Peninsula
HEALTH CARE DISTRICT
Building a Healthier Community

BOARD FINANCE COMMITTEE
Wednesday, July 11, 2023
4:00 pm – 5:30 pm

In-person: 1819 Trousdale Dr., Burlingame, CA 94010
Members of the Public may Join Virtually: https://us02web.zoom.us/j/82443298580
Meeting ID: 824 4329 8580- **By Phone:** +1 253 215 8782; +1 267 831 0333

A G E N D A

1. **Call to Order & Roll Call**

2. **Approval of Minutes:**
   - May 17, 2023 Minutes — p. 1

3. **City National Bank --** Robert Meckstroth, Senior Portfolio Manager
   - Annual Portfolio Overview — p. 5
   - Q&A
   - **Information Only**

4. **Potential WAB Paydown / Cashflow --** CFO Yee — p.58
   - Discussion
   - Q&A
   - **Action, if any**

5. **CalPERS Pension Update --** CFO Yee — p.60
   - Discussion
   - Q&A
   - **Action, if any**

6. **The Trousdale Earthquake Proposal/Risk Assessment Report** – CFO Yee
   - Report — p.67
   - Q&A
   - **Action, if any**

7. **Future agenda items:**
   - Year-End Consolidated Financial
   - Suggestions?

8. **Adjournment**

FINANCE COMMITTEE MEETING
Minutes
May 17, 2023

1. **Call to Order:** Meeting was called to order by **CFO Yee** at 4:04 pm.

2. **Roll Call:** Present via Zoom: Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee. Absent: Chair Zell, Member Sun.

3. **Approval of Minutes** from March 7, 2023
   It was moved by Director Sanchez and seconded by Member Revelo to approve the Minutes from March 7, 2023. The motion passed 4/0/1. Ayes: Director Sanchez, Member Seto, Member Revelo, CFO Yee. Abstain: CEO Pulido.

4. **WAB Payoff Report:**

   CFO Yee provided payoff numbers received from Western Alliance Bank.
   - Full termination: Borrower pays $1.17M in termination fees
   - $10M paydown: Borrower pays $465K in termination fees
   - $20M paydown: Borrower pays $735K in termination fees

   CFO Yee mentioned that this might not be the best time to consider a paydown, given that there's a termination fee. In addition, the strategic plan has not been finalized, and there are upcoming projects that may require significant cashflow, such as the PWC project, the purchase of a new building & plans for it, and the startup cost for the allcove teen mental health center.

   The Committee suggested tabling the discussion until the next meeting when the District has more clarity on the Strategic Plan and upcoming projects. They also suggested that management ask the bank for new payoff numbers and the calculation of fees.

Chair Zell joined the meeting at 4:16 pm.

5. **THE TROUSDALE BUDGET:**

   Mark Jenkins, Eskaton CFO, presented the FY 23-24 Budget to the Committee. He expects occupancy levels to be at 81.9% at the beginning of the year and ending the year at 91.5%. The cashflow breakeven point is around 88% occupancy ending the year with a negative cashflow of $368,387. Sustainability is at 93%.

   Sylvia Chu, Executive Director of The Trousdale, commented that she had seen an increase in interest in The Trousdale with eight move-ins in the past 1.5 months. **Mr. Jenkins** added that The Trousdale performed better than the Assisted Living Facility industry and Eskaton system-wide during the pandemic and recovery. While most facilities have experienced a sharp drop in occupancy during the pandemic, The Trousdale did not experience the 10%-15% drop but stayed consistent at around 70%-75%. Also, there are additional efforts to boost marketing. This year, Eskaton is using social media push which led to 185 inquiries vs. 75 last year with traditional advertising. Eskaton is always exploring new and effective ways to market.

Member Seto asked what the breakeven point is. **Mr. Jenkins** replied 88% occupancy, but this has increased between 2017 and 2018 due to the higher staffing cost and overall inflation. **Chair Zell** asked what the length of stay for a resident is. **Mr. Jenkins** replied that the industry average is around 24-36 months. However, coming out of the pandemic, it is about 20 months because new residents coming into the facility are weaker and sicker. **Chair Zell** asked if there were different marketing tailored to the diverse culture in the community. **Mr. Jenkins** responded that the marketing team tries to be inclusive, but it is challenging. The team normally targets 50-60-year-old children with a certain income level. **Ms. Chu** added that they use a wide range of models in their ads and have various activities that appeal to the community's diversity.

It was moved by Director Sanchez and seconded by Member Revelo to approve The Trousdale FY 23-24 Budget as presented. The motion passed 6/0/0. Ayes: Chair Zell, Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee.

6. **allcove BUDGET:**

Eddie Flores, Director of Youth Behavioral Health Programs, provided some background on the allcove Center and FY 23-24 Budget. The budget is for the first year of the programs and includes startup and one-time costs to get the facility up and operational. Some budget items have already been preapproved by the full Board, such as the facility's contract of $9.5M of tenant improvements and furniture cost of $208K. The District also selected Caminar as the main agency through an RFP process to coordinate the delivery of services per the allcove fidelity model. In addition, Caminar subcontracts organizations such as Edgewood Children and Family Services, StarVista, and One Life Counseling Services.

Mr. Flores mentioned that the program was awarded $2M from the State Mental Health Center for four years. The majority of the expenses are in staffing. The staffing model is based on recommended guidelines by the Stanford Team and adjusted to data received from the Palo Alto allcove Center. The model allows for 1,000 unduplicated patient visits. Because this is a pilot program, the billable model and payer mix is still being developed. All expenses will slowly ramp up during the year as more patients are seen. There will be a soft opening in September.

CFO Yee provided a quick summary of the FY 23-24 budget and the estimated total cost of the program through the end of the lease at 2600 El Camino Real. Here are some key highlights:

- Expected visits for next year are 1,397, with most of the visits for mental health services.
- Total operating expenses are $2.7M. With a net operating loss of $2.2M for the first year.
- Capital expenditures for the year are $680K.
- Total program loss (6 years) is approximately $10.6M, including $1.26M of capital expenditures.
- Other sources of revenue in FY 27-28 & FY 28-29 are expected to come from government and organization grants, fundraising campaigns, and donations.

Chair Zell commented that billing and reimbursement are critical for the program's long-term viability. He suggested that staff visit the hospital and the San Mateo Union High School District in the next few months to provide them with information about the Center. He would like the see the High Schools intergrade a field trip or assignment to allcove. During the first two years, as the Center builds up its infrastructure, he would like non-government organizations to use the facility for free. **Chair Zell** would like staff to set up a meeting with Dr. J. Africa, the head of mental health at the County, in July. He would also like staff to restart the High School counselor/superintendent meetings.

Director Sanchez suggested that the District ask the County Health and County Office of Education for access to information from their countywide strategic plan to address school-aged youth mental health, which the District helped fund. In addition, the District should reach out to the Community Colleges because they also need access to mental health services.

Member Revelo suggested reaching out to the elementary school districts. **Chair Zell** commented that there is a concern with intergrading youth and young adults and would like to start with the core group ages 17-24 before expanding. **Member Seto** asked if there was any feedback from the youth. **Jackie Almes**, Youth Outreach Specialist, replied that she works with a 17-member youth advisory group from different high schools, and they are very excited about the Center. **Member Seto** asked if the program offers off-site visits (to meet the youth where they are comfortable). **Mr. Flores** replied that there are Peer Support Specialists that can meet the youth outside of the Center but will need to ensure built-in protections for the youth.

