



CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

4:00 PM - Closed Session (Parkview Conference Room)

5:00 PM - Regular Session

Escondido City Council Chambers, 201 North Broadway, Escondido, CA 92025

WELCOME TO YOUR CITY COUNCIL MEETING

We welcome your interest and involvement in the legislative process of Escondido. This agenda includes information about topics coming before the City Council and the action recommended by City staff.

MAYOR

Dane White

DEPUTY MAYOR

Joe Garcia (District 2)

COUNCILMEMBERS

Consuelo Martinez (District 1)

Christian Garcia (District 3)

Michael Morasco (District 4)

CITY MANAGER

Sean McGlynn

CITY ATTORNEY

Michael McGuinness

CITY CLERK

Zack Beck

HOW TO WATCH

The City of Escondido provides three ways to watch a City Council meeting:

In Person



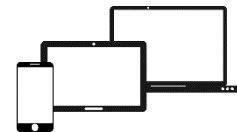
201 N. Broadway

On TV



Cox Cable Channel 19 and U-verse Channel 99

Online



www.escondido.org



CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

HOW TO PARTICIPATE

The City of Escondido provides two ways to communicate with the City Council during a meeting:

In Person



Fill out Speaker Slip and Submit to City Clerk

In Writing



<https://escondido-ca.municodemeetings.com>

ASSISTANCE PROVIDED

If you need special assistance to participate in this meeting, please contact our ADA Coordinator at 760-839-4869. Notification 48 hours prior to the meeting will enable the city to make reasonable arrangements to ensure accessibility. Listening devices are available for the hearing impaired – please see the City Clerk.





CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

CLOSED SESSION

4:00 PM

CALL TO ORDER

1. Roll Call: C. Garcia, J. Garcia, Martinez, Morasco, White

ORAL COMMUNICATIONS

In addition to speaking during particular agenda items, the public may address the Council on any item which is not on the agenda provided the item is within the subject matter jurisdiction of the City Council. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. Speakers are limited to only one opportunity to address the Council under Oral Communications.

CLOSED SESSION

1. **CONFERENCE WITH LABOR NEGOTIATORS (Government Code Section §54957.6)**

- a. Agency Representative: Sean McGlynn, City Manager, or designee

Employee Organization: Police Officers' Association Sworn Personnel Bargaining Unit

- b. Agency Representative: Sean McGlynn, City Manager, or designee

Employee Organization: Police Officers' Association Non-Sworn Personnel Bargaining Unit

- c. Agency Representative: Sean McGlynn, City Manager, or designee

Employee Organization: Firefighters' Association Safety and Non-safety Bargaining Unit

- d. Agency Representative: Sean McGlynn, City Manager, or designee

Employee Organization: ECEA Unit (SUP)

- e. Agency Representative: Sean McGlynn, City Manager, or designee

Employee Organization: Maintenance and Operations Bargaining Unit (Teamsters Local 911 and ACE)

ADJOURNMENT



CITY *of* ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

REGULAR SESSION

5:00 PM Regular Session

MOMENT OF REFLECTION

City Council agendas allow an opportunity for a moment of silence and reflection at the beginning of the evening meeting. The City does not participate in the selection of speakers for this portion of the agenda, and does not endorse or sanction any remarks made by individuals during this time. If you wish to be recognized during this portion of the agenda, please notify the City Clerk in advance.

FLAG SALUTE

The City Council conducts the Pledge of Allegiance at the beginning of every City Council meeting.

CALL TO ORDER

Roll Call: C. Garcia, J. Garcia, Martinez, Morasco, White

PROCLAMATION

Economic Development Week, May 8-12, 2023

PRESENTATION

Certificate of Recognition – Orange Glen High School Skateboarding Team

CLOSED SESSION REPORT

ORAL COMMUNICATIONS

In addition to speaking during particular agenda items, the public may address the Council on any item which is not on the agenda provided the item is within the subject matter jurisdiction of the City Council. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. Speakers are limited to only one opportunity to address the Council under Oral Communications.

CONSENT CALENDAR

Items on the Consent Calendar are not discussed individually and are approved in a single motion. However, Council members always have the option to have an item considered separately, either on their own request or at the request of staff or a member of the public.



CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

1. AFFIDAVITS OF PUBLICATION, MAILING, AND POSTING (COUNCIL/RRB) -

2. APPROVAL OF WARRANT REGISTER (COUNCIL) -

Request the City Council approve the City Council and Housing Successor Agency warrant numbers:

- 372534 – 372719 dated April 12, 2023
- 372720 – 372974 dated April 19, 2023
- 372975 – 373178 dated April 26, 2023

Staff Recommendation: Approval (Finance Department: Christina Holmes)

3. APPROVAL OF MINUTES: Regular Meetings of April 12, 2023 and April 19, 2023

4. WAIVER OF READING OF ORDINANCES AND RESOLUTIONS –

5. ADOPTION OF MASTER SERVICES AGREEMENT WITH COGNIZANT WORLDWIDE LIMITED AND AFFILIATES FOR WORKDAY SOFTWARE IMPLEMENTATION

Request the City Council adopt Resolution No. 2023-56, authorizing the Mayor to execute, on behalf of the City of Escondido, a Master Services Agreement with Cognizant Worldwide Limited, including its U.S. affiliates, Cognizant Technology Solutions U.S. Corporation and Collaborative Solutions, LLC, (“Collaborative”) for implementation services of the Workday SaaS subscription.

Staff Recommendation: Approval (Information Systems Department: Rob Van De Hey, Chief Information Officer)

Presenter: Christina Holmes, Director of Finance; Jessica Perpetua, Director of Human Resources; Rob Van De Hey, Chief Information Officer

a) Resolution No. 2023-56



CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

6. TERMINATING THE GROUND LEASE BETWEEN THE CITY OF ESCONDIDO AND TRANSFORMCO; ENTERING INTO A GROUND LEASE BETWEEN THE CITY OF ESCONDIDO AND COSTCO WHOLESALE CORPORATION; AND DECLARATION OF EXEMPT SURPLUS PROPERTY

Request the City Council adopt Resolution No. 2023-47 authorizing the Mayor and other Authorized Officers to execute two documents: 1) An agreement terminating the existing Ground Lease between the City of Escondido and Transform Operating Stores (“Transformco”) for the former Sears site at 210 East Via Rancho Parkway (herein referred to as the “Sears Site”) at the North County Mall Property in Escondido; 2) A Ground Lease between the City of Escondido and Costco Wholesale Corporation (“Costco”) for the same site. Additionally, request the City Council further declare the subject property as Exempt Surplus Property pursuant to Government Code section 54221(f)(1)(G).

Staff Recommendation: Approval (City Manager’s Office: Christopher W. McKinney, Deputy City Manager/Director of Utilities)

Presenter: Christopher W. McKinney

a) Resolution No. 2023-47

CONSENT RESOLUTIONS AND ORDINANCES (COUNCIL/RRB)

The following Resolutions and Ordinances were heard and acted upon by the City Council/RRB at a previous City Council/Mobilehome Rent Review meeting. (The title of Ordinances listed on the Consent Calendar are deemed to have been read and further reading waived.)

7. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPROVING AN AMENDMENT TO THE MONTIEL ROAD MASTER PLAN ALONG WITH A PRECISE DEVELOPMENT PLAN FOR A CONTRACTOR SERVICE OFFICE AND OUTDOOR EQUIPMENT STORAGE

APPLICANT: West Coast Arborists CASE NO.: PL22-0512

Approved on April 19, 2023 with a vote of 4/0 (C. Garcia Absent)

a) Ordinance No. 2023-08 (Second Reading and Adoption)

8. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPROVING AND RENEWING THE ESCONDIDO POLICE DEPARTMENT MILITARY EQUIPMENT USE POLICY

Approved on April 19, 2023 with a vote of 4/0 (C. Garcia Absent)

a) Ordinance No. 2022-07 (Second Reading and Adoption)



CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

CURRENT BUSINESS

9. FINANCIAL REPORT FOR THE QUARTER ENDED MARCH 31, 2023 AND BUDGET ADJUSTMENT REQUEST

Request the City Council receive and file the third quarter financial report for Fiscal Year 2022/23 and adopt Budget Adjustments to amend the Fiscal Year 2022/23 operating and capital improvement budgets.

Staff Recommendation: Approval (Finance Department: Christina Holmes, Director of Finance)

Presenter: Christina Holmes

10. REVIEW AND UPDATE OF CITY COUNCIL INTERAGENCY AND SUBCOMMITTEE ASSIGNMENTS

Request the City Council ratify members to serve on the Mayor/Council boards and subcommittees per the attached listing.

Staff Recommendation: Approval (City Clerk's Office: Zack Beck, City Clerk)

Presenter: Dane White, Mayor

11. PLANNING COMMISSION INTERVIEWS

Request the City Council conduct interviews of applicants to fill an unscheduled vacancy on the Planning Commission.

Staff Recommendation: None (City Clerk's Office: Zack Beck, City Clerk)

Presenter: Zack Beck

FUTURE AGENDA

12. FUTURE AGENDA

The purpose of this item is to identify issues presently known to staff or which members of the City Council wish to place on an upcoming City Council agenda. Council comment on these future agenda items is limited by California Government Code Section 54954.2 to clarifying questions, brief announcements, or requests for factual information in connection with an item when it is discussed.

Staff Recommendation: None (City Clerk's Office: Zack Beck)

COUNCILMEMBERS SUBCOMMITTEE REPORTS AND OTHER REPORTS

CITY MANAGER'S WEEKLY ACTIVITY REPORT

The most current information from the City Manager regarding Economic Development, Capital Improvement Projects, Public Safety, and Community Development. This report is also available on the City's website, www.escondido.org.



CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 10, 2023

ORAL COMMUNICATIONS

In addition to speaking during particular agenda items, the public may address the Council on any item which is not on the agenda provided the item is within the subject matter jurisdiction of the City Council. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. Speakers are limited to only one opportunity to address the Council under Oral Communications.

ADJOURNMENT

UPCOMING MEETING SCHEDULE

Wednesday, May 17, 2023 4:00 & 5:00 PM Regular Meeting, *Council Chambers*
Wednesday, May 24, 2023 4:00 & 5:00 PM Regular Meeting, *Council Chambers*

SUCCESSOR AGENCY

Members of the Escondido City Council also sit as the Successor Agency to the Community Development Commission, Escondido Joint Powers Financing Authority, and the Mobilehome Rent Review Board.



A F F I D A V I T S

O F

I T E M

P O S T I N G – N O N E



STAFF REPORT

May 10, 2023
File Number 0400-40

SUBJECT

APPROVAL OF WARRANT REGISTER (COUNCIL)

DEPARTMENT

Finance

RECOMMENDATION

Request approval for City Council and Housing Successor Agency warrant numbers:

372534 – 372719 dated April 12, 2023
372720 – 372974 dated April 19, 2023
372975 – 373178 dated April 26, 2023

Staff Recommendation: Approval (Finance Department: Christina Holmes)

FISCAL ANALYSIS

The total amount of the warrants for the following periods are as follows:

April 6 – April 12, 2023, is \$2,599,928.42
April 13 – April 19, 2023, is \$3,466,057.17
April 20 – April 26, 2023, is \$2,374,107.54

BACKGROUND

The Escondido Municipal Code Section 10-49 states that warrants or checks may be issued and paid prior to audit by the City Council, provided the warrants or checks are certified and approved by the Director of Finance as conforming to the current budget. These warrants or checks must then be ratified and approved by the City Council at the next regular Council meeting.



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

REGULAR SESSION

5:00 PM Regular Session

April 12, 2023

MOMENT OF REFLECTION

City Council agendas allow an opportunity for a moment of silence and reflection at the beginning of the evening meeting. The City does not participate in the selection of speakers for this portion of the agenda, and does not endorse or sanction any remarks made by individuals during this time. If you wish to be recognized during this portion of the agenda, please notify the City Clerk in advance.

FLAG SALUTE

The City Council conducts the Pledge of Allegiance at the beginning of every City Council meeting.

CALL TO ORDER

Roll Call: C. Garcia, J. Garcia, Martinez, Morasco, White

PROCLAMATIONS

Earth Day, April 22, 2023

National Fair Housing Month

PRESENTATIONS

Escondido Non-Profit Grant Program Presentation by the Escondido Community Foundation

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

Motion: Morasco; Second: Martinez; Approved: 5-0

1. AFFIDAVITS OF PUBLICATION, MAILING, AND POSTING (COUNCIL/RRB) -



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

2. APPROVAL OF WARRANT REGISTER (COUNCIL) -

Request the City Council approve the City Council and Housing Successor Agency warrant numbers:

- 372163 – 372164 dated March 27, 2023
- 372165 – 372384 dated March 29, 2023

Staff Recommendation: Approval (Finance Department: Christina Holmes)

3. APPROVAL OF MINUTES: Regular Meeting of March 22, 2023

4. WAIVER OF READING OF ORDINANCES AND RESOLUTIONS –

5. FISCAL YEAR 2022 STATE OF CALIFORNIA PASS THROUGH GRANT AND BUDGET ADJUSTMENT

Request the City Council adopt Resolution No. 2023-38 authorizing the Escondido Fire Department to accept Fiscal Year 2022 State of California Pass Through funds in the amount of \$250,000; authorize the Fire Chief or his designee to execute the subrecipient documents on behalf of the City; and approve budget adjustments needed to create a project code and spend the funds to refurbish the fire training facility and address infrastructure needs. (File Number 0480-70)

Staff Recommendation: Approval (Fire Department: Rick Vogt, Fire Chief)

Presenter: John Tenger, Deputy Fire Chief

a) Resolution No. 2023-38

6. BUREAU OF STATE AND COMMUNITY CORRECTIONS FISCAL YEAR 2022-23 OFFICER WELLNESS AND MENTAL HEALTH GRANT AND BUDGET ADJUSTMENT

Request the City Council adopt Resolution No. 2023-39, authorizing the Escondido Police Department to accept a Bureau of State and Community Corrections (BSCC) FY 2022-23 Officer Wellness and Mental Health Grant in the amount of \$94,781.16; authorize the Chief of Police or his designee to execute grant documents on behalf of the City; and approve budget adjustments needed to spend grant funds. (File Number 0480-70)

Staff Recommendation: Approval (Police Department: Edward Varso, Chief of Police)

Presenter: Edward Varso

a) Resolution 2023-39

7. PURCHASE POLYGON SHADE STRUCTURES FOR THE ESCONDIDO CREEK TRAIL EXPANSION PROJECT

Request the City Council adopt Resolution No. 2023-40, authorizing the Mayor to execute, on behalf of the City, a cooperative Purchase Agreement through Sourcewell with the Porter



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

Corporation of Holland, Michigan, in the amount of \$204,097.63 for the purchase of eight (8) Poligon shade structures for the Escondido Creek Trail Expansion and Renovation Project. (File Number 0600-10)

Staff Recommendation: Approval (Public Works Department: Joseph Goulart, Director of Public Works)

Presenter: Wayne Thames, Public Works Superintendent

a) Resolution No. 2023-40

CURRENT BUSINESS

8. BOARD AND COMMISSION INTERVIEWS

Request the City Council conduct interviews of applicants to fill vacancies on the City's Boards and Commissions. (File Number 0120-15)

Staff Recommendation: None (City Clerk's Office: Zack Beck, City Clerk)

Presenter: Zack Beck, City Clerk

No council action required.

FUTURE AGENDA

9. FUTURE AGENDA

The purpose of this item is to identify issues presently known to staff or which members of the City Council wish to place on an upcoming City Council agenda. Council comment on these future agenda items is limited by California Government Code Section 54954.2 to clarifying questions, brief announcements, or requests for factual information in connection with an item when it is discussed.

Staff Recommendation: None (City Clerk's Office: Zack Beck)

Mayor White – Declaration of Planning Commission Vacancy.

COUNCILMEMBERS SUBCOMMITTEE REPORTS AND OTHER REPORTS

CITY MANAGER'S WEEKLY ACTIVITY REPORT

The most current information from the City Manager regarding Economic Development, Capital Improvement Projects, Public Safety, and Community Development. This report is also available on the City's website, www.escondido.org.



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

ORAL COMMUNICATIONS

None.

ADJOURNMENT

Mayor White adjourned the meeting at 6:35 p.m.

MAYOR

CITY CLERK



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

REGULAR SESSION

5:00 PM Regular Session

April 19, 2023

MOMENT OF REFLECTION

City Council agendas allow an opportunity for a moment of silence and reflection at the beginning of the evening meeting. The City does not participate in the selection of speakers for this portion of the agenda, and does not endorse or sanction any remarks made by individuals during this time. If you wish to be recognized during this portion of the agenda, please notify the City Clerk in advance.

FLAG SALUTE

The City Council conducts the Pledge of Allegiance at the beginning of every City Council meeting.

CALL TO ORDER

Roll Call: J. Garcia, Martinez, Morasco, White

PROCLAMATIONS

National Volunteer Week, April 16-22, 2023

PRESENTATIONS

Volunteer Escondido

Council Awards

ORAL COMMUNICATIONS

Anna Mein – Shared the Sierra Club At-Home Climate Action Workbook.

Nova Birch – Expressed concern regarding the police budget.

Clay Scheller – Expressed concern regarding lack of services for individuals experiencing homelessness.

Christianne McCormick – Expressed concern regarding lack of services for individuals experiencing homelessness.



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

Nancy Burian – Requested the City Council work with Dr. Drew Pinsky regarding the homelessness issue.

Tori Barron – Requested the establish more strict rent control guidelines.

CONSENT CALENDAR

Motion: Morasco; Second: Martinez; Approved: 4-0 (C. Garcia – Absent)

1. **AFFIDAVITS OF PUBLICATION, MAILING, AND POSTING (COUNCIL/RRB) -**

2. **APPROVAL OF WARRANT REGISTER (COUNCIL) -**

Request the City Council approve the City Council and Housing Successor Agency warrant numbers:

- 372385 – 372533 dated April 5, 2023.

Staff Recommendation: Approval (Finance Department: Christina Holmes)

3. **APPROVAL OF MINUTES: None**

4. **WAIVER OF READING OF ORDINANCES AND RESOLUTIONS –**

5. **AWARD CONSULTING AGREEMENT TO HOCH CONSULTING FOR PROJECT MANAGEMENT AND ENGINEERING SERVICES FOR CAPITAL IMPROVEMENT PROGRAM PROJECTS**

Request the City Council adopt Resolution No. 2023-46, authorizing the Mayor, on behalf of the City, to execute a consulting services agreement with Hoch Consulting for project management and engineering services in the amount of \$300,000 to be billed hourly over the course of one year. (File Number 0600-10; A-3451)

Staff Recommendation: Approval (Development Services Department: Andrew Firestine, Director of Development Services and Julie Procopio, City Engineer)

Presenter: Jonathan Schauble, Principal Engineer

a) Resolution No. 2023-46

6. **ESCONDIDO CITY EMPLOYEES ASSOCIATION (ECEA): DECERTIFICATION AND RECOGNITION**

Request the City Council adopt Resolution No. 2023-48, to address the change in recognized employee organizations from the Escondido City Employees Association (“ECEA”) – Administrative/Clerical/Engineering (“ACE”) Bargaining Unit, to Teamsters Local 911 (“Teamsters”) Administrative, Clerical, Engineering Bargaining Unit or the Escondido Police Officers’ Association (“EPOA”) Non-Sworn Bargaining Unit for designated classifications. (File Number 0740-30)



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

Staff Recommendation: Approval (Human Resources Department: Jessica Perpetua, Director of Human Resources)

Presenter: Jessica Perpetua
a) Resolution No. 2023-48

7. ENTERPRISE RESOURCE PLANNING SYSTEM PURCHASE

Request the City Council adopt Resolution No. 2023-49, authorizing the Chief Information Officer to execute, on behalf of the City of Escondido (City), a main subscription agreement with Workday, Inc. for an Enterprise Resource Planning SaaS solution. (File Number 0600-10; A-3453)

Staff Recommendation: Approval (Information Systems Department: Rob Van De Hey, Chief of Information Systems)

Presenter: Rob Van De Hey
a) Resolution No. 2023-49

8. DECLARATION OF VACANCY – PLANNING COMMISSION

Request the City Council declare a vacancy on the Planning Commission, per Sec. 2-26 of the Escondido Municipal Code. (File Number 0120-15)

Staff Recommendation: None (City Clerk’s Office: Zack Beck, City Clerk)
Presenter: Zack Beck

PUBLIC HEARINGS

9. WEST COAST ARBORISTS PROJECT – MASTER PLAN AMENDMENT, PRECISE DEVELOPMENT PLAN AND CONDITIONAL USE PERMIT FOR CONTRACTOR SERVICES OFFICE AND OUTDOOR EQUIPMENT STORAGE - PL22-0512

Request the City Council conduct a public hearing on the development proposal and take action on the recommendations of City staff and the Planning Commission, which recommends that the City Council: 1) Introduce Ordinance No. 2023-08 for Master Plan Amendment and Precise Development Plan, and for the adoption of a Notice of Exemption pursuant to the California Environmental Quality Act Guidelines; 2) Adopt Resolution No. 2023-44 approving a Conditional Use Permit. (File Number 0830-07)

Staff Recommendation: Approval (Development Services Department: Andrew Firestine, Director of Development Services)

Presenter: Jay Paul, Senior Planner



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

a) Ordinance No. 2023- 08 (First Reading and Introduction)

b) Resolution No. 2023-44

Motion: J. Garcia; Second: Morasco; Approved: 4-0 (C. Garcia – Absent)

10. CONTINUED - REVIEW AND AFFIRM COMMUNITY DEVELOPMENT BLOCK GRANT (“CDBG”), HOME INVESTMENT PARTNERSHIP PROGRAM (“HOME”) AND EMERGENCY SOLUTIONS GRANTS (“ESG”) PRIORITIES IN THE 2020-2024 CONSOLIDATED PLAN AND MAKE A SUBSTANTIAL AMENDMENT TO THE 2020 AND 2021 ANNUAL ACTION PLANS

Request the City Council provide direction on the funding priorities for CDBG and HOME activities for FY 2023-24 and adopt Resolution No. 2022-37, approving the substantial amendment to the 2020 and 2021 Annual Action Plans. (File Number 0830-20)

Staff Recommendation: Approval (Development Services Department: Andrew Firestine, Director of Development Services)

Presenter: Holly Nelson, LCSW, Housing and Neighborhood Services Manager

a) Resolution No. 2023-37

Item continued to May 24, 2023.

11. SUBSTANTIAL AMENDMENT TO THE 2020-2024 CONSOLIDATED PLAN AND 2022 ANNUAL ACTION PLAN TO PURCHASE TWO MONARCH FIRE ENGINES FROM SUTPHEN FIRE EQUIPMENT, INC. (“SUTPHEN”)

Request the City Council make a Substantial Amendment to the 2020-2024 Consolidated Plan to add a new public safety goal to the Community Development Block Grant (“CDBG”) Program; request the City Council adopt Resolution No. 2023-50, authorizing payment of \$526,316.81 of unallocated CDBG funds from the 2020, 2021, and 2022 Annual Action Plans for a 25% deposit to Sutphen for two Monarch Fire Engines; and request the City Council adopt Resolution No. 2023-07, authorizing the Fleet Services Division to purchase two Monarch Fire Engines from Sutphen in the amount of \$2,073,688.23, through a cooperative purchase contract with Sourcewell. The new contract is 113021-SUT. The cooperative purchase price through Sourcewell includes all taxes, delivery, operator and mechanic training, apparatus inspections in Dublin, Ohio, and all associated fees. (File Number 0830-20)

Staff Recommendation: Approval (Development Services; Andrew Firestine, Director of Development Services and Public Works: Joseph Goulart, Director of Public Works)

Presenters: Holly Nelson, John Tenger, and Joseph Goulart



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

a) Resolution No. 2023-50

Motion: Morasco; Second: Garcia; Approved: 4-0 (C. Garcia – Absent)

b) Resolution No. 2023-07

Motion: White; Second: Martinez; Approved: 4-0 (C. Garcia – Absent)

12. APPROVAL OF THE ESCONDIDO POLICE DEPARTMENT MILITARY EQUIPMENT REPORT AND RENEWAL OF ORDINANCE 2022-07

Request the City Council renew Ordinance No. 2022-07 and approve the Escondido Police Department Annual Military Equipment Report in accordance with state law requirements as set forth in Assembly Bill No. 481 (“AB 481”). (File Number 0110-10)

Staff Recommendation: Approval (Police Department: Edward Varso, Chief of Police)

Presenters: Edward Varso, Chief of Police; Kevin Toth, Police Captain; Lisa Rodelo, Deputy Director of Police Support Services

a) Ordinance No. 2022-07

Clay Scheller – Expressed opposition to this item.

Christianne McCormick – Expressed opposition to this item.

Tori Barron – Expressed opposition to this item.

Alexander Garvin – Expressed concern regarding this item.

Hannah Jarrell – Expressed opposition to this item.

Jeremiah Bursian – Expressed opposition to this item.

Glen Cairo – Expressed support for this item.

Robert Netherton – Expressed support for this item.

Athena Mora – Expressed opposition to this item.

Zachary Deneris – Expressed opposition to this item.

Motion: Morasco; Second: J. Garcia; Approved: 4-0 (C. Garcia – Absent)



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

CURRENT BUSINESS

13. REQUEST FOR AUTHORIZATION TO PROCESS A GENERAL PLAN AMENDMENT OF A COMMERCIAL PROPERTY ADDRESSED AT 240 S. HICKORY STREET (PL23-0128)

Request the City Council authorize City staff to accept and process an application for an amendment to the General Plan land-use designation from Office (O) to Urban V (U5) with a density of up to 30 dwelling units per acre (du/ac). (File Number 0830-20)

Staff Recommendation: Approval (Development Services Department: Andrew Firestine, Director of Development Services)

Presenter: Jay Paul, Senior Planner

Alexander Garvin – Requested that rents at this location be set at 30-50% of adjusted median income.

Motion: J. Garcia; Second: Martinez; Approved: 4-0 (C. Garcia – Absent)

14. BOARD AND COMMISSION MAKE-UP INTERVIEWS

Request the City Council conduct make-up interviews of applicants to fill vacancies on the City's Boards and Commissions. (File Number 0120-15)

Staff Recommendation: None (City Clerk's Office: Zack Beck)

Presenter: Zack Beck

No Council action on this item.

FUTURE AGENDA

15. FUTURE AGENDA

The purpose of this item is to identify issues presently known to staff or which members of the City Council wish to place on an upcoming City Council agenda. Council comment on these future agenda items is limited by California Government Code Section 54954.2 to clarifying questions, brief announcements, or requests for factual information in connection with an item when it is discussed.

Staff Recommendation: None (City Clerk's Office: Zack Beck)

Mayor White – Review of Interagency and Subcommittee Assignments

COUNCILMEMBERS SUBCOMMITTEE REPORTS AND OTHER REPORTS



CITY of ESCONDIDO

COUNCIL MEETING MINUTES

CITY MANAGER'S WEEKLY ACTIVITY REPORT

The most current information from the City Manager regarding Economic Development, Capital Improvement Projects, Public Safety, and Community Development. This report is also available on the City's website, www.escondido.org.

ORAL COMMUNICATIONS

None.

ADJOURNMENT

Mayor White adjourned the meeting at 7:15 p.m.

MAYOR

CITY CLERK



STAFF REPORT

ITEM NO. 4

SUBJECT

WAIVER OF READING OF ORDINANCES AND RESOLUTIONS –

ANALYSIS

The City Council/RRB has adopted a policy that is sufficient to read the title of ordinances at the time of introduction and adoption, and that reading of the full text of ordinances and the full text and title of resolutions may be waived.

Approval of this consent calendar item allows the City Council/RRB to waive the reading of the full text and title of all resolutions agendized in the Consent Calendar, as well as the full text of all ordinances agendized in either the Introduction and Adoption of Ordinances or General Items sections. **This particular consent calendar item requires unanimous approval of the City Council/RRB.**

Upon approval of this item as part of the Consent Calendar, all resolutions included in the motion and second to approve the Consent Calendar shall be approved. Those resolutions removed from the Consent Calendar and considered under separate action may also be approved without the reading of the full text and title of the resolutions.

Also, upon the approval of this item, the Mayor will read the titles of all ordinances included in the Introduction and Adoption of Ordinances section. After reading of the ordinance titles, the City Council/RRB may introduce and/or adopt all the ordinances in one motion and second.

RECOMMENDATION

Staff recommends that the City Council/RRB approve the waiving of reading of the text of all ordinances and the text and title of all resolutions included in this agenda. Unanimous approval of the City Council/RRB is required.

Respectfully Submitted,

Zack Beck
City Clerk



STAFF REPORT

May 10, 2023
File Number 0600-10; A-3455

SUBJECT

ADOPTION OF MASTER SERVICES AGREEMENT WITH COGNIZANT WORLDWIDE LIMITED AND AFFILIATES FOR WORKDAY SOFTWARE IMPLEMENTATION

DEPARTMENT

Information Systems

RECOMMENDATION

Request that the City Council adopt Resolution No. 2023-56, authorizing the Mayor to execute, on behalf of the City of Escondido, a Master Services Agreement with Cognizant Worldwide Limited, including its U.S. affiliates, Cognizant Technology Solutions U.S. Corporation and Collaborative Solutions, LLC, (“Collaborative”) for implementation services of the Workday SaaS subscription.

Staff Recommendation: Approval (Information Systems: Rob Van De Hey, Chief Information Officer)

Presenter: Christina Holmes, Director of Finance; Jessica Perpetua, Director of Human Resources; Rob Van De Hey, Chief Information Officer

FISCAL ANALYSIS

The ongoing funding for this subscription is within the annual operating budget approved by City Council. The funding for implementation services is included in the Capital Improvement Project budget approved by City Council.

PREVIOUS ACTION

On December 07, 2022, the City Council approved Budget Adjustment Requests: FY2021/22 General Fund carryovers and year end resources, funding recommendations for deferred technology infrastructure to fund the implementation services.

BACKGROUND

In 1996, the City Council approved the purchase of an Enterprise Resource Planning (ERP) system called PeopleSoft. ERP solutions integrate all of the core systems that support the entire City into a single system – accounting, human resources, benefits, payroll, procurement, capital assets, billing, budget, etc. PeopleSoft has been supporting the City since it was implemented in 1997. However, Oracle acquired PeopleSoft Corp in 2005 and has since stopped developing upgrades for PeopleSoft, and the underlying technologies are now unable to support the City’s modern operating systems. The Information Systems,



CITY of ESCONDIDO

STAFF REPORT

Finance, and Human Resources departments have been able to extend the life of PeopleSoft using internal staff resources and developing manual processes and workarounds for basic daily functions. The outdated software has limited the City's ability to improve and adapt to both business and technology needs that have changed since the City selected PeopleSoft in 1996, more than 26 years ago.

Given that the City's current ERP software is end of life, the City entered into a process in search of a replacement solution.

To meet the City's Continuity of Operation Plan ("COOP") staff started with a baseline requirement to only evaluate SaaS solutions. The search started in October of 2021 by receiving preliminary demos of the leading ERP SaaS solutions which support the public sector, and continued by building out a Request for Proposals ("RFP") that incorporated the comprehensive needs of the City (citizens, businesses, visitors, and staff).

The RFP solicitation was released in September 2022. Staff received a total of eight responses to evaluate. This led to an extensive five months of demonstrations of different vendor SaaS solutions and Implementation services. The project team and senior leadership found the combination of Workday, Inc. (SaaS Solution) and Collaborative Solutions, an affiliate of Cognizant Technology Solutions U.S. Corporation (Implementation Services) best meets the City's goals of bringing broad-based functionality and modern tools that will enable greater efficiency and transparency for many years to come.

During the April 19, 2023 City Council meeting, Council approved a Main Subscription Agreement with Workday, Inc. This companion item is to approve a Master Services Agreement with Cognizant Worldwide Limited, including its U.S. affiliates Cognizant Technology Solutions U.S. Corporation and Collaborative, to assist City staff in the implementation of the Workday software. The implementation will be a year-long process to architect and configure the City's Workday environment, train staff, migrate data, and thoroughly test. Following go-live, Collaborative will provide support for a limited period to address any issues discovered.

RESOLUTIONS

- a. Resolutions No. 2023-56
- b. Resolution No. 2023-56 Exhibit "A"

RESOLUTION NO. 2023-56

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE MAYOR TO EXECUTE, ON BEHALF OF THE CITY, A MASTER SERVICES AGREEMENT WITH COGNIZANT WORLDWIDE LIMITED, INCLUDING ITS U.S. AFFILIATES, COGNIZANT TECHNOLOGY SOLUTIONS U.S. CORPORATION AND COLLABORATIVE SOLUTIONS, LLC, FOR IMPLEMENTATION SERVICES OF THE WORKDAY, INC SOFTWARE

WHEREAS, the City of Escondido ("City) desires to engage the services of an Information Technology firm to implement and support the use of previously purchased Workday, Inc SaaS software; and

WHEREAS, the City's Chief Information Officer has recommended the execution of a Master Services Agreement with Cognizant Worldwide Limited, including its US affiliates Cognizant Technology Solutions U.S. Corporation and Collaborative Solutions, LLC, ("Collaborative") for implementation services of the Workday SaaS subscription; and

WHEREAS, the City Council desires at this time and deems it to be in the best public interest to approve the Master Services Agreement.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the Mayor is authorized to execute, on behalf of the City, a Master Services Agreement with with Cognizant Worldwide Limited, including its U.S. affiliates, Cognizant Technology Solutions U.S. Corporation and Collaborative Solutions, LLC, ("Collaborative") for implementation services

of the Workday SaaS subscription in the amount of \$3,241,781, which is attached hereto and incorporated to this Resolution as Exhibit "A" and subject to final approval as to form by the City Attorney.

MASTER SERVICES AGREEMENT

This Master Services Agreement (this "Agreement"), dated as of May 10, 2023, is made by and between **City of Escondido, California**, a California municipal corporation with its principal office located at 201 N. Broadway, Escondido, California 92025, United States of America ("Client"), and **Cognizant Worldwide Limited**, a United Kingdom limited liability company with its principal office located at 280 Bishopsgate, Liverpool Street, London EC2M 4AG, United Kingdom ("CWW" or "Cognizant"). In addition, **Cognizant Technology Solutions U.S. Corporation** ("CTS US") shall execute this Agreement together with Cognizant solely for the purpose of acknowledging that CTS US is authorized to perform for Cognizant any Services to be provided to Client in the United States of America pursuant to a relevant Statement of Work (as defined below), which CTS US, Collaborative Solutions, LLC, or another U.S. Affiliate may also execute for such purpose as provided in Section 1.1. For the purposes of this Agreement, Client and Cognizant may each be referred to as "Party" or, collectively, as the "Parties." The Parties, intending to be legally bound, hereby agree as follows:

1. SERVICES.

1.1 Services. Cognizant and Client will develop and enter into one or more statements of work incorporating a description of the specific services to be provided, each in a form mutually agreed by the Parties (a "Statement of Work" or "SOW"). Each Statement of Work will set forth, among other things, project scope, various project activities and tasks to be performed by the Parties, and roles and responsibilities of the Parties. Cognizant may provide to Client the following types of services as, and to the extent, described in each Statement of Work: (i) the management of certain business and IT operational services, which may be performed either onsite or from remote locations ("Managed Services"); (ii) certain consulting, development, integration and or other support services provided in addition to the Managed Services ("Professional Services"); and (iii) any other services described as Cognizant's obligation in a Statement of Work, (collectively the "Services"). In addition, Cognizant will provide to Client certain results or proceeds of the Services that are defined as deliverables in each Statement of Work (collectively, the "Deliverables"). Each Statement of Work shall specifically identify this Agreement and indicate that it is subject to the terms hereof and be executed by Client and Cognizant. Unless otherwise set forth herein or expressly identified in the SOW as a modification to a specified provision of this Agreement, to the extent there are any conflicts or inconsistencies between this Agreement and any Statement of Work, the provisions of this Agreement shall govern and control. Cognizant may engage any Affiliate (as hereinafter defined) of Cognizant to provide Services and Deliverables to Client and any Affiliates of Client for Cognizant under this Agreement. For SOWs executed in connection with work to be performed for Client in the United States of America, and solely to the extent that employees of a U.S.-domiciled Cognizant Affiliate who are foreign skilled workers are required for the provision of Services by Cognizant in connection with such SOW, such Cognizant Affiliate may also execute such SOW solely for the purpose of providing Services to Client for Cognizant. Any Affiliate of Cognizant may itself provide Services directly to Client and any Affiliates of Client under this Agreement by executing SOWs in its own name, exclusive of Cognizant, and only for the purposes of any such SOW(s), shall be considered "Cognizant" as that term is used in this Agreement. Any Affiliate of Client may enter into SOW(s) with Cognizant or any Affiliate of Cognizant and, only for the purposes of any such SOW(s), shall be considered "Client" as that term is used in this Agreement. As used herein, the term "Affiliate" means any entity that controls or is controlled by or is under common control with Cognizant or Client, as applicable, where "control" means possessing, directly or indirectly, the power to direct or cause

the direction of the management, policies and operations of such entity, whether through ownership of voting securities, by contract or otherwise.

1.2 Deliverables and Acceptance. Deliverables, if any, under this Agreement will be as set forth under any SOW. Each SOW will describe, if applicable, the Deliverables that Cognizant is obligated to furnish to Client hereunder, the acceptance criteria for each of the Deliverables (the "Acceptance Criteria") and the completion criteria, if any, to signify completion of each phase of a project. Client shall review, evaluate and/or test, as the case may be, each of the Deliverables within the applicable time period set forth in a SOW (with respect to each Deliverable, the "Acceptance Period") to determine whether or not such Deliverable satisfies the applicable Acceptance Criteria in all material respects. If Client does not furnish a written notice to Cognizant specifying that a Deliverable has failed to satisfy its Acceptance Criteria in all material respects prior to the end of the Acceptance Period therefor and/or if Client commences using the Deliverables commercially or in a production environment, then Client will be deemed to have accepted such Deliverable. If any Deliverable fails to satisfy its Acceptance Criteria in any material respect, then Client will notify Cognizant in writing specifying the respects in which such Deliverable does not conform to the applicable Acceptance Criteria and what modifications are necessary to make it conform thereto. Thereafter, Cognizant shall use its diligent commercially reasonable efforts to modify such Deliverable to so conform and the Deliverable will be resubmitted for acceptance by Client. If, after repeated attempts, Cognizant is unable to remedy any non-conforming portion of any Deliverable, Client may terminate pursuant to Section 12.2 herein.

2. PROJECT SCHEDULE; CHANGES.

2.1 Project Schedule; Changes. Each Statement of Work will set forth the projected work effort and schedule applicable to the Services. All statements and agreements concerning time are based upon information available and circumstances existing at the time made, and each Statement of Work is subject to equitable adjustment upon any material change in such information or circumstances, the occurrence of an excusable delay (as provided for in Section 2.2 hereof) or upon modification of the scope, timing or level of work to be performed by Cognizant. Either Party will be entitled to propose changes. It is mutually acknowledged that any such change may affect the fees or charges ("Charges") payable to Cognizant and/or the project schedule. Neither Party shall have any obligation respecting any change until an appropriate change order or amendment to the applicable Statement of Work is executed and delivered by both Parties.

2.2 Excusable Delays and Failures. Cognizant will be excused from delays in performing, or from a failure to perform, hereunder to the extent that such delays or failures result from causes beyond Cognizant's reasonable control. Without limiting the generality of the foregoing, Client acknowledges that Client's failure or delay in furnishing necessary information, equipment or access to facilities, delays or failure by Client in completing tasks required of Client or in otherwise performing Client's obligations hereunder or under any Statement of Work and any assumption contained in a Statement of Work which is untrue or incorrect will be considered an excusable delay or excusable failure to perform hereunder and may impede or delay completion of the Services. Client further acknowledges that such delays or failures may result in additional charges for the Services.

3. PAYMENT.

3.1 Project Charges and Reimbursable Items. Client shall pay to Cognizant the Charges set forth in each Statement of Work, which such Charges shall be subject to adjustment by Cognizant annually unless otherwise expressly agreed in the applicable Statement of Work. Client will also reimburse Cognizant for all reasonable out-of-pocket travel, living and other ancillary expenses paid or incurred by Cognizant in connection with the Services and any other reimbursable items set forth in each Statement of Work. Cognizant will have no obligation to perform any Services when any amount required to be paid by Client remains due and unpaid beyond the date such amount is due. Any suspension of Services by Cognizant as a result of Client's failure to make payment as required will extend the due dates of Deliverables and other Services to the extent impacted by such suspension or delay.

3.2 Invoices; Payments. Cognizant will invoice Client for all Charges and reimbursable items payable to Cognizant on a monthly basis or otherwise in accordance with the schedule set forth in the relevant Statement of Work as such payments are due. Client will pay the invoiced amount in full within thirty (30) days of the date of each invoice, without deduction, setoff, defense or counterclaim for any reason; provided that the Client may withhold amounts disputed reasonably and in good faith pending resolution of such dispute. Client will pay interest, at a rate equal to the lesser of 1.5% per month (or part thereof) or the maximum legal rate permitted, on the amount shown on any invoice that is paid later than thirty (30) days after the date of the invoice, other than such amounts that are disputed in such good faith during the pendency of the relevant dispute. All amounts hereunder will be invoiced and paid in United States Dollars unless otherwise set forth in an applicable SOW.

3.3 Taxes. All Charges are exclusive of taxes. Client shall pay amounts equal to any federal, state or local sales, use, excise, privilege, value added, goods and services or other taxes, duties, imposts, levies or similar assessment relating to the Services and Deliverables provided by Cognizant hereunder, exclusive of taxes based on Cognizant's net income or net worth. Client and Cognizant agree to cooperate on any tax matters arising from the provision of the Services and Deliverables under this Agreement. Both Parties agree to provide reasonable assistance to the other in order to mitigate any taxes applicable to the Services and Deliverables provided to Client or to payments made pursuant to this Agreement with respect to the Services and Deliverables.

4. OBLIGATIONS OF THE PARTIES.

4.1 Working Environment. For any Services to be provided by Cognizant at any of Client's sites, Client shall provide Cognizant's personnel with (i) a suitable and adequate work environment, including space for work and equipment for performance of the Services; (ii) access to and use of Client's facilities and relevant information, including software, hardware and documentation; (iii) provision and maintenance of personal computer ("PC") workstations for such personnel's use; (iv) assistance to such personnel in a timely manner by promptly correcting any hardware or software problems that would affect the performance of Services; and (v) any other items set forth in each Statement of Work.

4.2 Client's Personnel Commitment. Client will ensure that all Client personnel who may be necessary or appropriate for the successful implementation of the Services will, on reasonable notice, (i) be available to assist Cognizant's personnel by answering business, technical and operational questions and providing requested documents, guidelines and procedures in a timely manner; (ii) participate in the Services as outlined in the Statement of Work; (iii) participate in

progress and other Service related meetings; (iv) contribute to software and system testing; and (v) be available to assist Cognizant with any other activities or tasks required to complete the Services in accordance with the Statement of Work.

4.3 Export Control. Client agrees to notify Cognizant of any requirements for Deliverables or any other technology, technical data or information to which Cognizant will have access as a result of the Services that, in any case, will subject the Deliverables or the other technology, technical data or information to control under applicable export regulations under any classification other than EAR99 (or its non-U.S. equivalent) and, in such event, Client will (i) identify to Cognizant the applicable regulations (e.g. the United States Export Administration Regulations (“EAR”) or the International Traffic in Arms Regulations (“ITAR”)) and classifications (e.g. ECCN) and (ii) follow such guidelines as Cognizant may communicate to Client that reasonably are required to avoid violations. Each Party acknowledges and agrees that to the extent that any tangible or intangible technical data provided under this Agreement is subject to US export laws and regulations, such Party will not use, distribute, transfer, or transmit technical data provided by the other Party under this Agreement except in compliance with US export laws and regulations. Notwithstanding the foregoing, Client agrees that it will not provide Cognizant with any technology, technical data or information that is subject to control under the ITAR. In the event that Client wishes to provide Cognizant with ITAR-controlled technology, technical data or information, Client will notify Cognizant in writing of such intent, and the Parties agree to cooperate to determine the appropriate agreements and controls, if any, required before Client makes such disclosure.

4.4 FCPA. Neither Party shall take any action in connection with the performance of its obligations under this Agreement that violates the Foreign Corrupt Practices Act, as amended, and the rules and regulations thereunder in any manner that has a material adverse impact on the other Party. To the extent that any of the Services or Deliverables cannot be performed or provided without violation of any law, regulation, or other control, then Cognizant shall not be obligated to provide the same and the applicable Statement of Work shall be amended accordingly.

4.5 Work Authorization/HR Compliance/Relationship Matters. In the event that it is necessary for Cognizant to obtain visas or work permits for Cognizant personnel, Client will cooperate with Cognizant by taking all reasonably necessary actions to facilitate Cognizant’s efforts, including, but not limited to, providing, and hereby consents to Cognizant providing to immigration authorities, documentation indicating the nature and location of the work to be performed, the necessity of the work to be performed, and other documentation as may be reasonably required and related to this Agreement (including the existence and terms of this Agreement and the identity of the Parties hereto), and posting such notices as may be legally required (including any legally required notice posting at Client sites from which the parties contemplate services being provided by Cognizant personnel who are foreign skilled workers). Notwithstanding anything herein to the contrary, Client hereby authorizes Cognizant to use Client’s name and/or logo to internally (within Cognizant) or externally reference to Client as a Cognizant customer and to describe the services provided to Client.

5. OWNERSHIP.

5.1 Ownership of Developed IP. Unless otherwise agreed in a SOW, Cognizant agrees that, upon Client’s payment in full, the software or other works of authorship developed by Cognizant or its Affiliates specifically for Client as a Deliverable or a part of a Deliverable, as set forth in a

Statement of Work ("Developed IP") shall be the property of, and ownership shall vest in, Client. Developed IP does not include Cognizant Confidential Information, Cognizant Proprietary Intellectual Property (as defined below), any Third Party Items, or any derivative of the foregoing, that may be incorporated into a Deliverable. Cognizant agrees to take, at Client's cost and expense, all actions requested by Client which are reasonably necessary to assure the conveyance to Client of the foregoing rights to the Developed IP.

5.2 Residual Rights. Notwithstanding anything to the contrary herein, Cognizant, Cognizant Affiliates, and their respective employees and agents shall be free to use and employ any Residual Information. "Residual Information" means the general knowledge, ideas, know-how, experience, and techniques that would be retained in the unaided memory of an ordinary person skilled in the art, not intent on appropriating the proprietary information of the disclosing party. Nothing in this paragraph, however, shall be deemed to grant a license under Client's registered intellectual property rights.

5.3 Cognizant Proprietary Intellectual Property. Client acknowledges that Cognizant personnel may utilize proprietary software, methodologies, tools, specifications, drawings, sketches, models, samples, records, documentation, works of authorship, creative works, ideas, know-how, research results, data or other materials which have been or are originated, developed, licensed, purchased, or acquired by Cognizant or its Affiliates or subcontractors (collectively, "Cognizant Proprietary Intellectual Property"); which constitutes Cognizant Confidential Information. Client agrees that Cognizant Proprietary Intellectual Property and Residual Information, any derivatives of Cognizant Proprietary Intellectual Property or Residual Information, is the sole property of Cognizant (or its licensors) and that Cognizant (or its licensors) will retain sole and exclusive title to and ownership thereof. If any Cognizant Proprietary Intellectual Property owned by Cognizant is embedded in a Deliverable, Cognizant grants to Client a worldwide, royalty free, non-exclusive, transferable, perpetual license to use, execute and perform such Cognizant Proprietary Intellectual Property as a functional element of the applicable Deliverable, subject to any additional terms or limitations set forth in the applicable Statement of Work, and provided that no portion of the Cognizant Proprietary Intellectual Property is separated or unbundled from the applicable Deliverables or used as a stand-alone product or development tool. Except as expressly provided in the foregoing sentence, nothing contained in this Agreement or otherwise shall be construed to grant to Client any right, title, license or other interest in, to or under any Cognizant Proprietary Intellectual Property (whether by estoppel, implication or otherwise). Any license to Cognizant Proprietary Intellectual Property that is not embedded in Deliverables or that is commercially available will be pursuant to a separate license agreement between Client and Cognizant (or its licensor).

5.4 Client Provided IP and Third Party Items. Client grants Cognizant and its Subcontractors a non-exclusive, paid-up license to use, execute, reproduce, distribute, and prepare derivative works of Client software and third party software licensed to Client as reasonably required to perform Services. Cognizant shall obtain Client's prior written consent before embedding in Deliverables or installing in Client's environment any proprietary third party tools or applications. If any third party tools, applications, utilities and cloud infrastructure are distributed, resold, or provided to Client in connection with this Agreement (collectively, "Third Party Items"), such Third Party Items shall be provided AS-IS and may be made available to Client under a separate agreement between Client and the licensor of the Third Party Item or made available to Client by Cognizant under a separate agreement or pass-through terms set forth in an SOW, which shall apply to the relevant Third Party Item(s) in lieu of any of the terms of this Agreement. Notwithstanding anything to the contrary herein, Client's use of each open-source component incorporated

by Cognizant into a Deliverable will be governed by, and is subject to the terms and conditions of the applicable open-source license.

