coverage territory**; or
   - **d.** To the extent incurred by parties other than you.

   Clean-up costs also includes **restoration costs**.

   Clean-up costs does not include costs, charges or expenses incurred by the insured for materials supplied or services performed by the insured.
4. **Conveyance** means any auto, railcar, rolling stock, train, watercraft or aircraft. **Conveyance** does not include pipelines.
5. **Coverage territory** means:
   - **a.** The United States of America (including its territories and possessions), Puerto Rico, Canada and The Gulf of Mexico;
   - **b.** International waters or airspace, but only if the injury or damage occurs in the course of travel or transportation between any places included in Paragraph **a**. above.
6. **Covered property** means those locations specifically scheduled in Item **9.** of the Declarations, or any other location specifically endorsed to the policy as a **covered property**.
7. **Disinfection event** means any case or series of cases of communicable virus, bacteria or disease that requires reporting of such case or series of cases to any local, state or federal governmental or public health agency or entity. **Disinfection event** does not include **pollution incidents**.
8. **Disinfection expenses** means reasonable fees and costs incurred by the insured to clean and disinfect a location after any **disinfection event**.

9. **Emergency response expenses** means reasonable and necessary costs, charges and expenses incurred to investigate, remove, dispose of, abate, contain, treat, neutralize, monitor or test soil, surface water, groundwater or other contaminated media.

10. **Employee** includes a **leased worker** and a **temporary worker**.

11. **Environmental damage** means physical damage to land, **conveyances**, structures on land or water, the atmosphere, any watercourse or body of water including surface water or groundwater, giving rise to **clean-up costs** or **emergency response expense**. **Environmental damage** does not include **disinfection expenses.**

12. **Environmental laws** means any federal, state, provincial, municipal or other local laws, including, but not limited to, statutes, rules, ordinances, guidance documents, regulations and all amendments thereto, including state voluntary cleanup or risk based corrective action guidance, and governmental, judicial or administrative orders and directives, that are applicable to a **pollution incident**.

13. **Environmental professional** means an individual approved and designated by us in writing who is duly certified or licensed in a recognized field of environmental science as required by a state board, a professional association, or both, who meet certain minimum qualifications and who maintain specified levels of errors and omissions insurance coverage acceptable to us. We shall consult with the insured in conjunction with the selection of the **environmental professional**.

14. **Executive officer** means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.

15. **Flood** means a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is a **covered property**) from:

    a. Overflow of inland or tidal waters;

    b. Unusual and rapid accumulation or runoff of surface waters from any source;

    c. Mudflow; or

    d. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.

16. **Image restoration event** means a **pollution incident** which results in a newspaper or magazine publication or television news broadcast alleging responsibility by you for such **pollution incident**.

17. **Image restoration expenses** means reasonable expenses incurred by you to restore public reputation and consumer confidence. **Image restoration expenses** shall include fees and expenses incurred by you for services rendered by public relations or crisis management firms as well as reasonable and necessary printing, mailing of materials and travel by your **executive officers,** directors, members, partners or **employees** at the direction of such firms. **Image restoration expenses** shall not include the costs to purchase advertising on television, in newspapers or in any other media.

18. **Insured contract** means:

    a. A contract for a lease of premises. However, that portion of the contract for a lease of premises in excess of thirty (30) consecutive days that indemnifies any person or organization for damage by fire, lightning or explosion to premises while rented to you or temporarily occupied by you with permission of the owner is not an **insured contract**;

    b. A sidetrack agreement;

    c. Any easement or license agreement;

    d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;

    e. An elevator maintenance agreement;

f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for **bodily injury**, **property damage** or **environmental damage** to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

Paragraph **f**. does not include that part of any contract or agreement that indemnifies an architect, engineer or surveyor for injury or damage arising out of:

(1) Preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; or

(2) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage.

19. Leased worker means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. **Leased worker** does not include a **temporary worker**.