> ***It was moved by Chair Zell and seconded by Director Sanchez to approve allcove FY 23-24 Budget as presented. The motion passed 6/0/0. Ayes: Chair Zell, Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee.***

7. <u>HEALTH & FITNESS CENTER BUDGET:</u>

Michelle Marheineke, Fitness Center Director, provided an overview of the FY 23-24 budget and upcoming programs. Active Wellness assessed the Center and provided ways to increase membership and engagement in the community. They provided a market analysis of residents who are 55+ within a 10-15 minute drive. The recommendation was to proceed with the insurance programs to offer a discounted rate and have quarterly events to increase visibility and utilization during off-peak hours. There will no longer be a separate intake fee, and instead will be part of the membership fee.

The two insurance companies being considered are Optum and American Specialty Health. Both programs will reimburse the Center $40/mo for seniors and $56/mo for non-seniors. Silver Sneakers are not considered at this time because it doesn’t have the flat rate reimbursement option.

CFO Yee briefly summarized the budget. Here are some key items:

- Accept insurance-based programs (Optum and ASH) starting July
- Membership to increase by 100
- 70% of members expected to switch to insurance-based membership
- Revenue is to decrease by $3K in the first year of accepting insurance but will catch up in FY 25
- Marketing expense to increase by $4K to increase visibility
- Package membership to include regular assessments and 1:1 care
- End year with a net operating loss of $266,500

The Committee had a robust discussion and favored adopting the insurance program and the overall budget for the year.

> ***It was moved by Director Sanchez and seconded by Chair Zell to approve PHCD Health & Fitness FY 23-24 Budget as presented. The motion passed 6/0/0. Ayes: Chair Zell, Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee.***

8. CONSOLIDATED DRAFT BUDGET:

CFO Yee presented the FY22-23 consolidated budget to the Finance Committee. CFO Yee focused on PHCD's general operations since the program budgets were previously discussed. Below are key information/assumptions to note:

- Tax revenue was budgeted at $8.5M, a slight increase from last year's actuals
- Investment income is estimated at a 4% return
- Leasing income and expenses are based on current levels adjusted for inflation—added expenses for potential new building addition of $12K.
- Grants to stay at $2M (community grants, impact partnership grants, partners support, and healthcare workforce tuition)
- Sonrisas Funding at $800K/year (pending approval)
- Community Outreach ($75K) increased by $15K from last year's budget to increase PHCD's presence and visibility in the community.
- PWC project cost at $660K, a slight increase from last year's actuals
- General administration expenses increased by 3-5% for inflation

The consolidated budget (including all programs) has a total revenue of $33M and a total expense of $30M. Net income is $2.86M with a positive cashflow of $1.4M.

There was a robust discussion on the budget.

It was moved by Director Sanchez and seconded by Member Seto to approve PHCD Consolidated FY 23-24 Budget. The motion passed 6/0/0. Ayes: Chair Zell, Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee.

9. THE TROUSDALE EARTHQUAKE PROPOSAL/RISK ASSESSMENT REPORT:

This item was tabled to the next meeting.

10. Future agenda

- WAB Payoff Update
- Re-evaluate to move out of CalPERS retirement
- City National Bank to present to the Committee
- The Trousdale earthquake proposal/Risk Assessment report

Adjournment: Chair Zell Adjourned the meeting at 6:04 pm.

Written by Vickie Yee, CFO
Approved by:

____

Dennis Zell, Chair

CITY NATIONAL BANK
AN RBC COMPANY

PORTFOLIO REVIEW

THE PENINSULA HEALTH CARE DISTRICT

June 30, 2023

Investment management services provided by City National Bank through its wholly owned subsidiary City National Rochdale, LLC, a registered investment adviser.

Please see Important Disclosures in the Appendix

CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: ■ NOT FDIC INSURED ■ NOT BANK GUARANTEED ■ MAY LOSE VALUE

Presenters

Robert Meckstroth, CFA, CPWA®

Senior Portfolio Manager

City National Rochdale

Jackie De Leon

Vice President & Client Manager

City National Bank

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Portfolio Review Summary

Portfolio Review Overview

AS OF JUNE 30, 2023

ACCOUNTS		MARKET VALUE
PENINSULA HEALTH CARE DIST. AGENCY	xxxxx810	$ 12,870,050
TOTAL PORTFOLIO REVIEW		**$ 12,870,050**

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Portfolio Review Allocation

AS OF JUNE 30, 2023

ASSET CLASS			MARKET VALUE	% ASSETS	CURRENT YIELD	ANNUAL ESTIMATED INCOME
Core Fixed Income	99.2%	Core Fixed Income Tax Exempt	$ 312,228	2.4%	0.4%	$ 1,173
		Core Fixed Income Taxable	12,456,837	96.8%	2.7%	329,986
Cash & Equivalents	0.8%	Cash	100,984	0.8%	4.5%	4,531
Total Portfolio			**$ 12,870,050**	**100%**	**2.6%**	**$ 335,691**

Current Yield does not account for amortization of bond premiums. As a result, distribution of income based on Current Yield may invade principal.

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Investment Policy

PENINSULA HEALTH CARE DIST. AGENCY

Investment Strategy

	ACTUAL PORTFOLIO		TACTICAL ALLOCATION	
	RISK/RETURN		RISK/RETURN	
	NEAR-TERM	LONG-TERM	NEAR-TERM	LONG-TERM
ESTIMATED ANNUAL RATE OF RETURN (%)	4.87	4.65	4.88	4.66
ESTIMATED STANDARD DEVIATION (%)	-	3.22	-	3.24

	STRATEGY DESCRIPTION	ACTUAL PORTFOLIO			TACTICAL ALLOCATION		
Income & Stability	**Core Fixed Income Taxable**	$ 12,769,065	99.2%	100.0%	$ 12,870,050	100.0%	100.0%
	Cash	100,984	0.8%		-	-	
	TOTAL MANAGED PORTFOLIO	**$ 12,870,050**	**100%**	**100%**	**$ 12,870,050**	**100%**	**100%**

ACCT# xxxxx810

Policy Guidelines

INVESTMENT OBJECTIVE

Short Intermediate Fixed Income Taxable

ANNUAL ESTIMATED INCOME

$335,691

SCHEDULED ANNUAL DISTRIBUTIONS

None Specified

YTD TAXABLE REALIZED GAIN/LOSS

Short-Term: $0
Long-Term: ($573,671)

SPECIAL CONSIDERATIONS

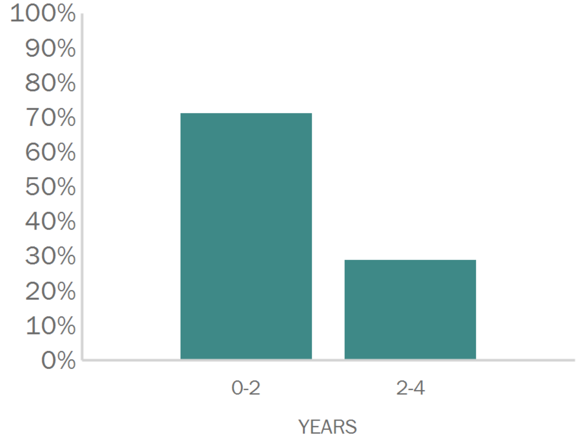
None Specified

ACCT# xxxxx810

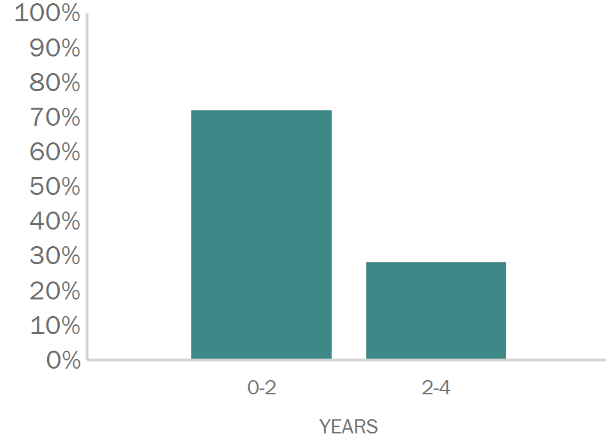
Fixed Income Characteristics

CREDIT QUALITY DISTRIBUTION

MATURITY SCHEDULE



DURATION

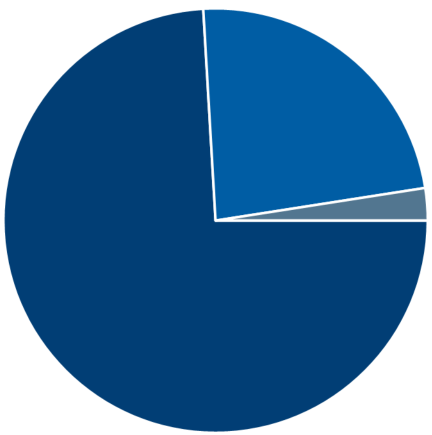


PORTFOLIO CHARACTERISTICS

DURATION	1.38
AVERAGE MATURITY	1.47
CREDIT RATING	AA
COUPON RATE	2.56%
YIELD TO WORST	5.30%
YIELD TO MATURITY	5.31%
CURRENT YIELD	2.61%