5.5 Installation of Tools. Cognizant may use certain Cognizant owned or licensed Tools (the "Tools"), including those set forth in the applicable SOW in connection with its performance of the Services. The Tools are Cognizant Proprietary Intellectual Property and are not part of any Deliverable. As between Cognizant and Client, Cognizant is the sole owner of the Tools, together with all modifications, enhancements and changes to the Tools and the information generated by any of the foregoing. Client consents to Cognizant's installation of the Tools onto Client's systems. Only Cognizant may install, configure, control, or grant access to the Tools. Client agrees that Cognizant may uninstall and remove the Tools at any time, and that the consent set forth in this paragraph is not a software license or subscription agreement. Cognizant will use the Tools as installed on Client's systems solely to perform the Services for Client.

6. CONFIDENTIAL INFORMATION.

6.1 Confidentiality Obligations. For a period of three (3) years from the date of disclosure of the applicable Confidential Information (as hereinafter defined), Client and Cognizant shall each (i) hold the Confidential Information of the other in trust and confidence and avoid the disclosure or release thereof to any other person or entity by using the same degree of care as it uses to avoid unauthorized use, disclosure, or dissemination of its own Confidential Information of a similar nature, but not less than reasonable care, and (ii) not use the Confidential Information of the other Party for any purpose whatsoever except as expressly contemplated under this Agreement or any Statement of Work. Except with the express written consent of the other Party, each Party shall disclose the Confidential Information of the other Party only to those of its and its affiliates' employees, officers, directors, subcontractors, agents or representatives having a legitimate need to know the information for the purposes of this Agreement ("Representatives") and shall take all reasonable precautions to ensure that such Representatives comply with the provisions of this Section 6.1.

6.2 Definition. The term "Confidential Information" shall mean any and all information or proprietary materials other than Personal Information (as defined in Exhibit A attached hereto) (in every form and media) not generally known in the relevant trade or industry and which has been or is hereafter disclosed or made available by either Party (the "disclosing party") to the other (the "receiving party") in connection with the efforts contemplated hereunder, including (i) all trade secrets, (ii) existing or contemplated products, services, designs, technology, processes, technical data, engineering, techniques, methodologies and concepts and any information related thereto, and (iii) information relating to business plans, sales or marketing methods and customer lists or requirements.

6.3 Exceptions. The obligations of either Party under Section 6.1 will not apply to information (other than Personal Information) that (i) was in the receiving party's possession at the time of disclosure and without restriction as to confidentiality, (ii) at the time of disclosure is generally available to the public or after disclosure becomes generally available to the public through no breach of agreement or other wrongful act by the receiving party, (iii) has been received from a third party without restriction on disclosure and without breach of agreement by the receiving party, or (iv) is independently developed by the receiving party without regard to the Confidential Information of the disclosing party. In addition, Client may disclose any of the Confidential Information in the event, but only to the extent, that, based upon reasonable advice of counsel, the Client is required to do so by the disclosure requirements of any law, rule, or regulation,

including but not limited to the California Public Records Act (Cal. Gov't Code § 6250 et seq.), or any order, decree, subpoena, ruling, or other similar process of any court, tribunal, securities exchange, governmental agency, or governmental or regulatory authority, or if such disclosure is necessary to enforce this Agreement ("Necessary Disclosure"). In the event of a Necessary Disclosure, the Client shall, to the extent legally permitted, provide Cognizant with prompt written notice so Cognizant may, at Cognizant's sole expense, seek a protective order or other appropriate remedy to protect such information. If such protective order or other remedy is not obtained, the Client will not be in breach by furnishing such Confidential Information as required. In addition, Cognizant may disclose Confidential Information as required to comply with binding orders of governmental entities that have jurisdiction over it; *provided* that Cognizant (a) gives the Client reasonable written notice to allow the disclosing party to seek a protective order or other appropriate remedy, (b) discloses only such Confidential Information as is required by the governmental entity, and (c) uses commercially reasonable efforts to obtain confidential treatment for any Confidential Information so disclosed.

7. DATA PROTECTION

7.1 Data Protection. If and to the extent that the Services require Cognizant to process Client's Personal Information, the Parties shall abide by the terms set forth under Exhibit A attached hereto.

8. INDEMNIFICATION.

8.1 Intellectual Property Rights Indemnity. Cognizant and Client (in such case, the "indemnifying party") each agree to indemnify and hold harmless the other (in such case, the "indemnified party") from and against any costs and damages awarded against the indemnified party by a court pursuant to a final judgment as a result of, and defend the indemnified party against, claims of infringement of a U.S. patent or registered copyright or misappropriation of any trade secret related to a Deliverable (in the case of indemnification by Cognizant) or any claim relating to Cognizant's possession, use or modification of any software, documentation, data or other property provided by Client (in the case of indemnification by Client).

8.2 Intellectual Property Rights Exclusions. Cognizant shall have no obligation under Section 8.1 or other liability for any infringement or misappropriation claim resulting or alleged to result from: (i) modifications made other than by Cognizant, (ii) use of the Deliverables other than for Client's internal purposes or in combination with any equipment, software or material not approved or provided by Cognizant, (iii) Client's use or incorporation of materials not provided by Cognizant, (iv) the instructions, designs or specifications provided or approved by Client; (v) any software or other materials furnished by any third party; or (vi) Client's continuing the allegedly infringing activity after being notified thereof or after being informed and provided with modifications that would have avoided the alleged infringement.

8.3 Infringement Remedies. In the event of an infringement or misappropriation claim as described in Section 8.1 above arises, or if Cognizant reasonably believes that a claim is likely to be made, Cognizant, at its option and in lieu of indemnification, may: (i) modify the applicable Deliverables so that they become non-infringing but functionally equivalent; or (ii) replace the applicable Deliverables with material that is non-infringing but functionally equivalent; or (iii) obtain for Client the right to use such Deliverables upon commercially reasonable terms; or (iv) remove the infringing or violative Deliverables and refund to Client the fees received for such Deliverables

that are the subject of such a claim based on a five (5) year straight line depreciation. This Section 8 sets forth the exclusive remedy and entire liability and obligation of each Party with respect to intellectual property infringement or misappropriation claims, including patent or copyright infringement claims and trade secret misappropriation.

8.4 Personal Injury and Property Damage Indemnity. Cognizant (including its Affiliates, as applicable), and Client each agree to indemnify, defend and hold harmless the other from and against any and all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees and expenses, arising out of third party claims for bodily injury or damage to real or tangible personal property, not including software, data, and documentation, to the extent caused directly and proximately by the gross negligence or willful misconduct of the indemnifying party, its employees or agents.

8.5 Indemnification Procedures. The obligations to indemnify, defend and hold harmless set forth above in this Section 8 will not apply to the extent the indemnified party was responsible for giving rise to the matter upon which the claim for indemnification is based and will not apply unless the indemnified party (i) promptly notifies the indemnifying party of any matters in respect of which the indemnity may apply and of which the indemnified party has knowledge; (ii) gives the indemnifying party full opportunity to control the response thereto and the defense thereof, including any agreement relating to the settlement thereof, provided that the indemnifying party shall not settle any such claim or action without the prior written consent of the indemnified party; and (iii) cooperates with the indemnifying party, at the indemnifying party's cost and expense in the defense or settlement thereof. The indemnified party may participate, at its own expense, in such defense and in any settlement discussions directly or through counsel of its choice on a monitoring, non-controlling basis.

9. WARRANTY.

9.1 Limited Warranty. Cognizant warrants the following:

- 9.1.1** the applicable Services rendered hereunder will be performed by qualified personnel;
- 9.1.2** the Professional Services performed will substantially conform to any applicable requirements set forth in the Statement of Work for a period of thirty (30) days (the "Warranty Period") following performance of such Professional Services; and
- 9.1.3** during the Warranty Period, the Deliverable(s) will materially conform to the corresponding product specifications set forth in the applicable Statement of Work for such Deliverable.

9.2 Remedies. Cognizant does not warrant that any Deliverable will operate uninterrupted or error-free, provided that Cognizant shall remain obligated pursuant to this Section 9. In the event that any Deliverable or Service fails to conform to the foregoing warranty in any material respect, the sole and exclusive remedy of Client will be for Cognizant, at its expense, to promptly use commercially reasonable efforts to cure or correct such failure. The foregoing warranty is expressly conditioned upon (i) Client providing Cognizant with prompt written notice of any claim thereunder prior to the expiration of the applicable Warranty Period, which notice must identify with particularity the non-conformity; (ii) Client's full cooperation with Cognizant in all reasonable respects relating thereto, including, in the case of modified software, assisting Cognizant to locate and reproduce the non-conformity; and (iii) with respect to any Deliverable, the absence of any alteration or other modification of such Deliverable by any person or entity other than Cognizant.

9.3 Disclaimer. EXCEPT AS EXPRESSLY PROVIDED IN SECTION 9.1, COGNIZANT DOES NOT MAKE OR GIVE ANY REPRESENTATION OR WARRANTY OR CONDITION OF ANY KIND, WHETHER SUCH REPRESENTATION, WARRANTY, OR CONDITION BE EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, QUALITY, OR FITNESS FOR A PARTICULAR PURPOSE OR ANY REPRESENTATION, WARRANTY OR CONDITION FROM COURSE OF DEALING OR USAGE OF TRADE.

9.4 Responsibility of Client. In the event that Client asserts any claim for warranty services hereunder and such claim relates to any matter that is determined not to be Cognizant's responsibility hereunder (including any problem with Client's third party vendors, Client's computer hardware or software that was not caused by any Services performed by Cognizant), Client will be responsible to pay Cognizant for all costs incurred for all evaluation, correction or other services performed by Cognizant relating to such claim on a time and materials basis at Cognizant's then standard billing rates.

10. LIMITATION OF LIABILITY AND REMEDIES; INSURANCE.

10.1 Cognizant will maintain during the entire Term of this Agreement, at its own expense, the types of insurance coverage specified below, on standard policy forms and with insurance companies with at least an A.M. Best Rating of A- VII authorized to do business in the jurisdictions where the Cognizant Services are to be performed. Cognizant agrees to deliver to Client a certificate(s) of insurance evidencing the coverage specified in this Section. Cognizant will be solely responsible for any deductible or self-insurance retentions. Such insurance coverage will be primary and any other valid insurance existing will be in excess of such primary insurance policies. . The coverage requirements specified in this Section 10.1 are the required coverage limits for insurance and are not intended, nor will they be construed, to limit or expand any liability or indemnity obligation Cognizant under the Agreement. Notwithstanding the preceding sentence, if Cognizant maintains insurance limits for any line of insurance in an amount greater than any limitation of liability in this Agreement ("excess limits"), the presence of any "excess limits" shall not be construed to expand any limitation of liability in this Agreement:

10.1.1 Commercial General Liability. Insurance Services Office ("ISO") Form CG 00 01 covering Commercial General Liability on an "occurrence" basis, including products and completed operations, property damage, bodily injury, and personal & advertising injury, with limits no less than \$2,000,000 per occurrence and \$4,000,000 general aggregate. This policy shall name Client as additional insured for liabilities assumed in this Agreement and with respect to the provision of services provided under this Agreement. This policy shall include a primary noncontributory endorsement for the benefit of the Client.

10.1.2 Automobile Liability. ISO Form CA 00 01 covering any auto (Code 1), or if Cognizant has no owned autos, hired (Code 8) and non-owned autos (Code 9), with limits no less than \$1,000,000 per accident for bodily injury and property damage.

10.1.3 Workers' Compensation. Worker's Compensation as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limits of

no less than \$1,000,000 per accident for bodily injury or disease. This policy shall include a waiver of subrogation for the benefit of the Client.

10.1.4 Cyber Liability. Insurance with not less than \$2,000,000 per occurrence or claim, \$2,000,000 aggregate. Coverage shall be sufficiently broad to respond to the duties and obligations undertaken by Cognizant in this Agreement.

10.1.5 Professional Liability ("Errors & Omissions"). Insurance with not less than \$2,000,000 per occurrence and in the aggregate. Coverage shall be sufficiently broad to respond to the duties and obligations undertaken by Cognizant in this Agreement.

10.1.6 .

10.2 Exclusion of Damages. . In no event shall either Party be liable to the other Party or any other person or entity for any lost profits, special, exemplary, indirect, incidental, consequential or punitive damages or liabilities, or for any costs (including transition costs) associated with procuring substitute or replacement services, of any kind or nature whatsoever (collectively, "Indirect Damages"), whether in an action based on contract, warranty, strict liability, tort or otherwise, even if such Party has been informed in advance of the possibility of such Indirect Damages or such Indirect Damages could have been reasonably foreseen by such Party.

10.3 Total Liability. In no event shall Cognizant's liability to Client or any other person or entity arising out of or in connection with this Agreement or the Services exceed the total fees paid by Client to Cognizant for Services in the twelve (12) month period preceding the last act or omission giving rise to any such liability, whether such liability is based on an action in contract, warranty, strict liability or tort (including, without limitation, negligence) or otherwise. The limitations specified in this Section 10 will survive and apply even if any limited remedy specified in this Agreement is found to have failed of its essential purpose.

11. EMPLOYEES.

11.1 No Employee Relationship. Neither Party's personnel shall be deemed to be employees of the other Party. Each Party and its Affiliates shall be solely responsible for the payment of all compensation to its employees, including provisions for employment taxes, workmen's compensation and any similar taxes associated with employment of its personnel. A Party's employees shall not be entitled to any benefits paid or made available by the other Party to its employees.

11.2 Non-Solicitation Obligations. During the term hereof and for a period of twelve (12) months thereafter, neither Party shall, directly or indirectly, solicit for employment or employ, or accept services provided by, (i) any employee of the other Party (including employees of Cognizant's Affiliates); or (ii) any former employee of the other Party (including former employees of Cognizant's Affiliates) who performed any work in connection with or related to the Services.

11.3 Subcontractors and Third-Party Providers. In addition to the right to engage Affiliates to provide Services as specified hereunder, Cognizant may engage non-Affiliate third parties which will be responsible for providing a portion of the Services that Cognizant provides to Client (such as field services and end user support) where such services are not dependent on a product

being provided by such third party ("Subcontractors"), provided that such Subcontractors have executed appropriate confidentiality agreements with Cognizant. Cognizant may also (i) engage vendors providing equipment or software (and services in support of such equipment or software) to support the provision of Services and/or (ii) subcontract for third party services or products that are not principally dedicated to performance of Services for the Client, which are not material to a function constituting a part of the Services, do not result in a material change in the way Cognizant conducts its business, or are composed of small scale temporary labor (collectively, "Third Party Providers"). For the avoidance of doubt, Third Party Providers shall not be deemed "Subcontractors" as such term is defined under this Section 11.3. Cognizant may engage such Third Party Providers pursuant to such Third Party Providers' standard terms and conditions. Client shall agree in writing to be bound by the Third Party Providers' standard terms and conditions to the extent necessary, if at all, for Client to (iii) be able to use of the relevant Third Party Provider's product or services in connection with its receipt of the Services and/or (iv) make use of any of the Services supported by such Third Party Provider's product/services. No engagement of Subcontractors or Third Party Providers hereunder will relieve Cognizant from any of its obligations under this Agreement.

11.4 Nondiscrimination. To the extent applicable to Services under this Agreement, Cognizant shall abide by the requirements of 41 C.F.R. §§ 60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, national origin, protected veteran status or disability.

12. TERM AND TERMINATION.

12.1 Term. The Agreement is effective as of the date on the Agreement and shall continue in effect for an initial term ending three years thereafter. The Agreement shall thereafter continue in effect for successive one-year terms, unless not later than sixty (60) days prior to the end of the then-current term, either party shall notify the other that the Agreement shall expire, in which event the Agreement shall expire on the last day of the then-current term (except with respect to any Statement of Work for which the term set forth in such Statement of Work has not yet been completed, which Statement of Work shall continue until expiration or termination).

12.2 Termination or Suspension. This Agreement may be terminated in whole or in part by either Party (the "non-breaching party") upon written notice to the other Party if any of the following events occur by or with respect to such other Party (the "breaching party"): (i) the breaching party commits a material breach of any of its obligations hereunder and fails to cure such breach within thirty (30) days after receipt of notice of such breach or fails to reach an agreement with the non-breaching party regarding the cure thereof; or (ii) Client has provided thirty (30) days' prior written notice it is unable to continue funding the SOW as per Section 15.5; or (iii) any insolvency of the breaching party, any filing of a petition in bankruptcy by or against the breaching party, any appointment of a receiver for the breaching party, or any assignment for the benefit of the breaching party's creditors; or (iv) for convenience upon sixty (60) days' prior written notice. In addition to any right to terminate as provided in this Agreement, the Parties agree that in connection with any dispute for which Client withholds the payment of charges pursuant to this Agreement, if the total amount being disputed (other than amounts in dispute resulting from clear billing errors of Cognizant), plus any amount that is undisputed but past due and any interest that has accrued thereon, exceeds the amount of fees billed by Cognizant in the then-prior three-

month period (the "Disputed Amount"), Cognizant may, without liability to Client or its Affiliates, with at least 30 days' prior written notice to Client, suspend the further delivery of Services that are not paid for in advance until all payment disputes are resolved using the dispute resolution process set forth in this Agreement. If Client pays the Disputed Amount, Cognizant shall promptly recommence performance of the Services and all Cognizant timing obligations and delivery commitments under this Agreement and/or each applicable SOW shall be extended by the number of days between the date of suspension and the date Cognizant recommences performance of the relevant Services.

12.3 Payment upon Termination. Upon termination, Cognizant will be entitled to recover payment for all Services rendered through the date of termination (including for work in progress), and in the event of termination of this Agreement, in whole or in part, by either Party pursuant to this Section 12, Cognizant will also be entitled to recover those reasonable costs incurred in anticipation of performance of the Services to the extent they cannot reasonably be eliminated.

12.4 Survival. In the event of termination or upon expiration of this Agreement, Sections 3, 5, 6, 8, 9 (subject to the expiration of any warranty period), 10, 11, 12, and 13 hereof will survive and continue in full force and effect.

12.5 Availability of Funds. For each of Client's fiscal years during the Term of this Agreement Client agrees: (a) to seek in good faith appropriations sufficient to cover Client's obligations under this Agreement; and (b) not to use non-appropriations as a means of terminating this Agreement in order to acquire functionally equivalent products or services from a third party. Client reasonably believes, barring unforeseen circumstances or events, that sufficient funds will lawfully be appropriated by its governing body to satisfy its obligations under this Agreement. If Client does not appropriate sufficient funds, by appropriation, appropriation limitation or grant, to continue payments under this Agreement, Client may terminate this Agreement by giving Cognizant not less than thirty (30) days' prior written notice of such non-appropriation for the fiscal year. No legal liability on the party of Client shall arise for payment beyond June 30 of each calendar year unless funds are made available for such a payment and provided that Client has exercised its termination rights in accordance with this clause. Cognizant is under no obligation to provide the Service if Client lacks funds to pay for it. Upon termination Client will remit all amounts due and all costs reasonably incurred through the date of termination and, to the extent of lawfully available funds, through the end of the then-current fiscal period, providing Service will continue through the end of the then-current fiscal period and for the full duration of any subsequent transition period for which funds are available. Upon Cognizant's reasonable request, Client will provide Cognizant with information as to funding status for its upcoming payment(s).

13. MISCELLANEOUS.

13.1 Governing Law. This Agreement will be governed by the laws of the State of California, without reference to the principles of conflicts of law. The Parties acknowledge and agree that this Agreement relates solely to the performance of services (not the sale of goods) and, accordingly, will not be governed by the Uniform Commercial Code of any State having jurisdiction. In addition, the provisions of the Uniform Computerized Information Transaction Act and United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

13.2 Dispute Resolution.

- 13.2.1 Informal Negotiations.** In the event of any dispute, controversy, or claim of any kind arising out of or relating in any way to this Agreement or the breach thereof (each a “Dispute”), prior to filing a notice of arbitration, the Party claiming a Dispute shall send a written notice to the other Party describing the basis for the Dispute and the requested remedy, and inviting the other Party to have its executive confer with a named executive of the claiming party to attempt to negotiate a resolution. The claiming Party may file the notice of arbitration in accordance with the Rules (defined below) after the executive conference is completed, if the invitation to confer is declined, or if, within ten (10) business days after the Dispute notice is delivered, there is no response to the invitation, or the Parties are unable to schedule the conference.
- 13.2.2 Arbitration.** Subject only to Section 13.2.4 below, any Dispute that is not settled through the negotiation process required under Section 13.2.1, shall be settled by final and binding arbitration administered by the International Centre for Dispute Resolution under the International Dispute Resolution Procedures – International Arbitration Rules (available at WWW.ICDR.ORG) (the “Rules”). The Parties waive any right to mediate a Dispute and any mediation provisions contained in the Rules shall not apply.
- 13.2.3 Arbitration Process.** In-person hearings or meetings with the arbitrator(s) shall be held in San Diego County, California and the seat of the arbitration shall be San Diego County, California. The sole arbitrator, or the presiding arbitrator in the case of a three-arbitrator panel, shall either be a retired judge or a lawyer with at least ten (10) years of experience in information technology matters. Each award shall include written findings of fact and conclusions of law and shall be final and binding, except that if the arbitration is conducted by a single arbitrator and US\$10,000,000 or more in damages are awarded against a Party (exclusive of interest, attorneys’ fees, and arbitration fees and costs), that Party may appeal the award to a panel of three arbitrators pursuant to the Optional Appellate Arbitration Rules of the American Arbitration Association. The existence of a Dispute or the content or result of any award shall constitute the Confidential Information of both parties and the parties shall require that the arbitrator of any Dispute be bound to maintain the confidentiality of such Confidential Information. All informal and formal negotiations between the Parties regarding a Dispute shall be treated as compromise and settlement negotiations under applicable rules of evidence and no written or oral statements of position or offers of settlement made during the informal or formal Dispute resolution procedures shall be offered into evidence for any purpose, or constitute an admission or waiver of rights by either Party.
- 13.2.4 Access to Courts.** Either Party may at any time apply to a court with appropriate jurisdiction only to (a) seek interim or provisional relief necessary to protect its rights or property pending the resolution of a Dispute in accordance with these procedures, including injunctive relief and specific performance, or (b) enter or enforce any final and binding arbitration award.
- 13.3 Binding Effect and Assignment.** Neither Party may assign or otherwise transfer any of its rights, duties or obligations under this Agreement without the prior written consent of the other Party, except either Party may, upon prior written notice to the other Party (but without any obligation to obtain the consent of such other Party), assign this Agreement or any of its rights hereunder to any Affiliate of such Party, or to any entity who succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such Party, if such entity agrees in writing to assume and be bound by all of the obligations of

such Party under this Agreement. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assignees.

13.4 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns.

13.5 Notices. All notices required by this Agreement will be given in writing to the other Party and delivered by registered mail, international air courier, facsimile, or the equivalent. Notices will be effective when received as indicated on the facsimile, registered mail, or other delivery receipt. All notices will be given by one Party to the other at its address stated on the first page of this Agreement unless a change thereof previously has been given to the Party giving the notice.

13.6 Amendments and Waivers. This Agreement may be modified only by a written amendment executed by duly authorized officers or representatives of both Parties. No waiver by either Party of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the Party giving such waiver. No waiver by either Party with respect to any default, misrepresentation, or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

13.7 Severability. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, then such provision shall be severed from this Agreement and the remaining provisions will continue in full force.

13.8 Counterparts. This Agreement and each Statement of Work may be executed in several counterparts and by facsimile signature, each of which will be deemed an original, and all of which taken together will constitute one single agreement between the Parties with the same effect as if all the signatures were upon the same instrument. A telecopy signature shall be as legally effective as an original signature.

13.9 Entire Agreement. This Agreement and all Statements of Work attached hereto constitute the complete and exclusive statement of the agreement between the Parties and supersede all proposals, oral or written, and all other prior or contemporaneous communications between the Parties relating to the subject matter herein.

13.10 Press Releases and Announcements. Either Party may make any public disclosure it believes in good faith is required by applicable law, regulation or stock market rule (in which case the disclosing party shall use reasonable efforts to advise the other Party and provide it with a copy of the proposed disclosure prior to making the disclosure).

13.11 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

13.12 Consents and Approvals. Except where expressly provided as being in the discretion of a Party, where approval, acceptance, consent, or similar action by either Party is required under this Agreement or the applicable Statement of Work, such action shall not be unreasonably withheld or delayed.

IN WITNESS WHEREOF, Cognizant and Client have caused this Agreement to be signed and delivered by their duly authorized officers, all as of the date first herein above written.

COGNIZANT WORLDWIDE LIMITED

CITY OF ESCONDIDO, CALIFORNIA

Signature: _____

Signature: _____

Print Name: _____

Print Name: Dane White _____

Title: _____

Title: Mayor

Signature: _____

Print Name: Michael McGuinness

Title: City Attorney

Solely for the purpose of acknowledging that CTS US may perform local services in the United States of America in accordance with Section 1.1:

COGNIZANT TECHNOLOGY SOLUTIONS U.S. CORPORATION

Signature: _____

Print Name: _____

Title: _____

EXHIBIT A

DATA PROTECTION AGREEMENT

This Data Protection Agreement (this "**DPA**"), is entered into by and between **Cognizant Worldwide Limited** (collectively with its Affiliates, "**Cognizant**") and **City of Escondido, California** ("**Client**") (each a "**Party**" and collectively, "**Parties**"), pursuant to the terms and conditions of the Master Services Agreement (the "**Agreement**") effective May 10, 2023 between the Parties.

General Data Protection Terms

1. Introduction.

1.1. Order of Precedence. This DPA is part of the Agreement, and the terms of this DPA are in addition to, and not in lieu of, the terms in the Agreement. Other than with respect to the limitations of liability set forth in the Agreement, which shall govern and control in all cases, the terms of this DPA shall prevail over any conflicting terms in the Agreement's other sections.

2. Definitions.

2.1. In this DPA:

- a. "**Access**" or "**Accessing**" means to access, view, alter, use, process, transfer, store, host, disclose, erase, destroy, or dispose of Protected Data, and includes any operation or set of operations performed upon Protected Data, whether or not by automated means.
- b. "**Applicable Laws**" means the privacy, data security, and data protection laws, directives, regulations, orders, and rules in the jurisdiction(s) applicable to the Cognizant and/or the Services provided under the Agreement.
- c. "**Applicable Standards**" means government standards, industry standards, and commercially reasonable practices related to privacy, data security or data protection that are applicable to Cognizant and the Services provided under the Agreement, or such other standards as otherwise agreed to by the Parties and specifically set forth in an applicable Statement of Work or other written agreement.
- d. "**Authorized Person(s)**" means the individual(s) to whom Client or Cognizant has granted Access to Protected Data.
- e. "**Employee Personal Data**" means the Personal Information of the personnel of Cognizant, Cognizant's Affiliates, or Cognizant subcontractors or other representatives.
- f. "**European Data Protection Legislation**" means: Regulation 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of Personal Data and on the free movement of such data, and repealing Directive 95/46/EC ("**General Data Protection Regulation**"), including

- any applicable delegated acts adopted by the European Commission and any applicable national legislation made under or otherwise adopted by member states of the EEA (defined below), Switzerland, or the UK pursuant to specific rights or powers contained within the General Data Protection Regulation and all other applicable legislation in the EEA, Switzerland, and the UK relating to the protection of Personal Information.
- g. “**include**” or “**including**” means including but not limited to.
 - h. “**Personal Data**” means: any information relating to an identified or identifiable natural person; an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that person.
 - i. “**Personal Information**” means: (i) information relating to an identified or identifiable individual in any form or medium; (ii) information related to an identified or identifiable individual that is protected under Applicable Law (including Personal Data); or (iii) information that is not specifically about an identified or identifiable individual but, when combined with other information, may identify an individual. In the event that the definition of Personal Information in this DPA is inconsistent with a definition of Personal Data, Personal Information, or similar concept under an Applicable Law, then the definition of such concept under the Applicable Law shall prevail solely to the extent of the inconsistency.
 - j. “**Protected Data**” means the Personal Information to which Client has granted Cognizant access for the performance of Cognizant’s obligations under the Agreement.
 - k. “**Security Incident**” means the unauthorized or unlawful destruction, loss, alteration, or disclosure of Protected Data caused by Cognizant’s breach of this DPA. Security Incidents will not include unsuccessful attempts to Access Protected Information or to interfere with system operations in an information system, such as “scans” or “pings” on a firewall.
 - l. “**Security Standards**” has the meaning set forth in Section 5 of this DPA.
- 2.2. All capitalized terms that are not expressly defined in this DPA will have the meaning given to them in the Agreement. All examples are illustrative and not the sole or exclusive examples of a particular concept.

3. General Obligations.

- 3.1. **Compliance**. Cognizant agrees that, during the period in which Cognizant has been given Access to Protected Data, it will comply with its obligations under Applicable Laws. Cognizant will provide commercially reasonable information, assistance, and cooperation regarding the processing of Personal Information as Client may reasonably require to enable Client to comply with Applicable Laws, including (when required by Applicable Laws) assisting Client (at Client’s expense) with its security, notification, communication, recordkeeping, and reporting obligations under Applicable Laws.

- 3.2. Purpose Limitation.** Cognizant agrees that it will Access Protected Data: (i) in accordance with the lawful, written instructions of Client (provided such instructions are reasonable and provided that Client shall be responsible for any material costs incurred by Cognizant in order to comply with such documented instructions); (ii) for the proper management and administration of Cognizant or to carry out Cognizant's legal responsibilities under Applicable Laws; and (iii) to fulfill its obligations under the Agreement and the relevant Statement(s) of Work.
- 3.3. International Transfers of Personal Information.** When applicable, and where required by Applicable Laws, the Parties agree to execute appropriate data transfer agreements to ensure the lawfulness of cross-border transfers of Personal Information.
- 3.4. Duty of Confidentiality.** Cognizant agrees that Authorized Persons to whom Cognizant has granted Access to Protected Information will be subject to a duty of confidentiality (whether such duty is contractual, statutory, or otherwise).
- 3.5. Individual Rights.** Cognizant will reasonably assist the Client to fulfill or resolve an individual's request for access to his or her Personal Information, including with respect to a request from a data subject to exercise any of his or her rights under Applicable Laws (including the rights of access, correction, blocking, objection, erasure and data portability, as applicable). If Cognizant receives such a request directly from the individual(s), Cognizant will promptly inform Client of the request.
- 3.6. Prohibited Personal Information.** Client will not provide Cognizant with Access to Personal Information that contains any special categories of Personal Data or information related to criminal convictions and offenses that are not expressly disclosed in the relevant SOW(s).

4. Obligations for Special Categories of Personal Information.

- 4.1. European Data Protection Requirements.** If Cognizant or a Cognizant Affiliate: (i) is established within the European Economic Area ("**EEA**"), Switzerland, or the UK and processes Personal Data of EEA or UK data subjects on behalf of Client or a Client Affiliate as part of the Services; (ii) processes Personal Data on behalf of a Client Affiliate established in the EEA, Switzerland, or the UK as part of the Services; or (iii) processes the Personal Data of data subjects located in the EEA, Switzerland, or the UK on behalf of the Client or a Client Affiliate as part of the Services, then the Parties will enter into additional EU-specific data privacy terms with respect to the Services that involve processing of such Personal Data.
- 4.2. HIPAA.** If and to the extent Cognizant has Access to Protected Health Information as defined at 45 C.F.R. §160.103 ("**PHI**") subject to the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**"), then the Parties shall enter into a mutually agreeable Business Associate Agreement subject to the provisions of the Agreement.

5. Security Standards.

- 5.1. Minimum Security Standards.** Cognizant agrees to implement and maintain commercially reasonable and appropriate administrative, technical, organizational, and physical controls designed to provide a level of security appropriate to the risk and to protect the confidentiality, integrity, and availability of Protected Data ("**Security**").

Standards"), including: (i) controls designed to secure facilities, infrastructure, data centers, servers, hard copy files, systems, equipment, applications, and devices used to Access Protected Data, including controls to monitor, prevent, detect, and respond to Security Incidents; (ii) policies and practices limiting Access to Protected Data only to Authorized Persons; and (iii) procedures to regularly assess and evaluate the effectiveness of the Security Standards.

5.2. Training. Cognizant will provide privacy and security training for all Authorized Persons who Access Protected Data.

5.3. Client Responsibility for Employee Personal Data. To the extent that Client has Access to Employee Personal Data, Client shall implement and maintain, in compliance with Applicable laws, a data privacy and security program to protect Employee Personal Data to a standard materially the same as those required of Cognizant hereunder. Client shall collect only the minimum necessary amount of Employee Personal Data to comply with Client's obligations under Applicable Laws.

6. Return and Disposal of Protected Data. Upon the earlier of Client's written request or termination or expiration of the Agreement, Cognizant will securely destroy or, at Client's expense, return the Protected Data in accordance with Client's reasonable written instructions. Cognizant agrees to return or destroy Protected Data within ninety (90) days of receipt of Client's written request or expiration or termination of the Agreement, as applicable; provided, however, that Cognizant may retain copies of Protected Information that Cognizant is legally required to retain, subject to a continued obligation to hold the same in confidence in accordance with this Agreement.

7. Security Incident Response.

7.1. Security Incident Response Program. Cognizant will maintain an incident response program in compliance with Applicable Laws to respond to Security Incidents.

7.2. Notice, Investigation, and Remediation. In the event of a Security Incident, Cognizant will notify Client without undue delay (and in no event more than seventy-two (72) hours after confirmation of the Security Incident). This notification will include, to the extent know at the time notice is sent: (i) a description of the Security Incident; (ii) the categories and types of Protected Data affected; and (iii) if applicable, the categories and number of data subjects and individual records affected. Additionally, Cognizant will promptly investigate and remedy the Security Incident, take commercially reasonable steps to mitigate the effects of the Security Incident and to prevent further Security Incidents, and take other actions required of it by Applicable Laws.

7.3. No Unauthorized Statements. Except as required by Applicable Laws, neither Party will make public statements concerning a Security Incident that references or identifies either Party, unless both Parties have provided express written consent for any such statement prior to its release.

8. Change in Law. If an Applicable Law becomes effective after the execution of this DPA and is inconsistent with the terms of this DPA or otherwise requires the Parties to amend this DPA or change the Services, the Parties agree to enter into good faith negotiations to make required changes to the Security Standards, the Services, and/or to amend this DPA or the Agreement.

9. Survival. Cognizant’s obligations under this DPA will survive termination or expiration of the Agreement and/or completion of the Services solely to the extent Cognizant is required to Access Protected Data.

IN WITNESS WHEREOF, Cognizant and Client have caused this DPA to be signed and delivered by their duly authorized officers, all as of the date first herein above written.

COGNIZANT WORLDWIDE LIMITED

CITY OF ESCONDIDO, CALIFORNIA

Signature: _____

Signature: _____

Print Name: _____

Print Name: Dane White _____

Title: _____

Title: Mayor

Approved as to Form:
Office of the City Attorney
Michael R. McGuinness, City Attorney

Signature: _____

Print Name: Elyse E. Dayrit

Prepared For:
City of Escondido, California

Statement of Work Workday Deployment Services



**COLLABORATIVE
SOLUTIONS**
a cognizant company

Preparation Date: April 12, 2023

**STATEMENT OF WORK
 FOR
 WORKDAY DEPLOYMENT SERVICES**

This Statement of Work (“SOW”) is made effective on the 30th day of May 2023 (the “SOW Effective Date”) by and between City of Escondido, California (“Client”), having its principal place of business at 201 North Broadway, Escondido, CA 92025 and Collaborative Solutions, LLC, a limited liability company (“CSLLC”), an Affiliate of Cognizant Worldwide Limited (“Cognizant”), having its principal place of business at 11190 Sunrise Valley Drive, Suite 110, Reston, VA 20191 for Services scheduled to begin on May 30, 2023 (“Start Date”) and expected to end on July 26, 2024.

This SOW, together with the Agreement, sets out the terms pursuant to which CSLLC will provide certain Services, as further described below. This SOW is being entered into in connection with and subject to the terms and conditions contained in the Master Services Agreement by and between Cognizant and Client dated as of _____ (the “Agreement”). All capitalized terms used herein that are not otherwise defined shall have the same meaning as ascribed to such terms in the Agreement.

1.0 Scope of Work (“Scope”)

The Scope set out below describes the limits of the implementation in terms of organization, functionality, data conversion, integrations, reports, change management, and training which will be a part of the project.

1.1 Strategy Scope – Strategic Implementation Planning:

CSLLC will perform a strategic implementation planning engagement over a period of six (6) working weeks in support of the pre-implementation planning activities of the Client. This project shall be performed by a team including CSLLC strategy & transformation consultants along with input from Client Human Resources (“HR”), Finance, Payroll and Information Systems (“IS”) representatives.

CSLLC will facilitate strategy workshops around the key areas of: leadership alignment, strategic readiness, and experience design. CSLLC will engage with Client to create a foundation of the future state of HR and finance processes, technology, and operating model to align with Client organizational goals and Workday functionality as indicated in the table below.

Strategy Area	Strategy Scope
Leadership Alignment	Strategy map <ul style="list-style-type: none"> ● Vision ● Guiding principles ● Goals and objectives ● Value proposition ● Success metrics Project governance <ul style="list-style-type: none"> ● Roles and responsibilities ● Decision making and escalation authority

Strategy Area	Strategy Scope
Strategic Readiness	<ul style="list-style-type: none"> • Data conversion strategy • Foundation data concepts • Workday technology overview

Final Review Meeting and Executive Readout

- Conduct a two (2) hour executive presentation with Client leadership and Subject Matter Experts (“SMEs”) to present a summary of work completed.

Deliverables:

- Strategy map with defined vision, guiding principles, goals & objectives, value statements, and success metrics
- Project governance model with defined roles & responsibilities including cadence, decision making authority and escalation process
- Strategic readiness facilitation documents and decision/action items documented in a Risks, Assumptions, Issues, and Dependencies (RAID) log

1.2 Organization Scope

1.2.1 Person Population

Population Type	Count
Active Employees	Up to one thousand (1,000)
Contingent Workers	Up to two hundred (200)
Terminated Workers	Active in 2024
Retirees	Up to two hundred (200)

Region	Countries
Americas	United States of America

1.2.2 **Language:** All communication, documentation, materials, data and Deliverables will be in United States English.

1.2.3 **Currency:** United States Dollars (“USD”).

1.2.4 **Security:** Single sign-on and activation of Workday Factory delivered security groups.

1.3 Functionality Scope

Reference only – Workday Stock Keeping Units (“SKUs”) contracted for Client

Subscription Rights Table

SKU	Service
PLNF	Financial Planning
PPLA	People Analytics*
TLO	Talent Optimization
CHCM	Core Human Capital Management
CCB	Cloud Connect for Benefits
USP**	Payroll for United States
LRN	Learning
MCNF	Media Cloud - No Fee
REC	Recruiting
GM	Grants Management
PRJT	Projects
PRO	Procurement
MSG	Messaging
CCLRN	Cloud Connect for Learning *
HLP	Help
JRNY	Journeys
SRCESS	Strategic Sourcing Essentials
CE	Candidate Engagement *
EMPVCE	Peakon Employee Voice *
EXP	Expenses
FIN	Core Financials
TT	Time Tracking
PRA	Prism Analytics Enterprise

*These SKUs were sold by Workday but are not in Scope for this SOW.

The following functional areas will be configured within the Workday application. This project is being deployed using CSLLC's Cynergy methodology.

Functional Area	Workday SKU(s)	Location Scope
Human Capital Management ("HCM"): Core	CHCM	United States of America
Compensation: Core	CHCM	United States of America
Benefits	CHCM, CCB	United States of America
Talent & Performance Management	TLO	United States of America
Recruiting (including Messaging)	REC, MSG	United States of America
Learning Management	LRN, MCNF	United States of America
Absence Management	CHCM	United States of America
Time Tracking	TT	United States of America
Payroll	USP	United States of America
Core Financial Management, Accounting, and Finance	FIN	United States of America
Financial Accounting	FIN	United States of America
Banking and Settlement	FIN	United States of America
Procurement	PRO	United States of America

Functional Area	Workday SKU(s)	Location Scope
Strategic Sourcing	SRCESS	United States of America
Budgets	FIN	United States of America
Supplier Accounts	FIN	United States of America
Business Assets	FIN	United States of America
Expenses	EXP	United States of America
Revenue Management (Customer Accounts)	FIN	United States of America
Planning	PLNF	United States of America
Project and Work Management	PRJT	United States of America
Grants Management	GM	United States of America
Prism	PRA	United States of America
People Experience (Help & Journeys)	HLP, JRNY	United States of America
Mobile Solutions	Workday standard functionality	United States of America
Employee Self-Service	Workday standard functionality	United States of America
Manager Self-Service	Workday standard functionality	United States of America

Configuration of the functional areas above will be limited to the functionality Scope contained in Appendix D of this SOW.

1.4 Prism Use Case(s)

The Prism use cases(s) detailed in Appendix B are included in the Scope of this SOW.

1.5 Data Conversion Scope

Four (4) tenant builds are included in the Scope of this SOW. Data from Client’s copy of current Production systems will be converted into Workday during each of the conversion cycles without data scrambling or masking. Data scrambling or masking is not included in the Scope of this SOW, with the exception of email addresses for all person types which will be masked until the gold/pre-Production build. The tenant builds for this SOW include:

- Foundation tenant becomes the configuration tenant (the configuration tenant consists of up to three (3) Workset data loads)
- End-to-End tenant
- Parallel tenant
- Gold/pre-Production tenant

The data conversion Scope is further detailed in Appendix E. Cynergy data validation reports will be provided as a starting point for data conversion files. Minor modifications will be necessary for Client specific requirements of additional data points; however, any additional changes to the delivered validation reports are considered out-of-Scope.

1.6 Interfaces/Integrations Scope

The integrations listed in Appendix B are included in the Scope of the project. Below is a summary of the integration counts.

Integrations	Owner	Cloud Connect	Enterprise Interface Builder/Document Transformation Service	Workday Studio	Other
	CSLLC	Twenty-five (25)	Five (5)	Twenty (20)	Five (5)
	Client	Zero (0)	Twelve (12)	Zero (0)	Zero (0)

1.7 Report Scope

All Workday delivered standard reports associated with the Scope listed in Section 1.2 are included in the Scope of the project. CSLLC has included up to one hundred twenty (120) hours of assistance for additional custom reporting support as part of CSLLC’s estimate. Any hours identified for custom reporting support are inclusive of design discussions, requirements gathering, development and Knowledge Transfer (“KT”).

Any specific custom reports listed in Appendix B are included in the Scope of the project.

1.8 End User Organizational Change & Training (“OC&T”) Scope

As they relate to the applications, areas, and events specified in Sections 1.2 and 1.3 above, CSLLC will complete OC&T management Services. The specific OC&T management Services and tasks to be performed by CSLLC and the Client are detailed in Section 2.0 below. All OC&T activities, communication, materials, and Deliverables will be conducted and/or produced in English.

2.0 Services and Responsibilities

This section identifies the Services to be performed by CSLLC and the Responsibilities of the Client.