20. Legal and claims expense payments means all amounts specified under **SUPPLEMENTARY PAYMENTS**, including:

a. All expenses we incur that are directly allocated to a particular **claim** or **suit**.

b. All attorneys' fees or attorneys' expenses incurred by the insured in connection with **emergency response expense**.

21. Location means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad.

22. Mediation means the non-binding intervention of a neutral third-party to effect settlement of a claim.

23. Misdelivery means the delivery of any liquid product into a wrong receptacle or to a wrong address or the erroneous delivery of one liquid product for another.

24. Mold matter means mold, mildew and fungi, whether or not such **mold matter** is living.

25. Natural resource damage means damages, sought by a governmental or tribal natural resource damage trustee who is authorized to act in such capacity by a natural resource damage statute governing the assessment and restoration of natural resource damages, for the physical injury to or destruction of, as well as the assessment of such injury or destruction, including the resulting loss of value of land, fish, wildlife, biota, air, water, groundwater, drinking water supplies, and other such resources belonging to, managed by, held in trust by, appertaining to, or otherwise controlled by the United States (including the resources of the fishery conservation zone established by the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1801 et seq.)), any state, local or provincial government, any foreign government, any Native American tribe, or, if such resources are subject to a trust restriction on alienation, any member of a Native American tribe.

26. Non-owned site means any **location** which was not at any time owned or occupied by you. A **non-owned site** shall include any job site location leased, rented or borrowed for use as a staging area to facilitate **your work**.

Non-owned site does not include:

a. Any **location** which is not licensed by the appropriate federal, state or local authority at the time such facility performs storage, disposal, processing or treatment of waste from your operations or **your work** in compliance with **environmental law**.

b. Any **location** or any part thereof that has been subject to a consent order or corrective action under **environmental law** or is listed or proposed to be listed on the Federal National Priorities list (NPL) prior to waste from your operations or **your work** being legally consigned for delivery or delivered for storage, disposal, processing or treatment at such **location**.

27. Nuclear material means source material, special nuclear material or byproduct material which have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof.

28. Occurrence means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

29. Policy period means the period of time stated in the Declarations. However, if the policy is cancelled in accordance with **SECTION IV – CONDITIONS**, Condition **3. Cancellation**, the **policy period** ends on the effective date of such cancellation.

30. Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, soot, vapors, fumes, acids, alkalis, chemicals, hazardous substances, hazardous materials, or waste materials, including medical, infectious and pathological wastes. **Pollutants** shall also mean **mold matter**, legionella pneumophila and electromagnetic fields. **Pollutants,** with the exception of **mold matter** and legionella pneumophila, does not include bacteria and viruses.

31. Pollution incident means:

a. The discharge, dispersal, release, escape, migration, or seepage of **pollutants** on, in, into, or upon land, **conveyances**, structures on land or water, the atmosphere, any watercourse or body of water including surface water or groundwater;

b. The discharge, dispersal, release, or escape of silt or sedimentation that originated at and migrated from a **location** where you are performing **your work**; or

c. The presence of **mold matter**.

Pollution incident includes the illicit abandonment of **pollutants** at any **covered property** or job site **location** provided that such abandonment was committed by parties other then you and without the knowledge of a **responsible executive**.

32. Pre-claim event means a **pollution incident** arising out of **your work** that would reasonably be expected to give rise to a **claim** covered by this policy.

33. Pre-claim event expense means:

a. Reasonable and necessary fees charged by an **environmental professional** or attorney mutually agreed upon by the first named insured shown in the Declarations and us, for environmental consulting, investigative, testing or legal services, solely to the extent such fees are incurred as a result of a **pre-claim event**;

b. Costs, charges and expenses incurred by us in the investigation or adjustment of a **pre-claim event**; and

c. All reasonable and necessary expenses incurred by you at our request to assist us in the investigation of a **pre-claim event**, including your employees' lost salaries or wages, up to $500 a day.

Except as expressly set forth in this Definition, **pre-claim event expenses** shall not include costs, charges or other expenses incurred: prior to our agreement upon the selection of an **environmental professional** or attorney; or by you for goods supplied by or on behalf of your staff or salaried employees, or its parent, subsidiary or affiliate, unless such costs, charges or other expenses are incurred with our prior written consent, which consent shall not be unreasonably withheld.