SECTOR EXPOSURE

Govt	74%
Corp	23%
Muni	2%



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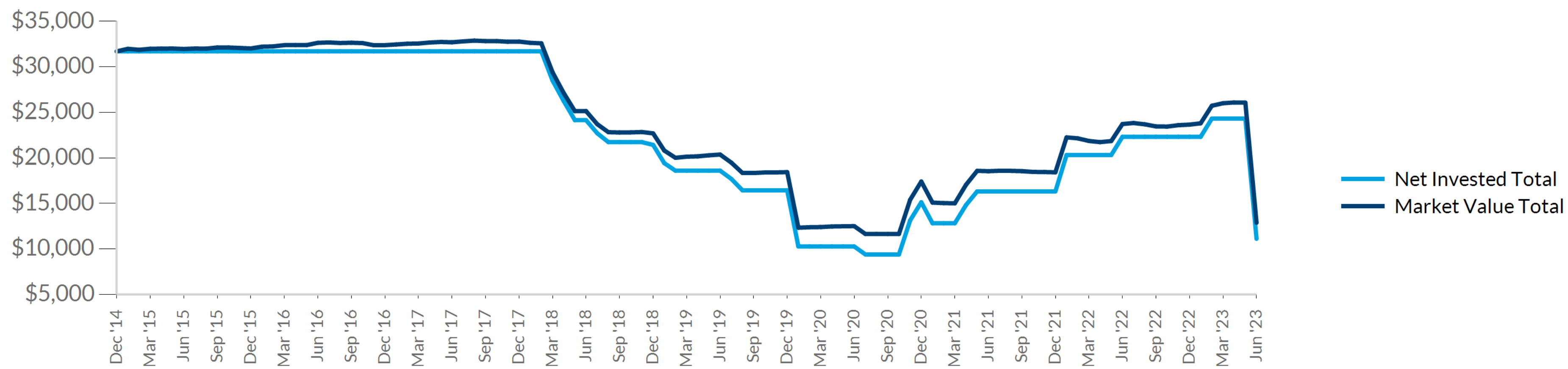
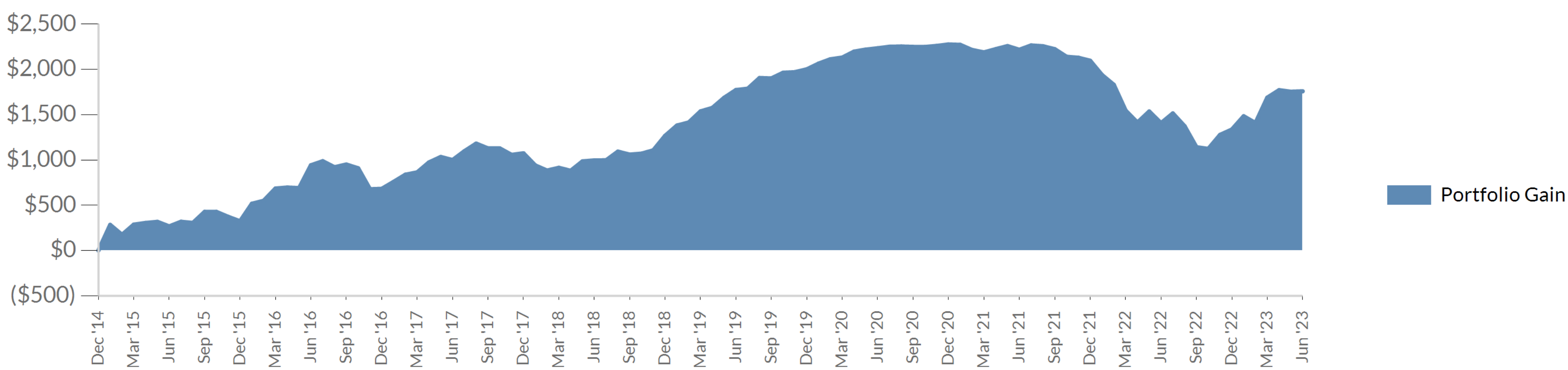
Portfolio Analysis

PENINSULA HEALTH CARE DIST. AGENCY

Historical Market Value

FROM DECEMBER 31, 2014 TO JUNE 30, 2023 / $ IN THOUSANDS





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Activity Summary

FROM DECEMBER 31, 2021 TO DECEMBER 31, 2022

BEGINNING VALUE	**$ 18,413,262**
CONTRIBUTIONS	6,000,824
WITHDRAWALS*	0
CHANGE IN MARKET VALUE**	(1,200,865)
INCOME RECEIVED	442,674
ENDING VALUE	**$ 23,651,080**
NET GAIN AFTER FEE	(758,191)

* Withdrawals include client distributions and expenses

** Includes the deduction of account management fees

ACCT# xxxxx810

Activity Summary

FROM DECEMBER 31, 2022 TO JUNE 30, 2023

BEGINNING VALUE	**$ 23,651,080**
CONTRIBUTIONS	2,000,000
WITHDRAWALS*	(13,200,000)
CHANGE IN MARKET VALUE**	143,169
INCOME RECEIVED	275,801
ENDING VALUE	**$ 12,870,050**
NET GAIN AFTER FEE	418,970

* Withdrawals include client distributions and expenses

** Includes the deduction of account management fees

ACCT# xxxxx810

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Performance Summary

FROM NOVEMBER 30, 2010 TO JUNE 30, 2023

	YTD	LAST YEAR	SINCE INCEPTION ANNUALIZED
TOTAL PORTFOLIO NET OF FEES	1.68%	(3.49%)	1.02%

ASSET CLASS RETURNS GROSS	YTD	LAST YEAR	SINCE INCEPTION ANNUALIZED
Core Fixed Income Tax Exempt	1.70%	(3.81%)	(0.11%)
Core Fixed Income Taxable	1.68%	(3.68%)	1.07%
Cash	7.04%	1.93%	-

Returns are Total Return, Fully Accrued & Time Weighted.