Stage	CSLLC Services	Client Responsibilities
Strategy	<ul style="list-style-type: none"> Assemble the CSLLC project team for Strategy Conduct Strategy planning sessions for this stage Schedule Strategy meetings and status reporting Participate in weekly project meetings Jointly schedule Strategy workshops Conduct Strategy workshops Create the executive presentation summary of Strategy findings and recommendations Conduct leadership meetings to align on project approach, resource requirements and expectations, future 	<ul style="list-style-type: none"> Assemble the Client project team Identify stakeholders, sponsors, and super users Participate in Strategy planning sessions for this stage Jointly schedule Strategy meetings and status reporting Participate in weekly project meetings Jointly schedule Strategy workshops Participate in Strategy workshops Provide interface requirements and existing architecture Begin Workday training Provide plan and policy documents

Stage	CSLLC Services	Client Responsibilities
	<ul style="list-style-type: none"> vision and key changes and potential impacts Provide stage sign-off document 	<ul style="list-style-type: none"> Identify initial risks and recommendations to reduce risk Sign off on stage
Plan	<ul style="list-style-type: none"> Assemble the CSLLC project team Deliver discovery templates (deployment discovery questionnaire, integration discovery) Create integrations discovery list Create the integration tracker Conduct functional and technical project planning sessions Create the project charter Create the project plan Identify initial risks and recommendations to reduce risk Schedule recurring project meetings and status reporting Create baseline tenant management plan Provide the data-gathering workbook for the foundation tenant Provide the sample data conversion and validation strategy template; advise on development of the data conversion strategy and plan Provide design document templates Jointly schedule architect workshops (SMEs planning for design) The CSLLC project team will coordinate project preparation and kickoff Create the executive presentation for project kickoff meeting Participate and support the project kickoff meeting Conduct Foundation Data Model ("FDM") alignment Sessions Complete conceptual overview session Provide test strategy sample template; advise on development of the test strategy Work with Client to set up CSLLC's secure transfer site for sharing confidential/private employee data Provide Client access to CSLLC's Knowledge Depot 	<ul style="list-style-type: none"> Identify and provide project team and project SMEs Participate in functional and technical planning sessions Provide input into the project charter Provide input into the project plan Approve and sign off on project charter and project plan Provide interface requirements and existing sample files Notify third-party vendors for integrations and obtain consensus on project timelines Provide third-party vendors contact information and confirm third-party vendors agree to project timeline Provide the completed discovery templates Identify initial risks and recommendations to reduce risk Lead development of the data conversion strategy and plan Jointly schedule architect workshops (SMEs planning for design) Complete Workday training including integration and functional training Lead project kickoff meeting Participate in FDM Sessions Provide plan and policy documents Receive access to CSLLC's Knowledge Depot Lead development of test strategy Work with CSLLC to set up CSLLC's secure transfer site for sharing confidential/private employee data Provide implementation tenant for exclusive use in this project Provide Client personal data/personally identifiable information for build of foundation tenant and submit to CSLLC's secure transfer site

Stage	CSLLC Services	Client Responsibilities
	<ul style="list-style-type: none"> • Build foundation tenant/Copy Production tenant to configuration tenant • Provide exception reports/issues log from tenant build • Deliver Cynergy tenant validation reports and support validation efforts of foundation tenant • Provide stage sign-off document 	<ul style="list-style-type: none"> • Review and resolve issues from exception reports • Validate foundation tenant build • Sign off on stage
<p>Architect & Configure</p>	<ul style="list-style-type: none"> • Manage the project plan • Conduct weekly one (1) hour project meeting; co-lead steering committee meetings • Conduct weekly workstream meetings; up to one (1) hour • Conduct iterative Workset design and playback workshops • Develop the CSLLC assigned integration design approach documents; advise Client on development of design approach documents for Client assigned integrations • Deliver the initial functional design documentation for sign off • Assist with questions regarding mapping of data to Workday data model • Build configuration tenant • Provide exception reports/issues log from tenant build • Deliver Cynergy tenant validation reports and support validation efforts of configuration tenant • Provide baseline End-to-End Test scenarios to Client for review and use determination • Conduct smoke test for configuration tenant • Begin functional KT process during configuration tenant smoke testing • Jointly conduct Workday Customer Confirmation Sessions (“CCS”) • Develop CSLLC assigned integrations • Conduct smoke testing of integrations developed by CSLLC 	<ul style="list-style-type: none"> • Provide input to the project plan • Participate in weekly project meetings and workstream meetings; co-lead steering committee meetings • Provide project SMEs for iterative Workset design and playback workshops • Participate in iterative Workset design and playback workshops • Assist in clarifying configuration requirements • Conduct integrations architect workshop for Client assigned integrations • Develop Client assigned integration design approach documents • Review and sign off on functional design documents • Agree to the integration design approach for each integration (after design approach review session) • Finalize data conversion strategy and plan • Update data-gathering workbooks for configuration tenant • Update data-gathering workbooks for End-to-End tenant • Develop extract scripts and provide validated extract data from legacy system(s) into a single set of data into the CSLLC prescribed data conversion templates for load to the Workday platform for the configuration tenant • Provide Client personal data/personally identifiable information for configuration tenant and submit to CSLLC’s secure transfer site

Stage	CSLLC Services	Client Responsibilities
	<ul style="list-style-type: none"> • Create integration operations instruction guides for CSLLC assigned integrations • Update functional design documents • Provide smoke test scenarios from architect workshops and advise on Client defined test scenarios • Provide input on test management processes and tools including defect management, status tracking/reporting and daily test status meetings • Review Client defined test scenarios for End-to-End • Design, develop and smoke test CSLLC assigned reports • Transition ownership of final CSLLC maintained design workbooks to Client at the end of this stage • Assist with questions regarding mapping of data to Workday data model • Build of End-to-End tenant • Provide exception reports/issues log from End-to-End tenant build • Deliver Cynergy tenant validation reports and support validation efforts of End-to-End tenant • Provide stage sign-off document 	<ul style="list-style-type: none"> • Validate configuration tenant build • Review and resolve issues from exception reports • Review existing reports and confirm which Workday report will meet these needs and identify any necessary custom reports as part of the Architect & Configure stage • Finalize test strategy • Develop catch-up data transaction entry approach • Define and document test plan and test scenarios (End-to-End and Regression) • Jointly conduct CCS • Develop Client assigned integrations • Conduct Workset configuration validation testing • Conduct Unit Testing of configuration • Conduct smoke testing of integrations developed by Client • Create integration operations guides for all Client assigned integrations • Review integration smoke test results and final integration design in order to provide sign-off of integrations ready for End-to-End Testing • Participate in functional KT during configuration tenant Unit Testing • Define and implement test management processes and tools including defect management, status tracking/reporting and daily test status meetings • Develop comprehensive cross-functional scenarios from smoke and/or End-to-End Test scenarios provided by CSLLC • Review and finalize test scenarios, test scenario assignments and detailed daily test plan • Train and prepare testers for testing • Develop material to be presented at the Test kickoff meeting • Design, develop and Unit Test Client assigned reports

Stage	CSLLC Services	Client Responsibilities
		<ul style="list-style-type: none"> • Sign off on functional design documents • Develop extract scripts and provide validated extract data from legacy system(s) into a single set of data into the CSLLC prescribed data conversion templates for load to the Workday platform for the End-to-End tenant • Provide Client personal data/personally identifiable information for End-to-End tenant and submit to CSLLC's secure transfer site • Validate End-to-End tenant build • Review and resolve issues from exception reports • Sign off on stage
<p>Test</p>	<ul style="list-style-type: none"> • Manage the project plan • Conduct weekly one (1) hour project meeting; co-lead steering committee meetings • Conduct weekly workstream meetings up to one (1) hour • Participate in Test kickoff session • Conduct up to one (1) hour navigation review per workstream, at start of test cycle • Create integrations schedule recurrence tracker • Support integration defect resolution for CSLLC assigned integrations • Provide functioning CSLLC assigned interfaces per the test plan • Coordinate the first Workday product release during the project along with KT for the Client to manage subsequent updates • Partner with Client on finalizing Parallel Test strategy and success criteria to meet Workday Delivery Assurance standards • Participate in one (1) thirty (30) minute daily End-to-End or Parallel Test status meeting, limited to one (1) CSLLC functional workstream consultant and one (1) CSLLC integration consultant, if applicable for workstreams where there is an open issue 	<ul style="list-style-type: none"> • Provide input to the project plan • Participate in weekly project meetings and workstream meetings; co-lead steering committee meetings • Lead Test kickoff session • Lead daily End-to-End and Parallel Test meetings • Execute all test scenarios (End-to-End, User Acceptance and Regression) and provide test management (e.g., testing coordination, compiling scenarios, reporting metrics, etc.) • Resolve Client assigned test incidents • Support integration defect resolution for Client assigned integrations • Provide functioning Client assigned interfaces per the test plan • Client SMEs to participate in KT meetings • Develop subset or supplemental scenarios for additional testing during Test stage • Plan and execute performance testing if required by Workday • Update system configuration as required • Update design documentation (as required by internal Audit team) • Participate in the first Workday product release during the project; coordinate

Stage	CSLLC Services	Client Responsibilities
	<ul style="list-style-type: none"> • Conduct up to five (5) one (1) hour KT meetings, per workstream • Resolve CSLLC assigned test defects; advise Client in resolution of Client assigned test defects • Support Client led End-to-End issue resolution up to five (5) hours per week per workstream • Assist with questions regarding mapping of data to Workday data model • Build of parallel tenant • Provide exception reports/issues log from parallel tenant build • Deliver Cynergy tenant validation reports and support validation efforts of parallel tenant • Support execution of two (2) payroll parallel cycles per Client defined Parallel Test management strategy and success criteria • Setup parallel CSLLC's ImPaCT tool in preparation of Parallel Testing using Client provided legacy payroll data files in CSLLC's designated format • Provide parallel variance reports utilizing CSLLC's ImPaCT tool and assist with questions related to variance analysis • Provide sample deployment cutover plan, advise Client in developing detailed cutover plan • Provide KT workbook for sign off • Provide stage sign-off document 	<p>activities related to subsequent updates</p> <ul style="list-style-type: none"> • Complete test of extraction and load process for catch-up data transaction entry • Develop extract scripts and provide validated extract data from legacy system(s) into one (1) set of data into the CSLLC prescribed data conversion templates for load to the Workday platform for the parallel tenant • Provide Client personal data/personally identifiable information for parallel tenant and submit to CSLLC's secure transfer site • Validate parallel tenant build • Review and resolve issues from exception reports • Complete catch-up data transaction entry for parallel • Execute two (2) payroll parallel cycles per Client defined Parallel Test management strategy and success criteria • Provide legacy payroll data files in CSLLC's designated format in preparation for Parallel Testing and use of CSLLC's ImPaCT tool • Develop and provide any executive summaries for parallel reporting to the project leadership team • Manage and sign off on all test results (End-to-End, Parallel, and Regression) • Develop deployment cutover plan • Complete and sign off on the KT workbook • Sign off on stage
<p>Deploy</p>	<ul style="list-style-type: none"> • Manage the project plan • Conduct weekly one (1) hour project meeting; co-lead steering committee meetings • Conduct weekly workstream meetings up to one (1) hour • Provide the Workday Go-Live Checklist and Move-to-Production Authorization 	<ul style="list-style-type: none"> • Provide input to the project plan • Participate in weekly project meetings; conduct steering committee meetings • Manage and execute to the Deploy cutover plan • Provide validated extract data from legacy system(s) into a single set of data into the CSLLC prescribed data conversion templates for load to the

Stage	CSLLC Services	Client Responsibilities
	<ul style="list-style-type: none"> • Schedule and conduct final Workday Delivery Assurance reviews • Update integration schedule and recurrences tracker • Assist with questions regarding mapping of data to Workday data model • Build of gold/pre-Production tenant • Provide exception reports/issues log from gold/pre-Production tenant build • Deliver Cynergy tenant validation reports and support validation efforts of gold/pre-Production tenant • Verify migration of CSLLC assigned integrations • Schedule integrations according to the integrations schedule recurrence tracker • Schedule the transition to Production support meeting with Client (held after Move-to-Production) • Jointly complete the Workday Go-Live announcement • Provide stage sign-off document 	<p>Workday platform for the gold/pre-Production tenant</p> <ul style="list-style-type: none"> • Provide Client personal data/personally identifiable information for gold/pre-Production tenant and submit to CSLLC's secure transfer site • Validate gold/pre-Production tenant build • Review and resolve issues from exception reports • Provide required sign off for sandbox configuration migration to Production • Verify migration of Client assigned integrations • Jointly complete the Workday Go-Live announcement • Approve and sign off on the Workday Go-Live Checklist and Move-to-Production Authorization • Create and distribute the Workday Go-Live announcement • Sign off on stage
Post-Production support	<ul style="list-style-type: none"> • Provide standby support after the Move-to-Production as defined by the number of weeks in the timeline outlined in Section 3.3 • Conduct KT sessions for CSLLC developed integrations • Conduct payroll support • Conduct support for first financial period close • Provide stage sign-off document 	<ul style="list-style-type: none"> • Complete catch-up data transaction entry • Staff and manage help desk • Make any updates to Production • Sign off on stage

OC&T Services

	CSLLC Services	Client Responsibilities
Strategy	<ul style="list-style-type: none"> • Conduct persona workshop to review standard persona cards for the following four (4) areas (as reflected in project Scope): <ul style="list-style-type: none"> ○ Employee ○ Manager ○ HR partner 	<ul style="list-style-type: none"> • Provide organizational change counterpart to regularly interface with CSLLC's OC&T team • Participate in persona workshop • Update standard persona cards following persona workshop

	CSLLC Services	Client Responsibilities
	<ul style="list-style-type: none"> ○ Cost center manager ● Attend key Strategy sessions to collect initial change impacts ● Develop preliminary change impact analysis to reflect information from key Strategy sessions 	<ul style="list-style-type: none"> ● Provide input on the preliminary change impact analysis ● Provide stage signoff
Organizational Change Management	<ul style="list-style-type: none"> ● Provide all change management tools and templates ● Attend and participate in the project kickoff meeting ● Develop preliminary OC&T project plan ● Conduct OC&T kickoff and architect workshop ● Facilitate weekly workstream meetings for on-going support and guidance on usage of tools and templates, for the duration of the project. ● Advise on stakeholder identification ● Advise on organizational change strategy ● Co-develop change impact analysis through Architect & Configure stage ● Advise on change impact executive summary ● Develop initial communication plan ● Support development of communications up to eighty (80) hours of effort ● Configure tenant and mobile branding (tenant and mobile logo, banner, and application color palette) ● Develop and analyze up to three (3) organizational and individual readiness assessments ● Develop and implement sustainment plan 	<ul style="list-style-type: none"> ● Provide input and approval of all facets of the change management strategy and timeline ● Participate in OC&T kickoff and architect workshop ● Identify stakeholders, sponsors and change champions ● Provide OC&T resources to attend and engage in functional alignment workshops ● Co-develop change impact analysis through Architect & Configure stage; maintain change impact analysis starting in the Test stage ● Conduct stakeholder and organizational readiness assessments ● Develop and maintain change champion network ● Lead and execute user experience testing sessions ● Provide input on initial communication plan; maintain communication plan starting in the Test stage ● Develop and deliver end user communications beyond CSLLC's effort ● Provide any necessary translations ● Provide input on tenant and mobile branding strategy ● Provide input on organizational and stakeholder and readiness assessments
End User Training	<ul style="list-style-type: none"> ● Develop training needs assessment and training curriculum plan ● Provide access to all job aids for functional areas in Scope 	<ul style="list-style-type: none"> ● Provide input on training tenant strategy ● Review and approve the training needs assessment and training curriculum plan

	CSLLC Services	Client Responsibilities
	<ul style="list-style-type: none"> Develop content and deliver training for up to four (4) instructor-led training courses including PowerPoint presentations and practice activities Customize user guides for Client specific tenant configuration, up to fifty (50) hours Prepare training tenant for end-user training, up to eighty (80) hours Configure in-system guidance, up to twenty-five (25) hours 	<ul style="list-style-type: none"> Develop and deliver end user training, beyond CSLLC’s effort as detailed in the training curriculum plan Customize job aids beyond CSLLC’s effort Prepare training tenant beyond CSLLC’s effort Provide input on in-system guidance strategy, including specific policy information

3.0 Project Approach

3.1 Methodology

The implementation will be completed by following CSLLC’s Cynergy methodology which consists of the following stages: Plan, Architect & Configure, Test, and Deploy. The specific tasks and durations to complete these tasks will be detailed in the project plan, project charter and project schedule which are to be developed jointly by the CSLLC Engagement Manager (“CSLLC EM”) and the Client Project Manager.

3.2 Governance

Project Management

In the Plan stage of the project, the CSLLC EM will work with the Client Project Manager to develop a detailed project plan to be used to maintain project tasks and timelines. A project charter will be created to guide the team in maintaining Scope and project objectives. The project charter will also define the path of issue escalation.

Finalization of the Scope, as determined during the Plan and Architect & Configure stages, may require the project team to revise the estimates and resource requirements for the remaining stages of the project.

Change Control Process

Any additional or modified Scope of Services shall be documented in a separate written and fully executed Project Change Order form (“Change Order”) using the template set forth in Appendix C. Such form shall include the written approval of an authorized representative of Client before CSLLC will begin any additional work or incur any charges or fees outside the Scope of this SOW. Client and CSLLC agree to the following Change Control Process:

- Step 1:** CSLLC will prepare a description of the necessary change including Scope, process, cost, impact to timeline, and impact to resources along with a list of alternative solutions.
- Step 2:** The Client Project Manager will review and approve or reject within his or her authority or escalate to the executive sponsor for review and approval or rejection.

- **Step 3:** Client will review and approve or deny the request for the additional or modified Services within three (3) business days so as not to cause any unnecessary delay in the project timeline.
- **Step 4:** Any approved additions or modifications to the Scope of Services will be documented pursuant to a Change Order and become an addendum to this SOW.

Status Reporting

During the Plan stage of the project, the CSLLC EM will coordinate with the Client Project Manager to establish a set of regularly scheduled meetings to present project status and risks. These will include, but are not limited to, a monthly steering committee meeting, a weekly project core team status meeting, weekly workstream meetings, a weekly project management meeting, and additional meetings, as needed. The CSLLC EM will report out at the steering committee and team status meetings on the status, activities, issues and other relevant project information.

The monthly steering committee meeting will include a review of the project timeline and status, accomplishments to date, upcoming project activities and Milestones, review of issues and risks requiring action from the steering committee members, potential changes to Scope and a review of the financials of the project. The steering committee will include a readout by the CSLLC EM on the state of the project; participation may be in person or remote.

A weekly Status Meeting will be held with the core team and the Client Project Manager to assess recent accomplishments, issues, risk factors and to ensure that the work planned for the next two (2) weeks is properly resourced. Risk factors and roadblocks will be assessed and either resolved or escalated. In addition to these meetings, meetings with functional teams will be scheduled to review and resolve any open issues.

All meeting agendas, status reports, steering committee presentations, issues log, project plan and the project charter will be stored on the project collaboration site as referenced in Section 4.0 Assumptions & Dependencies.

Knowledge Transfer

Over the course of the project, CSLLC will conduct functional and technical KT through iterative Workset design and playback sessions, CCS, weekly workstream meetings and during the Test stage. Additional KT will occur during the Post-Production stage as needed. To formalize KT, CSLLC will complete and require sign off by the Client of the KT workbook. CSLLC and Client will utilize the KT workbook to track progress and topics during each stage. Client will have access to the Knowledge Depot to review available video content for the functionality which is in Scope during the Term of this SOW. Video content only will reside within the provided SharePoint folder(s) and Client acknowledges that such video content will not be downloaded locally. If Client requires additional KT, this may result in a Change Order. Process documentation (e.g., operational guides and process flow diagrams) is not in Scope for KT, with the exception of the integrations operations guide for CSLLC owned integrations.

3.3 Projected Schedule

The time required to complete the project is based on the contents of this SOW. Unless otherwise mutually agreed upon, Services under this SOW are expected to commence ten (10) business days from the date of execution by the Client and CSLLC. The estimated duration and

estimated start dates of each project stage are listed below, pending execution of this SOW and availability of Client resources and training. The Client payroll schedule may require an adjustment on the estimated start date for the Deploy and Post-Production stages. If the Client payroll schedule requires an adjustment, the number of weeks defined in the timeline below will determine the new stage start and end dates for the Deploy and Post-Production stages.

Client resources will attend Workday fundamentals training for the functional areas in Scope prior to the start of the Architect & Configure stage, and Client resources which are assigned to design/build integrations (as indicated in the integrations Scope) will complete the required Workday training (report writing, calculated fields, and integration-related classes) prior to the start of the Architect & Configure stage. If training is not attended, this could result in a significant impact to the time and cost of the project.

The project will be completed in one (1) phase – as presented below. The timeline for the project is as follows:

Project Timeline								
	Strategy	Plan	Architect & Configure	Test	Parallel	Deploy	Post Production	Total Weeks
Weeks	6	6	23	11	6	5	6	61
Start	5/30/2023	6/26/2023	8/7/2023	1/15/2024	4/1/2024	5/13/2024	6/17/2024	
Finish	7/7/2023	8/4/2023	1/12/2024	3/29/2024	5/10/2024	6/14/2024	7/26/2024	

Note:

- This project runs for sixty-one (61) weeks as the Strategy and Plan stages overlap by two (2) weeks.
- The timeline listed above includes holiday breaks from November 20, 2023 through November 24, 2023, and December 25, 2023 through January 12, 2024, during which it is expected that Services provided by CSLLC may be reduced.
- Integrations will be developed based on a timeline dependent on the batches defined in the integrations planning sessions and third-party vendor availability.
- Functional architect hours are assumed to be heavier in the Architect & Configure stage and will reduce to high level oversight following CCS.

3.4 Resources

The following resources and hours are planned for the Project.

CSLLC Estimated Level of Effort

CSLLC’s level of effort estimated by phase and stage is as follows:

CSLLC						Go-Live		
	Strategy	Plan	Architect & Configure	Test	Parallel	Deploy	Post Production	Total Weeks
Weeks	6	6	23	11	6	5	6	61
Portfolio Director	0	12	46	22	12	10	14	116
Engagement Manager	0	118	452	216	118	98	118	1,120
Project Associate	0	22	84	40	22	18	22	208
Strategy	185	23	62	0	0	0	0	270
Change Management & Training	0	58	373	179	97	81	50	838
HCM Functional Architect	0	24	158	22	12	10	0	226
Absence Management	0	25	161	68	12	21	13	300
Benefits	0	69	358	95	17	29	18	586
HCM Core	0	66	407	135	29	55	30	722
Compensation Core	0	29	181	60	13	25	13	321
Learning	0	33	172	46	8	14	9	282
Payroll	0	72	588	264	168	80	48	1,220
People Experience	0	49	253	67	12	20	13	414
Recruiting	0	46	290	98	22	41	22	519
Talent Management	0	37	193	52	9	16	10	317
Time Tracking	0	33	214	90	49	27	17	430
Financials Functional Architect	0	43	279	39	21	18	0	400
Banking and Settlement	0	25	161	68	12	21	13	300
Budgets	0	17	108	46	8	14	7	200
Business Assets	0	21	134	57	10	17	11	250
Customer Accounts	0	17	108	46	8	14	7	200
Expense Management	0	21	134	57	10	17	11	250
Financial Accounting	0	50	323	137	25	41	24	600
Grants Management	0	25	161	68	12	21	13	300
Planning	0	58	377	159	29	48	29	700
Procurement	0	49	199	91	13	31	17	400
Projects	0	19	121	51	9	16	9	225
Supplier Accounts	0	33	215	91	17	28	16	400
Strategic Sourcing	0	24	276	110	24	30	20	484
Reporting	0	6	43	41	11	9	10	120
Prism	0	4	46	167	91	76	31	415
Data Conversion	0	23	173	83	23	38	20	360
Integrations	0	92	2,686	866	267	81	78	4,070
Total Est. Hours	185	1,243	9,536	3,631	1,190	1,065	713	17,563

For a definition of Client roles and responsibilities assigned to the project, see Appendix A.

4.0 Assumptions & Dependencies

The Services, labor estimates, and Pricing presented in this SOW are dependent on the following assumptions being true. Pricing, terms and conditions herein are effective only upon execution of this SOW by both Parties. CSLLC reserves the right to alter any pricing, terms and conditions prior to the execution of this SOW.

Client will:

- a. Timely complete each item listed as a Client Responsibility in Section 2.0.
- b. Have the necessary project and executive management support to review and make timely decisions as well as coordinate the activities of this project with other Client projects which may be occurring simultaneously. This includes gathering any necessary approvals from governing bodies, such as a works council, needed to proceed with the project.

- c. Have the necessary resources available in each stage, according to how they are identified in the staffing and project plans. Resources will be empowered and capable of making decisions on behalf of the Client. Resources will include, but are not to be limited to, functional and technical leads, and applicable business process and SMEs. If resource and/or priority conflicts occur, they will be discussed and resolved with the project steering committee.
- d. If CSLLC is able to travel in accordance with its internal policies and procedures, Client will provide the necessary hardware for the deployment, a desk, access to office space, and an internet connection.
- e. Provide all required technology needs, connectivity, and network access to all relevant Client applications necessary for the deployment. The CSLLC consultants will have access to software including security rights and passwords where required in order to complete the deployment. CSLLC resources will provide their own laptops. If Client owned laptops or virtual machines are required to be used, this may result in a Change Order.
- f. Be responsible for workstation compliance to Workday's minimum requirements. Client has determined their technical needs will be met, and internal systems and policies, as well as third-party vendors, are compatible with Workday. Any technical issues which may arise during implementation are to be resolved by Client.
- g. Lead the coordination with any Client's third-party vendor involvement required to complete the Services. Client understands that some of their third-party vendors may charge fees for the completion of Services and such fees are the sole responsibility of Client.
- h. Unless otherwise agreed by CSLLC's internal security organization, the Client shall use CSLLC's secure transfer site for the secure exchange of sensitive employee data with the CSLLC support personnel. Client will agree to limit use for data conversion or production support purposes only for the duration of the activities required. CSLLC will inactivate the secure transfer site within thirty (30) days after the support activities are completed. Client will not use CSLLC's site for the transmission of any integration files for third-party vendors. CSLLC is not responsible for back up, archiving, or maintenance of files stored on the secure transfer site. In the event CSLLC utilizes its internal "Daytona" tool for data conversion ("Daytona"), Daytona and all of its components must be installed on the CSLLC secure cloud server and utilized solely within CSLLC's secure transfer site. Further, Daytona IP addresses must be added to the tenant whitelist. Daytona uses its own implementer account that must be excluded from multi-factor authentication.
- i. Use CSLLC provided central repository solution for non-sensitive project document sharing and CSLLC's secure transfer site for the secure exchange of sensitive Client employee data with the CSLLC project team.
- j. Be responsible for any job catalog and/or compensation restructuring efforts, with initial draft of restructure completed by the start of the Architect & Configure stage and completed by the start of the Test stage.
- k. Seek to minimize the amount of plan and/or Client changes during the course of the project, with any changes finalized by the end of the Architect & Configure stage. If CSLLC needs assistance with the minimization of project impacts, this may result in a Change Order.
- l. Perform all of the Client responsibilities in the stages identified, and per the project plan including but not limited to sign off at the completion of each stage, provision of data files, provision of test scenarios, execution of test scenarios and integration testing.
- m. Be solely responsible for testing and any Move-to-Production activities, which shall include configuration, business processes, data, reports and integrations. Client will provide written acceptance of test results to CSLLC prior to any Move-to-Production.

- n. In the event CSLLC is required to assist Client with Move-to-Production activities, Client will provide written approval if CSLLC's assistance is required during Client's Move-to-Production activities. Upon completion of Move-to-Production activities, Client will verify Production results and shall be solely responsible for Production accuracy. Client shall provide written acceptance to CSLLC after such Move-to-Production activities have been completed.
- o. Adhere to the outlined meeting schedules defined in the Section 2.0 Services and Responsibilities table; any variation could result in an impact to cost and timeline.
- p. Coordinate participation from key stakeholders and project team to attend a single CSLLC led architect workshop and CCS per functional area. If additional workshops or sessions are needed, the Client Project Manager will work with the CSLLC EM to determine impact to project effort and timeline.
- q. Use CSLLC templates. If the Client requires CSLLC to utilize Client specific/owned templates, the Client Project Manager will work with the CSLLC EM to determine impact to project effort.
- r. Use the Client's "Teamwork" subscription for Client-side task tracking. Any other tools the Client requires CSLLC to utilize, the Client Project Manager will work with the CSLLC EM to determine impact to project effort.
- s. Pre-configuration: CSLLC Team will utilize CSLLC's leading practices based pre-configuration to conduct the design sessions in the Architect & Configure stage. The approach for the design sessions will be reviewed at pre-configuration and then CSLLC will adjust the configuration in areas which are in Scope but do not meet the Client's business requirements.
- t. Design workshops will take place during a one (1) week period within each Workset and may require overlap of individual workstreams
- u. Provide all CSLLC OC&T consultants with implementer access to all Workday tenant environments including implementation tenants.
- v. CSLLC will present the applicable Deliverables to the Client and the Client will have three (3) business days to provide a specific list of reasonable issues to be remedied. CSLLC will address issues and resubmit the deficient Deliverables. After three (3) business days, should the Client not provide a list of issues, the Deliverables will be deemed complete. Use of the Deliverables by the Client will deem the Deliverables as completed.

Prism Assumptions

- a. Client will subscribe to Workday's Prism product prior to project kickoff. Prism subscription must include sufficient data storage and published rows allowance to support the Scope of this SOW.
- b. Client will identify and confirm the specific data sources to be used and the Client must have independently obtained the rights and/or permissions to use all selected data sources for the intended purpose. CSLLC does not provide any data.
- c. CSLLC and Client will jointly develop an approach to handle the orphaned records where there is not a match on Workday instance.
- d. All data extract files to be available via secure transfer and consumed into Prism via standard Prism secure transfer integration. REST API and Workday Studio integrations are Out-Of-Scope.
- e. Data extract files will have a consistent data schema over time.
- f. Client has a clear, concise, and well documented definition of any metrics needing to be derived within the Prism Analytics Workflow.
- g. Client will provide any required mappings to connect imported data to necessary Workday instances (e.g., Company, Business Unit, Portfolio, Custodian, Investment Manager, Equivalent Ratings).

Absence Assumptions

- a. Workday required training is completed by functional resources before the conclusion of Workset A.
- b. Client has no more than seven (7) unions/collective agreements.
- c. Pre-configured absence business processes and Workday security will be utilized with limited minor modifications.
- d. Regulatory leave types will be implemented using a consolidated approach.
- e. United States regulatory sick plans will be consolidated at the state level utilizing the most generous entitlement for the states in Scope.
- f. Absence entitlements/accruals will be based on the primary position.

Time Tracking Assumptions

- a. Request overtime is not included.
- b. Workday required training is completed by functional resources before the conclusion of Workset A.
- c. Client has no more than seven (7) unions/collective agreements.
- d. Pre-configured time tracking business processes and Workday security will be utilized with limited minor modifications.
- e. Police time and Fire time will be entered and calculated outside of Workday and sent directly to payroll.
- f. Time tracking calculations will be based on the primary position.

Payroll Assumptions

- a. Client is responsible for providing executive summaries for parallel reporting to the project leadership team. CSLLC will be responsible for providing delivered parallel reports from the CSLLC parallel ImPaCT tool.
- b. Processing of payroll occurs from a centralized office for all locations included in the payroll Scope.
- c. Gathering of payroll requirements and testing will be owned by a centralized office for all locations included in the payroll Scope.
- d. KT will be delivered to a key resource and the Client is responsible for training their payroll organization.
- e. Tax filing will be handled by a third-party vendor or in house with reporting. Workday does not currently support tax filing as part of the core Workday payroll module and only provides basic tax balancing reports.
- f. If 1099 tax elections and payroll processing are required, those will be handled by a third-party vendor. Workday does not currently support 1099 tax elections or processing as part of the core Workday payroll module.
- h. Payroll commitments, payroll obligations, and position budgets are not included in the Scope of this SOW.
- i. Client is responsible for the accuracy of the payroll data provided in the required format. Client is also responsible for reconciling all payroll data to the legacy system.
- i. Only employees in Workday will be paid out of Workday Payroll. Payments for any 1099-R retirees, spouses and/or dependents will be processed by a third-party payroll provider.
- j. Client is responsible for payroll compliance review with internal or external counsel.
- k. Delivered Workday Fair Labor Standards Act ("FLSA") functionality will be used.

Integration Assumptions

- a. Integration estimates will be reviewed at the completion of the Architect & Configure stage of the project. Adjustments may be required after further analysis and any possible changes to Scope. If a configured integrations template does not satisfy Client's unique requirements, a custom integration will be a viable solution and can be built at an additional cost.
- b. Client integration functional owners are available for integration discovery and design sessions throughout the Plan and Architect & Configure stage.
- c. Client design meetings for each integration will not exceed ten percent (10%) of the estimated effort of each integration.
- d. CSLLC Integration team assistance for Client built integrations will not exceed ten percent (10%) of the overall estimated effort for the integrations assigned to the Client.
- e. Requirements and specifications for all in Scope integrations will be available by the end of the Plan stage.
- f. Client integration workstream meetings will be limited to a maximum of two (2) hours per week for all integration resources.
- g. Inbound integrations are scoped using Workday standard fields. If Workday custom objects are needed to store data, the integration effort will need to be revised.
- h. Workday required performance testing is not in Scope.
- i. Integrations (both CSLLC and Client owned) may be separated into batches depending on priority, critical and project timeline impacts; timelines could be adjusted due to delays in requirements or Client accessibility. Batches will have varying timelines to accommodate prioritization and architect workshop schedules to reduce rework.
- j. Client is responsible for execution of integrations, third-party vendor coordination and results validation for the End-to-End and Parallel Test scenarios.
- k. Integrations dependent upon FDM may follow separate Milestones and testing cycles.

Authentication Assumptions

- a. CSLLC will advise Client of the Workday options for a single sign-on solution and will perform the applicable authentication setup within the Workday tenant.
- b. Client is responsible for all implementation work outside of the Workday tenant (e.g., Security Assertion Markup Language (SAML) setup, identity server). Client will provide the appropriate resource commitments and skill sets depending on the single sign-on option selected during design.

Testing Assumptions

- a. Client will provide a Test Lead unless otherwise stated in in this SOW who is responsible for overseeing test scenario creation and consolidating scenarios to be used for End-to-End, Parallel and Regression Testing, managing testers, and reporting out testing metrics.
- b. Client and CSLLC will implement a change control process to review and approve proposed enhancements coming out of testing to identify the priority and potential impact to timeline, resources and level of effort prior to changes being made.
- c. Client will finalize and sign off on End-to-End Testing prior to entering Parallel Testing. Exceptions must be agreed upon by CSLLC if additional End-to-End Testing is required prior to entering Parallel Testing.
- d. Client will complete testing within the time specified in the timeline.
- e. Client will coordinate participation from project testers to be co-located together on a remote basis, or at a mutually agreed upon shared site if CSLLC is able to travel in accordance with its internal

policies and procedures. If additional support locations are needed for testing, the Client Project Manager will work with the CSLLC EM to determine impact to project effort and timeline.

- f. During cycle one (1) of End-to-End Testing, CSLLC will resolve assigned test incidents working alongside Client resources as part of KT. For End-to-End cycle two (2) and beyond, Client resources will lead the resolution of test incidents with support from CSLLC.
- g. When a Workday Update occurs, the only additional changes which will be included in the project are those which are automatically required by Workday. Any additional functionality to be implemented as part of a Workday product release will be treated as additional Scope and managed through CSLLC's Change Control Process.
- h. Prior to the start of the Test stage, if CSLLC determines that an Object Master Tenant ("OMT") is required, the OMT will be the source for the parallel and/or pre-Production tenant(s). The OMT will include only Client approved/validated configurations. CSLLC will maintain sole access to the OMT.

Strategy Assumptions

- a. Client Executive Sponsor(s) will be available to participate in plan/visioning sessions to set goals and objectives, vision, and help guide the governance and decision-making framework for the project.
- b. Project does not include any current state process mapping sessions, or any development of process tools and templates (e.g., checklists, job aids, user knowledge articles).
- c. Project does not include any human resources program policy reviews or re-writing.
- d. Non-Workday technology assumptions –
 - i. Client will extract and consolidate required documentation from non-Workday human resources systems to CSLLC as required for review and analysis.
 - ii. Issues and progress tracking for technology changes to be made with third-party vendors to be managed and owned by Client.

Government Deployment Approach Assumptions

- a. Business process configuration is limited to the processes defined in Appendix D.
- b. The Workday pre-configured content will be leveraged as the basis for design and configuration within the Scope of this project. CSLLC will not be performing a traditional fit-gap analysis on Client business requirements. If the pre-configured tenant is not appropriate for the Client, as determined by the Client, additional professional Services may be required. The Client is ultimately responsible for verifying that the pre-configured content is appropriate.
- c. Integrations to be designed to current system's requirements and not reformatted during the project's timeline, unless Workday delivered templates are available for the integration. If current system's requirements are no longer supported, the effort will need to be assessed and the timeline may be impacted.

General Assumptions

- a. CSLLC will operate in a global delivery model from onshore and CSLLC's Global Deployment Center ("GDC") locations.
- b. Unless the Parties agree otherwise, support hours for onshore are assumed to be within standard business hours, defined as follows, with response time based on forecasted hours:
 - i. 9:00 AM Pacific Time ("PT") through 5:00 PM PT.
 - ii. Monday through Friday.

- iii. Excluding CSLLC holidays. A list of CSLLC holidays will be made available to the Client upon request.
- c. All meetings where CSLLC's GDC consultants involvement will be required will be scheduled between 9:00 AM PT and 1:00 PM PT.
- d. CSLLC's GDC consultants, when required, will be available during the Client's business hours for key events defined as follows:
 - i. Requirement workshops
 - ii. End-to-End Testing of critical issue triage

5.0 Term and Termination

- a. This SOW shall commence on the Start Date identified above and shall continue through July 26, 2024 (the "Term"), unless terminated sooner pursuant to the Agreement.

6.0 Pricing

- a. CSLLC will invoice and Client shall compensate CSLLC on a Time and Materials Basis ("T&M Basis") based on the hourly rates set forth in the table below for Services rendered and expenses incurred on a monthly basis. Invoices will be paid subject to the terms and conditions of the Agreement. Total estimated cost of the engagement is listed in the table below. CSLLC will invoice for all actual hours worked. CSLLC invoices will contain a list of the hours charged for each project resource, with detailed descriptions of the work performed during the time being invoiced.

CSLLC T&M Basis	Hourly Rate	Estimated Effort	Total
Portfolio Director	\$ 320	116	\$ 37,120
Engagement Manager	\$ 268	1,120	\$ 300,160
Project Associate	\$ 148	208	\$ 30,784
Strategy Architect	\$ 352	135	\$ 47,520
Strategy Consultant	\$ 308	135	\$ 41,580
Change Architect	\$ 288	168	\$ 48,384
OC&T Lead	\$ 188	670	\$ 125,960
HCM Functional Architect	\$ 288	226	\$ 65,088
Absence Management Lead	\$ 188	300	\$ 56,400
Benefits Lead	\$ 188	586	\$ 110,168
HCM Core Lead	\$ 188	499	\$ 93,812
HCM Core Associate	\$ 128	223	\$ 28,544
Compensation Core Lead	\$ 188	220	\$ 41,360
Compensation Core Associate	\$ 128	101	\$ 12,928
Learning Lead	\$ 188	282	\$ 53,016
Payroll Lead	\$ 188	1,220	\$ 229,360
People Experience Lead	\$ 188	414	\$ 77,832
Recruiting Lead	\$ 188	314	\$ 59,032
Recruiting Associate	\$ 128	175	\$ 22,400
Messaging	\$ 188	30	\$ 5,640
Talent Management Lead	\$ 188	317	\$ 59,596
Time Tracking Lead	\$ 188	430	\$ 80,840
Financials Functional Architect	\$ 288	400	\$ 115,200
Banking and Settlement Consultant	\$ 148	300	\$ 44,400
Budgets Lead	\$ 188	200	\$ 37,600
Business Assets Consultant	\$ 148	250	\$ 37,000
Customer Accounts Lead	\$ 188	200	\$ 37,600
Expense Management Consultant	\$ 148	250	\$ 37,000
Financial Accounting Lead	\$ 188	600	\$ 112,800
Grants Management Lead	\$ 188	300	\$ 56,400
Planning Lead	\$ 188	700	\$ 131,600
Procurement Lead	\$ 188	400	\$ 75,200
Projects Consultant	\$ 148	225	\$ 33,300
Supplier Accounts Lead	\$ 188	400	\$ 75,200
Strategic Sourcing	\$ 188	484	\$ 90,992
Reporting Lead	\$ 188	120	\$ 22,560
Prism Lead	\$ 188	415	\$ 78,020
Data Conversion Lead	\$ 188	360	\$ 67,680
Integrations Lead	\$ 188	464	\$ 87,232
Integrations Principal	\$ 188	2,066	\$ 388,408
Integrations Associate	\$ 128	888	\$ 113,664
Integrations Offshore Lead	\$ 73	652	\$ 47,596
Total Without Expenses			\$ 3,316,976
Estimated Expenses			\$105,200
Total			\$ 3,422,176
CSLLC Investment			-\$180,395
Grand Total		17,563	\$ 3,241,781

**Note: For the CSLLC Investment, CSLLC will apply a five point forty-four percent (5.44%) credit to invoices created in connection with the performance of Services described in this SOW, excluding expenses or mutually agreed upon Change Orders, up to a maximum total CSLLC Investment of one hundred eighty thousand three hundred ninety-five USD (-\$180,395.00 USD), or project end, whichever occurs first.*

- b. Workday Delivery Assurance and Workday specific training services and fees will be covered under a separate agreement between Client and Workday.
- c. Invoices will be emailed to the following address(es): Client – jeubanks@escondido.org, dmays@escondido.org, accountspayable@escondido.org. Any other mailed correspondence will be delivered as follows below:

City of Escondido, California
Attn: Information Systems
201 North Broadway
Escondido, CA 92025

- d. Any and all fees associated with Client’s e-invoicing, portal, or payment solution will be the responsibility of Client, without dispute. CSLLC will provide all necessary documents or invoices to confirm the fees, if such fees are incurred.
- e. The purchase order number required for billing/invoicing will be provided to CSLLC promptly following execution of this SOW by the Parties.

7.0 Expenses

Client will reimburse CSLLC for its reasonable out-of-pocket travel expenses incurred in connection with the provision of the Services in accordance with CSLLC’s Travel and Expense Policy, which shall be made available to the Client upon request. This will include CSLLC’s management personnel for purposes of project oversight. Specific travel recommendations will be planned and discussed between the CSLLC EM and the Client Project Manager. Such agreed to travel recommendations shall not require additional Client pre-approval. All fees or penalties incurred due to cancellations or changes of travel at Client’s request shall be invoiced to Client. The Expense Estimate provided in Section 6.0 is a budgetary estimate only.

8.0 Signatures

IN WITNESS WHEREOF, the Parties have duly executed this SOW by their respective authorized representatives as of the SOW Effective Date.

Collaborative Solutions, LLC

City of Escondido, California

Authorized Signature

Authorized Signature

Name

Name

Job Title

Job Title

Date

Date

City of Escondido, California

Authorized Signature

Michael McGuinness

City Attorney

Date

Appendix A – Detail Roles Description

Client Roles

Client personnel are experts on Client business/technologies and as such will have responsibility for providing project management, non-Workday functional, technical, and culture expertise to the project.

Client project team members and cross-functionality representation are currently identified as follows:
 (Note that project teams’ roles could be specific to implementation needs.)

Team Member	Description of Role
Steering Committee, Senior Design Reviewers, Key Stakeholders, Executive Sponsor	<p>The steering committee provides funding and support to the project. Responsibilities include:</p> <ul style="list-style-type: none"> ● Obtaining appropriate funding and approvals ● Ensuring all appropriate resources are available for the project ● Resolving issues which are impeding the progress of the project ● Providing overall direction to the Client Project Manager ● Sign off on key Deliverables/project Milestones ● Assuring project delivery and quality control ● Attending steering committee Meetings
Project Manager	<p>The Client Project Manager is a dedicated resource focused specifically on the Workday implementation. While CSLLC understands there are many other activities linked to the implementation, this resource needs to be dedicated full-time to the project. Responsibilities include the following:</p> <ul style="list-style-type: none"> ● Establishing and managing the project details, Deliverables, schedules, tasks, assignments, and execution ● Coordinating business teams and support teams ● Driving the implementation of the optimized processes ● Managing the resolution of issues ● Anticipating and resolving issues which could impact the project budget, schedule, Scope or quality
Functional Team (Global Process Owners, Process Leads, and SMEs/Business Analysts)	<p>The Functional Team are those familiar with Client business processes and systems. These individuals provide information to the CSLLC Functional Consultant(s) to configure the Workday solution. Responsibilities include:</p> <ul style="list-style-type: none"> ● Communicate functional requirements which need to be configured in Workday ● Describe current business processes and work with team to simplify and improve ● Work with CSLLC Consultants to help map and load data into Workday ● Actively participate in all testing activities ● Pre-validate extracted data files prior to providing it to CSLLC; then validate data after it has been converted into Workday solution ● Contribute to identifying and executing test scenarios for functional areas ● Perform end user training ● Participate in KT

Team Member	Description of Role
Technical Team (Integration Lead, Integration Engineers/Developers, and Data Conversion Specialist)	<p>Technical resources perform the following:</p> <ul style="list-style-type: none"> • Support the conversion and loading of data contained in existing systems • Design and develop custom integrations as outlined within the Scope section above • Develop custom reports • Manage Client communications • Participate in KT • Actively participate in testing activities <p><i>Note: Resource experience, data quality and the amount of transformation required could impact the actual resources needed to support the data conversion efforts.</i></p>
Internal Auditor	<p>The Internal Auditor works with the project team to ensure proper procedures are followed and proper documentation is created for the implementation of Workday. This person is responsible for providing compliance-related guidance and expertise to the project team.</p>
Test Lead	<p>The Client Test Lead develops and manages the overall Client test strategy and plan. Responsibilities include:</p> <ul style="list-style-type: none"> • Establish an approach to testing • Define resource requirements for testing • Establish the test schedule • Conduct overall execution of the Client prescribed End-to-End (including integrations), and Parallel Test process for Workday payroll from start to end of the test period • Facilitate testing coordination and progress meetings • Successfully manage defect resolutions • Resolve test issues via coordination of Client and CSLLC teams as required to complete testing for successful completion of Workday test • Define the overall test strategy • Define test approach, roles and responsibilities • Define test tools and scenarios by tester and success criteria for each test stage • Define and report test metrics to the project team and project executives
Organizational Change Lead	<p>The Organizational Change Lead is focused on planning and executing the change management and communications activities. He or she is the primary counterpart to the CSLLC Organizational Change Lead (if there is someone assigned) and is responsible for providing primary insight into the Client’s culture, operations, and competing projects or interests. The Organization Change Lead is the primary liaison between the project team and other internal resources needed to execute and deploy the various change management and communications activities. He or she is ultimately responsible for all change management and communications-related Deliverables.</p>
Training Lead	<p>The Training Lead is focused on planning and executing the end user training activities. He or she is the primary counterpart to the CSLLC training lead (if there is someone assigned) and is responsible for providing primary insight into the Client’s training resources and preferences, as well as competing projects or interests</p>

Team Member	Description of Role
	<p>related to end user training. The Training Lead is the primary liaison between the project team and other internal resources needed to plan, execute, and deploy the various training activities for the deployment. He or she is ultimately responsible for all training-related Deliverables. The Client may choose to assign the Organizational Change Lead and Training Lead roles and responsibilities to a single actual resource.</p>
<p>Training Communications, and Change Management support Resources</p>	<p>Depending on the specific strategies and plans the Client establishes as part of its OC&T program, additional resources will be needed at various times throughout the project lifecycle to support and execute the communications, change management, and training plans. These roles often include:</p> <ul style="list-style-type: none"> • Training developers responsible for developing and revising the end user training collateral as defined in the training curriculum plan • Communications leads/developers responsible for developing, revising, and deploying the end user communications collateral as defined in the communications plan • Trainers and super users responsible for gaining advanced familiarity with the new systems and user support tools, and in turn planning and delivering pre-Go-Live and ongoing training to end user audiences • Change champions responsible for generating awareness and support around future changes within their designated areas of influence

Workday Roles

If Workday is contracted by the Client, Workday, under a separate contract, will provide Delivery Assurance services. Workday core responsibilities include:

Team Member	Description of Role
<p>Delivery Assurance Group</p>	<p>Comprised of Workday implementation specialists, the Delivery Assurance Group works with the Client towards the implementation of the Workday solution. The Delivery Assurance Group conducts a series of quality assurance reviews at major project Milestones, when the group reviews project documentation, product configuration, and business processes. The Delivery Assurance Group is responsible for the development and enhancement of the Workday implementation methodology and works closely with product strategy and development in helping steer product direction.</p> <p><i>Note: Delivery Assurance will be a separate agreement to be contracted directly with Workday.</i></p>

Appendix B – Integrations and Custom Reports

Integrations

The following integrations are in Scope. Please refer to the column labeled “Owner” to identify if the integration is Client assigned or CSLLC assigned.

ID#	Integration Name	Third-Party Vendor	Functiona l Area	Integration Data Type	Tool	Total Hours	Owner	Cloud Connector Name	Notes
INT001	Basic SSO/SAML Setup	Microsoft	Workday Security	Basic SSO SAML Setup Outbound Custom	Setup	30	CSLLC		
INT002	Active Directory Outbound	Microsoft’s Azure platform	HCM	Active Directory Outbound CC	CC	40	CSLLC		
INT003	Active Directory Inbound	Microsoft’s Azure platform	HCM	Active Directory Inbound Custom	Studio	60	CSLLC		
INT004	E-VERIFY	E-VERIFY.gov	HCM	E-VERIFY Outbound CC	CC	20	CSLLC		
INT005	Medical Outbound	Kaiser Foundation Health plan, Inc.	Benefits	Medical or Dental or Vision or Rx Outbound CC	CC	40	CSLLC	Kaiser Foundation Health plan, Inc.: Medical	
INT006	Dental Outbound	Delta Dental Plans Association	Benefits	Medical or Dental or Vision or Rx Outbound CC	CC	40	CSLLC	ANSI X12 834	
INT007	Vision Outbound	Anthem Insurance Companies, Inc.	Benefits	Medical or Dental or Vision or Rx Outbound Custom	EIB/DTS	90	Client		
INT008	Supplemental, Life and AD&D Insurance Outbound	The Hartford	Benefits	Life or AD & D Outbound CC	CC	40	CSLLC	The Hartford: life, disability, supplemental plans	
INT009	FSA Eligibility Outbound	TRI-AD	Benefits	FSA or HSA or Transit or Parking Outbound CC	CC	40	CSLLC		
INT010	FSA Contributions Outbound	TRI-AD	Payroll	Deductions Outbound Custom	EIB/DTS	90	Client		
INT011	COBRA Events Outbound	TRI-AD	Benefits	COBRA Initial Rights Outbound CC	CC	50	CSLLC	TRI-AD: COBRA (Initial Rights)	

Item 5.