34. Property damage means:

a. Physical injury to or destruction of tangible property, including all resulting loss of use and diminished value of that property. All such loss of use and diminished value shall be deemed to occur at the time of the physical injury that caused it;

b. Loss of use of tangible property that is not physically injured or destroyed. All such loss of use shall be deemed to occur at the time of the **occurrence** or **pollution incident** that caused it; or

c. Natural resource damage.

Property damage does not include **environmental damage**.

For the purpose of this insurance, electronic data is not tangible property. As used in this definition, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CDROMS, tapes drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

35. **Responsible executive** means any officer, director, risk manager, partner, your manager or supervisor responsible for environmental affairs, health and safety affairs, control or compliance or any other **employee** authorized by you to give or receive notice of an **occurrence** or **claim**.

36. **Restoration costs** means reasonable and necessary costs incurred by the insured with our prior written consent, to repair, restore or replace damaged real or personal property damaged during work performed in the course of incurring **clean-up costs** in order to restore the property to the condition it was in prior to being damaged during such work. **Restoration costs** shall not exceed the lesser of actual cash value of such real or personal property or the cost of repairing, restoring or replacing the damaged property with other property of like kind and quality. An adjustment for depreciation and physical condition shall be made in determining actual cash value. If a repair or replacement results in better than like kind or quality, we will not pay for the amount of the betterment, except to the extent:

    a. Such betterments of the damaged property entail the use of materials which are environmentally preferable to those materials which comprised the damaged property.

    b. Such environmentally preferable material must be certified as such by an applicable independent certifying body, where such certification is available, or, in the absence of such certification, based on our judgment in our sole discretion.

37. **Suit** means a civil proceeding in which damages to which this insurance applies are alleged. **Suit** includes an arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent or any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

38. **Temporary worker** means a person who is furnished to you to substitute for a permanent worker on leave or to meet seasonal or short-term workload conditions.

39. **Time-Element pollution incident** means a **pollution incident** demonstrable as having first commenced at an identified time and place during the **policy period** provided such **pollution incident** does not originate or arise from, or relate to an **underground storage tank**.

40. **Transportation** means the movement of goods, product, merchandise, supplies or waste in a **conveyance** by the insured or a third party carrier to or from a job site or a **non-owned site. Transportation** includes the movement of goods, products, merchandise, supplies or waste into, onto or from a **conveyance**.

41. **Underground storage tank** means any tank, including any piping and appurtenances connected to the tank, located on or under an owned or occupied **location** that has at least ten (10) percent of its combined volume underground. **Underground storage tank** does not include:

    a. Septic tanks, sump pumps, or oil/water separators;

    b. A tank that is enclosed within a basement or cellar, if the tank is upon or above the surface of the floor; or

    c. Storm-water or wastewater collection systems.

42. **Volunteer worker** means a person who is not your **employee**, and who donates his or her work and acts at the direction of and within the scope of duties determined by you, and is not paid a fee, salary or other compensation by you or anyone else for their work performed for you.

43. **Your product**:

    a. Means:

    (1) Any goods or products, other than real property, manufactured, sold or distributed by:

    (a) You;

    (b) Others trading under your name; or

    (c) A person or organization whose business or assets you have acquired; and

    (2) Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

b. Includes:

(1) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of **your product**; and

(2) The providing of or failure to provide warnings or instructions.

44. Your work:

a. Means:

(1) Work or operations performed by you or on your behalf at a **location** which was not at any time owned or occupied by you; and

(2) Materials, parts or equipment furnished in connection with such work or operations.

b. Includes:

(1) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of **your work**; and

(2) The providing of or failure to provide warnings or instructions.

IN WITNESS WHEREOF, the Insurer has caused this Policy to be executed and attested, but this Policy will not be valid unless countersigned by a duly authorized representative of the Insurer, to the extent required by applicable law.

Ironshore Specialty Insurance Company by:

Secretary

President