ACCT# xxxxx810

Realized Gains and Losses

FROM JANUARY 01, 2023 TO JUNE 30, 2023

Account	Open Date	Close Date	Quantity	Symbol	Security	Adjusted Cost Basis ($)	Proceeds ($)	Gain or Loss Short Term ($)	Gain or Loss Long Term ($)
MANAGED ASSETS									
xxxxx810	02/22/2018	01/27/2023	420,000.00	025816BS7	American Express Co	419,617.80	420,000.00		382.20
xxxxx810	12/23/2020	02/23/2023	215,000.00	38141GWT7	Goldman Sachs Group Inc	215,655.53	215,000.00		(655.53)
xxxxx810	01/14/2022	02/23/2023	250,000.00	38141GWT7	Goldman Sachs Group Inc	250,360.22	250,000.00		(360.22)
xxxxx810	04/16/2021	03/31/2023	110,000.00	91282CBU4	United States Treas Nts	110,307.19	110,000.00		(307.19)
xxxxx810	10/05/2021	03/31/2023	590,000.00	912828Q29	United States Treas Nts	590,595.74	590,000.00		(595.74)
xxxxx810	01/14/2022	03/31/2023	300,000.00	91282CBU4	United States Treas Nts	299,537.36	300,000.00		462.64
xxxxx810	04/07/2021	04/30/2023	400,000.00	9128284L1	United States Treas Nts	400,796.12	400,000.00		(796.12)
xxxxx810	12/24/2020	05/18/2023	245,000.00	404280BS7	Hsbc Hldgs Plc	246,023.13	245,000.00		(1,023.13)
xxxxx810	01/14/2022	05/18/2023	200,000.00	404280BS7	Hsbc Hldgs Plc	200,284.99	200,000.00		(284.99)
xxxxx810	07/08/2020	06/27/2023	235,000.00	3135G0U43	Federal Natl Mtg Assn	237,284.62	233,749.80		(3,534.82)
xxxxx810	07/08/2020	06/27/2023	455,000.00	3135G0ZR7	Federal Natl Mtg Assn	469,103.59	441,814.10		(27,289.49)
xxxxx810	07/08/2020	06/27/2023	515,000.00	912828D56	United States Treas Nts	529,105.55	498,926.37		(30,179.18)
xxxxx810	07/08/2020	06/27/2023	570,000.00	912828WE6	United States Treas Nts	577,772.45	564,812.11		(12,960.34)
xxxxx810	09/09/2020	06/27/2023	125,000.00	912828K74	United States Treas Nts	129,887.24	118,359.38		(11,527.86)
xxxxx810	11/03/2020	06/27/2023	240,000.00	91282CAB7	United States Treas Nts	238,575.00	219,150.00		(19,425.00)
xxxxx810	12/22/2020	06/27/2023	340,000.00	912828T26	United States Treas Nts	341,706.70	336,679.69		(5,027.01)
xxxxx810	12/23/2020	06/27/2023	225,000.00	064159VL7	Bank Nova Scotia B C	227,696.14	207,022.50		(20,673.64)
xxxxx810	12/23/2020	06/27/2023	265,000.00	20030NCS8	Comcast Corp New	284,508.40	258,894.40		(25,614.00)
xxxxx810	12/23/2020	06/27/2023	480,000.00	912828XZ8	United States Treas Nts	504,353.02	462,112.50		(42,240.52)
xxxxx810	12/23/2020	06/27/2023	530,000.00	912828W71	United States Treas Nts	539,479.30	517,433.20		(22,046.10)
xxxxx810	12/23/2020	06/27/2023	145,000.00	91282CAB7	United States Treas Nts	144,331.64	132,403.13		(11,928.51)
xxxxx810	12/23/2020	06/27/2023	400,000.00	91282CAW1	United States Treas Nts	401,978.15	392,453.12		(9,525.03)
xxxxx810	12/24/2020	06/27/2023	230,000.00	91282CAB7	United States Treas Nts	229,083.59	210,018.75		(19,064.84)
xxxxx810	01/13/2021	06/27/2023	280,000.00	91282CAZ4	United States Treas Nts	278,742.18	253,771.88		(24,970.30)
xxxxx810	01/13/2021	06/27/2023	265,000.00	912828ZT0	United States Treas Nts	263,219.53	243,282.42		(19,937.11)
xxxxx810	01/13/2021	06/27/2023	415,000.00	91282CAP6	United States Treas Nts	416,133.41	408,807.42		(7,325.99)

ACCT# xxxxx810

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Realized Gains and Losses

FROM JANUARY 01, 2023 TO JUNE 30, 2023

Account	Open Date	Close Date	Quantity	Symbol	Security	Adjusted Cost Basis ($)	Proceeds ($)	Gain or Loss Short Term ($)	Gain or Loss Long Term ($)
xxxxx810	03/12/2021	06/27/2023	365,000.00	912828YE4	United States Treas Nts	367,719.14	348,589.26		(19,129.88)
xxxxx810	04/16/2021	06/27/2023	480,000.00	9128285D8	United States Treas Nts	484,231.38	477,131.25		(7,100.13)
xxxxx810	04/16/2021	06/27/2023	480,000.00	9128285U0	United States Treas Nts	485,969.76	473,700.00		(12,269.76)
xxxxx810	04/22/2021	06/27/2023	345,000.00	912828VS6	United States Treas Nts	346,652.64	343,814.06		(2,838.58)
xxxxx810	09/16/2021	06/27/2023	35,000.00	91282CCP4	United States Treas Nts	35,000.75	31,331.84		(3,668.91)
xxxxx810	09/16/2021	06/27/2023	90,000.00	912828XZ8	United States Treas Nts	94,224.31	86,646.09		(7,578.22)
xxxxx810	10/05/2021	06/27/2023	360,000.00	912828YE4	United States Treas Nts	363,764.80	343,814.06		(19,950.74)
xxxxx810	10/05/2021	06/27/2023	575,000.00	912828XX3	United States Treas Nts	584,644.96	556,402.34		(28,242.62)
xxxxx810	10/05/2021	06/27/2023	695,000.00	9128285P1	United States Treas Nts	703,503.27	688,104.30		(15,398.97)
xxxxx810	10/05/2021	06/27/2023	500,000.00	91282CAM3	United States Treas Nts	493,772.44	454,648.44		(39,124.00)
xxxxx810	10/05/2021	06/27/2023	500,000.00	9128286L9	United States Treas Nts	518,928.82	472,714.84		(46,213.98)
xxxxx810	10/26/2021	06/27/2023	65,000.00	91282CCP4	United States Treas Nts	64,046.49	58,187.69		(5,858.80)
xxxxx810	01/14/2022	06/27/2023	500,000.00	91282CAW1	United States Treas Nts	496,867.18	490,566.41		(6,300.77)
xxxxx810	01/14/2022	06/27/2023	500,000.00	91282CAP6	United States Treas Nts	496,729.04	492,539.06		(4,189.98)
xxxxx810	01/14/2022	06/27/2023	325,000.00	91282CDR9	United States Treas Nts	324,656.70	317,674.80		(6,981.90)
xxxxx810	01/14/2022	06/27/2023	150,000.00	9128285P1	United States Treas Nts	151,456.07	148,511.72		(2,944.35)
xxxxx810	01/14/2022	06/27/2023	300,000.00	912828W71	United States Treas Nts	302,128.30	292,886.72		(9,241.58)
xxxxx810	01/14/2022	06/27/2023	300,000.00	912828XX3	United States Treas Nts	302,522.94	290,296.88		(12,226.06)
xxxxx810	01/14/2022	06/27/2023	350,000.00	9128285U0	United States Treas Nts	353,370.41	345,406.25		(7,964.16)
TOTAL GAINS								**0.00**	**844.84**
TOTAL LOSSES								**0.00**	**(574,516.06)**
TOTAL MANAGED ASSETS						**15,516,328.00**	**14,942,656.78**		**(573,671.22)**
TOTAL TAXABLE PORTFOLIO						**15,516,328.00**	**14,942,656.78**		**(573,671.22)**