INT012	COBRA Initial Rights Outbound	TRI-AD	Benefits	COBRA Events Outbound CC	CC	50	CSLLC	TRI-AD: COBRA (Qualifying Events)	
INT013	ACA Outbound	IRS (Employee 1095 doc)	Benefits	ACA Outbound CC	CC	20	CSLLC		Assumes both can take the same file
INT014	Retirement Pension Outbound	California Public Employees' Retirement System ("CalPERS")	Benefits	Demographics or Enrollment Outbound Custom	EIB/DTS	90	Client		
INT015	Retirement Pension Inbound	CalPERS	Benefits	Retirement Savings Inbound Custom	Studio	90	CSLLC		
INT016	Retirement Pension Outbound	CalPERS	Payroll	Deductions Outbound Custom	EIB/DTS	70	CSLLC		
INT017	Retirement Pension Inbound	CalPERS	Benefits	Retirement Savings Inbound Custom	Studio	90	CSLLC		
INT018	Payroll ACH Outbound	Bank of America, N.A.	Payroll	ACH NACHA Payment Outbound CC	CC	40	CSLLC		
INT019	Tax Filing Periodic Outbound	Bank of America, N.A.	Payroll	Tax Filing Periodic Outbound CC	CC	20	CSLLC		
INT020	Tax Filing Quarterly Outbound	EDD	Payroll	Tax Filing Quarterly Outbound Custom	Studio	120	CSLLC		
INT021	Timekeeping System Outbound	UKG Inc.	HCM	Demographic Outbound Custom	EIB/DTS	80	Client		
INT022	Timekeeping System Inbound	UKG Inc.	Time_Tracking	Time Tracking Inbound Custom	Studio	100	CSLLC		
INT023	Timekeeping System Outbound	InTime Solutions Inc.	HCM	Staffing Outbound Custom	EIB/DTS	110	Client		
INT024	Timekeeping System Inbound	InTime Solutions Inc.	Time_Tracking	Time Tracking Inbound Custom	Studio	100	CSLLC		
INT025	Timekeeping System Outbound	SafeCities	HCM	Demographic Outbound Custom	EIB/DTS	80	Client		
INT026	Timekeeping System Inbound	SafeCities	Time_Tracking	Time Tracking Inbound Custom	Studio	100	CSLLC		

INT027	Financials (Accounts Payable) Check Layout	Workday, Inc.	BIRT	Financials Custom Check Layout_Low	BIRT	40	CSLLC		
INT028	Financials Positive Pay without Voids Outbound	Bank of America, N.A.	Financials	Positive Pay without Voids Outbound Custom	EIB/DTS	50	CSLLC		
INT029	Financials ACH Outbound	Bank of America, N.A.	Financials	ACH NACHA Payment Outbound CC	CC	40	CSLLC		
INT030	Bank Statement Inbound	Bank of America, N.A.	Financials	Bank Statement Inbound CC	CC	50	CSLLC		
INT031	1099 Filing Outbound	IRS	Financials	Electronic Filing 1099 Outbound CC	CC	20	CSLLC		
INT032	Journal (Charges/Credits) Inbound	TBD	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT033	Ad Hoc Bank (Payments/Refunds) Inbound	TBD	Financials	Adhoc Bank Transaction Inbound CC	CC	50	CSLLC		
INT034	Travel/Expense Cards Outbound	TBD	Financials	Credit Cards Masked Outbound CC	CC	60	CSLLC		
INT035	Travel/Expense Cards Inbound	TBD	Financials	Credit Cards Masked Inbound CC	CC	50	CSLLC		
INT036	Purchase Order Layout	Workday, Inc.	BIRT	Purchase Order Custom Layout_Low	BIRT	40	CSLLC		
INT037	Customer Invoice Layout	Workday, Inc.	BIRT	Customer Invoice Custom Layout_Low	BIRT	40	CSLLC		
INT038	Customer Statement Layout	Workday, Inc.	BIRT	Customer Statement Custom Layout_Low	BIRT	40	CSLLC		
INT039	Supplier Punchout Invoice Inbound	Amazon.com, Inc.	Financials	Procurement Supplier Punchout Supplier Invoice Inbound CC	CC	50	CSLLC		
INT040	Supplier Punchout Catalog Outbound	Amazon.com, Inc.	Financials	Procurement Supplier Punchout Catalog CC	CC	40	CSLLC		
INT041	Supplier Punchout Purchase Order Outbound	Amazon.com, Inc.	Financials	Procurement Supplier Punchout Purchase Order Outbound CC	CC	40	CSLLC		
INT042	Supplier Invoice EDI 810 Inbound	TBD	Financials	Procurement EDI Inbound CC	CC	40	CSLLC		

INT043	Purchase Order EDI 850 Outbound	TBD	Financials	Procurement EDI Outbound CC	CC	80	CSLLC		
INT044	Purchase Order Acknowledgment EDI 855 Inbound	TBD	Financials	Procurement EDI Inbound CC	CC	40	CSLLC		
INT045	Price Update EDI 832 Inbound	TBD	Financials	Procurement EDI Inbound CC	CC	40	CSLLC		
INT046	Advance Shipping Notice EDI 856 Inbound	TBD	Financials	Procurement EDI Inbound CC	CC	40	CSLLC		
INT047	CityWorks PLL Outbound	Azteca Systems, LLC. ("CityWorks PLL")	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT048	Cashiering	Teller	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT049	Utility Billing	SpryPoint Solutions Inc.	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT050	ArcGIS System Outbound	ArcGIS (Enterprise 10.8)	Financials	Business Assets Outbound Custom	EIB/DTS	100	Client		
INT051	ArcGIS System Inbound	ArcGIS (Enterprise 10.8)	Financials	Business Assets Inbound Custom	Studio	120	CSLLC		
INT052	GovernmentJobs.com Inbound	NEOGOV (GovernmentJobs.com)	Recruiting	Job Advertising Outbound Custom	EIB/DTS	90	Client		
INT053	CityWorks PLL AMS Inbound	CityWorks PLL	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT054	Amelia Outbound	Amelia Enterprises Inc. ("Amelia")	Financials	Other Outbound Custom	EIB/DTS	100	Client		
INT055	Third-party payments	InvoiceCloud	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT056	VectorSolutions Course Completion Inbound	VectorSolutions	Learning	Course Completion Inbound Custom	Studio	100	CSLLC		
INT057	401k & 457 Demographic Outbound	MissionSquare Retirement	Benefits	Demographics or Enrollment Outbound Custom	EIB/DTS	90	Client		
INT058	401k & 457 Elections Inbound	MissionSquare Retirement	Benefits	Retirement Savings Inbound Custom	Studio	90	CSLLC		

INT059	401k & 457 Contributions & Loans Outbound	MissionSquare Retirement	Payroll	Deductions Outbound Custom	EIB/DTS	70	CSLLC		
INT060	401a Deductions Outbound	PARS	Payroll	Deductions Outbound Custom	EIB/DTS	90	Client		
INT061	401a Elections Inbound	PARS	Benefits	Retirement Savings Inbound Custom	Studio	90	CSLLC		
INT062	Dixon Lake Point of Sale Inbound	Jet Pay	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT063	Wohlford Lake Payment Kiosk Point of Sale Inbound	TBD	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT064	Library Point of Sale Inbound	Smart Kiosk	Financials	Accounting Journals Inbound Custom	Studio	100	CSLLC		
INT065	Origami Outbound	Origami (TBD)	Financials	Other Outbound Custom	EIB/DTS	100	Client		
INT066	Escondido Federal Credit Union	Escondido Federal Credit Union	Payroll	Deductions Outbound Custom	EIB/DTS	70	CSLLC		
INT067	Positive Pay Payroll	Bank of America, N.A.	Payroll	Positive Pay without Voids Outbound Custom	EIB/DTS	50	CSLLC		

Integration Tool Key:

- BIRT = Business Intelligence Reporting Tools
- CC = Cloud Connect
- EIB/DTS = Enterprise Interface Builder/Document Transformation Service
- Setup = Web Services or Integration system user setup
- Studio = Workday Studio
- Support = Hours allocated for assistance at the direction of the Client
- COBRA = Consolidated Omnibus Budget Reconciliation Act
- ACA = Affordable Care Act
- SSO = Single Sign On
- SAML = Security Assertion Markup Language

- FSA = Flexible Spending Account
- HSA = Health Savings Account
- ACH = Automated Clearing House
- EDI = Electronic Data Interchange
- NACHA = National Automated Clearinghouse Association

The interfaces/integrations required for this project include:

- **Cloud Connect** – CC provides Workday customers with the same level of support as they would receive in the core Workday application. Such Workday integrations are (i) part of the Workday hosted application Service and (ii) provided with ongoing support by Workday in accordance with Workday’s then-current Support and Service Availability Policy. While Workday integrations are designed and developed as part of the subscription license, CSLLC anticipates some amount of time dedicated to configure and test the integrations during the implementation.
- **Custom Integrations** – Custom integrations are developed by CSLLC or Client using Workday’s tools such as Report Writer, EIB, DTS, or Studio.

Reports

The following report configuration is in Scope. The hours identified for custom reporting support is inclusive of design discussions, requirements gathering and KT and include a custom report for DE 542.

HCM Reporting

<u>Report Name / Configuration</u>	<u>Area</u>	<u>Description</u>
Organization Footprint	HCM – Distribution Trends and Analysis	Modified version of the Global Footprint standard report to provide headcount by location or hierarchy and job family group
Growth Rate by Job Family Group	HCM – Distribution Trends and Analysis	Standard report to provide headcount growth by job family group by month configured for custom dashboard
Headcount and Average Years of Service by Age Range	HCM – Distribution Trends and Analysis	Standard report to provide headcount and average years of service by age band and configured for custom dashboard
Headcount by Management Level	HCM – Distribution Trends and Analysis	Standard report to provide headcount by management level and configured for custom dashboard
Headcount Growth Analysis	HCM – Distribution Trends and Analysis	Modified version of the Headcount Growth Analysis standard report to provide headcount by month

<u>Report Name / Configuration</u>	<u>Area</u>	<u>Description</u>
Workforce Tenure – Monthly Trend	HCM – Distribution Trends and Analysis	Modified version of the Workforce Tenure – Yearly Trend standard report to provide headcount by tenure groups and month
Employee Population Trend by Gender	HCM – Diversity	Modified version of the Employee Population Trend by Gender standard report to provide headcount by gender and month
Ethnicity/Management Level Analysis	HCM – Diversity	Standard report to provide headcount by management level and ethnicity and configured for custom dashboard
Male/Female Distribution	HCM – Diversity	Standard report to provide headcount by gender and configured for custom dashboard
Male/Female Workforce Job Family	HCM – Diversity	Modified version of the Male/Female Workforce Majority by Country standard report to provide headcount by gender and job family
Manager Composition by Ethnicity and Years of Experience	HCM – Diversity	Standard report to provide manager headcount, distribution, compa-ratio, and years in position by tenure ethnicity and configured for custom dashboard
People Manager Proportions	HCM – Diversity	Standard report to provide manager headcount by gender and configured for custom dashboard
Hires by Age Group	HCM – Headcount Movement	Standard report to provide hires count by age group and configured for custom dashboard
Promotion Rate	HCM – Headcount Movement	Standard report to provide promotion rate by quarter and configured for custom dashboard
Voluntary Terminations by Management Level	HCM – Headcount Movement	Standard report to provide voluntary termination counts by management level and configured for custom dashboard
Quarterly Turnover Rates	HCM – Headcount Movement	Standard report to provide voluntary, involuntary, and total turnover rates by quarter and configured for custom dashboard
Quarterly Turnover Rates by Organization	HCM – Headcount Movement	Standard report to provide voluntary, involuntary, and total turnover rates by supervisory organization and configured for custom dashboard
Employee Movement	HCM – Headcount Movement	Standard report to provide hires, transfers, and terminations and configured for custom dashboard
Worker Proportion Trends	HCM – Structured Dynamics	Modified version of the Worker Proportion Trends standard report to provide headcount of managers and employees by month

<u>Report Name / Configuration</u>	<u>Area</u>	<u>Description</u>
Manager Headcount by Management Level	HCM – Structured Dynamics	Modified version of the Manager Headcount by Management Level standard report to provide headcount by management level and month
Span of Control by Job Family Group	HCM – Structured Dynamics	Standard report to provide management ratios by job family and configured for custom dashboard
Span of Control by Range of Direct Reports	HCM – Structured Dynamics	Standard report to provide manager span of control and configured for custom dashboard
Span of Control by Month	HCM – Structured Dynamics	Modified version of the Span of Control by Year standard report to provide manager span of control by month
Span of Control – Manager Outliers	HCM – Structured Dynamics	Standard report to provide direct report counts and configured for custom dashboard
Workforce Analysis Dashboard	Custom Dashboard	Configuration of a single custom dashboard to accommodate the reports listed above
Age Band Definitions	Configuration	Configuration of age bands to provide grouping for worker reports Under and Including Age: Twenty (20) Age Incremented by: Ten (10) Over and Including Age: Sixty (60)
Trended Worker	Configuration	Configuration of Trended Worker settings and data generation

Financial Reporting

<u>Report Name</u>	<u>Area</u>	<u>Description</u>
Data Audit - Funds	Financial Accounting	Listing of the funds in the tenant and the hierarchy structure for those funds.
Data Audit - Cost Centers	Financial Accounting	Listing of the cost centers in the tenant as well as the cost center manager assignments, hierarchy structure and related worktags established for those cost centers.
Data Audit - Programs	Financial Accounting	Listing of the programs in the tenant and the hierarchy structure for those programs.

<u>Report Name</u>	<u>Area</u>	<u>Description</u>
Data Audit - Locations	Financial Accounting	Listing of all locations showing usage, type, hierarchy structure and address information.
Data Audit - Grants	Financial Accounting	Listing of all grants in the tenant as well as the grant manager assignments, hierarchy structure and related worktags established for those grants.
Data Audit - Revenue Categories	Financial Accounting	Listing of all the revenue categories in the tenant as well the hierarchy structure.
Data Audit - Spend Categories	Financial Accounting	Listing of all the spend categories in the tenant as well as their usages and hierarchy structure.
Find Projects	Projects	A custom copy of the Find Projects report that has additional data about the projects.
Find Journal Lines with Worktag Details	Financial Accounting	A copy of the delivered Find Journal Lines report with the worktags broken out into their own columns for easier viewing and reporting.
View Plan Lines	Budget	Report showing all budget lines entered with details about the plan, entry type, status and all worktag detail.
Balance Sheet by Fund	Financial Accounting	Custom balance sheet report displaying ledger account balances by fund.
Income Statement by Fund	Financial Accounting	Custom income statement displaying revenue and spend amounts by fund for the report period, current Year-To-Date ("YTD"), and prior YTD.
Financial Budget vs Actuals by Fund	Budget/Financial Accounting	This report is designed to show the overall financial budgets by fund and is intended to be used by the central Budget staff for an overall picture to determine where they need to pay attention or drill into the details using other reports.
Budget vs Actuals by Cost Center	Budget/Financial Accounting	This report is designed to show the overall budget of a fund by cost centers and is intended to be used primarily by the central Budget staff to look at the top cost center hierarchy and get an overall picture to determine where they need to pay attention or drill into the details using other reports.

<u>Report Name</u>	<u>Area</u>	<u>Description</u>
Budget vs Actuals for Cost Center	Budget/Financial Accounting	<p>This report is designed to show the detailed budget vs actuals for one (1) cost center or a cost center hierarchy.</p> <p>If the user is looking for the details for just one (1) cost center, he/she can choose to repeat the columns by either Fund or Program and can then use the other parameters to limit the view further as appropriate.</p> <p>If the user would like to see the data for a cost center hierarchy, he/she can choose to repeat by Cost Center and can then use the other parameters to limit the view to particular funds, programs or other worktags as appropriate.</p>
Budget vs Actuals for Program	Budget/Financial Accounting	<p>This report is designed to show the detailed budget vs actuals for one (1) program or a program hierarchy.</p> <p>If the user is looking at the details for one (1) program, he/she can choose to repeat the columns by either Fund or Cost Center and can then use the other parameters to limit the view further as appropriate.</p> <p>If the user would like to see the data for a program hierarchy, he/she can choose to repeat by Program and can then use the other parameters to limit the view to particular funds or cost centers as appropriate.</p>
Budget vs Actuals by Project	Projects/Budget/Financial Accounting	<p>This report is designed to show a life to date overview of the budget and actuals for all projects within a hierarchy and is used primarily by users who are managing multiple projects within a project hierarchy or by the central Budget/Finance team to get an overview of all projects. From here, users can determine where they need to pay attention or drill into the details using other reports.</p>
Budget vs Actuals for Project	Projects/Budget/Financial Accounting	<p>This report is designed to show the detailed life to date budget vs actuals for one (1) project at a time.</p>

<u>Report Name</u>	<u>Area</u>	<u>Description</u>
Budget vs Actuals by Award	Grants/Budget/Financial Accounting	This report is designed to show a life to date overview of award budgets and is used primarily by the central Budget and Finance staff to look at the top grant hierarchy and get an overall picture of the award budgets. From here, users can determine where they need to pay attention or drill into the details using other reports.
Budget vs Actuals by Grant	Grants/Budget/Financial Accounting	This report is designed to show the detailed life to date budget vs actuals for one (1) grant.
Find Assets	Assets	Custom copy of the delivered Find Assets report that adds in relevant fields and reorders columns to be more practical.
Time Off Liability with Worktags	Financial Accounting	Custom version of the Time Off Liability report that includes worktag detail for cost center, fund, etc.
Payroll Accounting Details	Financial Accounting	A report that returns payroll General Ledger ("GL") entries by worker with worktag details.
Project Remaining Budget for Rollover	Budget	Report for budget team to use when evaluating project budgets at the end of a fiscal year and determining the amount of budget to be rolled to the next fiscal year.
Trial Balance with Worktags	Financial Accounting	Custom trial balance report used for exporting trial balance data to auditors or other programs.
Cash Balance by Fund	Financial Accounting	A report detailing the Client's reportable cash balance by fund.
Payroll Deductions	Financial Accounting	A report detailing the payroll fility amounts withheld from each payroll.
Depreciation Expense by Function	Assets/Financial Accounting	Depreciation expense detailed by function for annual reporting purposes.
Statement of Net Position	Financial Accounting	Government-wide statement for annual financial report.

<u>Report Name</u>	<u>Area</u>	<u>Description</u>
Statement of Activities	Financial Accounting	Government-wide statement for annual financial report.
Schedule of Expenditures of Federal Awards	Grants/Financial Accounting	Designed to report award expenditures for annual financials.
Up to three (3) formatted fund financial statements for annual report	Financial Accounting	Fund financial statements for annual financial report.

Prism

The following is in Scope for Prism.

- Up to four (4) source system tables
- Medium Workday security complexity
- Medium transformation complexity
- One (1) discovery board
- Up to two (2) low complexity reports
- Up to two (2) medium complexity reports

Appendix C – Sample Change Order Form

Project Change Order

This Change Order form is used for requesting, documenting and approving changes to the Workday deployment or other applicable service offering, including, but not limited to, changes to the project’s Scope, changes for a major configuration element, project timeline/schedule changes, integration specifications changes, addition of resources or any other Deliverable change from the originally planned Workday deployment or applicable service offering.

Summary

Client:	XYZ Client
SOW/Project Name:	Project ID # / Project Name as it exists in Workday
Change Order #:	C01 (adjust as appropriate)
Project Manager (Client):	Project Manager Name, XYZ Client
Project Sponsor (Client):	Project Sponsor Name, Title
Engagement Manager (CSLLC):	Engagement Manager Name, Collaborative Solutions, LLC (“CSLLC”)
Acceptance Due Date:	The date by which the Client will need this approved in order to avoid negative timeline impact.
Change Type:	Type of change. For example: <i>integration change, request for additional functionality, change in SOW estimate based on design sessions, etc. (usually more applicable to Phase One (1) or Phase Two (2) projects.)</i> Select one (1): Term Extension (zero (0) budget add) Term Extension (additional hours added) Change in Scope (additional hours added) Change in Scope (no addition hours added) Other (detail in request description)
Impact Assessed by:	List those assessing the impact. Normally the CSLLC EM, Functional or Integrations Consultant, and possibly someone on the Client side.
Priority:	High, Medium, or Low based on need for the change.
Billing:	Select one (1): Bill under current project Bill separately under current project Bill separately under new project
Contract Line Type:	Describe the billing basis. For example: <i>Time & Materials, Fixed Fee Installment/Milestone, Prepaid, Subscription</i> . For “Bill under current project,” the billing basis of this Change Order MUST match the applicable SOW’s billing basis.

Is new PO# required?	Select one (1): New PO# (insert PO#) PO# to be created after receiving countersigned documents No new PO# needed
-----------------------------	---

Request Description

<<Describe the change and why it is needed. It is important to describe why this was not estimated correctly in the SOW or where the change occurred. For example:
Adding a new integration for Aetna, COBRA, Qualifying Event. Original integration listed on the SOW addressed only Aetna PPO/HMO, did not specify COBRA. Additional forty (40) hours added to cover COBRA QE.>>
 If this CO is for an extension, please include the number of hours and budget remaining on current project.

Business Purpose / Reason for Change

<<Describe the purpose/reason for change and be sure to explain the impact to NOT doing the change. For example:
Client offers COBRA coverage for any employees eligible for a COBRA Qualifying Event; this was not included in the original SOW estimate. If Client does not approve this change Client will not be able to provide COBRA coverage.>>

Impact Assessment

Project Activities Affected:	Describe the additional work that needs to be done. For example: <i>Create one (1) additional integration or three (3) new performance templates need to be configured, etc.</i>			
Deliverables Affected:	Describe Deliverables affected. For example: <i>One (1) additional interface file to be delivered to Aetna will be produced.</i>			
Project Schedule Impact:	Describe schedule impact, if any. For example: <i>Architect & Configure stage will be extended by one (1) week to complete all integrations.</i> Include the original end date and new end date, if extending the Term of the SOW.			
Pricing Matrix	The following is the Pricing Matrix:			
	Role	Rate	Hours	Cost
	Executive			
	Strategy Manager			
	Senior Functional Architect (Consulting Director)			
	Engagement Director (Portfolio Director)			
	Engagement Manager			
	Functional Architect			
	Senior Principal Consultant			
	Principal Consultant			
	Consultant			
	Analyst			

	<i>Total</i>	<<total>>	
--	--------------	-----------	--

Payment Terms – *If the Client is adding hours*

- Time & Materials SOW: This Change Order will be billed monthly on a Time and Materials (“T&M”) Basis based on actual usage at the rates set forth in the SOW and as identified in the Pricing Matrix above.
- Prepay SOW: This Change Order will be invoiced upon execution by both Parties at the rates set forth in the SOW and as identified in the Pricing Matrix above.
- SDE SOW: This Change Order will be invoiced upon execution by both Parties with a fixed fee amount of \$_____

Assumptions

- Describe any new Assumptions different from the SOW. For Example:
- *Client will provide the requirements for the new integration.*
- If not different from the SOW, add “All Assumptions from the SOW dated XX December XXXX apply to this Change Order”, otherwise, if there are new Assumptions different from the SOW, list them here.

Authorization

Client Authorization Signature	Collaborative Solutions, LLC Authorization Signature
Name	Name
Job Title	Job Title
Date	Date

SAMPLE – DO NOT SIGN

Appendix D – Detailed Functionality

Overall assumptions apply to all functions in Scope, unless otherwise stipulated:

- **Business Processes:** One (1) rule-based business process per process with no more than twenty (20) steps per business process. Unused steps within a process will not apply to alternate business processes. Includes up to two (2) consolidated templates for applicable processes. Additional business process Scope is limited to what is detailed in this Appendix.
- **Notifications:** Up to five (5) notifications per business process. Unused notifications within a process will not apply to alternate business processes.
- **Security:** Workday delivered security groups will be used. Inactivated or unused security groups and Implementers will remain on domain security policy definitions to allow for ease of implementing other functionality in the future. Inactivated or unused security groups and implementers will be removed from the business process security policy definitions to match design requirements identified.
- **Custom Objects:** Up to two (2) custom object per functional area in Scope with no more than five (5) custom field(s) per object. If custom lists are required, up to ten (10) items per list. Unused custom object(s) may not be applied to other areas.
- **Tenant Branding:** Workday delivered tenant branding with up to one (1) condition rule and one (1) upload of images. Any changes to images uploaded will be completed by the Client through KT.
- **Dashboards:** Workday delivered dashboards for the functional Scope below will be configured with Workday delivered reports unless custom reports are included in Scope in Appendix B. Includes configuration of up to three (3) announcements(s) per dashboard, where applicable.
- **Translations:** Translations conversion is not in Scope.
- **Scheduled Reports & Alerts:** Scheduled reports, task alerts, and business process alerts are not in Scope. General report-based alerts are defined within the Scope in Appendix B.
- **Setup Values:** Current values, including organizations. No historical loads unless needed to support the data conversion Scope detailed in Appendix E.
- **Documents:** Documents are assumed to be attachments only. Generated documents and/or documents enabled for Adobe Esign or DocuSign are assumed Out-of-Scope. Templates do not include logos or any specialized formatting unless called out as a BIRT layout in the reporting Scope.
- **Workday Docs:** Workday Docs is a document template creation application in Workday to design and create Workday Docs templates to generate documents. Workday Docs and document/letter generation are assumed Out-of-Scope unless identified below. Common use cases for Workday Docs include: HCM, change job letters, probation letters.
- **Request Framework:** Request Framework is assumed out-of-Scope unless identified below.
- **Questionnaires:** Questionnaires are assumed out-of-Scope unless identified below. Common use cases for questionnaires include: HCM, probation review questionnaire, custom exit interview questionnaire.

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
HCM: Core	Organization hierarchy structure per organization type (supervisory, company, cost center, custom, and location hierarchy) (not including organization studio)	Y	Up to two (2)

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Physical location(s) where workers perform job functions (not including workspaces)	Y	
	Matrix organization tracking	N	
	Job catalog with position-related attributes such as management hierarchy (not including skills and experience)	Y	
	Staffing model used to manage headcount	Y	One (1)
	Worker profile for detailed worker information tracking (not including purging)	Y	
	Worker document(s)	Y	Up to fifteen (15) (up to five (5) document security segments with associated segment-based security groups)
	Regulatory reporting: Workday delivered compliance reports	Y	
	Employee contract(s)	N	
	Probation period tracking	Y	Up to four (4) probation period defaulting rule(s)
	Notice period tracking	Y	
	Contingent worker tracking	Y	
	Retiree functionality	Y	
	Union(s)	Y	Up to seven (7)
	Collective bargaining agreement(s)	Y	Up to seven (7)
	Additional (multiple) jobs	Y	
	Onboarding	Y	
	<ul style="list-style-type: none"> Onboarding setup template(s) 		Up to three (3)
	<ul style="list-style-type: none"> Additional worker documents 		Up to twenty (20)
	<ul style="list-style-type: none"> Bulletin worklets 		Up to three (3)
	Form I-9 tracking	Y	
	Basic HCM asset tracking	N	
	Reference letter template(s)	N	
	Safety incident tracking	N	

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Committees tracking (not including meeting agendas, voting and external committee membership tracking)	N	
	Workday Today	Y	
	Custom security groups	Y	Up to three (3) (one (1) intersection security group)
	Custom questionnaire(s)	Y	Up to two (2)
	Modifiable business processes	Y	<ol style="list-style-type: none"> 1. Hire employees 2. Contract contingent worker 3. Onboarding 4. Onboarding setup 5. Change job 6. End contingent worker contract 7. Create position 8. Terminate employee 9. Request compensation change 10. Up to three (3) additional configurable business processes
Compensation: Core	Compensation packages	Y	One (1)
	Compensation grades tied to job profiles	Y	Up to twenty-five (25) compensation grades and grade profiles combined
	Compensation grade steps	Y	Up to seventy (70) (up to five (5) progression rule(s) total)
	Compensation plans (not including calculated plans, reimbursable allowance plan functionality, Deferred compensation or compensation: processing functionality unless otherwise called out in Scope)	Y	Up to fifteen (15) compensation plans total
	Severance packages	N	
	Custom total rewards template(s)	N	
	Wage theft prevention template(s) (New York, California, Washington D.C., and Minnesota only)	N	
	Compensation survey management survey(s)	N	
	Custom security groups	Y	One (1) (can be an intersection security group)

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
Benefits	Benefit plans	Y	Up to forty-eight (48) (up to one (1) benefit rate type each)
	Benefit credit(s) and/or surcharge(s)	N	
	Benefit group(s)	Y	Up to thirteen (13)
	Benefit job(s)	Y	
	Dependents and beneficiaries tracking	Y	
	Benefit enrollment event(s) (including passive events)	Y	Up to sixteen (16) benefit events (plus conversion events)
	Open enrollment enablement for upcoming cycle, referencing existing or in Scope plans	Y	
	Enrollment event rule(s)	Y	One (1)
	Evidence of Insurability (EOI) management (not including automation from third-party vendor)	Y	
	Workday delivered COBRA eligibility processing to third-party administrator	Y	
	ACA measurement period tracking	Y	
	1094/1095-C reporting	Y	
	Medicare tracking	Y	
	Dependent verification functionality through use of custom ID(s)	N	
	Custom security groups	Y	One (1) (with one (1) intersection security group)
Modifiable business processes	Y	<ol style="list-style-type: none"> 1. Change benefits for life events review process 2. Dependent event 3. Change benefits 4. Passive event 5. Up to one (1) additional configurable business processes 	
Talent & Performance Management	Worker profile and skills <i>(not including qualification equivalence rules)</i>	Y	
	Workday skills cloud	Y	
	Talent marketplace	N	

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Competencies: <ul style="list-style-type: none"> Proficiency scales Rating scale(s) for competencies 	Y Y Y	Up to ten (10) One (1) One (1)
	Career development tracking	Y	
	Mentoring relationships tracking	N	
	Check-ins	N	
	Talent review template(s)	Y	Up to two (2)
	Nine-Box (9-Box) talent calibration program(s)	N	
	Succession planning for positions & pools	Y	
	Potential, readiness, retention, and loss impact tracking	Y	
	Custom talent card layout(s)	Y	Up to two (2)
	Feedback enablement template(s)	N	
	Organization and personal goals management	Y	Up to one (1) rating scale and one (1) completion scale
	Performance review template(s)	Y	Up to three (3) (up to one (1) rating scale)
	Performance review calibration (ratings normalization) program(s)	N	
	Development plan template(s)	N	
	Performance improvement plan template(s)	Y	One (1)
	Disciplinary action template(s)	Y	One (1)
	Custom security groups	Y	One (1) (can be an intersection security group)

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Modifiable business processes	Y	<ol style="list-style-type: none"> 1. Manage education 2. Start performance review 3. Complete manager evaluation for performance review 4. Give feedback 5. Manage goals 6. Manage job history 7. Complete self-evaluation for performance review 8. Import professional profile 9. Set review content for performance review 10. Manage competencies 11. Manage succession plan 12. Up to two (2) additional configurable business processes
Recruiting	Job requisitions	Y	
	Evergreen (pipeline) job requisitions	Y	
	Confidential job requisitions	N	
	Internal career site(s)	Y	One (1)
	External career site(s)	Y	One (1)
	Job posting template(s)	Y	Up to two (2)
	Referral program(s) (leveraging in Scope one-time payment plan(s))	N	
	Application questionnaires	Y	Up to four (4) internal and up to two (2) external questionnaires with up to twenty-five (25) questions total
	Background check package(s)	Y	Up to five (5)
	Non-integrated assessment test(s)	N	Up to five (5)
	Candidate self-scheduling enablement <i>(not including calendar set-up)</i>	N	
	Outlook Office 365 or Google Calendar scheduling integration	N	
	Masked candidate screening	Y	Up to two (2) segment(s) and associated segmented security group(s)
Offer letter template(s)	Y	One (1) (up to four (4) conditional text blocks per letter)	

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Employment agreement template(s)	N	
	Recruiting agencies	N	
	Additional custom notifications	Y	Up to five (5)
	Additional (non-application) questionnaires	Y	Up to two (2)
	Candidate document templates	Y	Up to two (2)
	Messaging	Y	
	Custom security groups	Y	Up to three (3) (up to one (1) intersection security group)
	Modifiable business processes	Y	<ol style="list-style-type: none"> 1. Job application (one (1) dynamic workflow) – maximum of one (1) label override per stage 2. Job requisition 3. Offer 4. One (1) additional configurable business processes
Learning Management	Extended enterprise enablement	N	
	Standalone lesson enablement	Y	
	Course enablement	Y	Up to four (4) total equivalency rules, up to two (2) total expiration rules, up to two (2) content highlight rules
	Course/program costing/pricing	N	
	Media interaction(s)	Y	Up to two (2)
	Course offering enablement	Y	
	Programs enablement	Y	
	Campaigns enablement	Y	Up to two (2) audiences with up to four (4) condition rules each
	Workday content cloud configuration	Y	
	Learning security segment(s) with associated segment-based security group(s)	Y	Up to three (3)
	Custom security groups	Y	Up to three (3) (up to one (1) intersection security group)

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Modifiable business processes	Y	1. Enroll In content 2. Drop learning enrollment 3. Manage course 4. Up to one (1) additional configurable business processes
Absence Management	Absence countries	Y	One (1)
	Accruals	Y	Up to six (6)
	Time offs	Y	Up to eighteen (18)
	Purchase or sale of time off (paid time off, annual leave, vacation)	Y	
	Holiday calendars	Y	Up to two (2)
	Leave types with an entitlement	Y	Up to five (5)
	Leave of absence validations	Y	Up to five (5)
	Leave types without an entitlement	Y	Up to ten (10)
	Self-administration of leave of absence	Y	
	Work schedule calendars with eligibility rules	Y	One (1)
	Work schedule calendars without eligibility rules	Y	Up to ten (10)
	Leave segment security groups	Y	Up to three (3)
Modifiable business processes	Y	Request time off Correct time off Request leave of absence Request return from leave of absence <ul style="list-style-type: none"> • Up to four (4) total process steps • Up to four (4) notifications Absence calendar No steps or notifications	
Time Tracking	Time tracking countries	Y	One (1)
	Time entry codes	Y	Up to ten (10)
	Time calculations	Y	Up to ten (10)
	Time entry validations	Y	Up to five (5)
	Time tracking templates	Y	Up to six (6)

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Configurable alerts, including reports required to build necessary alerts	Y	Up to three (3)
	Time tracking aligned period schedules	Y	Up to two (2)
	Custom security groups	Y	Up to two (2) intersection security groups to support employee and manager self-service
	Modifiable business processes	Y	Enter time a. Up to four (4) total process steps b. Up to four (4) notifications Reported time batch event a. Up to one (1) total process step Up to two (2) notifications
Payroll	Pay groups	Y	Up to two (2)
	Earning codes	Y	Up to seventy-five (75) pay components
	Deduction codes	Y	Up to fifty (50) pay components
	Federal Identification Numbers (FEIN)	Y	Up to two (2)
	States/provinces	Y	Up to one (1)
	Local tax authorities	Y	Will configure all necessary locals to comply with state requirements
	Pay frequencies	Y	Up to two (2)
	Payroll period schedules	Y	Up to two (2)
	Configure payroll calculation rules	Y	
	Configure Workday on-cycle and on-demand paycheck template	Y	Up to one (1) each
	Configure payment elections	Y	Up to one (1) payment election rule
	Garnishments	Y	
	Bank depository and source bank accounts	Y	Up to two (2)
	Configure pay slips	Y	Up to one (1)
	Establish payroll accounting to generate and review payroll accounting data	Y	
Establish comparison rules and audit components	Y		

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Settlement rules	Y	
	Third-party payroll provider provides tax, garnishment, check, and deposit advices	Y	
	Configure retroactive payroll processing	Y	
	Configure FLSA calculations – using delivered Workday functionality	Y	Standard forty (40) hour/week FLSA processing in Scope
	Custom security groups	Y	One (1) (can be an intersection security group)
	Modifiable business processes	Y	Up to five (5) configurable business processes
	Custom payroll calculations (value compare, instance set, conditional, etc.) as needed to support CSLLC best practice configuration	Y	
	Payroll standard dashboards: <ul style="list-style-type: none"> • Year end • Payroll compliance • Payroll command center 	Y	
	Worker costing allocations	Y	Single dimension
Core Financial Management, Accounting and Finance	One (1) currency (USD)	Y	
	<ul style="list-style-type: none"> • Companies (legal entities) • Cost centers • Custom organizations 	Y Y Y	Up to five (5) companies organized in up to three (3) company hierarchies Cost centers organized in up to two (2) independent hierarchy structures with up to four (4) hierarchy levels each Up to one (1) custom organization if needed with a hierarchy structure
	Locations	Y	Up to two hundred (200) business asset and ship-to locations and up to three hundred (300) inventory locations organized in a hierarchy structure with up to four (4) levels of hierarchy
	Custom security groups	Y	Up to two (2)
Financial Accounting	FDM design and utilizing Workday worktags for analytics	Y	
	Account sets (parent-child relationship)	Y	One (1) parent-child account set configuration

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Ledger account summaries	Y	One (1) ledger account summary structure with up to five (5) levels
	Configure standard/delivered account posting rules <ul style="list-style-type: none"> Including spend and revenue categories and account posting rules for operational transactions 	Y	One (1) posting rule set
	Categories	Y	Revenue categories with one (1) hierarchy structure containing up to four (4) levels Spend categories with one (1) hierarchy structure containing up to four (4) levels
	Custom worktags	Y	One (1)
	Custom reports to support financial reporting for Generally Accepted Accounting Principles (GAAP) and regulatory reporting requirements, Workday financial statements for external reporting, and internal management reports	Y	See table in Appendix B for a list of reports
	Allocations	Y	Up to ten (10)
	Fiscal schedule (fiscal year)	Y	
	Fiscal summary schedule(s)	Y	
	Custom validation(s)	Y	Up to one hundred (100) custom validations
Banking and Settlement	Financial institutions	Y	Up to two (2) financial institutions
	Configure check printing modifications and electronic bank integrations (type of electronic payments, wire payments and positive pay, unique by company)	Y	Check printing configured for one (1) financial institution
	Cash position	N	
	Bank reconciliation automation and integrations	Y	All operational bank accounts at one (1) financial institution
	Supplier settlement via check or electronic payments	Y	Electronic payment automation and integrations configured for one (1) financial institution
Budgets	Structures (financial, award, project)	Y	Parent-child structure set up for the financial plan
	Position budget structure	N	

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Ledgers for encumbrances	Y	
	Budget checking for operational, grants, and project budgets	Y	
	Payroll commitment accounting	N	
Supplier Accounts	Suppliers including payment terms, attributes for payments and 1099 reporting	Y	
	Active header level purchasing contracts	Y	
	Supplier categories and groups	Y	
	Check or electronic payments for supplier settlement(s)	Y	
	Tax books, excluding actuals	N	
	Custom security groups	N	
Business Assets	Depreciation profiles	Y	
	Asset books	Y	
Procurement	Punchouts	Y	One (1) supplier
	Purchase order layout	Y	Workday delivered purchase order layout
	Receiving and matching	Y	
	Supplier portal functionality	Y	
	Request for Quotation ("RFQ") processes	Y	
Expenses	Worker expense preferences	Y	
	Expense policy security groups	Y	Up to five (5) expense policy security groups
	Expense items	Y	Configuration of up to one hundred (100) expense items
	Expense item groups	Y	
	Business purposes	Y	
	Expense payment election rules	Y	
	Custom security groups	N	
Customer Accounts	Customer attributes for billing and collection through aging reports and collection disputes	Y	
	Invoice layout(s)	Y	Up to one (1) custom customer Invoice layout

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Statement layout(s)	Y	Up to one (1)
	Custom security groups	N	
Project and Work Management	Projects of medium complexity including:	Y	
	<ul style="list-style-type: none"> • Project phases • Project tasks • Project worker roles/talent pools • Project groups • Basic projects 	Y Y Y Y Y	
	Delivered Workday capital project functionality	Y	
	Delivered Workday billable project functionality	N	
	Project hierarchies	Y	One (1) primary and one (1) optional project hierarchy structure with up to four (4) levels in each
	Project templates (project, project plan, or a combination thereof)	Y	
	Custom security groups	N	
Grants Management	Grants: hierarchies, security, business processes, and Award Cost Processing (ACP)	Y	Up to five hundred (500) active grants organized into one (1) hierarchy structure with up to four (4) levels
	Awards	Y	
	Sponsors	Y	
	Award proposals	Y	
	Custom security groups	N	
People Experience	Workday assistant	Y	
	Natural workspaces	Y	
	Case management case type(s)	Y	Up to ten (10) (one (1) eligibility rule each)
	Case management service categories	Y	Up to five (5)
	Case management service team(s)	Y	Up to ten (10) (one (1) service level agreement and one (1) routing rule each)
	Knowledge base audience(s)	Y	One (1) knowledge base category each
	Journey builder(s)	Y	Up to three (3)
	Journey custom card(s)	Y	One (1)

Function	Functionality Scope	In Scope (Y/N)	Quantity to Configure
	Custom security group(s)	N	
Mobile Solutions	Configure mobile-specific tenant settings	Y	
	Security to allow mobile access	Y	
	Access for iPhone, iPad, and Android	Y	
Employee Self-Service	Employee self-service for all Workday functionality specified above	Y	
Manager Self-Service	Manager self-service for all Workday functionality specified above	Y	

Adaptive Planning		
Function	Functionality Scope	In Scope (Y/N)
General:	Ability to create annual plan	Y
	Ability to reforecast monthly	
	One (1) chart of accounts structure across organization	
	One (1) fiscal calendar across organization	
	One (1) currency for planning	
Planning Models:	Revenue Planning: <ul style="list-style-type: none"> Driver-based revenue model to support multiple revenue streams Up to five (5) supporting schedules to build bottom-up revenue plan which will allow for direct data entry at revenue account and funding source Total calculations not to exceed twenty (20) 	Y
	Cost of Labor: <ul style="list-style-type: none"> Up to five (5) employee types planned down to the individual employee/position Salary and hourly assumptions, as well as merit increases Ability to forecast salary increase based on step and grade Merit increases to be evaluated against maximum pay scale for the grade Allocations based on the funds and organization (company and/or department) Fringe benefits and tax rates Calculate total cost burden by employee/position Total calculations not to exceed twenty (20) 	Y
	Expense Planning: <ul style="list-style-type: none"> Up to one (1) expense model to capture non-personnel related expenses 	Y

Adaptive Planning		
	<ul style="list-style-type: none"> Up to five (5) supporting schedules to build bottom-up expense plan Total calculations not to exceed twenty (20) 	
	Capital Planning: <ul style="list-style-type: none"> Capital sheet will allow to plan for long term capital improvement projects by funding source 	Y
	Fixed Assets: <ul style="list-style-type: none"> Capital sheet will allow managers to plan for new assets and straight-line depreciation will be calculated based on in service date and useful life Forecasted depreciation expense for existing assets will be imported from Workday 	Y
	Allocations: <ul style="list-style-type: none"> Up to five (5) single step departmental allocations utilizing Workday Adaptive Planning's native allocation engine 	Y
Reporting:	Maximum of five (5) Adaptive Hypertext Markup Language (HTML) reports	Y
	End-to-End process KT sessions will be conducted during the Deploy stage to train the trainer along with Client specific process documentation	
	Provide template for testing scenarios and training material	
Knowledge Transfer/Training	Adaptive Insight's implementation methodology involves KT and testing during and after every model	Y
	End-to-End process KT sessions will be conducted during the Deploy stage to train the trainer along with Client specific process documentation	
	Provide template for testing scenarios and training material	
Out-of-Scope:	Balance sheet and cash flow forecasting	N
	Third-party integrations	N

Appendix E – Data Conversion

In Scope person population(s) which are active at time of the Go-Live conversion extract will be included in the conversion process. Clients’ workers who were terminated in the current year based on the final extract date will be included in the data conversion to Workday to support rehires and reporting.

Finance-related History Conversion Assumptions:

- Suppliers active in the two (2) years prior to Go-Live
- Customers active in the two (2) years prior to Go-Live

Function	Scope
HCM	
Active Employees	<ul style="list-style-type: none"> • Up to one thousand (1,000) active Full-Service Equivalent (FSE) employees or contingent workers including current associated personal data and current job record • Current data records and job details for all active employees using their current data record • Compensation – current compensation information only • Job and compensation history - unlimited "History from Previous System" • Attachment of third-party documents is out-of-Scope • No transactional history
Terminated Employees	<ul style="list-style-type: none"> • Terminated workers who received payment in 2024 (using worker object) • Terminated workers will be converted to a Workday organization specified for terminated workers rather than the historical organization structure. • Only a terminated worker’s data at time of termination (i.e., last data record) • Up to five hundred (500) retirees within one (1) benefit group • No history loaded
Benefits	<ul style="list-style-type: none"> • Current benefit elections • Medical history for current year for ACA reporting • ACA worker hours and wages • Dependents and beneficiaries • Benefit annual rates • Worker wellness and tobacco usage
Absence Management	<ul style="list-style-type: none"> • Time off balance conversion included • Active leaves for the previous twelve (12) months (balance as of Go-Live date, not daily balance conversion) • Time off event conversions excluded
Time Tracking	<ul style="list-style-type: none"> • Excluded from the Scope for Go-Live
Recruiting	<ul style="list-style-type: none"> • Up to one hundred (100) open job requisitions and corresponding open positions • Prospect conversion excluded • Open positions not associated with job requisitions excluded • Active candidate data conversion excluded

Function	Scope
Performance & Development	<ul style="list-style-type: none"> No transactional history No prior performance reviews One (1) year of overall rating history for performance review if advanced compensation is in Scope. Note that this includes simplified templates with only the rating value (not entire performance review) No goal history
Succession Planning	<ul style="list-style-type: none"> Excluded from Scope
Payroll	<ul style="list-style-type: none"> Current YTD wages and payroll tax data, including taxable wages and subject wages for federal, state, and local taxes reconciled to tax returns to be loaded by quarter, up to two (2) total history conversion loads Withholding orders are excluded (active orders to be manually entered by Client) Tax elections Worker payment elections Single dimension costing allocation Ongoing payroll input will be loaded by Client via EIB/integration
Learning	<ul style="list-style-type: none"> Up to forty (40) instructor assignments Up to twenty (20) standalone lessons Courses: Up to fifty (50) active digital and/or blended courses with up to five (5) lessons each Course offerings: Up to twenty (20) with up to five (5) components each (referencing existing or in Scope blended courses) Programs: Up to five (5) programs with up to five (5) components each (referencing existing or in Scope lessons or courses) Campaigns: Up to five (5) campaigns with up to five (5) components each (referencing existing or in Scope lessons, courses, or programs) and up to two (2) reminders each Historical records: excluded Historical courses: excluded External instructors and learners: excluded
Financial Management	
Financial Accounting	<ul style="list-style-type: none"> Single summarized journal for each company per period with a maximum of one (1) year plus current YTD - prior year ending balance Company base currency only Transactional/detailed journals are out-of-Scope and will not be included
Banking & Settlements	<ul style="list-style-type: none"> Beginning balance Unreconciled open items
Budgets	<ul style="list-style-type: none"> One (1) prior year and current year budget data
Customer Accounts	<ul style="list-style-type: none"> Customers with activity within two (2) years prior to Go-Live Open account receivables items
Customer Contracts	<ul style="list-style-type: none"> The remaining balance of two hundred fifty (250) active customer contracts and open fixed fee customer contract line types

Function	Scope
Supplier Accounts	<ul style="list-style-type: none"> • Up to ten thousand (10,000) suppliers active in the past two (2) years • Supplier invoice history in current calendar year for 1099 reporting • Open supplier invoices are out-of-Scope
Procurement	<ul style="list-style-type: none"> • Open approved purchase orders at time of Go-Live • Open supplier contracts at time of Go-Live • Receipts for open approved purchases orders at time of Go-Live • Open requisition conversion is out-of-Scope • Open RFQs are out-of-Scope
Business Assets	<ul style="list-style-type: none"> • Up to two thousand (2,000) active capitalized assets, reconciled to balance sheet (non-Work in Progress (WIP) related assets only) • Up to two thousand (2,000) tracked expensed assets (no cost)
Expenses	<ul style="list-style-type: none"> • Worker payment elections for expense payments
Projects	<ul style="list-style-type: none"> • Up to five hundred (500) projects active at the time of or one (1) year prior to Go-Live with attributes
Adaptive Planning (Workday Data Management)	<ul style="list-style-type: none"> • Import GL trial balance from Workday (up to one (1) year historical) • Import metadata from Workday (up to ten (10) dimensions) • Import personnel roster from Workday for existing and open positions • Configure user-sync with Workday



STAFF REPORT

May 10, 2023

File Number 0600-10; A-3452-a; A-43452-b; and 0470-65

SUBJECT

TERMINATING THE GROUND LEASE BETWEEN THE CITY OF ESCONDIDO AND TRANSFORMCO; ENTERING INTO A GROUND LEASE BETWEEN THE CITY OF ESCONDIDO AND COSTCO WHOLESALE CORPORATION; AND DECLARATION OF EXEMPT SURPLUS PROPERTY

DEPARTMENT

City Manager's Office

RECOMMENDATION

Request the City Council adopt Resolution No. 2023-47 authorizing the Mayor and other Authorized Officers to execute two documents:

1. An agreement terminating the existing Ground Lease between the City of Escondido and Transform Operating Stores ("Transformco") for the former Sears site at 210 East Via Rancho Parkway (herein referred to as the "Sears Site") at the North County Mall Property in Escondido; and
2. A Ground Lease between the City of Escondido and Costco Wholesale Corporation ("Costco") for the same site.

Request that the City Council further declare the subject property as Exempt Surplus Property pursuant to Government Code section 54221(f)(1)(G).

Staff Recommendation: Approval (City Manager's Office: Christopher W. McKinney, , Deputy City Manager / Director of Utilities)

Presenter: Christopher W. McKinney, Deputy City Manager / Director of Utilities

PREVIOUS ACTION

On June 27, 2022, the City Council adopted Resolution No. 2022-94 to:

1. Authorize extension of the (then) Westfield / North County Shopping Center Ground Lease for a period of twenty-four years from the current expiration date of June 30, 2053 to June 20, 2077;
2. Authorize a new Ground Lease with a term of twenty years, with seven five-year options, between the City and Costco, and
3. Declare the leasehold interests as Exempt Surplus Land pursuant to Government Code section 54221(f)(1)(G).

FISCAL ANALYSIS

The proposed transfer of the Transformco Ground Lease at the Sears Site was contemplated when the City Council approved the Ground Lease extension and the new Costco Ground Lease at the Sears Site in



CITY of ESCONDIDO

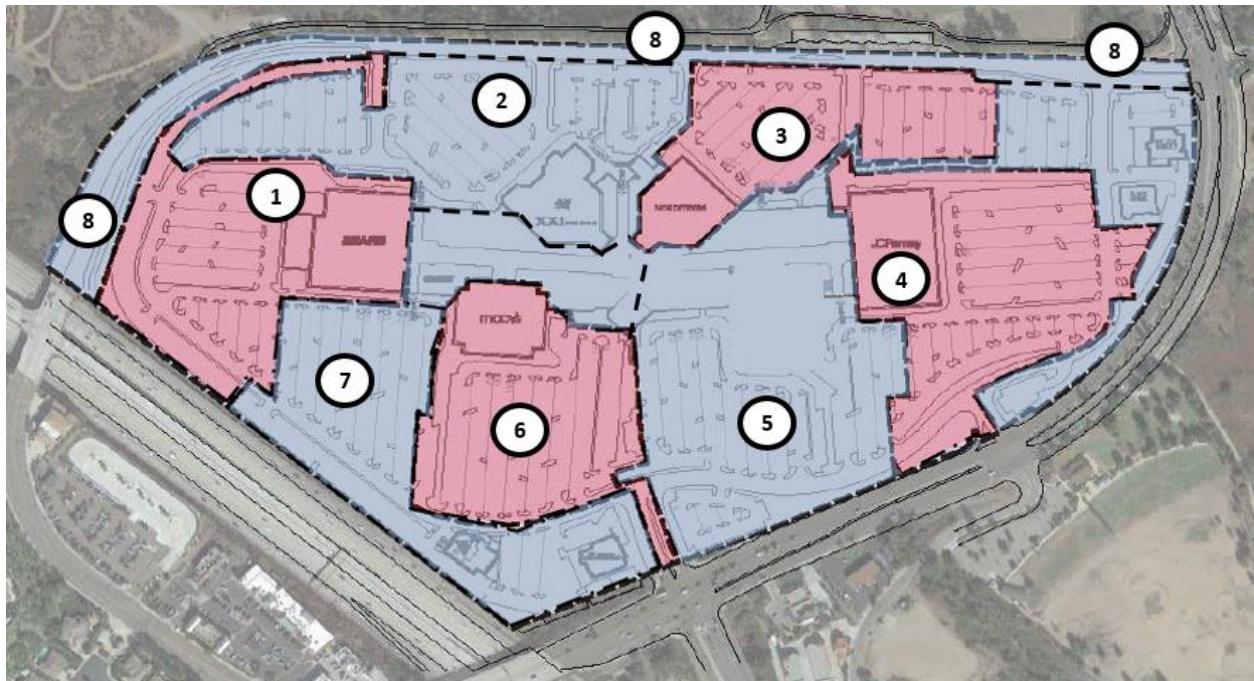
STAFF REPORT

June 2022. The anticipated fiscal benefits and lessee commitments to the City have not changed since that time. If the entitlements to the project are approved, the specific commitments by Costco include approximately \$35,000,000 in capital investments at the Sears Site. Fixed rent payments are required by the lease terms, and if the project entitlements are approved, projected annual sales tax revenue for the City in the first year of stabilized operation by Costco is anticipated to be approximately \$1,500,000. The business is projected to produce 314 total jobs.