ACCT# xxxxx810

Portfolio Appraisal

AS OF JUNE 30, 2023

Quantity	Symbol	Security	Adj Unit Cost ($)	Total Adj Cost ($)	Price ($)	Market Value ($)	Yield (%)	Income ($)	% Of Assets	% of Total Portfolio	Unrealized Gain/Loss ($)
MANAGED ASSETS											
CORE FIXED INCOME TAX EXEMPT											
Municipal Bonds											
325,000	97705MUJ2	Wisconsin St 0.361% Due 5/1/2024	1.00	325,000	0.96	312,033	0.38	1,173	99.94	2.42	(12,968)
		Accrued Interest				196			0.06	0.00	
TOTAL CORE FIXED INCOME TAX EXEMPT				325,000		312,228	0.38	1,173	100.00	2.43	(12,968)
CORE FIXED INCOME TAXABLE											
Corporate Bond											
440,000	06367WHH9	Bank Of Montreal 3.300% Due 2/5/2024	1.02	447,601	0.98	433,294	3.35	14,520	3.48	3.37	(14,306)
345,000	80283LAJ2	Santander Uk Plc 4.000% Due 3/13/2024	1.03	353,776	0.99	340,301	4.06	13,800	2.73	2.64	(13,475)
440,000	46647PAY2	Jpmorgan Chase & Co 4.023% Due 12/5/2024	1.02	447,098	0.99	436,198	4.06	17,701	3.50	3.39	(10,900)
450,000	06051GHR3	Bank Amer Corp 3.458% Due 3/15/2025	1.02	459,976	0.98	441,059	3.53	15,561	3.54	3.43	(18,918)
455,000	172967MF5	Citigroup Inc 3.352% Due 4/24/2025	1.02	465,316	0.98	444,794	3.43	15,252	3.57	3.46	(20,521)
		Accrued Interest				18,727			0.15	0.15	
Foreign Corporate Bonds											
445,000	13607GLZ5	Canadian Imp Bk Comm 2.250% Due 1/28/2025	1.02	452,966	0.95	421,922	2.37	10,013	3.39	3.28	(31,044)
495,000	86562MCA6	Sumitomo Mitsui Fin Grp Inc 1.474% Due 7/8/2025	1.00	496,822	0.92	454,593	1.61	7,296	3.65	3.53	(42,229)
		Accrued Interest				7,767			0.06	0.06	
Government Bonds											
90,000	912796YH6	United States Treas Bills 0.000% Due 9/7/2023	0.96	86,706	0.99	89,153	0.00	0	0.72	0.69	2,447
625,000	91282CED9	United States Treas Nts 1.750% Due 3/15/2025	0.99	616,716	0.95	591,213	1.85	10,938	4.75	4.59	(25,503)
		Accrued Interest				3,210			0.03	0.02	
Government Agency Bonds											
1,650,000	91282CCN9	United States Treas Nts 0.125% Due 7/31/2023	1.00	1,645,799	1.00	1,643,598	0.13	2,063	13.19	12.77	(2,201)
800,000	91282CER8	United States Treas Nts 2.500% Due 5/31/2024	0.99	794,601	0.97	779,160	2.57	20,000	6.25	6.05	(15,441)
1,000,000	91282CGG0	United States Treas Nts 4.125% Due 1/31/2025	0.99	992,180	0.98	984,300	4.19	41,250	7.90	7.65	(7,880)

ACCT# xxxxx810

Portfolio Appraisal

AS OF JUNE 30, 2023

Quantity	Symbol	Security	Adj Unit Cost ($)	Total Adj Cost ($)	Price ($)	Market Value ($)	Yield (%)	Income ($)	% Of Assets	% of Total Portfolio	Unrealized Gain/Loss ($)
400,000	91282CFW6	United States Treas Nts 4.500% Due 11/15/2025	1.01	402,405	0.99	397,924	4.52	18,000	3.19	3.09	(4,481)
1,000,000	91282CGV7	United States Treas Nts 3.750% Due 4/15/2026	1.00	998,984	0.98	978,750	3.83	37,500	7.86	7.60	(20,234)
575,000	91282CCP4	United States Treas Nts 0.625% Due 7/31/2026	0.94	541,644	0.89	512,268	0.70	3,594	4.11	3.98	(29,377)
		Accrued Interest				31,448			0.25	0.24	
Treasury Bills											
500,000	912796CS6	United States Treas Bills 0.000% Due 9/28/2023	0.98	488,227	0.99	493,765	0.00	0	3.96	3.84	5,538
Treasury Notes											
1,650,000	91282CFA4	United States Treas Nts 3.000% Due 7/31/2024	1.00	1,647,295	0.97	1,608,173	3.08	49,500	12.91	12.50	(39,123)
1,325,000	91282CGL9	United States Treas Nts 4.000% Due 2/15/2026	0.99	1,314,007	0.98	1,304,661	4.06	53,000	10.47	10.14	(9,346)
		Accrued Interest				40,559			0.33	0.32	
TOTAL CORE FIXED INCOME TAXABLE				12,652,120		12,456,837	2.67	329,986	100.00	96.79	(296,994)
CASH											
Money Market											
	TBSCNBM	Cnb Deposit Sweep (mgd)		95,702		95,702	4.74	4,531	94.77	0.74	0
Cash And Equivalents											
	PCASH	Principal Cash		5,283		5,283	0.00	0	5.23	0.04	0
TOTAL CASH				100,984		100,984	4.49	4,531	100.00	0.78	0
TOTAL MANAGED ASSETS				**13,078,104**		**12,870,050**	**2.63**	**335,691**		**100.00**	**(309,962)**
TOTAL PORTFOLIO				**13,078,104**		**12,870,050**	**2.63**	**335,691**		**100.00**	**(309,962)**

ACCT# xxxxx810

CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: ■ NOT FDIC INSURED ■ NOT BANK GUARANTEED ■ MAY LOSE VALUE

Economic Outlook & Investment Strategy

CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: ■ NOT FDIC INSURED ■ NOT BANK GUARANTEED ■ MAY LOSE VALUE

Investment Strategy Committee Considerations

2023 Economic Outlook

- Higher for longer thesis intact as we continue to see Fed policy remaining tight through 2023.
- Expect eventual debt ceiling deal, with limited economic impact, but potential market volatility.
- The overall US banking system is on solid footing, watchful of impact on lending.
- Downward inflation glide path remains intact with core services proving stickier.
- Overall recession risk at an above-consensus 78%, mild downturn base case.
- Leading indexes, inverted yield curve, tightening lending standards and declining manufacturing supports recession view.
- Job gains, wages, savings and net worth support consumer.
- Maintaining below consensus GDP growth forecast. Earnings forecast revised downward.
- US economy more resilient relative to Europe/Asia.
- Geopolitical risk elevated.

2023 Investment Strategy

- Global macro uncertainty remains high.
- Portfolios defensively positioned – inflation, higher fed-funds rate, recession risk, geopolitical tensions.
- Modestly underweight equities – focused on high-quality US stocks, avoid Europe and Asia.
- Modestly overweight fixed income with returns expected to be moderately positive.
- History suggests cyclical bear market in later phases; but narrow tech-driven rally raises concerns; recessionary bear markets never end before recession begins.
- Forecasting moderate equity returns in 2023, above average volatility.
- Equity income strategy attractive in an uncertain environment.
- Investment grade corporate and municipals may offer healthy yields with lower volatility.
- High yield corporates and municipals, while volatile, may offer reasonable reward for risk.
- Excellent opportunities for liquidity management.
- Alternatives may provide benefits of diversification as well as attractive opportunities.

Sources: Bloomberg, CNR Research, as of June 2023. Information is subject to change and is not a guarantee of future results.

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2023 Outlook
Economic Momentum to Slow, Recession Risk High

- Household and business fundamentals are solid, but slowing.
- Inflation pressures remain elevated, but moderating.
- Fed policy remains tight to slow economy and wages.
- We have below-consensus expectations for GDP and earnings growth.
- We have above consensus estimates for interest rates.