BACKGROUND

Costco desires to construct and operate a wholesale warehouse store at the Sears Site at 210 East Via Rancho Parkway, as described to the City Council at its meeting on June 27, 2022. The Sears Site is presently leased from the City by Transformco, who assumed the Ground Lease from Sears when the store closed in 2019.

Currently, the City has multiple ground leases related to the North County Mall Property. The map below shows approximate parcel boundaries at the mall property. For reference, these parcels have been numbered 1 through 8. The Ground Leases under consideration here, both the one to be terminated and the proposed new lease, cover Parcel 1. The City owns all parcels with the exception of Parcel 6.



North County Shopping Mall Parcel Map

Parcel numbers correspond to those used in this report. Red parcels denote ground leases with anchor stores. Blue parcels denote ground leases with Westfield. Parcel boundaries are approximate.



CITY of ESCONDIDO

STAFF REPORT

The City's Ground Lease for Parcel 1 with Transformco, as successor-in-interest to Sears, Roebuck and Co. ("Sears") was executed in 1986. This lease was amended and renewed by an Assignment and Assumption of Lease dated May 13, 2019, between Transformco and Sears.

The City was advised that Transformco agreed in 2022 to enter into an Assignment and Assumption Agreement with Costco for Transformco's interests in the Sears Site. The City was not a direct party to those negotiations. As a result, staff recommended, and the City Council adopted, Resolution No. 2022-94 to, in part, amend the existing ground lease to substitute Costco for references to Sears, Roebuck & Co and/or Transformco and update certain other provisions relative to Costco's obligations under a lease with the City.

Costco and Transformco thereafter entered into prolonged negotiations as to the terms of an Assignment and Assumption Agreement and the City is now advised that those negotiations have been finalized. The result of those negotiations is a somewhat different transactional model than the agreements envisioned in 2022 whereby now, the Transformco ground lease with the City will be terminated and the City will enter into a new ground lease with Costco. However, while the transaction documents are slightly different, the terms of the Costco lease remain the same as previously approved by the City Council with slight exceptions noted below.

The proposed Costco Ground Lease has the same term of 20 years, with Costco having 7 successive options to extend the term for additional periods of five years each, bringing the total term to a period not to exceed 55 years. Although the Mayor was authorized in June 2022 to execute a First Amended Ground Lease with Costco, the lease approved at that time was never executed because (1) the negotiations between Transformco and Costco were not finalized; and (2) the Construction, Operation and Reciprocal Easement Agreement ("REA") among the City and leaseholders at the North County Mall Property had not yet been negotiated. Negotiations to amend the REA are nearing completion and will come before the City Council for consideration.

The new Costco Ground Lease under consideration here is substantially similar to the agreement approved by the City Council in June 2022. The proposed agreement has been changed to clarify that all references to the REA will include the planned Second Amendment to the REA when it is complete. Language was also added to clarify that Rights of First Refusal granted in the original lease agreement are subject to the California Surplus Land Act (Government Code sections 54220-54234) and future amendments of that Act.

There are several other important terms in the proposed Costco Lease. The minimum base rent is \$100,000 annually beginning in the first year of operation. No rent will be charged by the City for a period of up to 36 months from Costco's obtaining the necessary development entitlements to account for the predevelopment and construction period. Additionally, Costco (or its sub-tenants) will be responsible for environmental remediation related to the proposed gas station, as required, when the use of the space is changed or on expiration of the lease. The City will be entitled to 1.25% of the gross proceeds from the sale of Costco's interest in the property, as long as that sale is at least half of Costco's interest.



CITY of ESCONDIDO

STAFF REPORT

Transformco is current on its lease payments to the City and the property is in good condition, so there are no barriers to terminating the Transformco lease to make way for the new Costco lease.

Importantly, the actions proposed and recommended herein have no effect on, and provides no right to, the City’s Planning Commission’s or the City Council’s decisions in their future review of any entitlements package, including permits, authorizations and approvals, environmental review, or other discretionary actions to consider the construction of any improvements at the Sears Site or in the North County Mall Property. Resolution No. 2023-47 includes specific language and findings related to the City’s obligation as a governing body reviewing entitlements, including environmental review, to not pre-approve any such applications and the City reserves the right, is legally obligated to, and will in fact undertake an independent, vigorous and fully lawful examination of any development project for this location.

As the case in June 2022, staff analysis has also found that all parcels of the North County Mall Property, including are the Sears Site on Parcel 1, are Exempt Surplus Land pursuant to Government Code section 54221(f)(1)(G). Proposition A, passed by Escondido voters on June 5, 1979, restricts use of the North County Mall Property for “the planned development of a retail center,” thus prohibiting its use for housing. Here, the proposed Costco lease is consistent with the underlying land use restriction for this property.

Staff recommends adoption of Resolution 2023-47 authorizing the Mayor and such other Authorized Offices, subject to final negotiation and approval as to form by the City Attorney, the following documents:

- A. Exhibit “A” – Termination of Lease
- B. Exhibit “B” - Ground Lease by and between the City of Escondido, Lessor, and Costco Wholesale Corporation, Lessee

Staff further recommends that the City Council, based on the record before it, declare the Sears Site as Exempt Surplus Property pursuant to Government Code section 54221(f)(1)(G).

RESOLUTIONS

- A. Resolution 2023-47
- B. Resolution No. 2023-47 Exhibit “A” Termination of Lease
- C. Resolution No. 2023-47 Exhibit “B” Ground Lease by and between the City of Escondido, Lessor, and Costco Wholesale Corporation, Lessee

RESOLUTION NO. 2023-47

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE MAYOR AND AUTHORIZED OFFICERS TO EXECUTE, ON BEHALF OF THE CITY, A TERMINATION OF THE GROUND LEASE BETWEEN THE CITY AND TRANSFORM OPERATING STORES LLC AND TO EXECUTE, ON BEHALF OF THE CITY, A GROUND LEASE BETWEEN THE CITY AND COSTCO WHOLESALE CORPORATION, AND DECLARING THE SUBJECT PROPERTY AS EXEMPT SURPLUS PROPERTY

WHEREAS, this Resolution is being adopted for the purpose of authorizing the Mayor, the City Manager, a Deputy City Manager and/or the Real Property Manager and others as permitted by law (“Authorized Officers”) to execute such documents as may be required to terminate a ground lease between the City of Escondido (“City”) and Transform Operating Stores LLC (“Transformco”), a Delaware limited liability company, at the former Sears site at 210 East Via Rancho Parkway; and

WHEREAS, this Resolution is being adopted for the purpose of authorizing the Authorized Officers and each of them, on behalf of the City, to execute such documents as may be required to enter into a new lease at the same location with Costco Wholesale Corporation, a Washington corporation (“Costco”); and

WHEREAS, the City Council has considered the proposal, the staff report, attachments and exhibits to the Staff Report and any public comment; and

WHEREAS, there currently exists a ground lease between the City and Transformco as successor-in-interest to Sears, Roebuck and Co. (“Sears”) dated November 26, 1986, by and between City and Sears, and as amended and renewed thereafter and as affected by that certain Assignment and Assumption of Lease dated May 13, 2019 between Transformco and Sears (“Transformco Lease”); and

WHEREAS, Transformco has agreed to enter into a Termination of Lease Agreement (“Termination Agreement”) with the City whereby Transformco agrees to terminate the Transformco Lease and surrender the premises to the City and City agrees to accept and recover possession of the premises thereby terminating all obligations between them; and

WHEREAS, City has negotiated the terms of a Ground Lease with Costco (“Costco Lease”) for the use of the former Sears site at 210 East Via Rancho Parkway for a period of twenty (20) years and thereafter, Costco shall have seven (7) successive options to extend the term of that Costco Lease for additional periods of five years each, and cumulatively not more than fifty-five (55) years; and

WHEREAS, the City Council hereby finds and determines that the Costco Lease authorized by this Resolution is justified for the purpose of attracting the necessary capital investments required to achieve the public’s best interests and promote a successful regional asset, as it also did via Resolution No. 2022-94 on June 27, 2022; and

WHEREAS, the City Council hereby further finds and determines that the Costco Lease for the terms specified will provide certainty to the tenant, thus enabling and encouraging additional investment in the North County Mall Property which will produce increased sales tax revenues for the City, which funds can be used for the benefit of the residents of the City; and

WHEREAS, the City Council hereby further finds and determines that the specific legislative action related to leases of City property taken by this Resolution involves only the approval of a ground lease with a new entity, Costco, for a period of not more than fifty-five (55) years and, as a result, no further notices, hearings or competitive bidding are required under State law or the Escondido Municipal Code; and

WHEREAS, the lease provided for herein require the lessee to make application for all required permits, approvals, and authorizations (“Project Approvals”) from various government and permitting agencies including without limitation, environmental approvals pursuant to applicable law, and no action taken herein shall be deemed to constitute, and does not in fact constitute, any approval, agreement, obligation, permission, promise, warranty or representation that any such Project Approvals will be forthcoming by the City Council or City’s Planning Commission and, the City Council and City’s Planning Commission shall have the sole, complete, absolute and unqualified right to approve, reject in whole or in part, or modify any Project Approvals applications before the reviewing bodies as required by applicable law, and will in fact provide such independent review, and lessee further agrees that no Project Approvals are deemed to be issued or obtained, and no rights to the leases herein shall be enjoyed, until the period of time for any interested party to contest or appeal any such issuance has passed after the issuance of a final and nonappealable order, decision or judgment confirming the issuance of relevant and required Project Approvals; and

WHEREAS, the City Council hereby further finds and determines that the subject property of the Costco Lease is Exempt Surplus Land pursuant to Government Code section 54221(f)(1)(G) and Proposition A passed by the voters on June 5, 1979, approving and requiring this entire North County Mall Property, of which the Costco leasehold is a part, to be used for “the planned development of a retail center” and thereby constituting a valid legal restriction not imposed by the City making housing prohibited.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California as follows:

1. That the above recitations are true.

2. That the Mayor and all Authorized Officers are hereby authorized to execute, subject to final negotiation and approval as to form by the City Attorney, certain documents and others as may be required to implement the intent of this City Council action, including the forms of which are attached to this Resolution as Exhibits "A" and "B", and as identified as follows:

Exhibit "A" – Transformco Termination Agreement

Exhibit "B" – A Ground Lease between the City of Escondido and Costco Wholesale Corporation

3. That no actions, permissions, approvals or rights are issued or granted to Costco for the construction of any improvements unless and until Costco has been issued or obtained all Project Approvals as described herein and referred to in the attached Exhibits and no approvals are deemed given and no rights to the leases herein shall be enjoyed, until the period of time for any interested party to contest or appeal any such issuance has passed after the issuance of a final and nonappealable order, decision or judgment confirming the issuance of relevant and required Project Approvals.

4. That the subject property of the Costco Lease is Exempt Surplus Land pursuant to Government Code section 54221(f)(1)(G).

EXHIBIT B

TERMINATION OF LEASE

TERMINATION OF LEASE

THIS TERMINATION OF LEASE (this "**Termination Agreement**") is made as of the _____ day of _____, 2023 (the "**Termination Date**"), by and between THE CITY OF ESCONDIDO, having a mailing address of _____ (the "**Landlord**") and TRANSFORM OPERATING STORES LLC, a Delaware limited liability company, having a mailing address of 5407 Trillium Boulevard, Suite B120, Hoffman Estates, Illinois 60789 (the "**Tenant**" and together with the Landlord, each a "**Party**" and collectively, the "**Parties**").

WITNESSETH:

REFERENCE is made to the following facts:

A. Tenant (as successor in interest to Sears, Roebuck and Co., a New York corporation ("**Sears**")), and Landlord are parties to that certain Ground Lease dated November 26, 1986, as amended by that certain Notice of Extension of Lease dated August 31, 2005, Renewal Letter dated August 18, 2010, Renewal Letter dated August 21, 2015, Renewal Letter dated August 17, 2020, as affected by that certain Short-Form Lease dated November 26, 1986 and recorded November 26, 1986 as Instrument No. 86-549262 in the Official Records of San Diego County, California, and as affected by that certain Assignment and Assumption of Lease dated May 13, 2019 between Tenant and Sears (collectively, the "**Lease**") for premises (known as Store #1758) located in Escondido, California (as more particularly described in the Lease, the "**Demised Premises**").

B. Subject to the terms and conditions set forth herein, Tenant desires to terminate the Lease and its obligations as Tenant under the Lease and to surrender the Demised Premises on an "AS IS, WHERE IS" basis to Landlord, and Landlord desires to recover possession of the Demised Premises, terminate its obligations under the Lease and release and discharge Tenant from further performance of the provisions of the Lease as of the Termination Date.

NOW, THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration by each of the Parties hereto to the other of them in hand this day paid, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. The Lease, and each and all of the Landlord's and Tenant's respective rights and obligations under the Lease shall terminate effective as of the Termination Date, all with the same force and effect as though such date had originally been specified in the Lease as the expiration date of the term thereof.

2. On the Termination Date, Tenant shall surrender and deliver the Demised Premises to Landlord "AS IS, WHERE IS" and in the then current condition as of the Effective Date, but

free and clear of all financing encumbrances created by Tenant. Any personal property left in the Demised Premises after the Termination Date shall be deemed abandoned by Tenant, and Landlord shall have the right to dispose of, lease or convey same, without liability or compensation to Tenant.

3. Effective upon the Termination Date, each of Landlord and Tenant hereby forever remises, releases and discharges the other Party and any direct or indirect partner, member, shareholder of such Party (or any officer, director, agent, advisor, representative, member, investor, manager, personal representative or employee of any such direct or indirect partner, member or shareholder) from any and all claims, liabilities, damages, losses, demands, causes of action and obligations (collectively, "**Claims**"), which either Party ever had, now has or in the future may have against the other Party arising from, under or in any way related to the Lease or the Demised Premises. The mutual releases set forth in this Section 3 are intended as full settlements and compromises of each, every and all Claims of every kind and nature, except for common law liability for fraud and provided that the foregoing release shall not preclude a Party from exercising rights it has against the other Party in connection with any civil litigation or arbitration proceedings involving a third party.

4. Memorandum of Termination. On the Termination Date, the Parties agree that the Memorandum of Lease Termination in the form attached hereto as Exhibit A may be recorded in the official records of San Diego County, California.

5. Voluntary Agreement. The Parties have read this Termination Agreement and the mutual releases contained in it, and on advice of counsel they have freely and voluntarily entered into this Termination Agreement.

6. Governing Law. This Termination Agreement shall be governed by and construed in accordance with the laws of the State of California.

7. Binding Effect. All of the provisions of this Termination Agreement are hereby made binding upon and shall inure to the benefit of the personal representatives, heirs, successors, and assigns of both parties hereto.

8. Unenforceable or Inapplicable Provisions. If any provision of this Termination Agreement is for any reason unenforceable or inapplicable, the other provisions hereof will remain in full force and effect in the same manner as if such unenforceable or inapplicable provision had never been contained herein.

9. Counterparts. This Termination Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. This Termination Agreement may also be executed by.pdf file transmission via electronic mail, and .pdf file signatures shall have the same force and effect as originals.

IN WITNESS WHEREOF, Tenant and Landlord have each executed this Termination of Lease as of date first written above.

TENANT:
TRANSFORM OPERATING STORES LLC,
a Delaware limited liability company

By: _____
Name: D. Scott Carr
Title: Authorized Representative

LANDLORD:

CITY OF ESCONDIDO

By: _____
Name:
Title:

EXHIBIT C

FORM OF MEMORANDUM OF TERMINATION OF LEASE

**RECORDING REQUESTED BY
AND WHEN RECORDED, RETURN TO:**

SPACE ABOVE THE LINE FOR RECORDER’S USE

MEMORANDUM OF TERMINATION OF LEASE

A.P.N. 760-170-23-00
THE UNDERSIGNED TENANT DECLARES:
DOCUMENTARY TRANSFER TAX IS \$0.00 San Diego County, \$0.00 City of Escondido
X Computed on the consideration or value of property conveyed; OR ...Computed on the consideration or value less liens or encumbrances remaining at time of sale.
[] Unincorporated area: [X] City of Escondido

This is an termination of ground lessee’s interest in a lease.
Lease commencement date: March 2, 1986
Lease Closing Date: _____.

This **MEMORANDUM OF TERMINATION OF LEASE** (this “**Memorandum**”) is made as of _____, 2023 (“**Effective Date**”) by and between TRANSFORM OPERATING STORES LLC, a Delaware limited liability company (“**Tenant**”), having a mailing address of 5407 Trillium Boulevard, Suite B120, Hoffman Estates, Illinois 60789, and THE CITY OF ESCONDIDO (“**Landlord**”), having a mailing address c/o _____.

WITNESSETH:

WHEREAS, Tenant (as successor in interest to Sears, Roebuck and Co., a New York corporation (“**Sears**”)), and Landlord are parties to that certain Ground Lease dated November 26, 1986, as amended by that certain Notice of Extension of Lease dated August 31, 2005, Renewal Letter dated August 18, 2010, Renewal Letter dated August 21, 2015, Renewal Letter dated August 17, 2020, as affected by that certain Short-Form Lease dated November 26, 1986 and recorded November 26, 1986 as Instrument No. 86-549262 in the Official Records of San Diego County, California, and as affected by that certain Assignment and Assumption of Lease dated May 13, 2019 between Tenant and Sears (collectively, the “**Lease**”) for premises in Escondido, California (the “**Demised Premises**”); which Demised Premises are more particularly described in the Lease and affecting the following real property legally described on Exhibit A.

WHEREAS, Tenant and Landlord have entered into that certain Termination of Lease (the “**Termination Agreement**”), dated of even date herewith, under which Landlord and Tenant have agreed to terminate all of Tenant’s rights, title, interest and obligations in the Lease as of the Effective Date.

NOW THEREFORE, Tenant and Landlord confirm that the Lease is hereby terminated as of the Effective Date and agree that this Memorandum should be recorded in the land records for San Diego, California, to place a notice thereof in the public records and agree as follows.

1. Definitions. Any capitalized term not otherwise defined herein has the same meaning ascribed to such term in the Termination Agreement.

2. Incorporation. The Termination Agreement contains other terms, conditions, provisions, covenants, representations, and warranties, and notice is hereby given that reference should be had to the Termination Agreement directly with respect to the details of such terms, covenants, and conditions. All of the foregoing are hereby incorporated into this Memorandum by reference as though fully set forth herein, and both the Termination Agreement and this Memorandum are deemed to constitute a single instrument. Nothing contained herein may be construed to amend, modify, amplify, interpret, or supersede any provision of the Termination Agreement.

3. Counterparts. This Memorandum may be executed in any number of counterparts, each of which, when executed and delivered will be deemed an original, and such counterparts together constitute one and the same instrument.

4. Conflict. If there is any conflict between the terms and conditions of the Termination Agreement and this Memorandum, the terms and conditions of the Termination Agreement control.

(Remainder of Page Intentionally Left Blank. Signature pages to follow)

IN WITNESS WHEREOF, Tenant and Landlord have each executed this Memorandum of Termination of Lease as of date first written above.

TENANT:

TRANSFORM OPERATING STORES LLC,
a Delaware limited liability company

By: _____
Name: D. Scott Carr
Authorized Representative

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that _____, an authorized representative of TRANSFORM OPERATING STORES LLC, a Delaware limited liability company, is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged s/he signed and delivered said instrument as her/his free and voluntary act and the free and voluntary act of said company, for the uses and purposes therein set forth.

Given under my hand and seal this ___ day of _____, 2023.

Notary Public
Commission Expires: _____

LANDLORD:
CITY OF ESCONDIDO

By: _____
Name:
Title:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Diego)

On _____ before me, _____,
(here insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A TO TERMINATION OF LEASE
LEGAL DESCRIPTION

The Land referred to herein below is situated in the City of Escondido, County of San Diego, State of California, and is described as follows:

PARCEL A:

PARCEL 1 OF ESCONDIDO MAP NO. 85-08, IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO PARCEL MAP NO. 14270, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MAY 1, 1986.

PARCEL B:

NON-EXCLUSIVE EASEMENTS APPURTENANT TO PARCEL A, INCLUDING BUT NOT LIMITED TO EASEMENTS FOR PEDESTRIAN USES, AUTOMOBILE USE, INGRESS AND EGRESS AND PARKING AND CONSTRUCTION, INSTALLATION, OPERATION AND MAINTENANCE OF UTILITY LINES, STRUCTURAL SUPPORT, CONSTRUCTION AND ENCROACHMENT, FIRE AND SERVICE CORRIDORS AND OTHER INCIDENTAL USES, ALL AS SET FORTH AND ESTABLISHED IN THAT CERTAIN CONSTRUCTION, OPERATION AND RECIPROCAL EASEMENT (HEREINAFTER REA, DATED NOVEMBER 26, 1986, EXECUTED BY EWH ESCONDIDO ASSOCIATES, L.P., A DELAWARE LIMITED PARTNERSHIP, CARTER HAWLEY HALE STORES, INC., A DELAWARE CORPORATION, SEARS ROEBUCK AND CO., A NEW YORK CORPORATION, J.C. PENNEY PROPERTIES, INC., A DELAWARE CORPORATION, NORDSTROM, INC., A WASHINGTON CORPORATION AND ADCOR REALTY CORPORATION, A NEW YORK CORPORATION AND THE MAY DEPARTMENT STORES COMPANY, A NEW YORK CORPORATION, RECORDED NOVEMBER 26, 1986, INSTRUMENT NO. 86-549267, OFFICIAL RECORDS, AS MODIFIED BY FIRST AMENDMENT TO CONSTRUCTION, OPERATION AND RECIPROCAL EASEMENT AGREEMENT RECORDED MARCH 14, 2014 AS INSTRUMENT NO. 2014-0100990, OFFICIAL RECORDS, IN, OVER, AND UPON THOSE CERTAIN PARCELS MORE PARTICULARLY DESCRIBED AS PARCELS 1 THROUGH 6 OF ESCONDIDO MAP NO. 85-08, IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO PARCEL MAP NO. 14270, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MAY 1, 1986, AS SET FORTH IN THE R.E.A., TOGETHER WITH ALL OF THE RIGHTS POWERS AND PRIVILEGES AND BENEFITS UNDER SAID CONSTRUCTION, OPERATION AND RECIPROCAL EASEMENT AGREEMENT ACCRUING TO EWH ESCONDIDO ASSOCIATES L.P., A DELAWARE LIMITED PARTNERSHIP, ITS SUCCESSORS, LEGAL REPRESENTATIVES AND ASSIGNS.

PARCEL C:

A NON-EXCLUSIVE EASEMENT FOR VEHICULAR AND PEDESTRIAN ACCESS FOR CONSTRUCTION, OPERATION, MAINTENANCE, REPAIR AND REPLACEMENT OF

IMPROVEMENTS, ALL AS MORE PARTICULARLY SET FORTH IN AND SUBJECT TO THE TERMS AND PROVISIONS OF THAT CERTAIN EASEMENT, LICENSE, CONSTRUCTION, AND MAINTENANCE AGREEMENT EXECUTED BY AND BETWEEN EWH ESCONDIDO ASSOCIATES, L.P. AND THE CITY OF ESCONDIDO DATED AS OF MAY 30, 1985 RECORDED JUNE 13, 1985 AS FILE NO. 85-210724 OF OFFICIAL RECORDS AS AMENDED BY FIRST AMENDMENT TO EASEMENTS, LICENSE, CONSTRUCTION AND MAINTENANCE AGREEMENT RECORDED AUGUST 23, 1985 AS FILE NO. 85-307344 OF OFFICIAL RECORDS.

For conveyancing purposes only: APN 760-170-23-00

GROUND LEASE

by and between

CITY OF ESCONDIDO,

Lessor,

and

COSTCO WHOLESALE CORPORATION,

Lessee

TABLE OF CONTENTS

ARTICLE I PREMISES 2

ARTICLE II TERM..... 2

 2.1 Term..... 2

 2.2 Options to Extend 2

ARTICLE III RENT 3

 3.1 Fixed Rent..... 3

 3.2 Fixed Rent; Manner of Payment..... 3

ARTICLE IV USE OF DEMISED PREMISES 3

 4.1 Use 3

 4.2 Permitted Contests 4

ARTICLE V CONDITION OF TITLE 4

 5.1 Covenant of Title 4

 5.2 Mortgage Subordination 4

 5.3 Title Insurance 4

ARTICLE VI IMPROVEMENTS..... 4

 6.1 Lessor’s Non-Responsibility for Improvements..... 4

 6.2 Construction by Lessee 5

ARTICLE VII TAXES AND ASSESSMENTS..... 7

 7.1 Payment of Taxes and Assessments By Lessee..... 7

 7.2 Non-Segregation of Demised Premises 7

ARTICLE VIII INSURANCE..... 10

 8.1 Casualty Insurance 10

 8.2 General Liability Insurance 10

 8.3 Policy Form..... 10

 8.4 Notice of Cancellation 10

 8.5 Blanket Insurance and Self-Insurance 10

 8.6 Inability to Obtain Insurance 11

 8.7 Application of REA 11

ARTICLE IX UTILITIES 11

ARTICLE X MECHANICS’ LIENS 11

ARTICLE XI LESSEE’S FINANCING..... 12

 11.1 Fee Subordinated to Mortgage..... 12

 11.2 Leasehold Mortgage 13

 11.3 Mortgage..... 17

 11.4 Loss Payable Endorsement 17

ARTICLE XII EASEMENTS 17

ARTICLE XIII DEFAULT 17

 13.1 Performance by Lessor on Lessee’s Default..... 17

13.2 Event of Default..... 17
13.3 Remedies of Lessor..... 18
13.4 Waiver..... 19
13.5 Remedies of Lessee 19
13.6 Delays in Performance..... 20
ARTICLE XIV ATTORNEYS’ FEES 20
ARTICLE XV NOTICES 20
ARTICLE XVI ESTOPPEL CERTIFICATE..... 21
ARTICLE XVII QUIET POSSESSION..... 22
ARTICLE XVIII TITLE TO IMPROVEMENTS..... 22
ARTICLE XIX ALTERATIONS AND ADDITIONS 23
ARTICLE XX ASSIGNMENT AND SUBLETTING..... 23
ARTICLE XXI CONDEMNATION..... 23
21.1 Definitions 23
21.2 Total Taking..... 24
21.3 Partial Taking..... 24
21.4 Allocation of Award; Total Taking..... 24
21.5 Allocation of Award; Partial Taking 25
21.6 Rent Reduction 25
21.7 Temporary Taking 25
21.8 Settlement 26
21.9 Application of REA 26
ARTICLE XXII DESTRUCTION AND RESTORATION 27
22.1 Obligations of Lessee..... 27
22.2 Destruction Not A Release..... 27
22.3 Termination of Lease 27
22.4 Application of REA 27
ARTICLE XXIII INTENTIONALLY OMITTED..... 28
ARTICLE XXIV RIGHT OF FIRST REFUSAL..... 28
24.1 Receipt of Offer 28
24.2 Right to Sell to Offeror 28
24.3 Surplus Land Act. 28
ARTICLE XXV REA 29
ARTICLE XXVI INTENTIONALLY OMITTED 29
ARTICLE XXVII INDEMNIFICATION BY LESSEE..... 29
ARTICLE XXVIII MISCELLANEOUS..... 29
28.1 Successors and Assigns 29
28.2 Language..... 30
28.3 Short Form Lease..... 30
28.4 Force Majeure..... 30

28.5 Correction of Legal Description of Demised Premises 30

28.6 California Law to Govern 30

28.7 Counterparts 31

28.8 Invalidity 31

28.9 No Agency 31

28.10 Effect of Lessor’s Conveyance 31

28.11 Waste 31

ARTICLE XXIX LOOP ROAD PARCEL 31

ARTICLE XXX PROFIT SHARE ON SALE OF LEASEHOLD INTEREST 32

ARTICLE XXXI LEAK DETECTION AND SURRENDER OBLIGATIONS FOR THE FUEL FACILITY 32

EXHIBITS

- Exhibit A - Demised Premises Legal Description
- Exhibit B - Plot Plan of Shopping Center
- Exhibit C - Permitted Title Exceptions
- Exhibit D - Form of Lessee’s Estoppel Certificate
- Exhibit E – Form of Short Form Lease

GROUND LEASE

THIS GROUND LEASE ("Lease"), made and entered into as of this ____ day of _____, _____, by and between the CITY OF ESCONDIDO, (hereinafter called "Lessor"), and COSTCO WHOLESALE CORPORATION, a Washington corporation (hereinafter called "Lessee") (collectively, referred to herein as the "parties").

RECITALS:

A. Lessor is the owner of certain real property ("City Parcel") consisting of approximately 75 acres located in the County of San Diego, State of California. Lessor has heretofore entered into a Ground Lease of the City Parcel dated February 2, 1981 with EWH 1979 Development Company, L.P., a limited partnership, predecessor in interest to EWH Escondido Associates, L.P., a Delaware limited partnership ("EWH"), as amended by Amendment No. 1 to Ground Lease dated August 24, 1982. Prior to the execution of this Lease, Lessor will enter into a Termination Agreement with Transform Operating Stores LLC, current tenant of a portion of the City Parcel hereinafter identified as the "Costco Parcel."

B. Macy's Retail Holdings, LLC ("Macy's") is the owner of certain real property located adjacent to the City Parcel, as shown on Exhibit B.

C. EWH, Carter Hawley Hale Stores, Inc., Sears Roebuck and Co. ("Sears"), J.C. Penney Properties, Inc. ("Penney"), The May Department Stores Company ("May"), Nordstrom, Inc., and Adcor Realty Corporation entered into that certain Construction, Operation and Reciprocal Easement Agreement dated November 26, 1986, recorded on November 26, 1986, as Document No. 86-549267, in the Official Records of San Diego County, California (the "Official Records") (the "Original REA"), as amended by that certain First Amendment to Construction, Operation and Reciprocal Easement Agreement dated March 12, 2013, recorded on March 14, 2014, as Document No. 2014-0100990, in the Official Records, by and between EWH and North County Fair LP (collectively, "Developer"), Macy's (as successor-in-interest to May), Sears, Penney, Nordstrom and Target Corporation ("Target") (the "First Amendment to REA", and together with the Original REA, collectively, the "REA"). Developer, Macy's, Penney, Target, Lessor and Lessee intend to enter into a Second Amendment to Construction, Operation and Reciprocal Easement Agreement ("Second Amendment to REA"). The REA establishes certain reciprocal easements, covenants and conditions with respect to the construction, maintenance and operation of the Shopping Center, including, without limitation, the Tracts (as defined in the REA) and the Common Area (as defined in the REA). Once the Second Amendment to REA is fully executed and effective, the references herein to the REA shall include the Second Amendment to REA.

D. On the terms and conditions hereinafter set forth, Lessee desires to lease from Lessor a portion of the Shopping Center Site, which portion is legally described on Exhibit A attached hereto and designated as "Costco Parcel" on the Plot Plan attached hereto as Exhibit B, said Exhibits being incorporated herein by this reference and made a part hereof.

IT IS MUTUALLY COVENANTED AND AGREED BY AND BETWEEN LESSOR AND LESSEE AS FOLLOWS:

DEFINITIONS:

For purposes of this Lease, the following terms, as used in the singular or the plural, shall have the following meanings:

A. Unless otherwise specifically defined in this Lease, capitalized terms used in this Lease shall have the same meanings as given to said terms in the REA.

B. "Improvements" shall mean all buildings, structures and improvements constructed by Lessee and/or owned by Lessee upon the Demised Premises during the term of this Lease, and any restoration, addition or replacement thereof.

C. "Major Department Store" shall mean Lessee, Macy's, Penney and Target.

D. "Opening Date" shall mean with reference to Lessee, the date on which the Costco Store shall initially open for business to the public.

E. "Shopping Center" shall mean the Improvements constructed on the Demised Premises as well as the improvements constructed on the remainder of the Shopping Center Site, including but not limited to Developer Mall Stores, Developer Non-Mall Stores, the Enclosed Mall, the Major Department Store buildings, Automobile Parking Area, landscaped areas, and other improvements of a type customarily found in a first class enclosed-mall regional shopping center in Southern California and all of the land within the Shopping Center Site.

ARTICLE I

PREMISES

Lessor hereby demises and leases unto Lessee, and Lessee hereby leases from Lessor, for the consideration and upon and subject to the terms and conditions herein set forth, the real property legally described on Exhibit A and designated as "Costco Parcel" on Exhibit B together with all and singular the Improvements, appurtenances, rights, licenses, privileges and easements thereunto belonging or in anywise appertaining ("Demised Premises")

ARTICLE II

TERM

2.1 Term. The term of this Lease (hereinafter sometimes referred to as the "Lease Term" or the "Term of this Lease"), shall commence and be fully effective as of the date of this Lease and shall expire at midnight on the twentieth (20th) anniversary of the Effective Date or the date, if any, to which the Lease Term has been extended pursuant to Section 2.2 hereof, unless sooner terminated, as hereinafter provided. As used herein, the term "Lease Term" or "Term of this Lease" shall include any option periods, if exercised.

2.2 Options to Extend. Provided that Lessee, in the case of any particular option, has exercised all preceding options, Lessee shall have seven (7) successive options to extend the Term of this Lease, from the date upon which the Lease Term would otherwise expire, upon the same

terms and conditions as those herein specified, for seven (7) separate additional periods of five (5) years duration each; provided, that in no event shall the options to extend the term of this Lease extend beyond _____. If Lessee elects to exercise any of said options, it shall do so by giving Lessor written notice of each such election at least one hundred eighty (180) days before the beginning of each additional period for which the term hereof is to be extended by the exercise of each such option. If Lessee exercises its option by giving appropriate notice, the Term of this Lease shall be automatically extended for the additional period of years covered by the option so exercised without execution of an extension or renewal Lease or any other document. If requested by Lessee, Lessor shall execute such documents as Lessee shall from time to time reasonably request to evidence the dates of the extended term.

ARTICLE III

RENT

3.1 Fixed Rent. Lessee agrees to pay to Lessor as net minimum rent (“Fixed Rent”), the sum of One Hundred Thousand and 00/100 Dollars (\$100,000.00) throughout the Lease Term, including during any option periods, if exercised. Lessee’s payment of Fixed Rent shall commence on the earlier to occur of the following (the “Rent Commencement Date”): (i) the Opening Date of the Costco Building (as hereinafter defined) and (ii) the Opening Covenant Date (as hereinafter defined). It is acknowledged that Lessee may open the Fuel Facility (as hereinafter defined) on the Demised Premises prior to opening the Costco Building for business, and that such opening of the Fuel Facility shall not trigger the Rent Commencement Date unless Lessee has also opened the Costco Building for business. Lessor and Lessee shall confirm the Rent Commencement Date in writing once such date has occurred.

3.2 Fixed Rent; Manner of Payment. The Fixed Rent shall be payable to Lessor in lawful money of the United States, at the following address: The City of Escondido, 201 N. Broadway, Escondido, California 92025, in twelve (12) equal monthly installments, in advance, on the first (1st) day of each calendar month, without setoff or deduction except as may be permitted by law and without any prior notice. Should the obligation to pay Fixed Rent commence on a day of the month other than the first day of such month, then the Fixed Rent for the first fractional month shall be prorated on a daily basis for the period from such date to the end of such calendar month at the rate of one-three hundred sixty-fifth (1/365) of the annual Fixed Rent for each day. Should the obligation to pay Fixed Rent expire on a day of the month other than the last day of such month, then the Fixed Rent for such fractional month shall be prorated on a daily basis for the period from the first day of such month until the expiration date at the rate of one-three hundred sixty-fifth (1/365) of the annual Fixed Rent for each day. Fixed Rent for the first (1st) fractional month shall be paid within ten (10) days after the Opening Date.

ARTICLE IV

USE OF DEMISED PREMISES

4.1 Use. Lessee may use the Demised Premises for any purpose not prohibited by the REA. Lessee’s use of the Demised Premises shall be in accordance with all laws, statutes, codes, acts, ordinances, orders, rules and regulations of any governmental authority having jurisdiction,

applicable to the Demised Premises or Improvements located thereon; and in accordance with the terms of insurance policies covering or applicable to the Demised Premises or Improvements located thereon, or any part thereof, to the extent required to be maintained by Lessee hereunder.

4.2 Permitted Contests. Lessee, at its sole cost and expense, may contest, after prior written notice to Lessor, the amount or validity or application, in whole or in part, of any of the items enumerated in Section 4.1 hereof, provided that (a) Lessee shall first make all contested payments, under protest if it desires, unless such proceedings shall suspend the collection thereof, (b) neither the Demised Premises or Improvements located thereon would be in any danger of being sold, forfeited, lost or interfered with, and (c) Lessee shall furnish such security, if any, as may be required in any such proceedings. Lessor, at the sole expense of Lessee, will join in or lend its name to any such contest if (i) requested so to do by Lessee, and (ii) Lessor's failure to so join would bar or prevent Lessee's right to prosecute any such contest.

ARTICLE V

CONDITION OF TITLE

5.1 Covenant of Title. Lessor warrants, covenants and represents that it holds fee simple title to the Demised Premises, and that Lessor shall deliver the Demised Premises to Lessee free and clear of all recorded or unrecorded liens, encumbrances, covenants, conditions, restrictions, assessments, easements, leases, taxes and other exceptions to title, except for those items which are set forth in Exhibit C attached hereto and made a part hereof ("Permitted Exceptions"), which have been approved and accepted by the Lessee.

5.2 Mortgage Subordination. This Lease is not and shall not be subject or subordinate to any mortgage made by Lessor and that this Lease or a memorandum thereof shall be recorded ahead of any mortgage to be placed on Lessor's interest in the Demised Premises or any part thereof by Lessor.

5.3 Title Insurance. Upon execution of this Lease, Lessor shall arrange for the payment of and cause to be delivered to Lessee a leasehold title insurance policy, issued by Chicago Title Insurance Company, including all standard and general exceptions and exclusions raised in such form of leasehold title insurance policy and with all endorsements requested by Lessee, insuring Lessee in the amount of \$13,500,000.00 that the Demised Premises are free of liens, claims, charges, encumbrances, covenants, restrictions, easements, or adverse interest of any kind whatsoever, except as set forth in Exhibit C.

ARTICLE VI

IMPROVEMENTS

6.1 Lessor's Non-Responsibility for Improvements. Lessor shall not under any circumstances whatsoever be required to build any improvements on the Demised Premises, or to maintain or make any repairs, replacements, alterations or renewals of any nature or description to the Improvements; provided, however, that nothing contained in this Section 6.1 is intended to or shall (i) impose upon Lessor any obligations with respect to the construction or maintenance of

the Improvements not expressly set forth in this Lease, or (ii) prevent Lessee from enforcing any rights or pursuing any remedies it may have at law, in equity or under this Lease arising from the negligence or willful misconduct of Lessor with respect to the construction or maintenance of the Improvements.

6.2 Construction by Lessee.

(a) Lessee shall have the right to construct, or arrange for the construction of, the improvements upon the Demised Premises in accordance with the standards set forth in the REA ("Improvements"). Without limiting the foregoing, Lessee intends to develop construct and operate on the Demised Premises, in accordance with Lessee's requirements and the REA, Improvements consisting of a wholesale and retail general merchandise building (the "Costco Building"), which may also include, without limitation, a pharmacy, tire sales and installation center, liquor sales, photo processing, butcher, deli and bakery services, optometry services, and related office space; a vehicle fueling facility (the "Fuel Facility"); a car wash; and related parking, and other improvements (collectively, the "Project"). Lessee shall have no obligation to demolish the existing, or construct any new, improvements on the Demised Premises or to commence operations of or continuously operate a business on the Demised Premises. Notwithstanding the foregoing, in the event that Lessee does not construct the Costco Building and open for one (1) day (the "Opening Covenant") on or before the third (3rd) anniversary after the date of the Project Approvals Notice (subject to force majeure, as set forth in Section 28.4) (such date, the "Opening Covenant Date"), then Lessor shall have the right to terminate this Lease, as Lessor's sole and exclusive remedy if Lessee fails to satisfy the Opening Covenant, within sixty (60) days after the Opening Covenant Date by delivering written notice to Lessee (the "Termination Notice"), *time being of the essence*. If Lessor fails to timely deliver such Termination Notice, then Lessor waives the right to terminate. If Lessor delivers to Lessee the Termination Notice, then this Lease shall terminate on the date that is sixty (60) days following the date of the Termination Notice, Lessee shall have the right (but not obligation) to raze any or all improvements that Lessee may have constructed failing which Lessor shall accept the Demised Premises in its "as-where is" condition, and upon such termination, neither party shall have any further rights or obligations under this Lease except for those which are expressly stated to survive the termination of this Lease. Lessee may override the Termination Notice if Lessee (x) delivers to Lessor notice within such sixty (60) day period that Lessee intends to construct and open the Project (the "Project Development Notice"); (y) continues construction of the Project, or, if Lessee discontinued construction, Lessee re-commences construction of the Project within one hundred eighty (180) days after delivery of the Project Development Notice (subject to force majeure, as set forth in Section 28.4); and (z) thereafter, diligently proceeds to complete the construction of the Project and open for business (subject to force majeure, as set forth in Section 28.4). Title to any and all Improvements on the Demised Premises shall remain in Lessee until termination of this Lease, whether by expiration or by earlier termination of this Lease, at which time all of the Improvements then located on the Demised Premises (if any) shall be surrendered to Lessor with the Demised Premises.

(b) Nothing herein contained shall be construed to require that there be a certain type of Improvement or any Improvement on the Demised Premises at the expiration or earlier termination of this Lease.

(c) All construction undertaken or caused to be undertaken by Lessee pursuant to this Section 6.2 shall be in accordance with the construction requirements of the REA.

6.3 Project Approvals.

(a) Lessee shall apply for and obtain, at its sole cost and expense, all governmental, quasi-governmental, and utility provider(s) approvals, permits, licenses and the like necessary or desirable to permit Lessee to develop, construct and operate the Project on the Demised Premises. The approvals and permits shall include, without limitation, zoning approvals, site plan approvals, conditional use permits, liquor licenses, subdivision approvals, environmental approvals (including any required pursuant to any applicable environmental laws), signage approvals, utility relocation and/or connection approvals and permits, building permits and operating permits and licenses (collectively, the "Project Approvals").

(b) All work upon and improvements to the Demised Premises shall be constructed in compliance with all applicable governmental regulations, laws and restrictions. Lessee acknowledges that any government approved entitlements required under federal, state or local law made by the City of Escondido in its role as a governmental agency will be made in the public interest and according to applicable legal requirements. Nothing herein shall in any manner affect the City Planning Commission's or City Council's review and consideration of any applications for entitlements and the Planning Commission and City Council shall have sole and absolute discretion to approve, disapprove, modify or otherwise take any action regarding an application or request for entitlements. The City of Escondido makes no promise, warranty or representation as to the outcome of such review or the approval of any such application.

(c) All conditions contained in the Project Approvals and all requirements for on-site and off-site improvements or services, in-lieu fees or payments, dedication or reservation requirements, water rights acquisition costs, local improvement district costs, connection charges, assessments, mitigation fees, impact fees, permit fees and any other similar requirements, fees or charges imposed on the Project by any governmental entity or utility service provider in connection with the Project Approvals shall be subject to Lessee's approval in its sole and absolute discretion. The design, construction and implementation of the Improvements shall be the responsibility of Lessee.

(d) For purposes of this Lease, the Project Approvals shall not be deemed to have been "obtained" or "issued" until the period of time (if any) to contest or appeal any such issuance has passed without the filing of a contest or appeal or, if a contest or appeal has been filed, after the issuance of a final and non-appealable order, decision or judgment confirming the issuance of the relevant Project Approvals without modifications or conditions that are unacceptable to Lessee. Lessee shall deliver notice to Lessor (the "Project Approvals Notice") promptly after Lessee has obtained all of the Project Approvals.

(e) Lessor agrees, in its capacity as owner of the Demised Premises, to comply with all reasonable requests of Lessee with regard to the Project Approvals (including, without limitation, executing, or causing to be executed, all applications or submissions necessary to obtain the Project Approvals so long as the same are in accordance with the terms of this Lease and

required by applicable law). Nothing in this clause (e) is intended to require Lessor, in its capacity as a governmental entity, to take any action that is prohibited by applicable law.

ARTICLE VII

TAXES AND ASSESSMENTS

7.1 Payment of Taxes and Assessments By Lessee. Lessee shall pay, or cause to be paid, all real property taxes and assessments which are levied or assessed against the Demised Premises and the Improvements located thereon during the Term of this Lease. The amount of such real property taxes and assessments shall be prorated on a daily basis between Lessor and Lessee with respect to any fiscal tax year only a part of which falls within the Term of this Lease. Any real property taxes and assessments pertaining to a period of time prior to the Commencement Date and subsequent to the expiration or sooner termination of this Lease shall be the obligation of Lessor. For purposes of this Lease, "real property taxes" shall include any possessory interest or similar tax, and any taxes which are based on the receipt of rent by Lessor, and which are levied as an alternative to or as an addition to general real estate taxes and are payable because of Lessor's ownership of the Demised Premises. Lessee shall have no obligation to pay any tax upon or pertaining to the income of Lessor. Lessee shall have the right to exercise the benefit of any provisions of any statute or ordinance permitting such taxes and assessments to be paid in installments over a period of time, and Lessor agrees to execute any instruments which may be required by the taxing authority in connection with the election to take advantage of such installment payments. Lessee's obligation to pay real property taxes and assessments shall be limited to taxes and assessments uniformly imposed upon all taxable real property within the jurisdiction of the taxing authority and at rates which are uniformly applied.

Lessee shall have the right to contest any taxes or assessments or the increases in any taxes or assessments which Lessee is obligated to pay under this Lease; provided, however, Lessee shall (i) give Lessor notice of any such intention to contest, (ii) indemnify and save Lessor harmless from all liability on account of said contest, and (iii) in the event of a final determination adverse to Lessee, prior to enforcement, foreclosure or sale, and expiration of the redemption period, pay the amount involved together with all penalties, fines, interest, costs and expenses which may have accrued.

It is agreed that nothing herein contained shall be construed to require Lessee to pay any inheritance, franchise, corporation, income or excess profits taxes or surtaxes, imposed upon or against Lessor, its legal representatives, successors or assigns.

In the event Lessee shall fail to comply with its obligations as set forth in this Article VII, after thirty (30) days prior written notice from Lessor to Lessee and failure to cure by Lessee, Lessor may pay such taxes or assessments, and penalties and interest thereon, and Lessor shall be entitled to prompt reimbursement from the Lessee for the sums so expended, with interest thereon at the rate of two percent (2%) per annum, over the lending reference rate being charged from time to time by Bank of America, NT & SA, San Francisco main branch.

7.2 Non-Segregation of Demised Premises. Lessor undertakes and agrees to diligently attempt to obtain from the taxing authorities a separate tax bill for the Demised Premises or a

segregation of the real estate taxes attributable thereto and otherwise to cooperate with Lessee in the obtaining of such information from such taxing authorities as will facilitate an accurate determination of taxes attributable to the Demised Premises. Lessor further agrees not to make any application to the taxing authorities which, if granted, would change the manner in which the Demised Premises and the Improvements thereon are being or will be assessed or which would have the effect of increasing the assessed valuation of the Demised Premises and the Improvements thereon.

In the event the Demised Premises are not separately assessed but are part of a larger parcel which includes the Demised Premises for assessment purposes (hereinafter referred to as the "larger parcel"), the parties hereto shall use assessor's work sheets, if available to determine the real estate taxes applicable to the Demised Premises, if such assessor's work sheets are not available, then real estate taxes applicable to the Demised Premises shall be determined as follows:

(a) A fractional portion of the real estate taxes assessed, in any tax fiscal year during the term hereof, against the land comprising the larger parcel, the numerator of which shall be the number of square feet of land area underlying the Demised Premises and the denominator of which shall be the number of square feet of land area in the larger parcel, plus

(b) A fractional portion of the real estate taxes assessed, in any tax fiscal year during the term hereof, against all Improvements upon the larger parcel, the numerator of which shall be the Floor Area of buildings located on the Demised Premises and the denominator of which shall be the Floor Area of the building located on the larger parcel, provided that equitable adjustments shall be made for: (1) buildings which are only partially completed on the date that such real estate taxes become a lien, taking into effect cost figures and stages of construction throughout the Shopping Center; and (2) the estimated cost of the several buildings.

Notwithstanding the foregoing, in the event the Demised Premises are not separately assessed but are part of a larger parcel for such assessment purposes, and the valuation of the assessed parcel is based on the capitalization of income therefrom, the fractional portion of the impositions attributable to the Demised Premises shall not exceed an amount determined by applying the tax rate fixed by the taxing authority to a value computed by capitalizing the Fixed Rent payable by Lessee under this Lease at the capitalization rate used by the assessor in fixing the value of the larger parcel.

Lessor shall within thirty (30) days after receipt by Lessor of the assessed valuations of the land and Improvements included within such larger parcel, furnish Lessee a statement setting forth the amounts of such assessments and describing the land and Improvements with respect to which such assessments have been made. If Lessor shall fail to furnish Lessee the aforesaid statement of assessed valuations within said thirty (30) day period, the amount which Lessee shall be required to reimburse Lessor shall be limited to the amount of the taxes applicable to Demised Premises and the Improvements thereon for the preceding tax fiscal year.

Lessor will pay or cause to be paid all real estate taxes assessed with respect to such larger parcel and the Improvements thereon. Lessee shall in such case reimburse Lessor for the real estate taxes applicable to the Demised Premises prior to the date said larger parcel taxes are delinquent, but in no event sooner than thirty (30) days following Lessee's receipt of all applicable tax bills,

invoices and the statement from Lessor described below. Lessor shall deliver to Lessee semi-annually, at least forty-five (45) days prior to the date that each installment of taxes would be delinquent if not paid, a statement setting forth the amount of taxes applicable to the Demised Premises and the Improvements thereon for the tax fiscal year and showing in reasonable detail how Lessor has arrived at the amounts so set forth, a photostatic copy or copies of a receipted tax bill or bills showing payment of the real estate taxes for said tax fiscal year and Lessee shall pay to Lessor Lessee's share of the installment then due not later than the date such installment would become delinquent.

Lessee shall, upon notice to Lessor, have the right to contest on behalf of Lessor any and all such real estate taxes assessed with respect to such larger parcel and the Improvements thereon; provided, however, that Lessor and any other parties having an interest in such larger parcel may join in such contest at their own cost and expense, in which event Lessee shall cooperate with such other parties in such contest. In the event the Demised Premises are separately assessed, Lessee alone shall have the sole right to contest any increase in the assessed valuation of the Demised Premises or the Improvements thereon. If any such proceedings are undertaken solely by Lessee, such proceedings shall be at the cost and expense of Lessee and conducted by counsel selected by Lessee, and if Lessee deems it appropriate such measures shall be taken in the name of Lessee. Lessor shall lend its name to such proceedings, if requested by Lessee, without charge or cost to Lessee. If the result of any such contest shall be a reduction in the amount of the real estate taxes so contested, such refund or recovery from the taxing authorities with respect to such real estate taxes shall be divided between Lessee and Lessor, after Lessee reimburses itself from such recovery for Lessor's proportionate share of all costs and expenses incurred by Lessee in such proceedings, in such manner as will result in each of them having paid only such party's proportionate share of the contested taxes as so reduced.

If Lessor shall contest the amount of such real estate taxes without participation by Lessee in the cost and expenses of such proceedings, such refund or recovery arising therefrom shall be divided between Lessor and Lessee, after Lessor reimburses itself from such recovery for Lessee's proportionate share of all costs and expenses incurred by Lessor in such proceedings, in such manner as will result in each of them having paid only such party's proportionate share of the contested taxes as so reduced. Lessor shall give Lessee prior written notice of its intent to contest the assessment of such real estate taxes.

Lessor shall not, without the prior approval of Lessee, make, enter into, or agree to any settlement, compromise or other disposition of any contest, or discontinue or withdraw from any contest, or accept any refund, adjustment or credit with respect to any real estate taxes which Lessee shall have contested.

If a contest shall be entered into jointly between Lessor and Lessee, each party's proportionate share of the costs and expenses incurred in such proceedings shall be determined by multiplying such costs and expenses by a fraction having as its numerator such party's proportionate share of the contested taxes as reduced by reason of such proceedings and as its denominator the entire amount of such taxes as so reduced.

ARTICLE VIII

INSURANCE

8.1 Casualty Insurance. Subject to the provisions of Section 8.7, Lessee shall keep, or cause to be kept, the Improvements on the Demised Premises insured during the period Lessee is required to operate pursuant to the REA, against loss or damage by fire and such risks embraced by coverage of the type customarily included in extended coverage endorsements in the State of California. Lessee shall not be required to obtain earthquake insurance.

8.2 General Liability Insurance. During the Term of this Lease, Lessee, at its sole cost and expense, shall maintain public liability and property damage insurance of the type, coverage and amount set forth in the REA.

8.3 Policy Form. All policies of insurance provided for in this Lease shall (a) be in such forms and amounts as provided in the REA, and (b) shall be issued by insurers of recognized responsibility as provided in the REA. Upon delivery of the Demised Premises by Lessor to Lessee and thereafter not less than fifteen (15) days prior to the expiration date of each policy furnished pursuant to this Article VIII or Article XIX hereof, Lessee shall deliver to Lessor a certificate evidencing the existence of each policy of insurance required hereunder.

8.4 Notice of Cancellation. Each such policy or certificate therefor issued by the insurer shall to the extent reasonably obtainable contain an agreement by the insurer that such policy shall not be cancelled without at least thirty (30) days prior notice to Lessee, Lessor and to Lessee's Mortgagee and/or Leasehold Mortgagee, if any.

8.5 Blanket Insurance and Self-Insurance. Any insurance provided for in this Article VIII, or in Article XIX hereof, may be effected by a policy or policies of blanket or loss limit-type insurance covering other risks and liabilities of Lessee, provided, however, that the amount of the total insurance allocated to the Improvements shall be such as to furnish protection which is equivalent to the protection furnished by the separate policies in the amounts herein required, and provided further that in all other respects, any such policy or policies shall comply with the other provisions of this Lease. In any such case it shall not be necessary to deliver the original of any such blanket policy to Lessor, but Lessee shall deliver to Lessor, upon request, a certificate evidencing the existence of such insurance. Notwithstanding anything to the contrary contained in this Article VIII or in Article XIX hereof, the insurance requirements of Lessee under this Article VIII and under Article XIX may be satisfied in whole or in part under any plan of self-insurance from time to time maintained by Lessee, or its subsidiary, successor, affiliate or controlling corporation maintaining such self-insurance plan for Lessee's benefit on condition that Lessee or its subsidiary, successor, affiliate or controlling corporation has and maintains a net worth of \$200,000,000 or more and net current assets of \$100,000,000 or more, and that Lessee or its said subsidiary, successor, affiliate or controlling corporation, maintaining such self-insurance plan, shall furnish to Lessor upon request evidence of said net worth and net current assets. If Lessee, or such Person maintaining the self-insurance plan for Lessee, has a net worth and net current assets less than the foregoing amounts, it shall not be permitted to self-insure. The annual report of Lessee (or of such Person maintaining the self-insurance plan on behalf of Lessee) which is a publicly held corporation that is audited by an independent certified public accountant shall be

sufficient evidence of its net worth and its net current assets. The provisions of Sections 8.3 and 8.4 shall not apply to the extent that Lessee is self-insured in accordance with this Section 8.5.

8.6 Inability to Obtain Insurance. In the event that Lessee, after reasonable and diligent efforts, is unable to obtain any of the insurance provided for in this Lease, and if Lessee shall in such case obtain the maximum insurance reasonably obtainable and promptly give notice to Lessor of the extent of Lessee's inability to obtain any insurance required to be maintained hereunder, then the failure of Lessee to procure and maintain such insurance as is not reasonably obtainable shall not be hereunder.

8.7 Application of REA. So long as the REA is in full force stated and effect, the insurance requirements therein as to the Improvements on the Costco Parcel shall be applicable and the provisions of this Article VIII shall be of no force and effect. In the event of the termination of the REA and the election by Lessee not to terminate this Lease, then all of the provisions of the REA referred to in this Article VIII shall be incorporated herein by reference and shall continue to be performed by Lessee during the balance of the Lease Term, it being understood that all insurance proceeds Lessee shall receive pursuant to this Article VIII shall belong to Lessee.

ARTICLE IX

UTILITIES

Lessee shall pay, or cause to be paid, during the Term of this Lease, all charges for water, gas, electrical power, telephone, sewage, trash collection and all other utilities and services supplied to or for the Improvements at the instance of Lessee (hereinafter referred to as "Utilities"), and agrees to hold Lessor harmless with respect to any charges for said Utilities.

Lessee shall also procure, or cause to be procured, without cost to Lessor, any and all necessary permits, licenses or other authorizations required for the lawful and proper installation and maintenance within the Improvements of wires, pipes, conduits, tubes and other equipment and appliances for use in supplying any Utilities to and upon the Improvements. Lessor, upon request of Lessee, will join with Lessee in any application required for obtaining or continuing any Utilities.

ARTICLE X

MECHANICS' LIENS

During the Term of this Lease, Lessee, at its sole cost and expense, shall be responsible for the discharge of, prior to foreclosure thereupon, all liens, encumbrances and charges (other than liens, encumbrances and charges created by Lessor and the liens and encumbrances which Lessee is permitted to impose upon the Demised Premises pursuant to Article XI of this Lease) upon the Demised Premises, subject to a contest of any such liens as hereinafter set forth. Lessee shall, however, have the right to contest the validity or amount of any lien or claimed lien, provided that upon final determination of the lien or claim for lien, Lessee shall immediately pay any judgment rendered with all proper costs and charges and shall have the lien released or judgment satisfied at Lessee's expense, and if Lessee shall fail to do so, Lessor may at its option, following twenty (20)

days prior written notice to Lessee, pay any such final judgment and any such amount shall become immediately due and payable to Lessor by Lessee with interest thereon at the rate of two percent (2%) per annum, over the lending reference rate from time to time being charged by Bank of America.

Lessor or its representatives shall have the right to post upon the Demised Premises notices of non-responsibility in compliance with applicable law. Lessee shall, before the commencement of any work estimated to cost in excess of One Hundred Thousand Dollars (\$100,000.00), which might result in any such lien, give to Lessor written notice of its intention to do so in sufficient time to enable the posting of such notices of non-responsibility; provided, however, the requirement of the giving of such notices of intention to perform such work shall not be required if Lessee, or the sublessee which is to perform such work or cause such work to be performed (or its guarantor), has a net worth in excess of One Hundred Million Dollars (\$100,000,000.00).

ARTICLE XI

LESSEE'S FINANCING

11.1 Fee Subordinated to Mortgage. Lessor agrees for itself and its successors and assigns to join in the execution, as trustor, in any mortgage or deed of trust which Lessee may, at any time and from time to time during the Term of this Lease, cause to be recorded against the Demised Premises and the Improvements located thereon. Such mortgage, and the mortgagee thereunder, are hereinafter referred to as "Lessee's Mortgage" and "Lessee's Mortgagee", respectively. Lessor shall subordinate its fee interest in the Demised Premises to the lien of the Lessee's Mortgage if the following conditions are satisfied:

(i) The Lessee's Mortgagee shall be an institutional lender (but the assignee/sublessor in an assignment and leaseback transaction need not be an institutional lender);

(ii) The Lessee's Mortgage shall secure a loan, the proceeds of which shall be used to pay for the cost of construction of the Improvements located on the Demised Premises and the financing thereof and Lessee's share of the cost of common improvement work for the Shopping Center Site (including, without limitation, the actual cost of all materials and labor used directly in the construction of the Improvements located on the Demised Premises, and all Improvements required or permitted to be made thereon or related thereto; architectural, engineering legal and similar fees directly related or properly allocated solely to this transaction; building permits, premiums for fire, public liability and builders risk insurance during construction; title charges; commitment fees, standby fees and other fees and expenses incurred in connection with the making of Lessee's Mortgage; interest costs; mortgage taxes, land taxes, transfer taxes, survey costs and recording charges), or to reimburse Lessee for the cost thereof, and shall be used for no other purpose;

(iii) The Lessee's Mortgage shall be for a term which shall not extend beyond the expiration date of the Term of this Lease;

(iv) The Lessee's Mortgage shall specifically provide that Lessor shall not be liable for the payment of the sums secured by such mortgage, nor for any expenses in connection therewith, and neither such Lessee's Mortgage nor any instrument collateral thereto shall contain any covenant or obligation on Lessor's part to pay such debt or any part thereof, or to take any affirmative action of any kind whatsoever and shall expressly provide that the mortgagor and the mortgagee thereunder will seek no monetary judgment against Lessor in connection with Lessee's Mortgagee.

Lessor shall not be required to sign or execute the note to be secured by the Lessee's Mortgage, but shall execute the Lessee's Mortgage itself, and all other documents reasonably and customarily required by the Lessee's Mortgagee or by the title company insuring the Lessee's Mortgage or by any combination of them in order to subject Lessor's interest in the Demised Premises to the lien of the Lessee's Mortgage, provided the Lessee's Mortgage is in accordance with the terms and conditions enumerated above.

The Lessee's Mortgage shall contain provisions that all notices of default under the Lessee's Mortgage must be sent to Lessor and Lessee and that Lessor shall have the right to cure any default if Lessee fails to do so and Lessee shall diligently attempt to obtain a provision in any Lessee's Mortgage that Lessor shall have ten (10) days more time, in the case of any monetary default, and thirty (30) days more time, in the case of a non-monetary default, than is given to Lessee to remedy such default.

11.2 Leasehold Mortgage. Lessee and every successor and assignee of Lessee permitted hereunder (including, but not limited to, any sublessee of Lessee or of its permitted assignees) is hereby given the right (exercisable at any time and from time to time) by Lessor, in addition to any other rights herein granted, without Lessor's prior written consent, to mortgage its interest in this Lease or any part or parts thereof, and/or its interest in any sublease(s), under one or more leasehold mortgage(s) ("Leasehold Mortgage") and to assign such interest in this Lease, or any part or parts thereof, and/or in any sublease(s), as collateral security for such Leasehold Mortgage(s) (or to assign its interest in same in connection with an assignment and leaseback transaction), upon the condition that all rights acquired under such Leasehold Mortgage(s) shall be subject to each and all of the covenants, conditions and restrictions set forth in this Lease, and to all rights and interests of Lessor herein. None of such covenants, conditions or restrictions is or shall be waived by Lessor by reason of the right given so to mortgage such interest in this Lease, except as expressly provided herein.

The holder of any first mortgage or deed of trust upon the leasehold estate created by this Lease and Lessee's Improvements shall be the Leasehold Mortgagee referred to herein and shall be entitled to the rights and benefits as provided herein ("Leasehold Mortgagee").

(a) Provided that the Leasehold Mortgagee shall have notified Lessor in writing of its status as a Leasehold Mortgagee and its name and address, Lessor thereafter shall give to such Leasehold Mortgagee a copy of each notice of default at the same time as and whenever such notice shall be given by Lessor to Lessee, such copy to be addressed to the Leasehold Mortgagee at the address last furnished to Lessor as hereinabove provided. Lessor shall not serve a notice of cancellation or termination upon Lessee unless a copy of any prior notice of default shall have

been given to the Leasehold Mortgagee as hereinabove provided and the time as hereinafter specified for the curing of such default shall have expired without the same having been cured. Lessor agrees to notify the Leasehold Mortgagee in writing of the failure of Lessee to cure a default within any applicable grace period and of the curing of any default by Lessee. The performance by the Leasehold Mortgagee of any condition or agreement on the part of Lessee to be performed hereunder will be deemed to have been performed with the same force and effect as though performed by Lessee.

(b) Lessor will accept performance by the Leasehold Mortgagee within the following periods of any obligation on Lessor's part to be performed hereunder, with the same force and effect as though timely performed by Lessee:

(i) as to any rent and other sums payable hereunder, within ten (10) days after written notice from Lessor that Lessee has not cured such default within the period provided in Article XIII; and

(ii) As to all other defaults, within thirty (30) days more time than is given Lessee to remedy or cause to be remedied the defaults complained of, or, if within such period such default cannot be cured, to commence to so cure within such period and diligently and continuously proceed therewith to completion.

(iii) As to any default which Leasehold Mortgagee is without the legal power to cure by payment or performance, Leasehold Mortgagee shall have thirty (30) days after receipt of written notice from Lessor of such default within which to give Lessor written notice that the Leasehold Mortgagee or a wholly owned subsidiary or affiliate of Leasehold Mortgagee elects to become the tenant under this Lease in the place and stead of the then Lessee upon all the terms, covenants and conditions provided in this Lease.

(c) Lessor shall not exercise its right to terminate this Lease as provided in Article XIII during the time that the Leasehold Mortgagee shall require to complete its remedies under its mortgage or deed of trust upon the leasehold estate of Lessee hereunder, provided, however, and upon condition:

(i) That the Leasehold Mortgagee proceeds, promptly and with due diligence, with the remedies under its mortgage or deed of trust on the leasehold estate and thereafter prosecutes and completes the same with all due diligence; and

(ii) That the Leasehold Mortgagee shall pay to Lessor the rent and all other charges required to be paid by Lessee hereunder which have accrued and those which shall become due and payable during said period of time.

Upon the completion of any foreclosure proceedings or acquisition of Lessee's interest in this Lease by the Leasehold Mortgagee, any default not reasonably curable by the Leasehold Mortgagee shall be deemed waived by Lessor as to the Leasehold Mortgagee and any purchaser at a foreclosure sale or their respective successors and assigns.

(d) Lessor shall also be obligated to give any notice of cancellation and termination to the Leasehold Mortgagee, simultaneously with such notice given to Lessee; provided, however, that nothing contained in this Section 11.2(d) shall grant to Lessor any right to terminate this Lease not expressly set forth in Section 13.3 hereof. No such notice to Lessee shall be effective with respect to termination of this Lease unless the Leasehold Mortgagee shall also have been so notified as aforesaid. The Leasehold Mortgagee shall then have the right to notify Lessor in writing, within thirty (30) days after receipt by the Leasehold Mortgagee of such notice of cancellation and termination, that (1) Leasehold Mortgagee, or any designee or nominee which Leasehold Mortgagee may designate or name in such notice (hereinafter called the "approved nominee"), elects to lease the Demised Premises from the date of termination of this Lease for the remainder of the Term of this Lease, at the rent and other charges herein reserved and otherwise upon the same terms, covenants and conditions as are herein set forth, with the same relative priority in time and in right as this Lease (to the extent possible) and having the benefit of and vesting in the Leasehold Mortgagee, or the approved nominee, all of the rights, title, interest, powers and privileges of Lessee hereunder, and (2) Leasehold Mortgagee further obligates itself to (and in fact does) within ten (10) days after delivery to Lessor of such election:

(i) Cure the default upon which such termination was based, or in respect to any default not capable of curing within such ten (10) days, or which cannot be cured without entry into possession, proceed and effect cure with due diligence following delivery of possession;

(ii) Pay to Lessor all rent and other charges due under this Lease up to and including the date of commencement of the term of such new lease less any net rental income received by Lessor for such period; and

(iii) Pay to Lessor all expenses and reasonable attorneys' fees incurred by Lessor in connection with any such default with the preparation, execution and delivery of such new lease.

(e) After such cancellation and termination of this Lease and upon compliance by Leasehold Mortgagee, or the approved nominee, within such time, Lessor shall thereupon execute and deliver such new lease to Leasehold Mortgagee or the approved nominee, having the same relative priority in time and right as this Lease (to the extent possible) and having the benefit of all of the right, title, interest, powers and privileges of Lessee hereunder in and to the Demised Premises, including specific assignment of Lessor's interest in and to any then existing sublease where the subtenant may have attorned to Lessor or which, at the time of cancellation or termination of this Lease, was prior in right to the Leasehold Mortgagee or which by separate agreement or by its terms had been granted non-disturbance privileges. Lessor hereby agrees that with respect to any such sublease so assigned, it will not modify or amend any of the terms or provisions thereof, during the period between the expiration or termination of this Lease and the execution and delivery of the new lease. Lessor agrees that it will not terminate any sublease while foreclosure of the leasehold estate of Lessee is pending or while the Leasehold Mortgagee has the right to receive a replacement lease.

(f) Upon the execution and delivery of the new lease, title to all improvements within the Demised Premises, as well as all equipment, fixtures and machinery thereunder, shall

automatically vest in the Leasehold Mortgagee or the approved nominee until the expiration of the term of the new lease, unless the new lease shall thereafter sooner be terminated.

(g) In the event that Leasehold Mortgagee exercises its right under Section 11.2(d) to enter into a new lease (or to designate its nominee to enter into a new lease), Leasehold Mortgagee or the approved nominee shall have the right to assign such lease without the consent of Lessor.

(h) Anything herein contained to the contrary notwithstanding, Lessor and Lessee mutually agree that so long as there exists an unpaid Leasehold Mortgage on the leasehold estate of Lessee, this Lease or any renewal thereof shall not be modified, amended or altered and Lessor shall not accept a surrender of the Demised Premises or a cancellation of this Lease (provided the Leasehold Mortgagee remedies any default and keeps this Lease current, all as hereinbefore provided) prior to the expiration or sooner termination thereof as hereinbefore provided, without the prior written consent of the Leasehold Mortgagee.

(i) So long as any debt secured by a Leasehold Mortgagee upon the leasehold created by this Lease shall remain unpaid, unless the Leasehold Mortgagee shall otherwise consent in writing, the fee title to the Land and the leasehold estate in the Demised Premises shall not merge but shall always be kept separate estates, notwithstanding the union of such estates either in Lessor or in Lessee or in a third party by purchase or otherwise.

(j) Lessor agrees for the benefit of any Leasehold Mortgagee that at any time, and from time to time, upon not less than twenty (20) days' prior notice from Lessee or from a Leasehold Mortgagee, to deliver a certificate in recordable form to Lessee and to the Leasehold Mortgagee stating that this Lease is unmodified (or, if there have been modifications, setting them forth) and in full force and effect, the dates to which rental and other charges have been paid, and that either Lessee is not in default in the performance of any of the terms and provisions of this Lease (or, if there are defaults, specifying the nature thereof with sufficient particularity that Lessee and the Leasehold Mortgagee will know the nature of the acts which must be performed and the amounts of the payments which must be made to cure any such default), it being agreed that any such statement delivered pursuant to this Section 11.2 may be relied upon by any prospective assignee of Lessee's interest in this Lease or by any Leasehold Mortgagee or prospective Leasehold Mortgagee.

(k) Lessee agrees that it shall obtain from any Leasehold Mortgagee an agreement to the effect (i) that such Leasehold Mortgagee shall notify Lessor of any default by Lessee under the Leasehold Mortgage in favor of such Leasehold Mortgagee at the time that the Leasehold Mortgagee serves upon Lessee any notice of such default required by law, (ii) that Lessor shall have the right, but not the obligation, to cure any default under such Leasehold Mortgagee on Lessee's behalf within the time permitted by law for Lessee to cure such default, and (iii) that if Lessor recovers possession of the Demised Premises by reason of a default by Lessee under this Lease as provided in Article XIII, such Leasehold Mortgagee shall not take any action to foreclose upon its Leasehold Mortgage so long as Lessor shall cure any default thereunder within the time permitted by law for Lessee to cure such default and shall thereafter timely satisfy the obligations of Lessee under such Leasehold Mortgage as they accrue.

11.3 Mortgage. As used in this Lease, all references to a “mortgage” shall be deemed to include a deed of trust and an assignment of this Lease in an assignment and leaseback transaction, and all references to the “holder(s)” of a mortgage or to a “mortgagee” shall be deemed to include the beneficiary and/or trustee under a deed of trust and the assignee/sublessor in an assignment and leaseback transaction.

11.4 Loss Payable Endorsement. Lessor agrees that the name of any mortgagee may be added to the “Loss Payable Endorsement” of any and all insurance policies required to be carried by Lessee hereunder, and that, subject to the terms of the REA, all insurance and/or condemnation proceeds to which Lessee may be entitled hereunder for purposes of restoration of the Improvements on the Demised Premises may be made available jointly to the Lessee and such mortgagee.

ARTICLE XII

EASEMENTS

Lessor covenants and agrees as to its fee interest in the Demised Premises that it will execute any instruments which may be reasonably requested by Lessee in connection with the granting of easements for installation, maintenance and repair and replacement of Utilities, or which may be provided for pursuant to the REA.

Neither Lessor or Lessee shall grant or otherwise convey any type of easement or easements affecting the Demised Premises or the Shopping Center Site for the benefit of any property not within the Shopping Center Site.

ARTICLE XIII

DEFAULT

13.1 Performance by Lessor on Lessee’s Default. In the event that Lessee shall fail or neglect to do or perform any act or thing herein provided for it to be done or performed, and Lessee shall not have commenced to perform within forty-five (45) days after receipt by Lessee of written notice from Lessor specifying the nature of the act or thing to be done or performed, and thereafter complete performance with due diligence, then Lessor may, but shall not be required to, do or perform or cause to be done or performed such act or thing (entering upon the Demised Premises for such purposes, if Lessor shall so elect), and Lessee shall repay as additional rent to Lessor upon demand, the entire cost and expense thereof. Any act or thing done by Lessor, pursuant to the provisions of this paragraph shall not be, or be construed as, a waiver of any covenant, term or condition herein contained, or of the performance thereof.

13.2 Event of Default. Any of the following shall constitute an event of default (hereinafter called “Event of Default”) on the part of Lessee:

- (i) The failure to pay the rent set forth herein, subject to the following condition: In the event Lessee fails to pay the rent herein reserved, or any part thereof, within the time periods provided herein, Lessor shall provide Lessee written notice of such default. In the event Lessee has not cured such default within

fifteen (15) days following the receipt by Lessee of such notice, Lessor shall deliver to Lessee a second notice of such default. In the event Lessee has not cured such default within fifteen (15) days following receipt of such second notice from Lessor, such failure shall constitute an Event of Default hereunder;

(ii) The failure, for a period of more than forty-five (45) days after Lessee's receipt of notice from Lessor, to do, observe, keep and perform any of the terms, covenants, conditions, agreements and provisions of this Lease which Lessee is required to observe, keep or perform, subject to the provisions of Section 28.4;

(iii) The abandonment of the Demised Premises by Lessee.

(iv) The adjudication of Lessee as bankrupt, the filing of any involuntary petition in bankruptcy against Lessee which is not withdrawn or otherwise disposed of in favor of Lessee within one hundred twenty (120) days, the filing of a voluntary petition in bankruptcy, or for reorganization or arrangement, by Lessee, or if Lessee shall make a general assignment for the benefit of creditors or voluntarily take the benefit of or claim to be insolvent under any of the provisions of the Bankruptcy Act, or the appointment of a permanent receiver or trustee for Lessee or Lessee's property, or if a temporary receiver or trustee of Lessee or Lessee's property shall be appointed and such permanent or temporary receiver or trustee shall not be discharged within one hundred twenty (120) days from the date of appointment.

For the purposes of Subparagraph (ii) of this Section 13.2, if the default complained of be a default other than one which may be cured by the payment of money, no Event of Default on the part of Lessee in the performance of work or acts to be done or conditions to be met shall be deemed to exist if steps to cure the same shall have been commenced by Lessee within forty-five (45) days after receipt by Lessee of written notice from Lessor, which notice shall set forth the nature of such default, and shall be prosecuted to completion, with due diligence and continuity.

Notwithstanding the foregoing, Lessee shall be excused from failure to perform any term, covenant, condition or agreement under this Lease during the time and to the extent such performance or delay is excused pursuant to Section 13.6 hereof or the terms of the REA.

13.3 Remedies of Lessor. It is expressly agreed that in no event shall Lessor have the right to terminate this Lease as long as Costco Wholesale Corporation is Lessee under this Lease and continues to maintain a corporate net worth of no less than One Hundred Million Dollars (\$100,000,000) while Lessee hereunder (the "Net Worth Condition") unless, following an Event of Default hereunder, Lessor obtains a final damage judgment or final court order against Lessee in connection with such Event of Default (the "Default Condition"). Notwithstanding the foregoing, Lessor shall not have the right to terminate as a result of a Default Condition if Lessee satisfies the final damage judgement within thirty (30) days or cures any final court order within sixty (60) days (or such longer period of time as is reasonably required, provided, that Lessee is diligently pursuing such cure), in either case, after receipt of a notice thereof from Lessor. Upon the earlier to occur of (a) the failure of the Net Worth Condition, or (b) the occurrence of the Default Condition, the restriction on termination set forth in this Section 13.3 shall be of no further force or effect, and Lessor shall have the right, following the earlier to occur of (A) any future

Event of Default under Section 13.2(i), or (B) any subsequent Default Condition, which subsequent Default Condition results from an Event of Default under Section 13.2(ii), (iii) or (iv), and subject to the rights of a mortgagee pursuant to Article XI, to terminate this Lease in the manner provided by law as of a date specified in the notice to Lessee, which date shall not be less than sixty (60) days after the date of serving such notice, except in the case of a breach for non-payment of rent under the provisions of Section 13.2(i), in which of event such date of termination shall be not less than thirty (30) days after the expiration of any notice given under said Subparagraph (i) (unless, in either event such default is cured or such final damage judgment is satisfied by Lessee, as the case may be, prior to such date). In the event such termination shall occur, Lessor shall have the right to eject all parties in possession thereof therefrom and repossess and enjoy the Demised Premises together with all additions, alterations, and improvements thereto, and Lessor shall thereupon be entitled to recover from Lessee the worth at the time of such termination, of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the balance of the term over the greater of (i) the then reasonable or obtainable rental value of the Demised Premises for the same period, or (ii) the amount of rent actually received by Lessor for the same period from the lease of the Demised Premises to a third person.

The remedies of Lessor as hereinabove provided are in addition to, and not exclusive of any other remedy of Lessor herein given or which may be permitted by law. Any re-entry, as provided for herein, shall be allowed by Lessee without hindrance, and Lessor shall not, except for Lessor's negligence or willful misconduct, be liable in damages or guilty of trespass because of any such re-entry.

13.4 Waiver. If either party fails or neglects, for any reason, to take advantage of any of the terms hereof providing for the termination of this Lease or the declaration of any default by the other party, or if either party having the right to declare this Lease terminated or the estate hereby demised terminated or forfeited or to exercise any other default remedy, shall fail so to exercise same, any such failure or neglect shall not be or be deemed to be construed to be a waiver of any cause for the termination or forfeiture of the estate hereby demised or other default subsequently arising, or as a waiver of any of the covenants, terms or conditions of this Lease or of the performance thereof. None of the covenants, terms or conditions of this Lease can be waived except by the written consent of Lessor or Lessee, as applicable.

13.5 Remedies of Lessee. If Lessor shall fail to perform any of the terms, provisions, covenants or conditions to be performed or complied with by Lessor pursuant to this Lease, or if Lessor should fail to make any payment which Lessor agrees to make, and any such failure shall remain uncured for a period of thirty (30) days after Lessee shall have served upon Lessor notice of such failure, then Lessee may at Lessee's option, at any time prior to commencement of Lessor's acting to cure such failure and thereafter if Lessor fails to diligently perform the curing of such failure, perform any such term, provision, covenant or condition or to make any such payment, as Lessor's agent, and in Lessee's sole discretion as to the necessity therefor, and Lessee shall not be liable or responsible for any loss or damage resulting to Lessor or anyone holding under Lessor on account thereof. The full amount of the cost and expense entailed, or payment so made shall immediately be owing and payable by Lessor to Lessee, and Lessee shall have the right to deduct the amount thereof, together with interest at the maximum legal rate thereon from the date of payment, without liability or forfeiture, from rents then due or thereafter coming due hereunder, and irrespective of who may own or have any interest in the Demised Premises at the time such

deductions are made. The option given in this Section 13.5 is for the sole protection of Lessee, and its existence shall not release Lessor from the obligation to perform the term, provisions, covenants and conditions herein provided to be performed by Lessor or deprive Lessee of any rights or remedies at law or in equity which Lessee may have by reason of any such default by Lessor.

13.6 Delays in Performance. The time within which either party hereto shall be required to perform any act under this Lease, other than the payment of money, shall be extended by a period of time equal to the number of days during which performance of such act is delayed due to an event of Force Majeure as defined in Section 28.4. Unless the party entitled to such extension shall give notice to the other party hereto of its claim to such extension and the nature thereof with five (5) days after the event of Force Majeure giving rise to such claim shall have occurred, there shall be excluded in computing the number of days by which the time for performance of the act in question shall be extended, the number of days in excess of five (5) which shall have elapsed between the occurrence of such event of Force Majeure and the actual giving of such notice.

ARTICLE XIV

ATTORNEYS' FEES

If any action or suit is instituted by either party against the other to enforce the provisions of this Lease, the prevailing party in said action or suit shall be entitled to receive from the other party, court costs incurred in such action and reasonable attorneys' fees in an amount determined by the court.

ARTICLE XV

NOTICES

Any and all notices by the Lessor to the Lessee, or by the Lessee to the Lessor, shall be in writing and sent by registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses below stated:

in the case of Lessor to: CITY OF ESCONDIDO
201 N. Broadway
Escondido, California 92025
Attention: City Attorney

with a copy to: CITY OF ESCONDIDO
201 N. Broadway
Escondido, California 92025
Attention: City Manager

in the case of Lessee to: Costco Wholesale Corporation
999 Lake Drive
Issaquah, Washington 98027
Attention: Property Management (Legal Dept.)

Re: Location # ____ (Escondido, California)

with a copy to:

Costco Wholesale Corporation
999 Lake Drive
Issaquah, Washington 98027
Attention: Corporate Counsel
Re: Location # ____ (Escondido, California)

and with a copy to:

If prior to August 1, 2023:

Goulston & Storrs
885 Third Avenue
New York, New York 10022
Attention: David J. Rabinowitz, Esq.

If after August 1, 2023:

Goulston & Storrs
730 Third Avenue
New York, New York 10017
Attention: David J. Rabinowitz, Esq.

The foregoing parties may at any time change the address by notice to the other parties in writing. Rent shall be payable by check sent by ordinary mail by Lessee to Lessor at the address set forth in Section 3.2 above, or any change thereof pursuant to this paragraph.

Notwithstanding any of the foregoing, the date of receipt shall be the third (3rd) day after transmission and shall constitute the initial day of notice in computing the elapsed time as specified in any notice requirement in this Lease if said notice is given in accordance with the above requirements. If notice is given in any other fashion, such notice shall be deemed effective only upon receipt by each of the above named recipients as to such party. In the event fee title to the Property and all rights of Lessor under this Lease are transferred or conveyed to a third party, then if Lessee is not advised of such transfer, Lessee may continue to send all Notices to Lessor at the address set forth above (or, if applicable, such other address for Lessor set forth in a Notice given by Lessor to Lessee pursuant to this Article XV) or at the address for the owner of the Property on file with the governmental entity in charge of assessing real property taxes.

ARTICLE XVI

ESTOPPEL CERTIFICATE

Lessor and Lessee agree at any time and from time to time and within thirty (30) days after written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, stating that this Lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect, as modified, and stating the

modifications), and the dates to which the Fixed Rent and other charges have been paid in advance, if any, and whether or not there is any existing default or Event of Default in any of the requesting party's obligations under the terms of this Lease, or notice of default served by the party requested to deliver such estoppel certificate. If any such statement shall allege non-performance by the other party, the nature and extent of such non-performance shall, insofar as actually known by the party providing such estoppel certificate, be summarized therein. Any such estoppel certificate to be delivered by Lessee shall be in the form attached hereto as Exhibit D, and shall contain the following provision:

"This statement shall act as a waiver of any claim to the extent such claim is based on facts contrary to those asserted in this statement and to the extent said claim is asserted against a bona fide encumbrancer or purchaser for value, without knowledge of facts to the contrary to those contained in this statement. This statement shall in no event subject the undersigned to any liability whatsoever, notwithstanding the negligent or otherwise inadvertent failure of the undersigned to disclose correct and/or relevant information."

ARTICLE XVII

QUIET POSSESSION

Lessor covenants that it has full power and authority to enter into this lease transaction, and to grant the leasehold estate for the period provided in this Lease, and that Lessee and its successors and assigns shall and may at all times peaceably and quietly have, hold, occupy and enjoy the Demised Premises during the Term of this Lease, free from any hindrance or encumbrance by Lessor, or any person or persons claiming through or under the Lessor; provided, however, that nothing contained in this Article XVII shall impair in any manner the ability of Lessor to avail itself of the remedies of Lessor following a breach of the terms of this Lease by Lessee, as set forth in Article XIII.

ARTICLE XVIII

TITLE TO IMPROVEMENTS

It is agreed between Lessor and Lessee that during the term of this Lease, all Improvements to be erected, attached, or used in connection with the Demised Premises shall remain the property of Lessee, but upon termination of this Lease, either by expiration of its term or otherwise, the Improvements then located on the Demised Premises shall become the property of Lessor. On the date of such termination, Lessee shall surrender to Lessor the Demised Premises and the Improvements, if any, located thereon in their then existing condition and repair free and clear of all financing encumbrances created by Lessee. During the term of this Lease, Lessee alone shall be entitled to depreciation and all tax credits relating to the Improvements located on the Demised Premises.

On the date of such termination, any furniture, furnishings, trade fixtures, fixtures or business equipment on the Demised Premises may be removed by Lessee where furnished by or at the expense of Lessee.

ARTICLE XIX

ALTERATIONS AND ADDITIONS

Subject to the REA, Lessee shall have the right at its expense from time to time to make alterations or additions to the Improvements to be situated on the Demised Premises. Lessee shall give Lessor prior written notice of any such alterations or additions under circumstances which would require notice under Article X hereof. Upon termination of the Lessee's leasehold estate, such alterations or additions, if any, then remaining on the Demised Premises, shall be considered as Improvements and shall not be removed by the Lessee but shall become a part of the Demised Premises. Any such work shall be performed and done strictly in accordance with the laws and ordinances relating thereto and in compliance with the REA.

ARTICLE XX

ASSIGNMENT AND SUBLETTING

Lessee may sublet all or any part of the Demised Premises (including, without limitation, subleases and sub-subleases of portions of the Demised Premises as is customary in Lessee's business such as, by way of example only, subleases and/or sub-subleases of a portion(s) of the Demised Premises to independent optometrists) or assign all its rights and interests under this Lease, provided, that each such sublease or assignment shall be subject to the provisions of this Lease and the REA. If Lessee assigns or subleases all of its rights and interests under this Lease, the assignee or sublessee under such assignment or sublease shall expressly assume all of the obligations of Lessee hereunder in a written instrument delivered to Lessor within ten (10) days after the execution and delivery of any such assignment or sublease.

No assignment or sublease shall release or reduce any of the obligations of Lessee hereunder, and all such obligations shall continue in full effect as obligations of a principal and not as obligations of a guarantor or surety, to the same extent as though no assignment or subletting had been made, except that Lessee shall be relieved of and released from all of its obligations under this Lease if it assigns this Lease to an entity which has a net worth of \$50,000,000 or more and which delivers to Lessor written confirmation expressly assuming the obligations of Lessee hereunder for the benefit of Lessor, such release to be effective as of the date of such assignment and assumption.

ARTICLE XXI

CONDEMNATION

21.1 Definitions. Whenever used in this Article, the following words shall have the following respective meanings:

- (i) "Condemnation" or "condemnation proceedings" shall mean any action or proceeding brought by authority of competent jurisdiction for the purpose of any Taking of the Demised Premises or any part thereof as a result of the exercise of the power of eminent domain, including a voluntary sale to such authority either

under threat of or in lieu of condemnation or while such action or proceeding is pending.

(ii) "Taking" shall mean the delivery of possession of the Demised Premises or any part thereof to the authority of competent jurisdiction pursuant to condemnation.

(iii) "Vesting Date" shall mean the date of the Taking.

21.2 Total Taking. In case of a Taking of all of the Demised Premises, this Lease shall terminate as of the Vesting Date and the rent under this Lease shall abate as of, and be apportioned to the date of termination.

21.3 Partial Taking. In case of a Taking of less than all of the Demised Premises (other than for a temporary use) Lessee shall determine, in its discretion, prior to or within one hundred eighty (180) days after the Vesting Date, whether the remaining portion of the Demised Premises (after Restoration as referred to in Section 21.5) can economically and feasibly be used by Lessee.

If it is determined by Lessee that the remaining portion of the Demised Premises cannot be economically and feasibly used by Lessee, Lessee, at its election, may terminate this Lease on at least ten (10) days but not more than one hundred eighty (180) days notice to Lessor to such effect provided that such election to terminate is exercised prior to the earlier to occur of (i) thirty (30) days after such determination, or (ii) two hundred ten (210) days following such Taking. Upon any such termination, Lessee shall have no obligation to repair or restore any improvement located on the Demised Premises, and the rent shall be apportioned to the date of termination.

If Lessee does not elect to terminate this Lease within the period aforementioned, it shall continue in full force and effect as to the remaining portion of the Demised Premises subject to a reduction in the rent as provided in Section 21.6.

21.4 Allocation of Award; Total Taking. If this Lease shall terminate, pursuant to the provisions of Sections 21.2 or 21.3, the total award in the condemnation proceedings shall be apportioned and paid, to the extent available, in the following order of priority:

(i) The Lessee's Mortgagee and/or Leasehold Mortgagee, if any, shall first be entitled to have its mortgage loan satisfied, including such unpaid principal and accrued interest which is not past due and any pre-payment premium or penalty.

(ii) Lessor, Lessee and the Lessee's Mortgagee and/or Leasehold Mortgagee shall next be entitled to their expenses and charges, including, without limitation, reasonable attorneys' fees incurred in connection with the Taking.

(iii) Lessor shall be entitled to an amount equal to the value, on the Vesting Date, of the land taken as if vacant and unimproved and without this Lease, after the payment to Lessee from the proceeds of such award of the value of Lessee's leasehold interest in the land constituting the Demised Premises, determined with reference to the unexpired portion of the Term of this Lease, including all option periods, whether or not exercised. If the condemnation award

separately specifies the amount allocable to Lessor and Lessee, as above described, then such amount shall govern and be deemed the value thereof; otherwise, Lessor and Lessee shall agree upon such value and if they cannot agree, it shall be determined by arbitration under the provisions of Article XXIII.

(iv) The balance of the award shall be paid over to Lessee less, however, the value of Lessor's reversionary interest in the Improvements located on the Demised Premises, which shall be paid over to Lessor, such reversionary interest being determined with reference to the remaining Term of this Lease.

21.5 Allocation of Award: Partial Taking. If this Lease shall not terminate as provided in Section 21.3, it is agreed that Lessee's obligation to restore hereunder shall be determined only to the extent of Lessee's obligation to restore pursuant to the REA.

The total award in the condemnation proceedings, in the event of such partial taking, shall be apportioned and paid, to the extent available, in the following order of priority:

(i) Lessee shall first be entitled to an amount equal to the cost of Restoration.

(ii) Lessor, Lessee and any Lessee's Mortgagee and/or Leasehold Mortgagee shall next be entitled to their expenses and charges, including, without limitation, reasonable attorneys' fees incurred in connection with the Taking.

(iii) Lessor shall be entitled to an amount equal to the value, on the Vesting Date, of the land taken as if vacant and unimproved and without this Lease, after the payment to Lessee from the proceeds of such award of the value of Lessee's leasehold interest in the land which is taken, determined with reference to the unexpired portion of the Term of this Lease, including all option periods, whether or not exercised. If the condemnation award separately specifies the amount allocable to Lessor and Lessee, as above described, then such amount shall govern and be deemed the value thereof.

(iv) Lessee, subject to the rights of any Lessee's Mortgagee and/or Leasehold Mortgagee, shall be entitled to the balance of the award, less, however, the value of Lessor's reversionary interest in the Improvements located on that portion of the Demised Premises as taken and not restored, which shall be paid over to Lessor, such reversionary interest being determined with reference to the remaining Term of this Lease.

21.6 Rent Reduction. Upon any Taking which does not result in a termination of this Lease, the Fixed Rent payable by Lessee under this Lease immediately prior to the Taking shall be reduced in the proportion that the amount of land taken bears to the Demised Premises.

21.7 Temporary Taking. In the event of a Taking of all or any portion of the Demised Premises for temporary use (which shall mean a period of ninety [90] days or less), the foregoing provisions of this Article, except Section 21.6, shall be inapplicable thereto, this Lease shall continue in full force and effect and Lessee shall be entitled to make claim for, recover and retain

any award recoverable in respect of such temporary use whether in the form of rental or otherwise. If the award is made in a lump sum covering a period beyond the expiration of the Lease Term, Lessor also shall be entitled to make claim for and participate in the award proportionately.

If any portion of the award for such temporary use is intended to cover the cost of restoring the Improvements located on the Demised Premises to the condition they were in prior to such temporary use or to make repairs occasioned by or resulting from such temporary use, such portion shall be used by Lessee to cover the cost of such restoration and repair, and any balance remaining shall belong to and be paid to Lessee. Lessee shall have no obligation to restore or repair except as provided in the REA, and Lessee's right to receive a portion of the award, as above provided, shall not be affected thereby.

In the event of a Taking of all or any portion of the Demised Premises for temporary use which is for a period longer than ninety (90) days, Lessee shall have the right to terminate this Lease, which option must be exercised by Lessee giving written notice thereof to Lessor within said ninety (90) day period. If said right to terminate is so exercised by Lessee, any award recoverable in respect of such temporary use as to the Demised Premises shall be allocated between Lessor and Lessee as if it was a Taking under Section 21.4. In the event said right to terminate is not exercised by Lessee within the aforesaid time period, then the provisions of this Section 21.7 shall apply.

21.8 Settlement. Without the consent of Lessee and Lessee's Mortgagee and/or Leasehold Mortgagee, Lessor shall not make any settlement with the condemning authority or convey any portion of the Demised Premises to such authority in lieu of condemnation or consent to any Taking.

21.9 Application of REA. In the event the Demised Premises, or any part thereof, shall be taken in condemnation proceedings or by exercise of any right of eminent domain or by agreement between Lessor, Lessee and those authorized to exercise such right, and if at such time the REA has not terminated or expired as to the Demised Premises, then, as between the REA parties, the provisions of the REA shall control the collection, application and distribution of awards resulting from a Taking of all or a portion of the Shopping Center, and as between Lessor and Lessee, the Lease shall control the collection, application and/or distribution of that portion of the award which Lessor or Lessee is entitled to receive as a result of a Taking. Any provision herein to the contrary notwithstanding, if at the time of any such Taking the REA is no longer in force or effect, or if as a result of such Taking the REA is terminated, or the REA is terminated as to the Demised Premises, Lessee may, at its election, terminate this Lease by giving Lessor at least thirty (30) days prior written notice of its intention to do so. In such event, the foregoing provisions of Section 21.4 shall control said collection, application and/or distribution of awards resulting from such Taking.

ARTICLE XXII

DESTRUCTION AND RESTORATION

22.1 Obligations of Lessee. In the event of damage to or destruction of the Improvements located on the Demised Premises, Lessee shall be obligated to repair and restore the same only to the extent required to do so as a Party to the REA.

22.2 Destruction Not A Release. Except as expressly provided in Section 22.3 hereof, no destruction of, or damage to the Improvements located on the Demised Premises or any part thereof by fire or any other cause shall permit Lessee to surrender this Lease or shall relieve Lessee from its obligation to pay the full rent under this Lease or from any of its other obligations under this Lease, and Lessee waives any rights now or hereafter conferred upon it by statute or otherwise to quit or surrender this Lease or the Demised Premises or any suspension, diminution, abatement or reduction of rent on account of any such destruction or damage.

22.3 Termination of Lease. In the event the Improvements located on the Demised Premises shall be substantially damaged or destroyed (as defined in this Section 22.3) by fire or any other cause whatsoever, or such damage or destruction shall materially impair the usefulness of the Demised Premises, in the opinion of Lessee, and if pursuant to the REA Lessee is not required to restore Improvements located on the Demised Premises, Lessee shall have the right to terminate this Lease at any time within one (1) year from the date of such damage or destruction, such termination to be effective upon at least thirty (30) days prior notice to Lessor. If Lessee elects to terminate the Lease, Lessee shall, at Lessor's request, raze the Improvements or portion thereof so damaged. If Lessee does not so terminate, or if such damage or destruction is not substantial, Lessee will construct such Improvements as Lessee shall deem appropriate so long as the usage for which such construction is undertaken is not prohibited by the REA. If Lessee elects not to terminate the Lease and not to so repair or reconstruct alternative Improvements, Lessee shall, at Lessor's request, raze the damaged Improvements and remove all debris from the Demised Premises in accordance with Section 12.7 of the REA. Lessee may exercise its option to terminate this Lease under this Section 22.3 by serving such notice upon Lessor, without any liability on the part of Lessee to Lessor except for the payment of the Fixed Rent and all additional sums required to be paid by Lessee under the terms of this Lease up to the date of such termination and performance by Lessee of the razing and removal of debris obligations of Lessee above set forth in this Section 22.3. Any insurance proceeds Lessee shall receive as a result of such damage or destruction shall belong to Lessee.

For the purposes of this Section 22.3 the Improvements which constitutes a single architectural unit shall be deemed substantially damaged or destroyed if the estimated cost of restoring the Improvements as nearly as possible to their value, condition and character immediately prior to such damage or destruction is twenty-five percent (25%) or more of the estimated total replacement cost of the Improvements.

22.4 Application of REA. So long as the REA is in full force and effect as to the Demised Premises, the reconstruction obligations hereunder shall be performed in compliance with and pursuant to the reconstruction provisions of the REA. Upon termination of the REA and the election by Lessee not to terminate this Lease, said REA provisions governing the manner in which

repair or reconstruction is performed shall, for the remaining term of this Lease, continue as if incorporated herein and made a part hereof.

ARTICLE XXIII

INTENTIONALLY OMITTED

ARTICLE XXIV

RIGHT OF FIRST REFUSAL

24.1 Receipt of Offer. In the event Lessor shall at any time during the Term of this Lease receive from any Person an offer to purchase all or any portion of Lessor's fee interest in the Demised Premises which offer Lessor desires to accept, Lessor shall give to Lessee written notice of the price and a copy of the document containing the terms and conditions of such offer, and of Lessor's willingness to sell for such price and on such terms and conditions, and Lessee shall have the option and privilege of purchasing such property for said price and upon the terms of such offer. Lessee shall notify Lessor in writing, within thirty (30) days of receipt of notice from Lessor, whether or not it desires to accept the terms of such offer of sale. Should Lessee accept said offer, Lessor shall convey such property to Lessee in accordance with the offer terms. Failure to send such notification within said thirty (30) day period shall constitute an election by the Lessee to reject the offer.