City National Rochdale Forecasts		2022	2023e
Real Annual GDP Growth		2.1%	-1.0% to 1.0%
Corporate Profit Growth		5.1%	-7.5% to 0.5%
Headline CPI Year End		6.5%	2.8% to 3.2%
Core CPI Year End		5.7%	3.2% to 3.6%
Interest Rates	Fed Funds Rate	4.25% to 4.50%	5.0% to 5.25%
	Treasury Note, 10-Yr.	3.88%	4.0% to 4.50%

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
The Consumer Price Index (CPI) measures the monthly change in prices paid by US consumers.
e: estimate.
Sources: Bloomberg, Proprietary opinions based on CNR Research, as of June 2023.
Information is subject to change and is not a guarantee of future results.

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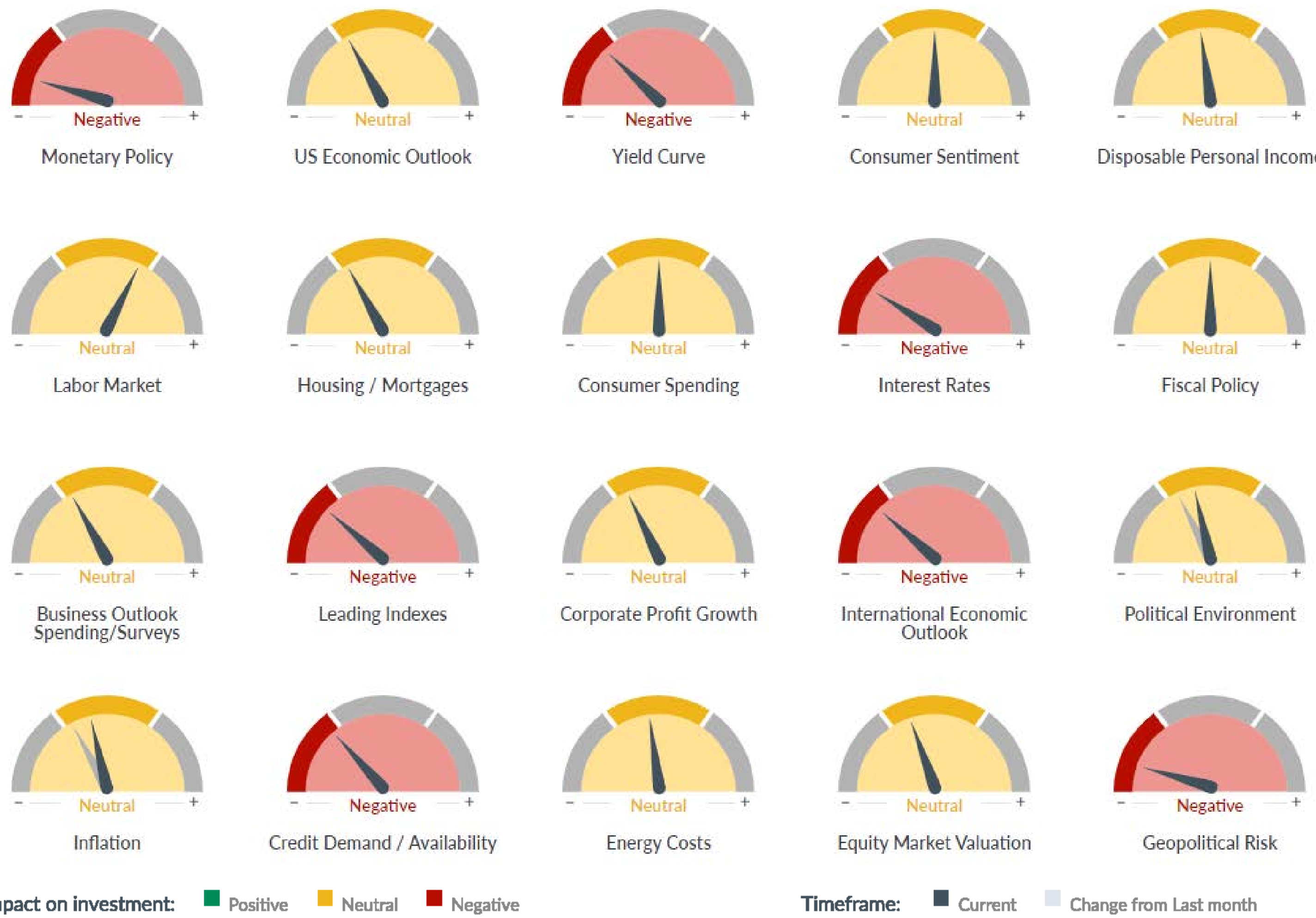
CNR Speedometers® – June 2023

Economic & Financial Indicators That are Forward-Looking Six to Nine Months

- Indicators have slowed as risk to the outlook increases.
- Recent slowing driven by higher inflation, higher interest rates and reduced credit availability.
- Consumers remain healthy, but resilience being tested.
- Indicators supportive of mild recession/slow growth outlook.

Impact on Economy and Financial Markets



Source: Proprietary opinions based on CNR Research, as of June 2023. Information is subject to change and is not a guarantee of future results.

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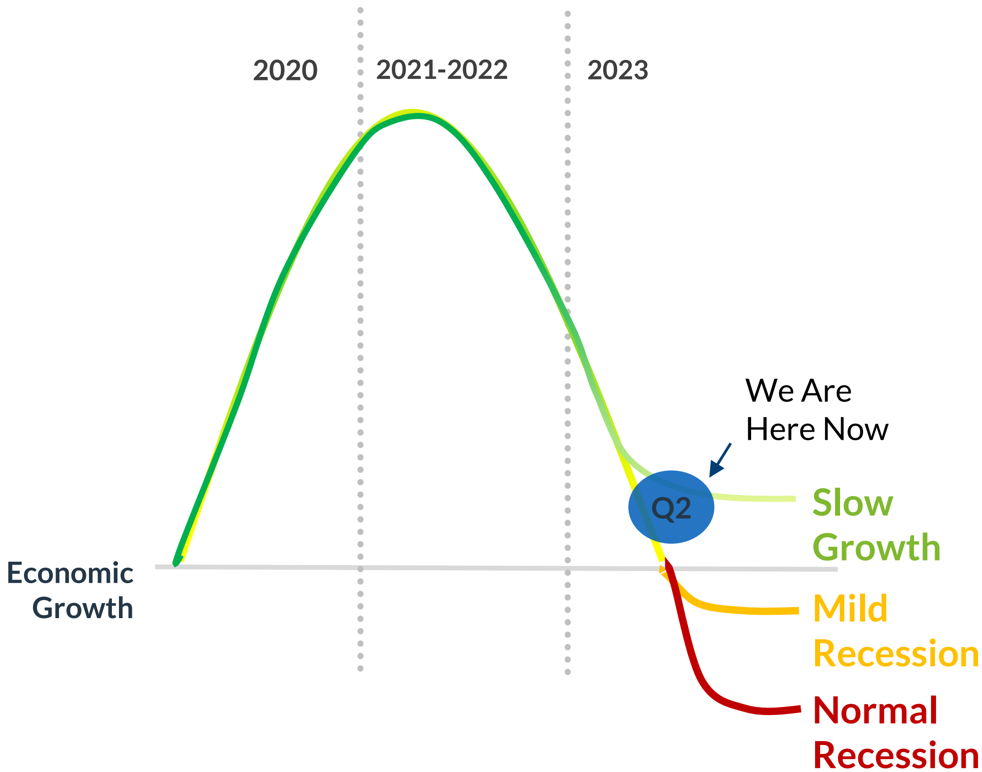
2023 US Outlook

- Recession odds above consensus 78%, due to Fed tightening and constraints on consumer/business lending.
- Mild downturn still expected.
- Labor shortages should limit increases in unemployment, lowering risk of more normal recession.
- Consumer retrenchment is expected to be modest, supported by strong household balance sheets and real income.