24.2 Right to Sell to Offeror. In the event Lessee shall reject said offer to purchase upon such terms and conditions, or shall fail to send Lessor written notice within said period of thirty (30) days of its election to purchase said interest upon the price and terms specified in said offer, Lessor may thereafter sell its fee interest or portion thereof to the Person making the offer, only at the price and on the terms stated in the offer. Any variation in said price, and/or terms and conditions shall require a new notice from Lessor to Lessee setting forth all of the changes to said price, terms and/or conditions and Lessee shall have an additional thirty (30) day period to accept said offer on such new or different price, terms and conditions. In the event Lessor does not enter into a binding agreement for the sale of such interest to such Person at the price and on the terms stated in the offer within thirty (30) days after the earlier to occur of (i) rejection of same by Lessee, or (ii) in the event Lessee fails so to notify Lessor of its election to purchase said interest, the expiration of the applicable thirty (30) day period set forth above, or if the sale is not consummated, Lessor shall not sell its interest without a new notice to Lessee in accordance with this Article XXIV, and Lessor shall give Lessee notice in writing of any subsequent proposal to sell Lessor's interest or offer acceptable to Lessor, and Lessee shall have the right of first refusal to purchase such interest upon the price and terms of such subsequent proposal or offer, in the same manner as hereinabove provided for the original offer.

24.3 Surplus Land Act. For the avoidance of doubt, this Article XXIV shall be subject to the California Surplus Land Act (Government Code sections 54220-54234), as the same may be amended from time to time.

ARTICLE XXV

REA

This Lease and Lessor's interest in the Demised Premises shall be subject to the REA, and in the event of any conflict between the provisions of this Lease and the provisions of the REA while both documents are in full force and effect, the provisions of the REA shall control, except as between Lessor and Lessee, in which event the provisions of this Lease shall control. In addition to the rights of Lessee set forth in Sections 21.9 and 22.3, Lessee shall have the right to terminate this Lease upon ninety (90) days written notice to Lessor given within one hundred eighty (180) days after the REA shall expire or terminate as to the Costco Tract (as such term is defined in the REA), provided that if Lessee, after the termination of the REA, thereafter shall exercise an option to extend the Term of this Lease, then the right to terminate this Lease contained in this Article XXV shall be of no further force and effect.

ARTICLE XXVI

INTENTIONALLY OMITTED

ARTICLE XXVII

INDEMNIFICATION BY LESSEE

Lessee agrees to indemnify, defend and save harmless Lessor against and from any and all claims by or on behalf of any Person arising from conduct or management of or from any work or thing done in the Demised Premises and will further indemnify, defend and save Lessor harmless against and from any and all claims by or on behalf of any Person arising during the Term of this Lease from any condition of any Improvements located thereon, or arising from any breach or default on the part of Lessee in the performance of any covenant or agreement on the part of Lessee to be performed pursuant to the terms of this Lease, or arising from any act of negligence of Lessee, or any of its agents, contractors, servants, employees, sublessees or licensees, or arising from any accident, injury or damage whatsoever caused to any person, firm or corporation occurring during the Term of this Lease, on the Demised Premises, and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in or about any such claim, action or proceeding brought thereon, except to the extent any of the same shall result from the negligence or intentional wrongdoing of servants or employees.

ARTICLE XXVIII

MISCELLANEOUS

28.1 Successors and Assigns. Each of the terms, covenants and conditions of this Lease shall extend to and be binding on and inure to the benefit of not only Lessor and Lessee, but each of their respective successors, legal representatives and assigns. Whenever in this Lease reference is made to either Lessor or Lessee, the reference shall be deemed to include, wherever applicable, the successors, legal representatives and assigns, of such parties with the same force and effect as if in every case expressed.

28.2 Language. The words “Lessor” and “Lessee” wherever used herein shall be applicable to one or more persons as the case may be, and the singular shall include the plural, and the neuter shall include the masculine and feminine, and if there be more than one, the obligations hereof shall be joint and several. The word “person” wherever used shall include individuals, firms, partnerships, associations and corporations. The language in all parts of this Lease shall be in all cases construed as a whole and according to its fair meaning and not strictly for or against Lessor or Lessee.

28.3 Short Form Lease. The parties agree to execute and record a short form lease substantially in the form attached to this Lease as Exhibit E at any time on or after the Effective Date.

28.4 Force Majeure. Each party shall be excused from performing any obligation or undertaking provided in this Lease, except any obligation to pay any sums of money under applicable provisions hereof unless such payment is for an obligation or undertaking excused, delayed or extended by the provisions of this Section 28.4, in the event but only so long as the performance of any such obligation or undertaking is prevented or delayed, retarded or hindered by act of God, fire, earthquake, floods, explosion, actions of the elements, war, invasion, insurrection, riot, mob violence, sabotage, inability to procure labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strikes, lockouts, action of labor unions, condemnation, requisition, laws, orders of governmental or civil or military or naval authorities, any declared, actual, or threatened public emergency, including, without limitation, any public health emergency, epidemic, pandemic, infectious disease outbreaks or health and safety circumstances that require individual isolation, quarantine or quarantine-like restrictions, or other methods of social distancing, or any other cause, whether similar or dissimilar to the foregoing, not within the respective control of such party (other than the lack or inability to procure monies to fulfill its commitments and obligations or undertakings provided in this Lease).

Notwithstanding any specific references in certain other provisions of this Lease to this Section 28.4, the absence of such specific reference in any other provisions of this Lease shall not be deemed to diminish the general applicability of this Section 28.4.

28.5 Correction of Legal Description of Demised Premises. It is recognized that by reason of construction errors, the Improvements located on the Demised Premises may not be precisely constructed within the Demised Premises as described in Exhibit A hereof. In the event the Improvements of Lessee have not been precisely constructed within the Demised Premises, Lessor and Lessee will join in the execution of an agreement, in recordable form, amending Exhibit A to this Lease, so as to revise the description of the Demised Premises to include any portion of the Improvements encroaching upon other land owned by Lessee, provided that if there is an encroachment onto a tract of land owned by Lessor and leased to a third party, Lessor shall arrange with such third party to join in said agreement amending Exhibit A. Nothing herein contained shall be deemed to relieve or excuse Lessee from exercising all due diligence to construct its Improvements within its Tract as described on Exhibit A hereof and as shown on Exhibit B hereof.

28.6 California Law to Govern. This Lease shall be construed and enforced in accordance with the laws of the State of California.

28.7 Counterparts. This instrument may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

28.8 Invalidity. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

28.9 No Agency. It is understood and agreed that nothing contained in this Lease nor in any act of the parties hereto shall be deemed to create any relationship between the parties hereto other than the relationship of Lessor and Lessee.

28.10 Effect of Lessor's Conveyance. If during the term of this Lease, Lessor shall sell its interest in the Demised Premises, then from and after the effective date of such sale, Lessor shall be released and discharged from any and all obligations and responsibilities under this Lease except those already accrued, provided that Lessor's successor shall have delivered to Lessee a written instrument expressly assuming the obligations of Lessor hereunder for the benefit of Lessee.

28.11 Waste. Lessee shall not commit, or cause to be committed, any waste or nuisance upon the Demised Premises.

ARTICLE XXIX

LOOP ROAD PARCEL

Lessor shall convey to Developer under the Developer Lease (as defined in the REA) a perpetual non-exclusive easement for a vehicular roadway over, on and across a portion of the Developer Tract shown on Exhibit B as "Loop Road Parcel".

It is hereby agreed between Lessor and Lessee that so long as this Lease is in full force and effect, Lessee, its customers, employees, business visitors and invitees shall have access to and from the Demised Premises and the Loop Road Parcel including access points shown on Exhibit B as well as the use of the Loop Road Parcel for motor vehicle traffic from Via Rancho Parkway south of the Shopping Center Site to the new access road to Interstate 15 north of the Shopping Center Site.

Lessee's access and use rights described in this Article XXIX shall become perpetual and non-exclusive upon Lessee's exercise of the first right of refusal pursuant to and in accordance with Article XXIV and the grant of such perpetual and non-exclusive access and use rights shall be incorporated in the grant deed given by Lessor to Lessee under Article XXIV.

ARTICLE XXX

PROFIT SHARE ON SALE OF LEASEHOLD INTEREST

If Lessee shall sell or assign the entirety of its interest in this Lease to a third party, and provided that the assignment is not a Permitted Transfer (as hereinafter defined), then upon the closing of such assignment, Lessee shall pay to Lessor one and a quarter percent (1.25%) of the assignment price for the assignment of such leasehold interest (the "Profit Share"). Notwithstanding the foregoing, in no event shall Lessee be required to pay to Lessor a Profit Share in connection with (a) an assignment less than the entirety of Lessee's leasehold interest, (b) an assignment to an affiliate or related party of Lessee, (c) an assignment in connection with the sale of all or substantially all of Lessee's assets or equity, or (d) an assignment in connection with a portfolio sale, merger, consolidation, acquisition or other similar transaction, including, without limitation, a "going private" transaction (each, a "Permitted Transfer").

ARTICLE XXXI

LEAK DETECTION AND SURRENDER OBLIGATIONS FOR THE FUEL FACILITY

Upon the surrender of the Demised Premises to Lessor and provided Lessee has constructed a Fuel Facility, Lessee shall remove all fuel tanks, product piping, fuel dispensers and other equipment, and shall backfill any areas from which the fuel tanks were removed, and may (but shall not be obligated to) remove the canopy, columns, kiosk or curbing in the Fuel Facility. Such work shall be performed by a licensed contractor experienced in engagements of this type and in accordance with all government and permitting agency laws, regulations, orders and requirements. If at any time during the Lease Term, or successive optional extensions of the Lease Term, there is evidence that the Fuel Facility tanks and related appurtenances are experiencing any leakage, then Lessee shall notify Lessor as provided herein and engage in any required testing and/or remediation necessary to comply with applicable laws and to obtain the "closure approvals" referenced below. Any such remediation work shall be performed in accordance with sound engineering practices and the requirements of applicable laws. Lessee shall diligently pursue and obtain any applicable "closure" approvals required by the applicable government agencies in connection with such tank removal and the completion of any applicable remediation work. The obligations under this Article XXXI shall survive the expiration or sooner termination of this Lease.

[Remainder of Page Intentionally Blank; Signatures Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day, month and year first above written.

CITY OF ESCONDIDO

By: _____

By: _____

“LESSOR”

COSTCO WHOLESALE CORPORATION

By: _____

By: _____

“LESSEE”

EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1 OF ESCONDIDO MAP NO. 85-08, in the City of Escondido, County of San Diego, State of California, according to Parcel Map No. 14270, filed in the Office of the County Recorder of San Diego County, May 1, 1986.

EXHIBIT B
PLOT PLAN OF SHOPPING CENTER

EXHIBIT C

PERMITTED TITLE EXCEPTIONS



Chicago Title Insurance Company

POLICY NO.: Pro Forma-CA-FBSC-IMP-72306-1-22-00092251

**PRO FORMA
OWNER'S POLICY OF TITLE INSURANCE**

Issued by

Chicago Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given the Company under this Policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, CHICAGO TITLE INSURANCE COMPANY, a Florida corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.

- (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
 4. No right of access to and from the Land.
 5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protectionif a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
 6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
 7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
 8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
 9. Title being vested other than as stated Schedule A or being defective
 - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
 10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

IN WITNESS WHEREOF, CHICAGO TITLE INSURANCE COMPANY has caused this policy to be signed and sealed by its duly authorized officers.

Chicago Title Insurance Company

Order No.: 00092251-994-LT2-1TW

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Policy. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

72306 ALTA Owner's Policy of Title Insurance (6/17/06)

Copyright American Land Title Association. All rights reserved. The use of this Form is restricted to ALTA licensees and ALTA members in good standing as of the date of use. All other uses are prohibited. Reprinted under license from the American Land Title Association.

4871-1525-0000, v. 5

AMERICAN
LAND TITLE
ASSOCIATION

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.

(b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.

(c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.

(d) "Insured": The Insured named in Schedule A.

(i) The term "Insured" also includes

(A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;

(B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;

(C) successors to an Insured by its conversion to another kind of Entity;

(D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title

(1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,

(2) if the grantee wholly owns the named Insured,

(3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or

(4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.

(ii) With regard to (A), (B), (C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.

(e) "Insured Claimant": An Insured claiming loss or damage.

(f) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(g) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(h) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(i) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the

records of the clerk of the United States District Court for the district where the Land is located.

(j) "Title": The estate or interest described in Schedule A.

(k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant

under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses,

prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.

(i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or

(ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of

(i) the Amount of Insurance; or

(ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.

(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title, as insured,

(i) the Amount of Insurance shall be increased by 10%, and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's

consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Company's right of subrogation includes the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

14. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

16. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

17. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at Chicago Title Insurance Company, Attn: Claims Department, Post Office Box 45023, Jacksonville, Florida 32232-5023.

Chicago Title Insurance Company

SCHEDULE A

This is a Pro Forma Policy. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

Name and Address of Title Insurance Company: **Chicago Title Company, 725 South Figueroa Street 200, Los Angeles, CA 90017**

Policy No.: **Pro Forma-CA-FBSC-IMP-72306-1-22-00092251** Order No.: **00092251-994-LT2-1TW**

Amount of Insurance: **PRO FORMA**

Premium: **PRO FORMA**

Date of Policy: **PRO FORMA**
4/18/2023)

(Pro Forma Date:

1. Name of Insured:

Costco Wholesale Corporation, a Washington corporation

2. The estate or interest in the Land that is insured by this policy is:

(i) A leasehold as to Parcel A as created by that certain lease dated _____, 2023, executed by The City of Escondido, as lessor, and Costco Wholesale Corporation, a Washington corporation, as lessee, as referenced in the document entitled "Memorandum of Lease", which was recorded _____, 2023 as Instrument No. 2023-_____ of Official Records, subject to all the provisions contained in said document, and in said lease.

(ii) Easements as to Parcels B and C.

3. Title is vested in:

Costco Wholesale Corporation, a Washington corporation

4. The Land referred to in this policy is described as follows:

See Exhibit A attached hereto and made a part hereof.

THIS POLICY VALID ONLY IF SCHEDULE B IS ATTACHED

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF ESCONDIDO, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCEL 1 OF ESCONDIDO MAP NO. 85-08, IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO PARCEL MAP NO. 14270, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MAY 1, 1986.

TOGETHER WITH:

PARCEL B:

NON-EXCLUSIVE EASEMENTS, INCLUDING BUT NOT LIMITED TO, EASEMENTS FOR PEDESTRIAN USES, AUTOMOBILE USE, INGRESS AND EGRESS AND PARKING AND CONSTRUCTION, INSTALLATION, OPERATION AND MAINTENANCE OF UTILITY LINES, STRUCTURAL SUPPORT, CONSTRUCTION AND ENCROACHMENT, FIRE AND SERVICE CORRIDORS AND OTHER INCIDENTAL USES, ALL AS SET FORTH AND ESTABLISHED IN THAT CERTAIN CONSTRUCTION, OPERATION AND RECIPROCAL EASEMENT (HEREINAFTER REA, DATED NOVEMBER 26, 1986, EXECUTED BY EWH ESCONDIDO ASSOCIATES, L.P., A DELAWARE LIMITED PARTNERSHIP, CARTER HAWLEY HALE STORES, INC., A DELAWARE CORPORATION, SEARS ROEBUCK AND CO., A NEW YORK CORPORATION, J.C. PENNEY PROPERTIES, INC., A DELAWARE CORPORATION, NORDSTROM, INC., A WASHINGTON CORPORATION AND ADCOR REALTY CORPORATION, A NEW YORK CORPORATION AND THE MAY DEPARTMENT STORES COMPANY, A NEW YORK CORPORATION, RECORDED NOVEMBER 26, 1986, INSTRUMENT NO. 86-549267, OFFICIAL RECORDS, AS MODIFIED BY FIRST AMENDMENT TO CONSTRUCTION, OPERATION AND RECIPROCAL EASEMENT AGREEMENT RECORDED MARCH 14, 2014 AS INSTRUMENT NO. 2014-0100990, OFFICIAL RECORDS, AND AS FURTHER MODIFIED BY SECOND AMENDMENT TO CONSTRUCTION, OPERATION AND RECIPROCAL EASEMENT AGREEMENT RECORDED _____, 2023 AS INSTRUMENT NO. 2023-_____ OF OFFICIAL RECORDS.

TOGETHER WITH:

PARCEL C:

A NON-EXCLUSIVE EASEMENT FOR VEHICULAR AND PEDESTRIAN ACCESS FOR CONSTRUCTION, OPERATION, MAINTENANCE, REPAIR AND REPLACEMENT OF IMPROVEMENTS, ALL AS MORE PARTICULARLY SET FORTH IN AND SUBJECT TO THE TERMS AND PROVISIONS OF THAT CERTAIN EASEMENT, LICENSE, CONSTRUCTION, AND MAINTENANCE AGREEMENT EXECUTED BY AND BETWEEN EWH ESCONDIDO ASSOCIATES, L.P. AND THE CITY OF ESCONDIDO DATED AS OF MAY 30, 1985 RECORDED JUNE 13, 1985 AS FILE NO. 85-210724 OF OFFICIAL RECORDS AS AMENDED BY FIRST AMENDMENT TO EASEMENTS, LICENSE, CONSTRUCTION AND MAINTENANCE AGREEMENT RECORDED AUGUST 23, 1985 AS FILE NO. 85-307344 OF OFFICIAL RECORDS.

APN(s): 271-030-14-00



SCHEDULE B

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

- A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2023-2024.
- B. Intentionally omitted.
- C. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

No such taxes are due and payable at Date of Policy.

- 1. Water rights, claims or title to water, whether or not disclosed by the public records.
- 2. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Granted To: San Diego Gas and Electric Company
Purpose: public utilities, ingress, egress
Recorded: January 18, 1945 in [Book 1801, page 310, of Official Records](#)

- 3. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Granted To: San Diego Gas and Electric Company
Purpose: public utilities, ingress, egress
Recorded: June 24, 1952 in [Book 4536, page 364, of Official Records](#)

- 4. The ownership of all water pipes and appurtenances now used for the distribution of water, which pipes and appurtenances now used for the distribution of water, which pipes and appurtenances are located on the property of the grantors land described therein, including specifically 1 water well, together with the pumps, pipelines, electric lines, equipment and facilities used in the operation of said well upon the said property herein described, together with a non-exclusive easement and right-of-way to be used in common with the grantors, their successors and assigns, for the purpose of installing, maintaining, operating and repairing water pipes with meters and other measuring devices, for the purpose of measuring or controlling the flow of water, provided that all such pipes shall be installed and maintained at least eighteen (18) inches below the natural surface of the land through which they shall extend and shall not be installed under any building or similar structure, tree or other improvement located upon said land at the time of such installation, as granted to Green Mutual Water Company of San Diego County, a corporation, in deed recorded December 12, 1952 in [Book 4685, page 46 of Official Records](#).

Reference is hereby made to said document for full particulars.



SCHEDULE B
(Continued)

5. An easement for the installation, repairing, replacing, maintenance, and operation of water pipelines, wells, pumps, motors, and appurtenances, together with the right of ingress thereto and egress therefrom and incidental purposes in favor of Green Mutual Water Company of San Diego County, a corporation, recorded December 7, 1953 in [Book 5069, page 269 of official records.](#)

Reference is made to said document for full particulars.

6. Easements, water pipelines, walls, right of ways dams, pumps and appurtenances as reserved by Green Mutual Water Company of San Diego County, et. al., in deeds to the City of San Diego, recorded December 30, 1953 in [Book 5098, page 380](#) and [Book 5098, page 401, both of Official Records.](#)

Reference is made to said document for full particulars.

7. An Agreement, and the terms and conditions as contained therein

Dated: June 21, 1967
By and Between: The City of San Diego, a municipal corporation and the City of Escondido, a municipal corporation
Recorded: July 17, 1967 as [Instrument No. 103860, of Official Records](#)
Regarding: Construction of a sewage treatment and disposal facility

Reference is hereby made to said document for full particulars.

8. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Granted To: City of Escondido, a municipal corporation
Purpose: sewer line
Recorded: February 21, 1968 as [Instrument No. 30466, of Official Records](#)

Affects: Parcel B

9. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Granted To: The City of Escondido, a municipal corporation
Purpose: right of way
Recorded: February 21, 1968 as [Instrument No. 30467, of Official Records](#)

Said instrument, among other things, provides as follows:

The City of Escondido shall have the right to extend the fill slopes in the area between the road right of way easement, and the easement for construction, operation and maintenance of the sewer and the city agrees that Wessels may construct any structure over the easement for construction of the sewer referred to above provided that the structural design of any structure to be so constructed must be approved by the City Engineer of the City of Escondido.

Affects: Parcel B

SCHEDULE B
(Continued)

10. The fact that the ownership of said land does not include rights of access to or from the street, highway, or freeway abutting said land, such rights having been severed from said land by the document.

Recorded: May 27, 1968 as [Instrument No. 87832, of Official Records](#)
Affects: A portion of said land as more particularly described in said document.

11. Intentionally omitted.

12. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Granted To: City of Escondido, a municipal corporation
Purpose: storm drainage works and appurtenances
Recorded: October 9, 1984 as [Instrument No. 84-382653, of Official Records](#)

The above easement was also recorded, Official Records:
October 9, 1984 Series/[Instrument No.: 84-382654](#)

The above easement was also recorded, Official Records:
October 9, 1984 Series/[Instrument No.: 84-382655](#)

The above easement was also recorded, Official Records:
October 9, 1984 Series/[Instrument No. 84-382656](#)

Affects: Parcel B

13. Resolution No. 85-28 of the city council of the City of Escondido, California, establishing water repayment fees to the city for the South Escondido Boulevard Water repayment area was recorded February 13, 1985, as [File No. 85-049204](#).

14. An Easement, License, Construction and Maintenance Agreement dated May 30, 1985, upon the terms, covenants, and conditions contained therein.

Executed By
And Between: EWH Escondido Associates, L. P., a Delaware limited partnership and the City of Escondido, a municipal corporation
Recorded: June 13, 1985 as [Instrument No. 85-210724, of Official Records](#)

Reference is hereby made to said document for full particulars.

A First Amendment to Easement, License, Construction and Maintenance Agreement, recorded August 23, 1985 as [File No. 85-307344 of Official Records](#).

15. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Granted To: San Diego Gas and Electric Company, a corporation
Purpose: a. Underground facilities and appurtenances for the transmission and distribution of electricity.
b. Pipelines and appurtenances for any and all purposes.
c. Communication facilities, and appurtenances.

SCHEDULE B
(Continued)

Recorded: June 18, 1985 as [Instrument No. 85-0216666, of Official Records](#)

16. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Granted To: San Diego Gas and Electric Company, a corporation
Purpose: a. Underground facilities and appurtenances for the transmission and distribution of electricity.
b. Pipelines and appurtenances for any and all purposes.
c. Communication facilities, and appurtenances.

Recorded: June 18, 1985 as [Instrument No. 85-216667, of Official Records](#)

17. An easement for public utilities, sewer, and storm drains and incidental purposes as delineated and designated on [Parcel Map No. 14270](#), subject to any terms and conditions contained therein.

Affects: Parcel B

18. The North County Fair Construction, Operation and Reciprocal Easement Agreement, and the easements, terms, covenants, provisions and conditions as contained therein

Dated: November 26, 1986
By and Between: EWH Escondido Associates, L.P., a Delaware limited partnership, Carter Hawley Hale Stores, Inc., a Delaware corporation, Sears, Roebuck and Co., a New York Corporation, J.C. Penney Properties, Inc., a Delaware corporation, the May Department Stores Company, a New York corporation, Nordstrom, Inc., a Washington corporation, and ADCOR realty corporation, a New York corporation

Recorded: November 26, 1986 as [Instrument No. 86-549267, of Official Records](#)
Regarding:

Reference is hereby made to said document for full particulars.

An assignment of REA from EWH Escondido Associates, L.P., a Delaware Limited partnership to EWH 1979 Development Company, L.P., a California Limited partnership as to a 55% interest recorded November 3, 1998 as [File No. 1998-0718079 of Official Records](#).

An assignment of REA from EWH 1979 Development Company, L.P., a California Limited Partnership to North County Fair LLC, a Delaware limited liability Company, as to a 55% interest recorded November 3, 1998 as [File No. 1998-0718080 of Official Records](#).

A First Amendment to Construction, Operation and Reciprocal Easement Agreement

Recording Date: March 14, 2014
Recording No.: [2014-0100990, Official Records](#)

A Second Amendment to Construction, Operation and Reciprocal Easement Agreement

Recording Date: _____, 2023
Recording No.: 2023-_____ of Official Records

SCHEDULE B
(Continued)

19. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:
- Granted to: San Diego Gas and Electric Company, a corporation
Purpose: public utilities, ingress, egress
Recording Date: July 11, 2002
Recording No: [2002-0582900 of Official Records](#)
20. An easement for the purpose shown below and rights incidental thereto as set forth in a document.
- Granted To: San Diego Gas and Electric Company
Purpose: public utilities, ingress, egress
Recorded: April 7, 2003 as [Instrument No. 2003-0385039, of Official Records](#)
Affects: Parcel B
21. An easement for the purpose shown below and rights incidental thereto as set forth in a document.
- Granted To: Pacific Bell Telephone Company, a California corporation
Purpose: Underground communications facilities
Recorded: June 19, 2003 as [Instrument No. 2003-0724091, of Official Records](#)
Affects: Parcel B
22. An easement for the purpose shown below and rights incidental thereto as set forth in a document.
- In Favor of: San Diego Gas & Electric Company, a corporation
Purpose: public utilities
Recorded: March 16, 2010 as [Instrument No. 2010-0129374 of Official Records](#)
Affects: Parcel B
23. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:
- Granted to: San Diego Gas & Electric Company, a corporation
Purpose: Underground facilities and appurtenances for the transmission and distribution of electricity
Recording Date: August 31, 2012
Recording No: [2012-0525645, Official Records](#)
Affects: Parcel C
24. An instrument entitled "Storm Water Control Facility Maintenance Agreement"
- Executed by: North County Fair LP, a Delaware limited partnership, and EWH Escondido Associates, L.P., a Delaware limited partnership
In favor of: City of Escondido
Recording Date: October 16, 2012
Recording No: [2012-0633341, Official Records](#)
Affects: Parcel B

Reference is hereby made to said document for full particulars.

SCHEDULE B
(Continued)

25. Intentionally deleted.
26. Intentionally deleted.
27. Intentionally omitted.
28. The effect of any failure to comply with the terms, covenants, conditions and provisions of the lease described or referred to in Schedule A.
29. Intentionally omitted.
30. Intentionally omitted.
31. Intentionally omitted.
32. Intentionally omitted.
33. Intentionally omitted.
34. Intentionally omitted.
35. Intentionally omitted.
36. Any rights, claims or interests that may exist or arise by reason of the following facts disclosed by an ALTA/NSPS Land Title Survey completed March 18, 2022, originally issued April 4, 2022, last revised January 4, 2023, prepared by or under the responsible charge of J. Marty Smith LS 8070, of/for Fuscoe Engineering, Job No. 0756-101-01:
 - A. Parking improvements situated on Parcel A extend onto the southerly adjoining property.
 - B. The two-story building situated on Parcel A extends 0.2 feet onto the southeasterly adjoining property.
 - C. A traffic signal pull box is situated on the northeast portion of Parcel A.
 - D. A cable tv pull-box, transformers, vaults, manholes, electrical and communication cabinets, cleanouts, risers, water valves, fire hydrant, backflow preventer and drainage improvements are situated on Parcel A at various locations.
 - E. The perimeter boundaries of Parcel C are not locatable.
 - F. The utility improvements lie outside the boundary of the easement recorded July 11, 2002 as Instrument No. 2002-0582900 of Official Records.
37. Intentionally omitted.

End of Schedule B

This is a pro forma policy furnished to or on behalf of the party to be insured. It neither reflects the present status of title, nor is it intended to be a commitment to insured. The inclusion of endorsements as a part of the pro forma policy in no way evidences the willingness of the company to provide any affirmative coverage shown therein. There are requirements which must be met before a final policy can be issued in the same form as the pro forma policy. A commitment to insure setting forth these requirements should be obtained from the Company.

72306 ALTA Owner's Policy of Title Insurance (6/17/06)

Copyright American Land Title Association. All rights reserved. The use of this Form is restricted to ALTA licensees and ALTA members in good standing as of the date of use. All other uses are prohibited. Reprinted under license from the American Land Title Association.

Page 8



SCHEDULE B (Continued)

Additional Matters may be added or other amendments may be made to this pro forma policy by reason of any defects, liens or encumbrances that appear for the first time in the Public Records or come to the attention of the Company and are created or attached between the issuance of this pro forma policy and the issuance of a policy of title insurance. The Company shall have no liability because of such addition or amendment.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

1. The Company insures against loss or damage sustained by the Insured in the event that, at Date of Policy,
 - a. according to applicable zoning ordinances and amendments, the Land is not classified Zone PD-C (Planned Development-Commercial) within the Westfield North County Commercial Planned Development and the Kit Carson Park Overlay
 - b. the following use or uses are not allowed under that classification: Retail sales.
 - c. There shall be no liability under this paragraph 1.b. if the use or uses are not allowed as the result of any lack of compliance with any conditions, restrictions, or requirements contained in the zoning ordinances and amendments, including but not limited to the failure to secure necessary consents or authorizations as a prerequisite to the use or uses. This paragraph 1.c. does not modify or limit the coverage provided in Covered Risk 5.
2. The Company further insures against loss or damage sustained by the Insured by reason of a final decree of a court of competent jurisdiction either prohibiting the use of the Land, with any existing structure, as specified in paragraph 1.b.; or requiring the removal or alteration of the structure, because, at Date of Policy, the zoning ordinances and amendments have been violated with respect to any of the following matters:
 - a. Area, width, or depth of the Land as a building site for the structure
 - b. Floor space area of the structure
 - c. Setback of the structure from the property lines of the Land
 - d. Height of the structure, or
 - e. Number of parking spaces.
3. There shall be no liability under this endorsement based on:
 - a. the invalidity of the zoning ordinances and amendments until after a final decree of a court of competent jurisdiction adjudicating the invalidity, the effect of which is to prohibit the use or uses;
 - b. the refusal of any person to purchase, lease or lend money on the Title covered by this policy.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen
Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of an environmental protection lien that, at Date of Policy, is recorded in the Public Records or filed in the records of the clerk of the United States district court for the district in which the Land is located, unless the environmental protection lien is set forth as an exception in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued By
Chicago Title Insurance Company

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For the purposes of this endorsement only,
 - a. "Covenant" means a covenant, condition, limitation or restriction in a document or instrument in effect at Date of Policy.
 - b. "Improvement" means a building, structure located on the surface of the Land, road, walkway, driveway, or curb, affixed to the Land at Date of Policy and that by law constitutes real property, but excluding any crops, landscaping, lawn, shrubbery, or trees.
3. The Company insures against loss or damage sustained by the Insured by reason of:
 - a. A violation on the Land at Date of Policy of an enforceable Covenant, unless an exception in Schedule B of the policy identifies the violation;
 - b. Enforced removal of an Improvement as a result of a violation, at Date of Policy, of a building setback line shown on a plat of subdivision recorded or filed in the Public Records, unless an exception in Schedule B of the policy identifies the violation; or
 - c. A notice of a violation, recorded in the Public Records at Date of Policy, of an enforceable Covenant relating to environmental protection describing any part of the Land and referring to that Covenant, but only to the extent of the violation of the Covenant referred to in that notice, unless an exception in Schedule B of the policy identifies the notice of the violation.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
 - a. any Covenant contained in an instrument creating a lease;
 - b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land; or
 - c. except as provided in Section 3.c., any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen
Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued By
Chicago Title Insurance Company

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For the purposes of this endorsement only:
 - a. "Covenant" means a covenant, condition, limitation or restriction in a document or instrument recorded in the Public Records at Date of Policy.
 - b. "Private Right" means (i) an option to purchase; (ii) a right of first refusal; or (iii) a right of prior approval of a future purchaser or occupant.
3. The Company insures against loss or damage sustained by the Insured under this Owner's Policy if enforcement of a Private Right in a Covenant affecting the Title at Date of Policy based on a transfer of Title on or before Date of Policy causes a loss of the Insured's Title.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
 - a. any Covenant contained in an instrument creating a lease;
 - b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land;
 - c. any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances; or
 - d. any Private Right in an instrument identified in Exception(s) NONE in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued By
Chicago Title Insurance Company

1. As used in this endorsement, the following terms shall mean:
 - a. "Evicted" or "Eviction": (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of the Lease or (b) the lawful prevention of the use of the Land or the Tenant Leasehold Improvements for the purposes permitted by the Lease, in either case as a result of a matter covered by this policy.
 - b. "Lease": the lease described in Schedule A.
 - c. "Leasehold Estate": the right of possession granted in the Lease for the Lease Term.
 - d. "Lease Term": the duration of the Leasehold Estate, as set forth in the Lease, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
 - e. "Personal Property": property, in which and to the extent the Insured has rights, located on or affixed to the Land on or after Date of Policy that by law does not constitute real property because (i) of its character and manner of attachment to the Land and (ii) the property can be severed from the Land without causing material damage to the property or to the Land.
 - f. "Remaining Lease Term": the portion of the Lease Term remaining after the Insured has been Evicted.
 - g. "Tenant Leasehold Improvements": Those improvements, in which and to the extent the Insured has rights, including landscaping, required or permitted to be built on the Land by the Lease that have been built at the Insured's expense or in which the Insured has an interest greater than the right to possession during the Lease Term.
2. Valuation of Estate or Interest Insured:

If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Eviction of the Insured, then, as to that portion of the Land from which the Insured is Evicted, that value shall consist of the value for the Remaining Lease Term of the Leasehold Estate and any Tenant Leasehold Improvements existing on the date of the Eviction. The Insured Claimant shall have the right to have the Leasehold Estate and the Tenant Leasehold Improvements affected by a defect insured against by the policy valued either as a whole or separately. In either event, this determination of value shall take into account rent no longer required to be paid for the Remaining Lease Term.
3. Additional items of loss covered by this endorsement:

If the Insured is Evicted, the following items of loss, if applicable to that portion of the Land from which the Insured is Evicted shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 2 of this endorsement, any other endorsement to the policy, or Section 8(a)(ii) of the Conditions:

 - a. The reasonable cost of (i) removing and relocating any Personal Property that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, (ii) transportation of that Personal Property for the initial one hundred miles incurred in connection with the relocation, (iii) repairing the Personal Property damaged by reason of the removal and relocation, and (iv) restoring the Land to the extent damaged as a result of the removal and relocation of the Personal Property and required of the Insured solely because of the Eviction.
 - b. Rent or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.

- c. The amount of rent that, by the terms of the Lease, the Insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate and Tenant Leasehold Improvements from which the Insured has been Evicted.
 - d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease or sublease permitted by the Lease and made by the Insured as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
 - e. Damages caused by the Eviction that the Insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease permitted by the Lease and made by the Insured as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
 - f. The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a replacement leasehold reasonably equivalent to the Leasehold Estate.
 - g. If Tenant Leasehold Improvements are not substantially completed at the time of Eviction, the actual cost incurred by the Insured, less the salvage value, for the Tenant Leasehold Improvements up to the time of Eviction. Those costs include costs incurred to obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping.
4. This endorsement does not insure against loss, damage or costs of remediation (and the Company will not pay costs, attorneys' fees or expenses) resulting from environmental damage or contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of the lack of a right of access to the following utilities or services:

Water service, natural gas service, electric power service, telephone service, storm water drainage, sanitary sewer either over, under or upon rights-of-way or easements for the benefit of the Land because of:

- (1) a gap or gore between the boundaries of the Land and the rights-of-way or easements;
- (2) a gap between the boundaries of the rights-of-way or easements ; or
- (3) a termination by a grantor, or its successor, of the rights-of-way or easements.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of Parcel A of the Land being taxed as part of a larger parcel of land or failing to constitute a separate tax parcel for real estate taxes.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of:

1. the failure of Parcels A, B and C of the Land to be contiguous to each other along their respective common boundary lines; or
2. the presence of any gaps, strips, or gores separating any of the contiguous boundary lines described above.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of the failure of a commercial building, known as 210 East Via Rancho Parkway, Escondido, CA, to be located on Parcel A of the Land at Date of Policy.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of the failure of Parcel A of the Land as described in Schedule A to be the same as that identified on the survey completed March 18, 2022, originally issued April 4, 2022, last revised January 4, 2023, prepared by or under the responsible charge of J. Marty Smith LS 8070, of/for Fuscoe Engineering, Job No. 0756-101-01.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of the failure of Parcel A of the Land to constitute a lawfully created parcel according to the subdivision statutes and local subdivision ordinances applicable to the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued By
Chicago Title Insurance Company

1. The insurance provided by this endorsement is subject to the exclusion in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For purposes of this endorsement only, "Improvement" means a building, structure located on the surface of the Land, and any paved road, walkway, parking area, driveway, or curb, affixed to the Land at Date of Policy and that by law constitutes real property, but excluding any crops, landscaping, lawn, shrubbery, or trees.
3. The Company insures against loss or damage sustained by the Insured by reason of the enforced removal or alteration of any Improvement, resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of water excepted from the description of the Land or excepted in Schedule B.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
 - a. contamination, explosion, fire, flooding, vibration, fracturing, earthquake or subsidence; or
 - b. negligence by a person or an Entity exercising a right to extract or develop water; or
 - c. the exercise of the rights described in NONE.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued By
Chicago Title Insurance Company

When the policy is issued by the Company with a policy number and Date of Policy, the Company will not deny liability under the policy or any endorsements issued with the policy solely on the grounds that the policy or endorsements were issued electronically or lack signatures in accordance with the Conditions.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The policy is hereby amended by deleting Paragraph 14 of the Conditions, relating to Arbitration.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured if the exercise of the granted or reserved rights to use or maintain the easement(s) referred to in Exception(s) 2 through 6, 8, 9, 12, 15, 16, 17, and 19 through 23 of Schedule B results in:

- (1) damage to an existing building located on the Land, or
- (2) enforced removal or alteration of an existing building located on the Land,

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

Order No. 00092251-994-LT2-1TW

Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued by
Chicago Title Insurance Company

The Company insures against loss or damage sustained by the Insured if, at Date of Policy (i) the easement identified as Parcel B in Schedule A (the "Easement") does not provide that portion of the Land identified as Parcel A in Schedule A both actual vehicular and pedestrian access to and from Via Rancho Parkway (the "Street"), (ii) the Street is not physically open and publicly maintained, or (iii) the Insured has no right to use existing curb cuts or entries along that portion of the Street abutting the Easement.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

PRO FORMA ENDORSEMENT
Attached to Policy No. Pro Forma-CA-FBSC-IMP-72306-1-22-00092251
Issued By
Chicago Title Insurance Company

1. The insurance provided by this endorsement is subject to the exceptions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For purposes of this endorsement only:
 - (a) "Improvement" means a building or structure located on the surface of the Land or the surface of adjoining land at Date of Policy that by law constitutes real property.

 - (b) "Future Improvement" means any of the following to be constructed on the Land after Date of Policy in the locations according to the Plans and that by law constitutes real property:
 - (i) a building; or
 - (ii) a structure.

 - (c) "Plans" means the proposed site plan depiction on page three (3) of that certain ALTA/NSPS Land Title Survey completed March 18, 2022, originally issued April 4, 2022, last revised November 21, 2022, prepared by or under the responsible charge of J. Marty Smith LS 8070, of/for Fuscoe Engineering, Job No. 0756-101-01.

3. The Company insures against loss or damage sustained by the Insured by reason of:
 - (a) An encroachment of any Improvement or Future Improvement located on the Land onto adjoining land or onto that portion of the Land subject to an easement, unless an Exception in Schedule B of the policy identifies the encroachment;

 - (b) An encroachment of any Improvement located on adjoining land onto the Land at Date of Policy, unless an Exception in Schedule B of the policy identifies the encroachment;

 - (c) Enforced removal of any Improvement or Future Improvement located on the Land as a result of an encroachment by the Improvement or Future Improvement onto any portion of the Land subject to any easement, in the event that the owners of the easement shall, for the purpose of exercising the right of use or maintenance of the easement, compel removal or relocation of the encroaching Improvement or Future Improvement; or

 - (d) Enforced removal of any Improvement or Future Improvement located on the Land that encroaches onto adjoining land.

C-1

Item 6.

- 4. Sections 3(c) and 3(d) of this endorsement do not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from the following Exceptions, if any, listed in Schedule B:

The encroachment shown in Exception 36(B) of Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: **PRO FORMA**

Chicago Title Insurance Company

Countersigned by:

Pro Forma Specimen

Authorized Signature

This is a Pro Forma Endorsement. It does not reflect the present state of the Title and is not a commitment to (i) insure the Title or (ii) issue any of the attached endorsements. Any such commitment must be an express written undertaking on appropriate forms of the Company.

Item 6.

EXHIBIT D

FORM OF LESSEE’S ESTOPPEL CERTIFICATE

The City of Escondido
201 N. Broadway
Escondido, California 92025

Re: North County Fair
Escondido, California

Costco Wholesale Corporation, a Washington corporation (“Lessee”) is the Lessee under that certain Ground Lease dated _____ 2023 (the “Lease”), by and between the City of Escondido, California (“Lessor”) and Lessee. Lessee hereby states that, to the best of its knowledge, as of the date of this Estoppel Certificate:

- (i) There is no default under the Lease nor has any notice of default been delivered by Lessee to Lessor;
- (ii) There has not been any assignment, modification or amendment of the Lease (except by _____);
- (iii) The Lease is in full force and effect; and
- (iv) No Fixed Rent or other charges payable by Lessee to Lessor under the Lease have been paid in advance.

This statement shall act as a waiver of any claim to the extent such claim is based on facts contrary to those asserted in this statement and to the extent said claim is asserted against a bona fide encumbrancer or purchaser for value, without knowledge of facts contrary to those contained in this statement. This statement shall in no event subject the undersigned to any liability whatsoever, notwithstanding the negligent or otherwise inadvertent failure of the undersigned to disclose correct and/or relevant information.

Dated: _____

Costco Wholesale Corporation,
a Washington corporation

By: _____

EXHIBIT E
FORM OF SHORT FORM LEASE

Recording Requested by
and when Recorded Return to:

Costco Wholesale Corporation
999 Lake Drive
Issaquah, WA 98027-5367
Attention: Rick Jerabek

THE UNDERSIGNED PARTIES DECLARE:
DOCUMENTARY TRANSFER TAX is:

\$ _____.
Computed on full value of property leased
City of Escondido

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (this "Memorandum") is made this ____ day of _____, 2023 by and between THE CITY OF ESCONDIDO ("Lessor"), and COSTCO WHOLESALE CORPORATION, a Washington corporation ("Lessee"), with reference to the following:

1. Lease. Lessor and Lessee have executed that certain Lease, dated as of _____, 2023 (the "Lease"), which provides for the lease by Lessor to Lessee of that certain real property located in the City of Escondido, County of San Diego, State of California, which real property (the "Premises") is more particularly described on Exhibit A attached hereto and made a part hereof. As such, Lessor hereby leases the Premises to Lessee.

2. Term. The term of the Lease continues as of the date of the Lease Amendment and, except as provided below, shall expire at midnight of the day twenty (20) years after the Effective Date (as such term is defined in the Lease).

3. Extension Options. Under the terms of the Lease, Lessor has granted to Lessee seven (7) successive options to extend the term of the lease, each for an additional five (5) year period, upon the same terms and conditions as those applicable to the primary term of the Lease.

4. Mortgage / Deed of Trust. Pursuant to Article XI of the Lease, Lessor has agreed to join in the execution of any mortgage or deed of trust which Lessee may cause to be recorded against the Premises and the improvements located thereon, subject to the satisfaction of certain conditions set forth in the Lease with respect to such mortgage or deed of trust.

5. Right of First Refusal. Pursuant to Article XXIV of the Lease, Lessor has granted to Lessee a right of first refusal to purchase all or any portion of Lessor's fee interest in the Premises.

6. Miscellaneous Provisions.

(a) If any provision of this Memorandum or portion thereof, or the application to any person or circumstances, shall to any extent be held invalid, inoperative or unenforceable, then the remainder of this Memorandum, or the application of such provision or portion thereof to any other persons or circumstances, shall not be affected thereby; it shall not be deemed that any such invalid provision affects the consideration for this Memorandum; and each provision of this Memorandum shall be valid and enforceable to the fullest extent permitted by law.

(b) This Memorandum shall be construed in accordance with the laws of the State of California.

(c) This Memorandum shall be binding upon and inure to the benefit of the successors and assigns of Lessor and Lessee.

(d) In the event action is instituted to enforce any of the provisions of this Memorandum, the prevailing party in such action shall be entitled to recover from the other party thereto as part of the judgment, reasonable attorneys' fees and costs.

(e) This Memorandum may be executed in more than one counterpart, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Signature Page Immediately Follows]

All rights and obligations of Lessor and Lessee hereunder are governed by the terms, covenants, conditions, limitations and restrictions contained in the Lease.

ATTEST:
OFFICE OF THE CITY ATTORNEY

“LESSOR”:
THE CITY OF ESCONDIDO

By: _____
Name: _____
Title: _____

“LESSEE”:
COSTCO WHOLESALE CORPORATION,
a Washington corporation

By: _____
Name: _____
Title: _____

Exhibit A
Legal Description of the Premises

ORDINANCE NO. 2023-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPROVING AN AMENDMENT TO THE MONTIEL ROAD MASTER PLAN ALONG WITH A PRECISE DEVELOPMENT PLAN FOR A CONTRACTOR SERVICE OFFICE AND OUTDOOR EQUIPMENT STORAGE

APPLICANT: West Coast Arborists CASE NO.: PL22-0512

The City Council of the City of Escondido ("City"), California, DOES HEREBY ORDAIN as follows:

SECTION 1. The City Council makes the following findings:

a) West Coast Arborists ("Applicant") filed a land use development application, Planning Case No. PL22-0512 ("Application") constituting a request for an Amendment to the Montiel Road Planning Area Master Plan (land use matrix and development standards), along with a Precise Development Plan and Conditional Use Permit to allow construction services with fleet parking and construction equipment storage as a conditionally permitted use ("Project"), on an approximately 1.3-acre parcel located on the south side of Montiel Road, north of Highway 78, west of Interstate 15, addressed at 1359 Montiel Road (Assessor's Parcel Number 228-240-54-00), and more particularly described in Exhibit "A" attached to this Ordinance and incorporated by this reference as though fully set forth herein ("Property"); and

b) The Application was submitted to, and processed by, the Planning Division of the Development Services Department as Planning Case No. PL22-0512. The Applicant seeks approval of an Amendment to the Montiel Road Planned Development to allow contractor services with outdoor equipment storage as Conditional Use, and a modification to the landscape standards for the subject parcel, as shown on Exhibit "B" (Planned Development Modification), along with a Precise Development Plan for proposed improvements to the subject site and building(s), as shown on Exhibit "C" (Precise Development Plan), and on file in the Planning Division, and incorporated herein by this

A COMPLETE COPY OF THIS ORDINANCE IS ON FILE IN THE OFFICE OF THE CITY CLERK FOR YOUR REVIEW.

ORDINANCE NO. 2022-07

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
ESCONDIDO, CALIFORNIA, APPROVING AND RENEWING
THE ESCONDIDO POLICE DEPARTMENT MILITARY
EQUIPMENT USE POLICY

WHEREAS, on September 30, 2021, Governor Gavin Newsom signed into law Assembly Bill 481 to regulate the use of military equipment by law enforcement agencies; and

WHEREAS, Assembly Bill 481, codified at California Government Code section 7070 et seq., requires law enforcement agencies to obtain approval of the applicable governing body, by an ordinance adopting a military equipment use policy, at a regular meeting held pursuant to open meeting laws, prior to taking certain actions relating to the funding, acquisition, or use of military equipment; and

WHEREAS, California Government Code section 7070 defines the terms “military equipment” and establishes the minimum requirements for a “military equipment use policy”; and

WHEREAS, California Government Code section 7071 requires the governing body determine, prior to approving a military equipment use policy, the following:

- a. The military equipment is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safety.
- b. The proposed military equipment use policy will safeguard the public's welfare, safety, civil rights, and civil liberties.
- c. If purchasing the equipment, the equipment is reasonably cost effective compared to available alternatives that can achieve the same objective of officer and civilian safety.

A COMPLETE COPY OF THIS
ORDINANCE IS ON FILE IN
THE OFFICE OF THE CITY
CLERK FOR YOUR REVIEW.



STAFF REPORT

May 10, 2023
File Number 0430-80

SUBJECT

FINANCIAL REPORT FOR THE QUARTER ENDED MARCH 31, 2023 AND BUDGET ADJUSTMENT REQUEST

DEPARTMENT

Finance

RECOMMENDATION

It is requested that the City Council:

- A. Receive and file the third quarter financial report for FY2022/23 (Attachment 1);
- B. Adopt Budget Adjustments (Attachment 2) to amend the Fiscal Year 2022/23 operating and capital improvement budgets;

Staff Recommendation: Approval (Finance: Christina Holmes)

Presenter: Christina Holmes

FISCAL ANALYSIS

See Below.