Outlook	Probability	GDP Growth	Earnings Growth
Slow Growth	22%	0% to 2%	0% to 12%
Mild Recession	65%	-1% to 0%	-10% to 0%
Normal Recession	13%	-2% to -1%	-20% to -10%
Weighted Average		-0.3%	-4.0%

Sources: Bloomberg, CNR Research, as of May 2023.
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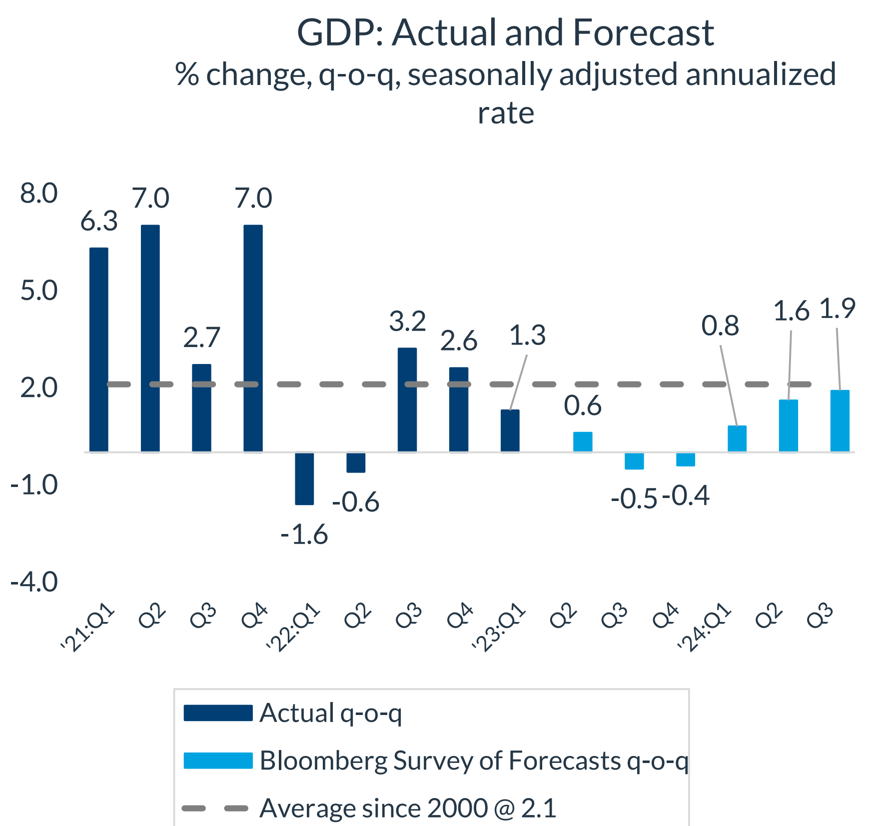
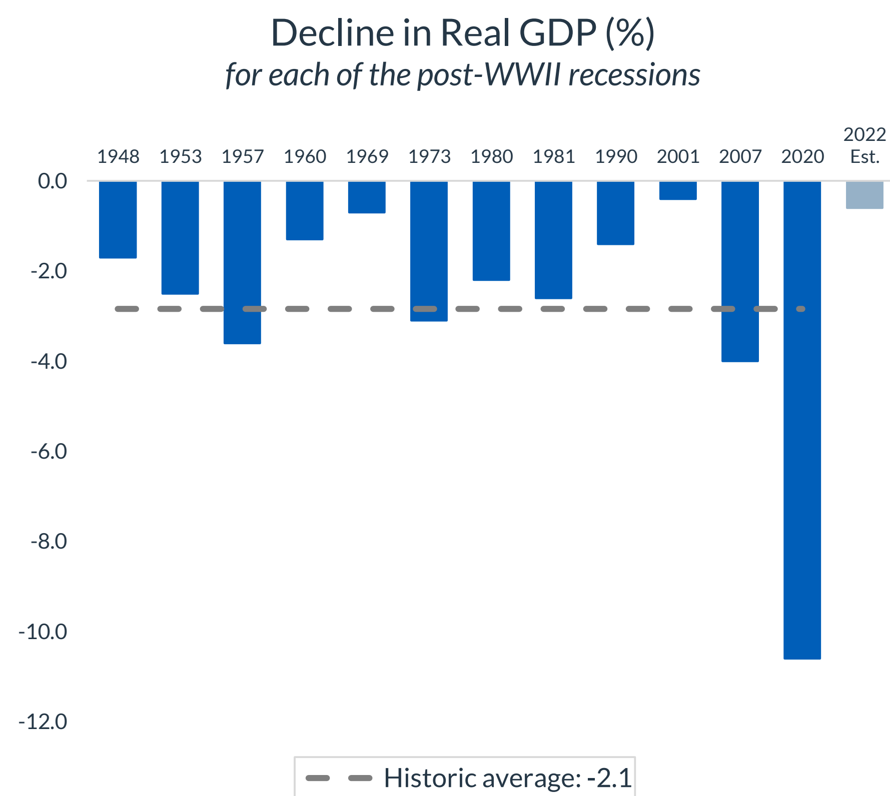
CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: • NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE

A Historically Mild Recession Is Expected

- GDP growth is expected to move slightly into negative territory in the year's second half.
- Declines in personal spending and business investment are expected to cause the drop.
- Downturn to be limited by continued strong labor demand and strength of household and corporate finances.



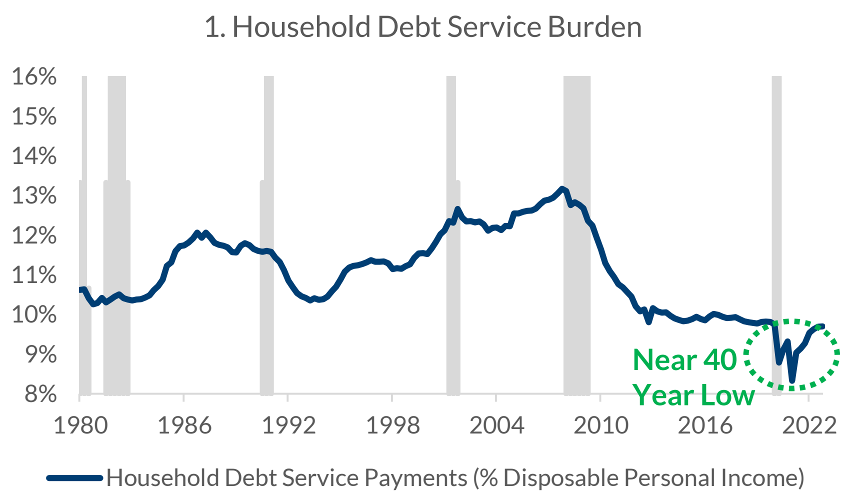


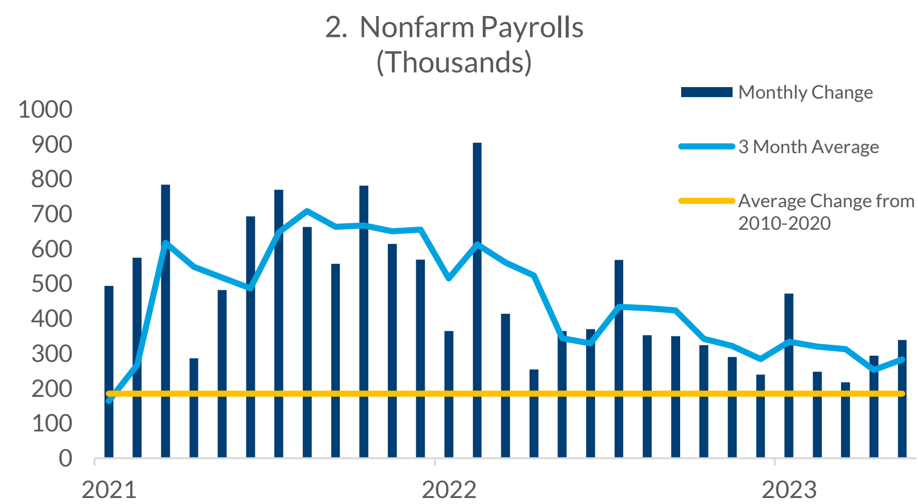
Sources: Bureau of Economic Research, Bloomberg Survey, as of June 2023. Bureau of Economic Research, Bloomberg Survey, as of May 2023. Information is subject to change and is not a guarantee of future results.