PREVIOUS ACTION

On March 8, 2023, the City Council received the Fiscal Year 2022/23 Second Quarter Financial Status report.

BACKGROUND

The City Council Budget and Financial Policies require that the City present quarterly financial reports each fiscal year. The purpose of this report is to provide City Council and the public a financial update of selected funds of the City. This report provides the City Council with the analysis of unaudited revenues and expenditures for Fiscal Year 2022/23 in comparison to Fiscal Year 2021/22 for the General Fund, the Water Fund, and the Wastewater Fund. The financial highlights for each of these funds are summarized below.



CITY of ESCONDIDO

STAFF REPORT

General Fund

Prior to the onset of the COVID-19 pandemic, the City experienced a stable economy with moderate revenue growth averaging 4% annually. Then in March 2020, the public health measures and restrictions due to the pandemic forced government operations and private businesses to close or drastically alter operations, actions that many anticipated would create a severe economic downturn comparable to the Great Recession, which had a devastating impact on the City's General Fund. However, the COVID-19 restrictions began to be lifted in FY2020/21 and a combination of California fully reopening its economy, improved vaccination rates, public health measures to reduce the spread of the COVID-19 virus, and additional federal funding allowed for additional public activities and improved the economic environment.

The General Fund has benefitted from improved revenue activity since the recovery period of COVID-19, from the end of 2020 through 2022. However, operating revenue has not kept pace with the growing costs of providing City services, and as a result the General Fund long-term financial plan has projected annual deficits creating a structural budget deficit. To address this projected shortfall, the City has minimized increases in expenditures when possible and staff are continuously seeking measures that ensure efficiency, while enhancing basic operations. Despite all of these measures, and the City's efforts to fund projects with grants and other sources of one-time funds, it has not been enough to meet growing costs and demand for services, the General Fund operating budget projected a net operating deficit of \$8.5 million. In the Preliminary Operating Budget Workshop on May 11, 2022, the City Council direction was to prepare a General Fund Operating Budget that closed the \$8.5 million deficit, without impacting the Public Safety departments and services, including Police, Fire, and Public Works.

In order to address the \$8.5 million General Fund deficit, Staff evaluated both projected operating revenue and the proposed operating expenses for FY2022/23. Projected operating revenue was increased by \$1.4 million due to updated information received subsequent to the May 11, 2022 budget workshop. General Fund operating expense reductions of \$7.1 million were proposed by staff, and the proposed reductions and modifications to City services were sufficient to close the FY2022/23 budget gap.

After discussion and consideration of the recommended budget reductions, City Council directed Staff to modify the proposed FY2022/23 operating budget and offset some of the budgetary cuts recommended with the use of one-time funds from the American Rescue Plan Act (ARPA) funds and the Section 115 Pension Trust fund. To maintain a balanced budget and yet continue an appropriate level of service and address City priorities, the adopted FY2022/23 budget utilizes \$3.7 million from the American Rescue Plan Act.



CITY of ESCONDIDO

STAFF REPORT

Through the end of March 2023, operating revenue is at 65% of the total amount projected and has exceeded the prior year by about \$2.1 million. This is primarily due to increases in Property Tax, Other Taxes, and Charges for Services.

The largest source of revenue for the General Fund is sales tax revenue at 42%. As a result of high inflation and strong consumer spending, sales tax revenue in Escondido recovered quickly, increasing by \$5.6 million or 13% in FY2021/22, and is anticipated to increase in FY2022/23 by 10% to reach \$51.0 million. Actual sales tax receipts are under the March 2022 amount by \$984,780, indicating that the economy is slowing from the post pandemic surge in spending. The decrease in sales tax revenue this fiscal year is offset by increases in Property Taxes and Franchise Fees. The housing market remains strong in San Diego County, prior year home sales have increased the assessed values and therefore property tax revenue. For Franchise Fees, the steep increases in gas and fuel prices have increased the franchise fee revenue the City receives from San Diego Gas & Electric. City staff will continue to monitor economic indicators and sales tax revenue closely and return to Council with updates during the fiscal year.

Actual General Fund expenditures are at 71% of the total operating budget through March 2023. In addition to the cuts to expenditures approved in the FY2022/23 operating budget, to account for projected annual expenditures savings experienced for items such as employee service savings resulting from vacant positions, the adopted budget includes a cost savings budget reduction of \$1 million, offset by a Cost Savings Contingency amount of \$400,000 to give some flexibility in managing available resources to be used throughout the fiscal year under the direction of the City Manager. Attachment 1 to this staff report includes an analysis of operating expenditures as of March 2023 and a status update of the Cost Savings Reduction by major expenditure category.

Recommended Budget Adjustments:

- Increase for Fire Department Type 3 Brush Engine - \$30,100. On October 27, 2021, City Council approved the purchase of a Type 3 Brush Engine using the FY2020/21 fiscal year end surplus. Type 3 Brush Engines are specifically designed for fighting wildfires and are valuable because during a large-scale wildfire incident, all apparatus with call back crews can be deployed within our community or be deployed to assist other jurisdictions. The City currently owns three Type 3 Brush Engines located at Fire Stations 2, 3, and 4. One of the Fire Department's Type 3 wildfire apparatus, also referred to a brush engine, is 29-years old and has aged to the point that a critical failure in the near future is likely. The new engine was ordered in 2021; however, due to increases in the price of materials used in the manufacture of the apparatus, an additional \$30,100 is needed to complete the purchase.
- Increase for Building Department Professional Services - \$150,000. In order to continue to provide architectural, structural, plumbing, mechanical and electrical plan check review for buildings and structures for compliance with applicable Federal and State laws, building and safety codes, City ordinances, and acceptable engineering practices. Type of proposed plan check work may include



CITY *of* ESCONDIDO

STAFF REPORT

new construction (residential, commercial, or industrial), remodel, additions, green building, ADA, Leadership in Energy and Environmental Design (“LEED”), onsite wastewater treatment systems (“OWTS”) and public nuisance abatement; Fire Code related plan check and inspections services.

ATTACHMENTS

1. Attachment 1 – Third Quarter Financial Status Report FY 2022/23
2. Attachment 2 – Budget Adjustment to amend the FY2022/23 operating and capital budgets



Attachment "1"



Item 9.

FY2022/23 Financial Status Report
Third Quarter Ending March 31, 2023

OVERVIEW

This report summarizes the City’s financial position through the third quarter ending March 31, 2023 for the General Fund, Water Fund, and Wastewater Fund. The purpose of the report is to provide City Council, City Management, and the Escondido community an update on the City’s fiscal status based on the most recent financial information available. The revenue projections and budget information include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of March 31, 2023.

This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting principles (GAAP).

GENERAL FUND

The General Fund has benefitted from improved revenue activity since the recovery period of COVID-19, from the end of 2020 through 2022. However, revenues have not kept pace with the growing costs of providing municipal services, and the City’s structural budget gap remains.

The adopted FY2022/23 operating budget reflects an overall strategy of fiscal prudence on the part of the entire City workforce by maintaining a hardline on expenditures while also continuing to provide core City services including Public Safety, Public Works, Community Services, and Development Services, as well as the community’s priorities. However, to maintain a balanced budget and yet continue an appropriate level of service and address City priorities, the adopted FY2022/23 budget utilizes \$3.7 million from the American Rescue Plan Act, a short-term, one-time source of funds.

Total budgeted operating revenue is projected to increase by 6.4% to reach \$119.7 million and the adopted expenditure budget of \$125.2 million increased by approximately \$8.1 million or 6.9% compared to the revised FY2021/22 operating budget.

At the end of the third quarter, General Fund revenues are at 65% of the amended budget, while expenditures are at 71%, shown in the table below. The following report provides an analysis of General Fund financial activity through March 2023.

General Fund
Comparison of Projected FY2022/23 Operating Budget to Actuals

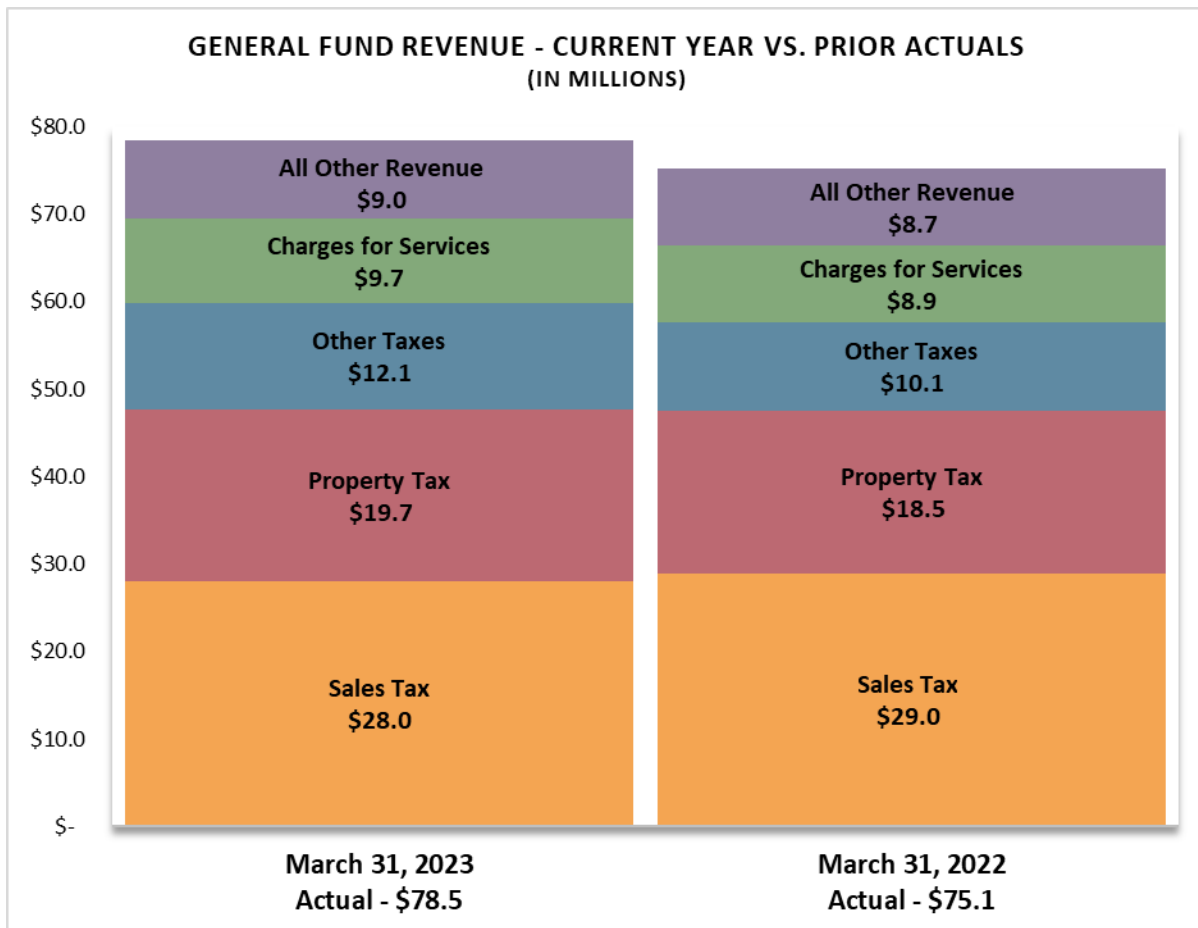
	FY2022/23 ADOPTED BUDGET	FY2022/23 AMENDED BUDGET	ACTUAL RESULTS MARCH 2023	%
Total Operating Revenue	\$119,687,230	\$120,534,950	\$78,487,010	65%
Total Operating Expenditures	(125,186,930)	(127,962,170)	(91,100,125)	71%
Other Sources (Uses)	1,764,670	1,764,670	1,764,670	-
Net Operating Surplus / (Deficit)*	(\$3,735,030)	(\$5,662,550)	(\$10,848,435)	

*FY2022/23 projected Operating Budget deficit closed with one-time revenue from the American Rescue Plan Act.

GENERAL FUND REVENUE

	FY2022/23 AMENDED BUDGET	ACTUAL RESULTS MARCH 2023	ACTUAL RESULTS MARCH 2022	Prior Year vs. Current Year
Sales Tax	51,012,200	27,965,430	28,950,210	(984,780)
Property Tax	32,780,100	19,694,430	18,512,290	1,182,140
Other Taxes	14,659,860	12,128,850	10,088,300	2,040,550
Charges for Services	10,898,650	9,740,890	8,861,390	879,500
Permits and Licenses	1,778,500	1,349,090	1,642,350	(293,260)
Fines and Forfeitures	832,500	492,840	660,460	(167,620)
Intergovernmental	4,055,720	3,871,830	3,845,160	26,670
Rental Income	3,775,920	2,284,070	2,231,930	52,140
Other Revenue	741,500	959,580	357,630	601,950
TOTAL OPERATING REVENUE	\$120,534,950	\$78,487,010	\$75,149,720	\$3,337,290

Sales tax is the largest General Fund revenue source at 42% of total operating revenue followed by property tax, other taxes, and charges for services. The chart below shows the major categories of revenue collected through March 31, 2023 compared to the revenue collected in the prior year through March 31, 2022.



Sales Tax (\$16.4 million)

The City works closely with its sales tax consultant, AvenuInsights, in projecting sales tax revenue. Based on AvenuInsights' analysis of the trend in year-to-date tax receipts and an examination of the local economy, the City's sales tax revenue is anticipated to increase in FY2022/23 by 10% to reach \$51.0 million.

Sales Tax revenue is highly sensitive to economic conditions and is impacted by the levels of unemployment, consumer confidence, and per-capita income that drive spending and growth in sales tax receipts. Over the past two years, since the onset of the COVID-19 pandemic, the U.S. economy has swung from the deepest recession on record to a quick recovery and a surge of inflation. The pent-up demand for goods, as well as inflation, led to higher prices for goods, increasing the projected sales tax revenue generated within the City.

As a result of high inflation and strong consumer spending, sales tax revenue in Escondido also recovered quickly, increasing by \$5.6 million or 13% in FY2021/22.

Actual sales tax receipts are under the March 2022 amount by \$984,780, indicating that the economy is slowing from the post pandemic surge in spending.

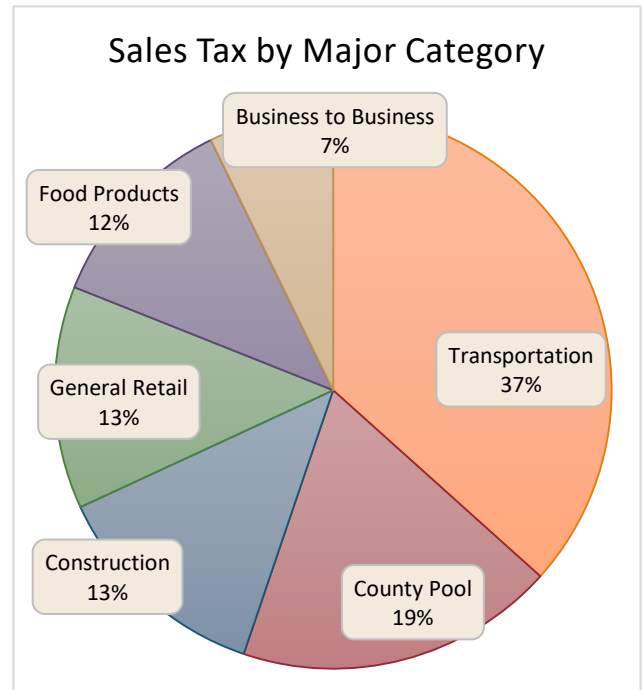
The largest sales tax segment, 37% of total sales tax revenue, is Transportation, which includes new and used auto sales, auto repair shops, and service stations. Sales revenues increased by 4% compared to the same quarter in the prior year primarily due to new auto sales. In 2022, the lack of autos available for sale caused the prices for both new and used vehicles to soar; however, the inventory is finally increasing from historic lows now that the recent supply chain disruptions and computer chip shortages have eased.

Petroleum per barrel costs increased significantly in the spring of 2022, and as a result receipts received from fuel and service stations increased by about 31% compared to the same quarter in the prior year. However, gas prices have steadily dropped for two consecutive quarters. The average per gallon was at its lowest point in December 2022 and is expected to continue to experience downward pressure.

Sales tax revenue received through the County Pool is the second largest sales tax segment accounting for 19% of total sales tax revenue. Effective in April 2019, new taxable sales are distributed to the City under the AB 147 Wayfair decision which extended the sales and use taxes to online and out-of-state retailers engaged in business in California. However, the increase in activity from the countywide pool experienced during the pandemic has slowed; total receipts decreased by 12% compared to the prior year.

The Construction sales tax segment which accounts for revenue generated from building materials, including both wholesale and general retail, increased from the prior year by about 10%. This can be attributed to increases in the price of materials, including lumber and steel, and the continued high demand for home improvements and new construction in the City.

General Retail and Food Products combined make up 25% of the total sales tax revenue for the City and increased by 14% compared to the prior fiscal year. This growth reflects increased foot traffic and buying activity as people return to in-store shopping and indoor dining.



Property Tax (\$19.7 million)

Property Tax revenue increased by \$1,182,140 or about 6% compared to the prior year. The largest portions of property tax revenue are distributed by the County in December and April each year. The FY2022/23 Operating Budget projected property tax growth of 6%. This is attributed to an increase in current secured and unsecured tax projections, along with an increase in property transfer taxes based on the current and projected development activity, such as permits, inspections, and plan checks, which indicate continued growth in property sales.

Other Taxes (\$12.1 million)

Other Taxes include franchise fee revenues, transient occupancy tax, and business license revenue and combined have increased by \$2,040,550 compared to the prior year.

The City collects franchise fee revenues from San Diego Gas and Electric (SDG&E), cable companies conducting business within City limits, and Escondido Disposal Incorporated (EDI). Revenues received from franchise agreements increased by \$1.6 million from the prior fiscal year primarily due to an increase in fees collected SDG&E for electric generation from the Escondido Palomar Energy Plan which can also be attributed to the higher prices for gas and electricity.

Transient occupancy tax, also known as hotel tax, increased by \$110,230 compared to the prior year. The tourism industry was impacted significantly as a result of the closures, and many forecasted its recovery would take much longer than it has. In the prior fiscal year transient occupancy tax receipts increased by 49% from the pre-pandemic levels in March 2020. It is expected that those receipts will remain flat going forward as the activity stabilizes in the industry.

All entities doing business in the City are required to have a valid business license. The business license tax is calculated based on annual gross receipts; business license revenue from the 2022 calendar year is based off of 2021 gross receipts. Business license revenues increased by \$211,105 compared to the prior fiscal year.

Charges for Services (\$9.7 million)

Charges for Services include paramedic fees, Community Services fees for recreational and community activities, and charges for development related services, which include Engineering and Planning fees. Community Service fees have increased by approximately \$415,000 compared to the prior fiscal year primarily due to funding received from the school district to support the After-School Program. Development Services revenue also increased by about \$520,000 million, due to the development projects occurring throughout the City.

Intergovernmental (\$3.8 million)

Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, various grants, and revenue received from the fire mutual aid reimbursements. Overall revenue has increased \$26,670 compared to the prior year. The City's Fire Department staff can be deployed to assist other State agencies with responses to fires and other incidents. The California Office of Emergency Services reimburses the City for the time and resources of the staff deployed. As of March 2023, reimbursements of \$605,720 have been recorded.

Permits and Licenses (\$1.3 million)

Revenue generated from permits and licenses decreased by \$293,260 compared to fiscal year 2021/22; however, construction and development activity continues driving building permit revenue compared to previous fiscal years.

Fines & Forfeitures (\$492,840)

Fines & Forfeitures represent fees collected for vehicle code fines, parking ticket fines, other court fines, code enforcement citations, and impound fees.

Investment, Rental Income, and Other Revenues (\$3.2 million)

Investments, Rental Income, and Other Revenue includes rental income, interest earned from investing activities, and other miscellaneous receipts and has increased by \$654,090 compared to the prior year.

GENERAL FUND OPERATING EXPENDITURES

The FY2022/23 General Fund Operating Budget increased by approximately \$6.6 million or 6% compared to the FY2021/22 revised Operating Budget. In order to address an \$8.5 million budget deficit, reductions were made to the proposed operating budget including: reduction in the funding for Fleet Services, removal of new staff positions for Building Maintenance to provide City services that are unable to be outsourced, the management fee to the California Center for the Arts was reduced by \$133,000, and alternative funding sources and reclassifications were proposed for fire equipment, Planning division professional services, a Grant Writer position, and Human Resources Analyst position.

The following table includes cumulative expenditure comparisons for General Fund departments as of March 2023.

	FY2022/23 ADOPTED BUDGET	FY2022/23 AMENDED BUDGET	ACTUAL RESULTS MARCH 2023	% OF AMENDED BUDGET
Administrative Services	\$6,353,860	\$6,713,645	\$4,512,050	67%
Community Services	9,857,530	10,099,310	7,109,020	70
Development Services	7,509,830	7,819,195	5,201,130	66
Public Works	12,543,700	13,254,245	9,344,130	70
Police	52,939,360	53,662,930	38,356,970	71
Fire	30,721,430	31,600,320	23,358,780	74
California Center for the Arts	2,480,730	2,480,730	1,957,930	79
Other Expenditures	2,780,490	2,331,795	1,260,120	54
TOTAL OPERATING EXPENDITURES	\$125,186,930	\$127,962,170	\$91,100,130	71%

The City continues to be impacted by a competitive labor market, as a result of recurring vacant positions and long recruitment efforts there are expenditure savings in regular salary and benefits through March 2023. However, the vacant positions have also increased the overtime expenditures which are at 119% of the amount budgeted for the fiscal year. The increase in overtime expenses will be offset by the savings in employee services.

GENERAL FUND OPERATING EXPENDITURES – COST SAVINGS REDUCTION

In addition to the cuts in expenditures to account for projected annual expenditures savings experienced for items such as employee service savings resulting from vacant positions, the adopted FY2022/23 operating budget includes a cost savings budget reduction of **\$1,000,000**, offset by a Cost Savings Contingency amount of **\$400,000** in the non-departmental section of the budget to give some flexibility in managing available resources to be used throughout the fiscal year under the direction of the City Manager. Based on an analysis of the previous 5 fiscal years of savings, the Cost Savings Reduction line item has been added to individual departments in the General Fund, excluding the Public Safety departments and services.

The following is each department's plan for meeting the cost savings target through the remainder of the fiscal year:

	<u>Budget Reduction</u>	<u>Department's Plan for Meeting the Cost Savings Target</u>
City Manager	\$100,000	Historical cost savings for the City Manager department was based on vacant positions that have since been eliminated or filled, the City Manager's Department will likely not meet the Cost Savings Target this fiscal year. For the remainder of the fiscal year, the recommendation is to utilize the Lost Revenue category of ARP funds for high priority economic development contracts.
City Attorney	65,000	The City Attorney's Department will likely not meet the Cost Savings Target this fiscal year. The historical cost savings of \$65,000 was the result of vacant positions in prior fiscal years. All positions in the department are currently filled. For the remainder of the fiscal year, the recommendation is to utilize the Lost Revenue category of ARP funds
City Clerk	15,000	The City Clerk Department utilizes Temporary Part-Time staff which will not be filled.
City Treasurer	25,000	The City Treasurer's Department will likely not meet the Cost Savings Target this fiscal year. The historical cost savings of \$25,000 was the result of vacant positions in prior fiscal years. All positions in the department are currently filled. For the remainder of the fiscal year, the recommendation is to utilize the Lost Revenue category of ARP funds.
Finance	125,000	The Finance Department will meet the budget reduction target by utilizing savings in employee services from four vacant positions in the first half of the fiscal year. Three out of the four positions have been filled as of March 2023.
Human Resources & Risk Management	60,000	The Human Resources & Risk Management Departments will meet the budget reduction target by utilizing savings in employee services from two vacant positions this fiscal year, a Senior Human Resources Analyst and Senior Safety Analyst.
Information Systems Administration, Enterprise Software & Web Administration, and Geographic Information Systems	75,000	The Information Systems Department will meet the budget reduction target by utilizing savings in employee services from vacant positions this fiscal year. As of March 2023, there are 4 vacant full-time positions .
TOTAL ADMINISTRATIVE SERVICES	465,000	

	<u>Budget Reduction</u>	<u>Department's Plan for Meeting the Cost Savings Target</u>
Recreation	200,000	The Community Services Department relies on Temporary Part-Time positions for programming. Due to the seasonality of Recreation programs and cyclical nature of these positions, there are vacancies that will result in savings in employee services that will help meet the cost savings reduction target of \$200,000.
Older Adult Services		
Senior Nutrition		
Communications		
Digital Media Services		
Main Library		
TOTAL COMMUNICATIONS & COMMUNITY SERVICES	200,000	
Planning	100,000	The Development Services Department will meet the budget reduction target by utilizing savings in employee services from vacant positions this fiscal year. As of March 2023, there are 6 vacant full-time positions .
Code Compliance		
Engineering		
Building		
TOTAL DEVELOPMENT SERVICES	100,000	
Street Maintenance	140,000	The Public Works Department will meet the budget reduction target by utilizing savings in employee services from vacant positions this fiscal year. As of March 2023, there are 7 vacant full-time positions in the Street Maintenance Department.
Park Maintenance		
Radio Communications		
TOTAL PUBLIC WORKS	140,000	
POLICE DEPARTMENT	150,000	<p>The historical cost savings of \$150,000 calculated for the Police Department was the result of vacant positions in prior fiscal years. In FY2020/21 the Police Department froze 7 full-time positions as a measure to close the budget deficit. However, in FY2021/22 due to an increase in demand for City services around traffic safety and homelessness, two Traffic Police Officer positions were reinstated to improve traffic safety and responsiveness and three police officer positions were reinstated to the budget in order to increase the staffing levels of the COPPS Unit.</p> <p>For the Police Department to meet the budget reduction target of \$150,000, one to two vacant police officer positions would not be filled. Although this would result in employee service savings, the impacts of vacant police officer positions would likely result in overtime to meet minimum staff requirements.</p>

	<u>Budget Reduction</u>	<u>Department's Plan for Meeting the Cost Savings Target</u>
TOTAL FIRE DEPARTMENT & EMERGENCY MANAGEMENT SERVICES	180,000	The historical cost savings of \$180,000 calculated for the Fire Department was the result of vacant positions in prior fiscal years. For the Fire Department to meet the budget reduction target of \$180,000, one to two vacant firefighter paramedic positions would not be filled. Although this would result in employee service savings, the impacts of these vacant positions would likely result in overtime to meet minimum staff requirements at each fire station.

Non-Departmental	95,000	The Non-Departmental budget accounts for anticipated retirement and vacation obligations that occur at the time an employee leaves the City, which are unknown at the time the budget is adopted. The actual expenses incurred as of March 2023 are under the amount budgeted, as a result the department is anticipated to meet the budget reduction target.
TOTAL OTHER EXPENSES	95,000	

CENTER FOR THE ARTS	-	The annual management fee to the Center for the Arts Foundation was reduced by \$133,000 from the Preliminary FY2022/23 budget amount of \$788,370 to \$655,370. The reduction is accounted for in a separate line item in the operating budget.
----------------------------	---	--

TOTAL EXPENDITURE SAVINGS	1,330,000
----------------------------------	------------------

(330,000)

Per direction from City Council on May 11, 2022, Public Safety is excluded from FY2022/23 budget reductions

FY2022/23 Cost Savings Reduction **\$1,000,000**

GENERAL FUND RESERVES

In December 2015, City Council adopted a Fund Balance Policy and established a General Fund target Reserve balance of 25% of General Fund operating revenues in order to maintain adequate levels of fund balance based. This goal is based on a risk-based analysis to mitigate current and future risks, adequately provide for cash flow requirements, and to fund one-time unanticipated expenditure requirements.

Total General Fund budgeted operating revenue in FY2022/23 is \$119,929,230 and 25% of this amount is \$29,982,308. The current General Fund Reserve balance is \$17,392,319, or 15% of budgeted operating revenue, which is below the identified acceptable risk-based analysis adopted by City Council and general government practices.

Section 115 Irrevocable Pension Trust Fund

In February 2018, City Council authorized the establishment of a Section 115 Irrevocable Pension Trust Fund. The Trust Fund is used to set aside and hold money to meet future pension liabilities and can be used to provide economic relief during recessionary cycles and/or rate increases that are significantly above anticipated projected employee rate increases. Funds placed in this Trust can also be used to offset the City's "normal" CalPERS costs, such that if funds are necessary for other purposes, a certain amount of flexibility is present. Another benefit is that funds held in the Trust can be invested in the same manner as funds in a typical pension fund rather than as part of the City's General Fund, which means a potentially higher rate of return.

When the Pension Trust Fund was established, a funding policy for contributions to the Fund was recommended and included the four years of annual Successor Agency Redevelopment Loan Repayments of \$14 million that began in FY2018/19, future proceeds from the sale of City Property belonging to the General Fund, and a portion of General Fund surplus at the end of each fiscal year, if one exists. On December 7, 2022, City Council approved the transfer of the FY2021/22 Successor Agency Redevelopment Loan Repayment of \$2,194,370 and the remaining net resources from the FY2021/22 yearend operating results of \$4,656,850.

On March 31, 2023, the Section 115 Pension Trust Fund had a balance of \$31,248,583 which included City contributions of \$31,166,650 less a loss on investment earnings net of expenses of \$81,933. Prior to FY2021/22, the Trust Fund had a 1-year rate of return of 14%, and the investment earnings had grown to about \$1.4 million. The 3-month rate of return of the investment portfolio is a gain of 3.18%, the 1-year rate of return is a loss of 5.87%, and the 3-year rate of return is 4.46%.

The following table provides a summary of the activity since the establishment of the Trust Fund.

Section 115 Pension Trust Fund

Prior Contributions	\$24,406,430
Successor Agency Advance Repayment – FY2021/22	2,194,370
General Fund Operating Results – FY2021/22	4,565,850
Investment Earnings, net of expenses	(81,933)
Balance as of March 31, 2023	\$31,248,583

WATER FUND

Net operating income for the Water Fund through March 2023 was \$8.9 million, a decrease of \$2.4 million from prior year. Operating revenue decreased by about \$956,000 or 2% compared to the prior year. Operating expenses increased by about \$1.4 million or 4% compared to the prior year due to increases in the costs of employee services, supplies, maintenance, and insurance.

	FISCAL YEAR 2022/23 BUDGET	ACTUAL RESULTS MARCH 2023	ACTUAL RESULTS MARCH 2022	PRIOR YEAR VS CURRENT YEAR
Operating Revenues	\$66,175,000	\$52,111,500	\$53,067,535	(\$956,035)
Operating Expenses	(63,077,690)	(43,174,424)	(41,690,932)	(1,483,492)
Net Operating Income	\$3,097,310	\$8,937,076	\$11,376,603	(\$2,439,527)

WASTEWATER FUND

Net operating income for the Wastewater Fund through March 2023 was \$8.2 million, a decrease of \$1.8 million from the prior year. Operating revenue stayed about the same compared to the prior year. Operating expenses increased by about \$1.8 million or 10% compared to the prior year due to increases in the costs of employee services, supplies, maintenance, and utilities.

	FISCAL YEAR 2022/23 BUDGET	ACTUAL RESULTS MARCH 2023	ACTUAL RESULTS MARCH 2022	PRIOR YEAR VS CURRENT YEAR
Operating Revenues	\$41,200,000	\$29,031,785	\$29,004,797	\$26,988
Operating Expenses	(31,260,310)	(20,878,284)	(19,006,905)	(1,871,379)
Net Operating Income	\$9,939,690	\$8,153,501	\$9,997,892	(\$1,844,391)

FOR MORE INFORMATION

This summary report is based on detailed information generated by the City's Finance department. If you have any questions or would like additional information on this report, please contact the Finance department at (760) 839-4676 or visit www.escondido.org



BUDGET ADJUSTMENT REQUEST

Department:	Finance	<u>For Finance Use Only</u> BA # _____ Fiscal Year _____
Department Contact:	Christina Holmes	
City Council Meeting Date: <i>(attach staff report)</i>	May 10, 2023	

EXPLANATION OF REQUEST

Third Quarter Budget Adjustment to amend the FY2022/23 operating and capital budgets.

BUDGET ADJUSTMENT INFORMATION

Project/Account Description	Account Number	Amount of Increase	Amount of Decrease
Type 3 Brush Engine	229-166102	30,100	
Capital Project Fund – Transfer In	4999-229	30,100	
General Fund – Transfer Out	5999-001	30,100	
General Fund – Fund Balance	3050-001		30,100
Professional Services – Building Department	5131-001-300	150,000	
General Fund – Fund Balance	3050-001		150,000

APPROVALS

DocuSigned by: <i>Christina Holmes</i> 5/4/2023 <small>C0C8E98A934247C...</small>	DocuSigned by: <i>Lorena Rocha</i> 5/4/2023 <small>99A33925FA6B449...</small>		
DEPARTMENT HEAD	DATE	FINANCE	DATE



STAFF REPORT

May 10, 2023
File Number 0610-55

SUBJECT

REVIEW AND UPDATE OF CITY COUNCIL INTERAGENCY AND SUBCOMMITTEE ASSIGNMENTS

DEPARTMENT

City Clerk's Office

RECOMMENDATION

Request the City Council ratify members to serve on the Mayor/Council boards and subcommittees per the attached listing.

Staff Recommendation: Approval (City Clerk: Zack Beck, City Clerk)

Presenter: Zack Beck, City Clerk

BACKGROUND

Guidelines stipulate that this list should be reviewed regularly and each Council Member is responsible for keeping others informed about their ongoing activities.

Attached is a list of current Council subcommittees and appointees (Attachment 1) and the proposed appointment list (Attachment 2). The only change is to have Deputy Mayor Garcia serve as the alternate on SANDAG.

ATTACHMENTS

1. Attachment "1" – Current Council Interagency and Subcommittee Appointment List
2. Attachment "2" – Proposed Council Interagency and Subcommittee Appointment List

INTERAGENCY APPOINTMENTS

	COUNCIL REPRESENTATIVE	STAFF
01 AIR POLLUTION CONTROL	CONSUELO MARTINEZ	CHRIS MCKINNEY
02 CLEAN ENERGY ALLIANCE	JOE GARCIA CHRISTIAN GARCIA	CHRIS MCKINNEY
03 ESCONDIDO CREEK WATERSHED	JOE GARCIA CONSUELO MARTINEZ (ALTERNATE)	CHRIS MCKINNEY
04 LEAGUE OF CA CITIES	CONSUELO MARTINEZ JOE GARCIA (ALTERNATE)	SEAN MCGLYNN
05 NORTH COUNTY TRANSIT DISTRICT	DANE WHITE JOE GARCIA (ALTERNATE)	ANDREW FIRESTINE
06 REGIONAL SOLID WASTE ASSOC.	MIKE MORASCO DANE WHITE (ALTERNATE)	CHRIS MCKINNEY
07 SANDAG	DANE WHITE MIKE MORASCO (ALTERNATE)	SEAN MCGLYNN
08 SD COUNTY WATER AUTHORITY	CONSUELO MARTINEZ DANE WHITE (ALTERNATE)	CHRIS MCKINNEY
09 SAN DIEGUITO RIVERPARK JPA	CHRISTIAN GARCIA DANE WHITE (ALTERNATE)	JOANNA AXELROD

LOCAL SUBCOMMITTEES

	COUNCIL REPRESENTATIVE	STAFF
01 BOARDS AND COMMISSIONS	CONSUELO MARTINEZ DANE WHITE	ZACK BECK
02 BUDGET	CONSUELO MARTINEZ MIKE MORASCO	CHRISTINA HOLMES
03 CCAE	CONSUELO MARTINEZ JOE GARCIA	CHRIS MCKINNEY
04 DOWNTOWN PARKING	DANE WHITE CHRISTIAN GARCIA	ANDREW FIRESTINE
05 ECONOMIC DEVELOPMENT	DANE WHITE JOE GARCIA	JENNIFER SCHOENECK
06 HOMELESSNESS	DANE WHITE JOE GARCIA	CHRISTOPHER MCKINNEY
07 HOUSING	MIKE MORASCO CONSUELO MARTINEZ	ANDREW FIRESTINE
08 SCHOOLS	JOE GARCIA DANE WHITE	SEAN MCGLYNN
09 UTILITIES	CHRISTIAN GARCIA DANE WHITE	CHRIS MCKINNEY

INTERAGENCY APPOINTMENTS

	COUNCIL REPRESENTATIVE	STAFF
01 AIR POLLUTION CONTROL	CONSUELO MARTINEZ	CHRIS MCKINNEY
02 CLEAN ENERGY ALLIANCE	JOE GARCIA CHRISTIAN GARCIA	CHRIS MCKINNEY
03 ESCONDIDO CREEK WATERSHED	JOE GARCIA CONSUELO MARTINEZ (ALTERNATE)	CHRIS MCKINNEY
04 LEAGUE OF CA CITIES	CONSUELO MARTINEZ JOE GARCIA (ALTERNATE)	SEAN MCGLYNN
05 NORTH COUNTY TRANSIT DISTRICT	DANE WHITE JOE GARCIA (ALTERNATE)	ANDREW FIRESTINE
06 REGIONAL SOLID WASTE ASSOC.	MIKE MORASCO DANE WHITE (ALTERNATE)	CHRIS MCKINNEY
07 SANDAG	DANE WHITE JOE GARCIA (ALTERNATE)	SEAN MCGLYNN
08 SD COUNTY WATER AUTHORITY	CONSUELO MARTINEZ DANE WHITE (ALTERNATE)	CHRIS MCKINNEY
09 SAN DIEGUITO RIVERPARK JPA	CHRISTIAN GARCIA DANE WHITE (ALTERNATE)	JOANNA AXELROD

LOCAL SUBCOMMITTEES

	COUNCIL REPRESENTATIVE	STAFF
01 BOARDS AND COMMISSIONS	CONSUELO MARTINEZ DANE WHITE	ZACK BECK
02 BUDGET	CONSUELO MARTINEZ MIKE MORASCO	CHRISTINA HOLMES
03 CCAE	CONSUELO MARTINEZ JOE GARCIA	CHRIS MCKINNEY
04 DOWNTOWN PARKING	DANE WHITE CHRISTIAN GARCIA	ANDREW FIRESTINE
05 ECONOMIC DEVELOPMENT	DANE WHITE JOE GARCIA	JENNIFER SCHOENECK
06 HOMELESSNESS	DANE WHITE JOE GARCIA	CHRISTOPHER MCKINNEY
07 HOUSING	MIKE MORASCO CONSUELO MARTINEZ	ANDREW FIRESTINE
08 SCHOOLS	JOE GARCIA DANE WHITE	SEAN MCGLYNN
09 UTILITIES	CHRISTIAN GARCIA DANE WHITE	CHRIS MCKINNEY



STAFF REPORT

May 10, 2023
File Number 0120-15

SUBJECT

PLANNING COMMISSION INTERVIEWS

DEPARTMENT

City Clerk's Office

RECOMMENDATION

Request the City Council conduct interviews of applicants to fill an unscheduled vacancy on the Planning Commission.

Staff Recommendation: None (City Clerk's Office: Zack Beck)

Presenter: Zack Beck

BACKGROUND

On April 19, 2023, the City Council declared the seat of Planning Commissioner Dao Doan vacant. As a result of the unscheduled vacancy, the City Council will interview eligible candidates to fill the position. The term for this seat is set to expire on March 31, 2024.

ATTACHMENTS

- a. Attachment 1 – Candidate Applications

Name Sean Abramson

Address [REDACTED]

Do you live in the City of Escondido Limits? Yes

Do you live in the General Plan Area? Yes

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area 2 years

Employer Airgas

Occupation Bulk Sales Manager

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? TRANSPORTATION & COMMUNITY SAFETY COMMISSION

If you have filed additional applications for other boards or commissions, please list them in order of preference N/a

If you are an incumbent, how long have you served in your current position N/a

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
No

If so what capacity? N/a

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? N/a

Personal References (Name/Address/Business Address/Occupation) Mario Compean - Pastor Rock Church San Marcos
Justin Jennings - District Manager Airgas

Community Involvement: List present membership in any community service or civic organizations, if any? Rock Church San Marcos - Safety Team

Name Shantel Suarez Avila

Address [REDACTED]

Do you live in the City of Escondido Limits? Yes

Do you live in the General Plan Area? Yes

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area 1 year and 4 months

Employer Self-employed

Occupation Non-profit consulting

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? Planning

If you have filed additional applications for other boards or commissions, please list them in order of preference N/A

If you are an incumbent, how long have you served in your current position N/A

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
Yes, Historic Preservation

If so what capacity? Current commissioner

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? N/A

Personal References (Name/Address/Business Address/Occupation) Zachary Beck – Clerk for City of Escondido
Corie De Anda – Hermanitas Director at MANA North County, Rotary Club President of San Diego North County and Escondido resident

Community Involvement: List present membership in any community service or civic organizations, if any? I am a proud resident of Escondido and been learning more about preservation efforts here in Escondido through the Historic preservation commission, the Old Escondido Historic District organization, the library, local events, and at the national level through the Historic Preservation through an Equity lens initiative. I am a proud patron of Escondido's library and through my company, connecting with more organizations in Escondido and San Diego who are committed to social justice, equity, and inclusion. I look forward to continuing learning and becoming involved with local organizations and initiatives.

Name Glen Breed

Address [REDACTED]

Do you live in the City of Escondido Limits? yes

Do you live in the General Plan Area? yes

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area 6 years

Employer Retired - San Diego Gas & Electric

Occupation Market Analyst, Strategic Planner

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? Planning Commission

If you have filed additional applications for other boards or commissions, please list them in order of preference None

If you are an incumbent, how long have you served in your current position NA

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
No

If so what capacity? NA

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? NA

Personal References (Name/Address/Business Address/Occupation) NA

Community Involvement: List present membership in any community service or civic organizations, if any? NA

Name Carolyn Clemens

Address [REDACTED]

Do you live in the City of Escondido Limits? Yes

Do you live in the General Plan Area? No

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area 10 years

Employer Northrop Grumman

Occupation Program Manager

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? Planning Commission

If you have filed additional applications for other boards or commissions, please list them in order of preference Currently I serve on the Library Board of Trustees and would continue in that capacity

If you are an incumbent, how long have you served in your current position N/A

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
Yes

If so what capacity? Library Board of Trustees and the Independent Redistricting Commission in 2020

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? N/A

Personal References (Name/Address/Business Address/Occupation) John Schwab, Escondido Library Trustee, [REDACTED] Joanna Axelrod, Deputy City Manager for Escondido, [REDACTED] Blake Baldwin, Chief Engineer, Northrop Grumman, [REDACTED]

Community Involvement: List present membership in any community service or civic organizations, if any? Currently I serve as the President of the Escondido Library Board of Trustees I served on the Independent Redistricting Commission for Escondido 2020-2021

Name Michael W Delaney

Address [REDACTED]

Do you live in the City of Escondido Limits? Yes

Do you live in the General Plan Area? Yes

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area 13

Employer BevMo!

Occupation Bevmologist

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? Planning Commission

If you have filed additional applications for other boards or commissions, please list them in order of preference Building and Advisory Appeals

If you are an incumbent, how long have you served in your current position N/A

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
Historic Preservation Commission

If so what capacity? Member

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? N/A

Personal References (Name/Address/Business Address/Occupation) Michael Delaney Sr. [REDACTED]

[REDACTED] Neurologist

Community Involvement: List present membership in any community service or civic organizations, if any? N/A

Name Judy Fitzgerald

Address [REDACTED]

Do you live in the City of Escondido Limits? Yes

Do you live in the General Plan Area? Yes

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area 37 years

Employer Fix Auto Escondido

Occupation Marketing & P.R. Specialist

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? Planning Commission

If you have filed additional applications for other boards or commissions, please list them in order of preference N/A

If you are an incumbent, how long have you served in your current position N/A

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
No

If so what capacity? N/A

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? N/A

Personal References (Name/Address/Business Address/Occupation) City of San Marcos Mayor Rebecca Jones Former Escondido City Councilmember Tina Inscoe Former Escondido Councilmember Ed Gallo Escondido Councilmember Joe Garcia The Greater Escondido Chamber of Commerce President James Rowten Aelott Air Conditioning Owner Rich Aeling Escondido Sunrise Rotary President Tina Pope Fix Auto Escondido Owner Kirk Henson

Community Involvement: List present membership in any community service or civic organizations, if any? The Greater Escondido Chamber of Commerce - Board Member and Ambassador Escondido Sunrise Rotary - Human Trafficking Chair

Name Lynn Graykowski

Address [REDACTED]

Do you live in the City of Escondido Limits? Yes

Do you live in the General Plan Area? Yes

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area 20 years

Employer Self-Employed

Occupation Human Resources Consultant

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? Planning Commission

If you have filed additional applications for other boards or commissions, please list them in order of preference N/A

If you are an incumbent, how long have you served in your current position N/A

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
Yes

If so what capacity? I served on the Personnel Committee of Review for two terms

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? N/A

Personal References (Name/Address/Business Address/Occupation) Tracy Ream, former CEO of Neighborhood Healthcare. [REDACTED] Gail Tomsky, former Director of Nursing at Neighborhood Healthcare. [REDACTED] Amparo Mahler, CEO at Crossroads Family Care in Palestine, TX. [REDACTED]
[REDACTED]

Community Involvement: List present membership in any community service or civic organizations, if any? None, currently

Name George Majeed Khoury

Address [REDACTED]

Do you live in the City of Escondido Limits? Yes

Do you live in the General Plan Area? I believe so

Home Phone [REDACTED]

Email Address [REDACTED]

Length of time you lived in the area Since Oct 2015

Employer None

Occupation Retired

Business Address [REDACTED]

Business Phone [REDACTED]

Board of Commission for which you are applying? Planning Commission

If you have filed additional applications for other boards or commissions, please list them in order of preference Planning Commission,

If you are an incumbent, how long have you served in your current position No

Have you ever been a member of any City board or Commission, or employed by the City of Escondido
Yes

If so what capacity? Commissioner & Board Member

Are any persons now employed by the City of Escondido related to you by blood or by marriage? No

If so, list name and relationship? None

Personal References (Name/Address/Business Address/Occupation) Mr. Sam Abed, [REDACTED]
[REDACTED], Real Estate Mr. Paul Lanspery, [REDACTED]
[REDACTED]

Community Involvement: List present membership in any community service or civic organizations, if any? Member: The American Civil Liberties Union (ACLU) SD Board of Directors and Imperial County Board (started March 2023) The American-Arab Anti-Discrimination Committee (ADC) National Board (2017-present) The Leon L. Williams SD County Leon L. Williams Human Relations Commission The City of Escondido Transportation & Community Safety Commission, and The City of Escondido Buildings and Advisory Appeals Board



CITY of ESCONDIDO

FUTURE AGENDA

5/17/2023

PRESENTATION: 2023 San Diego County Fair

CONSENT CALENDAR - (D. SHULTZ) - TREASURER'S INVESTMENT REPORT FOR THE QUARTER ENDED MARCH 31, 2023 - Request the City Council receive and file the Quarterly Investment Report for the quarter ended March 31, 2023.

CONSENT CALENDAR - (D. SHULTZ) - THE CITY OF ESCONDIDO'S INVESTMENT POLICY - Request the City Council adopt Resolution No. 2023-51, approving the City of Escondido's May 2023 Investment Policy.

CONSENT CALENDAR - (C. MCKINNEY) - FIRST AMENDMENT FOR ANDRITZ SEPARATION, INC. PROFESSIONAL SERVICES AGREEMENT - Request the City Council adoption of Resolution No. 2023-53, authorizing the Mayor to execute an amendment to the Professional Service Agreement with Andritz Separation, Inc.

CONSENT CALENDAR - (R. VOGT) - FY 2022 URBAN AREA SECURITY INITIATIVE (UASI) GRANT PROGRAM AND BUDGET ADJUSTMENT - It is requested that the City Council adopt Resolution No. 23-55 authorizing the Escondido Fire Department to accept FY 2022 Urban Area Security Initiative (UASI) grant funds in the amount of \$36,110; authorize the Fire Chief or his designee to execute grant documents on behalf of the City; and approve budget adjustments needed to spend grant funds.

CONSENT CALENDAR - (A. FIRESTINE)- SPEED LIMIT FOR VERMONT AVENUE - It is requested that the City Council adopt Resolution No. 2023-52 amending the traffic schedule for the speed zone on Vermont Avenue.

PUBLIC HEARING - (J. AXELROD) - GRAPE DAY PARK MASTER PLAN UPDATE - It is requested that the City Council adopt Resolution No. 2023-41 approving the Grape Day Park Master Plan.

CURRENT BUSINESS - (Z. BECK) - BOARD AND COMMISSION APPOINTMENTS - Request the City Council ratify the Mayor's appointments to serve on the following Boards and Commissions: Building and Advisory Appeals Board, Historic Preservation Commission, Library Board of Trustees, Planning Commission, Public Art Commission, Transportation and Community Safety Commission.

WORKSHOP - (C. HOLMES) - FISCAL YEAR 2023/24 OPERATING BUDGET BRIEFING - It is requested that the City Council provide direction regarding the Fiscal Year 2023/24 General Fund Operating Budget.