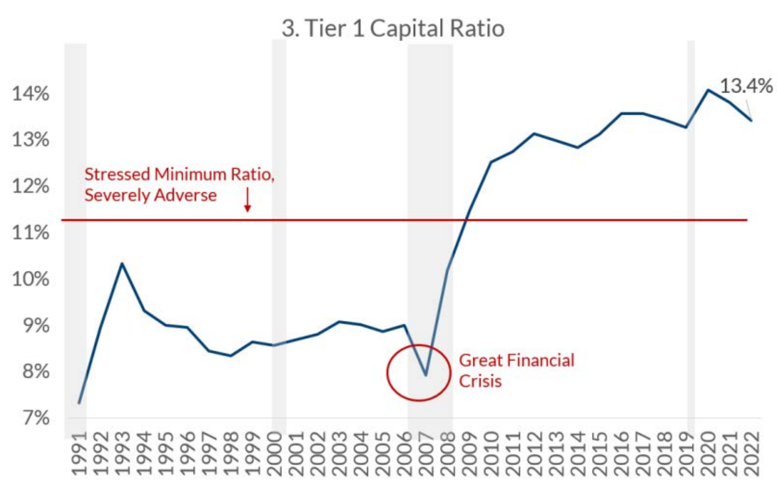
CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: • NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE

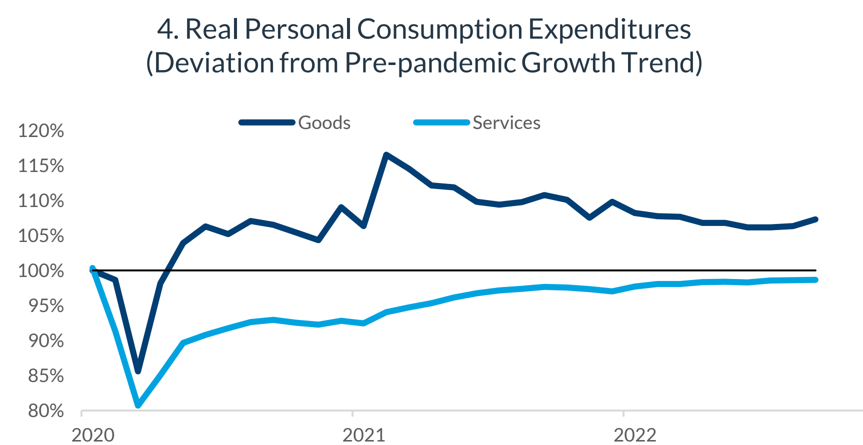
The Case for Mild Recession

1. Healthy Households
2. Slowing, but Strong Labor Market
3. Banks Well Capitalized
4. Room for Growth in Service Spending









Sources: Chart 1: St. Louis Fed, as of Q4 2022. Chart 2: St. Louis Fed, as of April 2022. Chart 3: Bloomberg, as of year end 2022. Chart 4: St. Louis Fed, as of Q3 2022.
Information is subject to change and is not a guarantee of future results.

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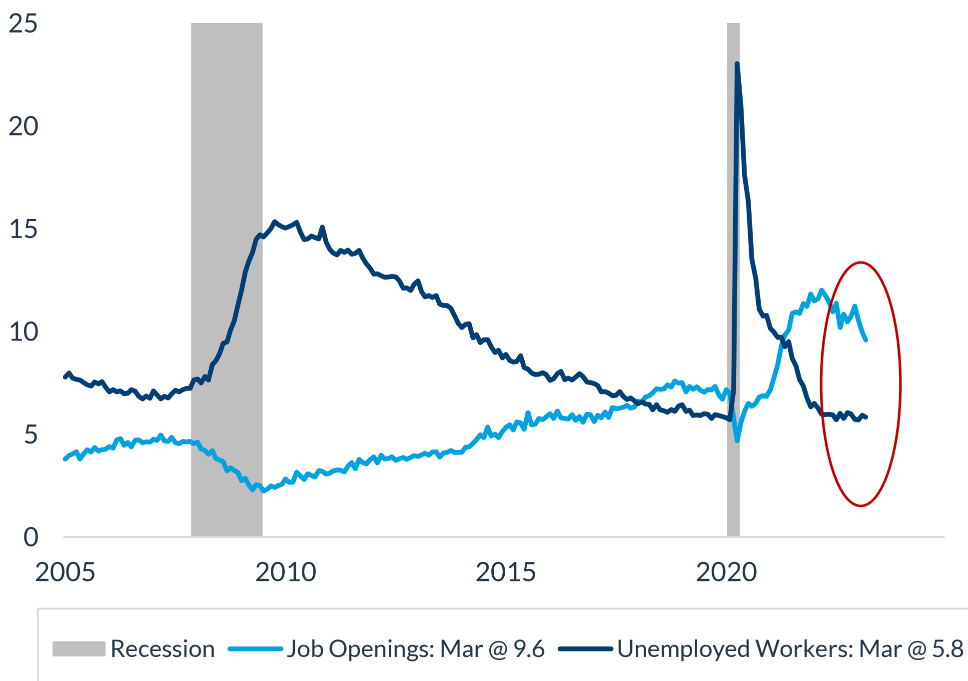
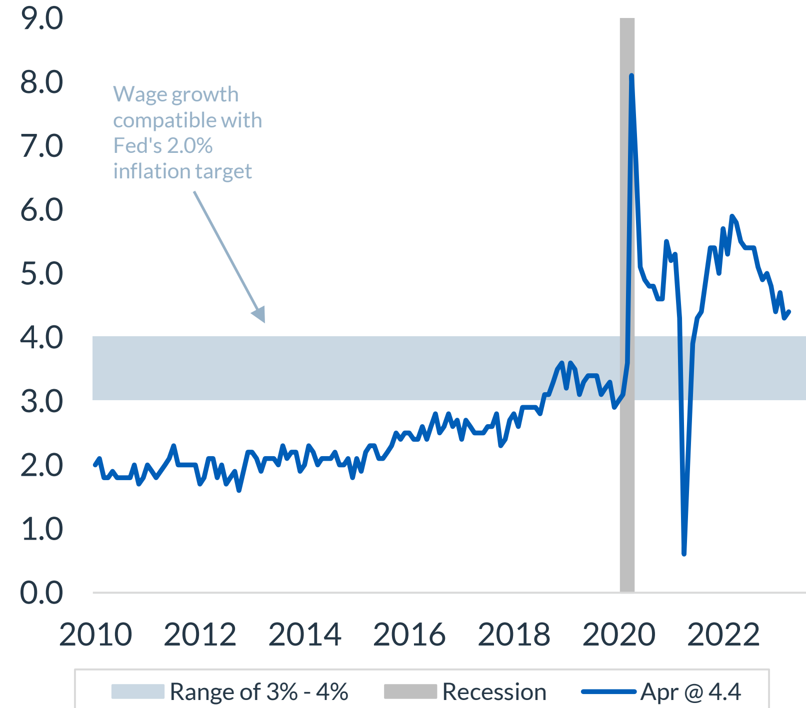
Labor Market Slowing, but Remains Strong

- Recent easing in wage pressures is the result of both improving labor supply and some pullback in job openings.
- But job vacancies remain roughly 3 million above pre-pandemic levels.
- A more meaningful reduction in labor demand will be needed to push wage growth to levels comfortable for the Fed.

Job Openings and Unemployed Workers
millions, seasonally adjusted



Average Hourly Earnings
% change, y-o-y, seasonally adjusted



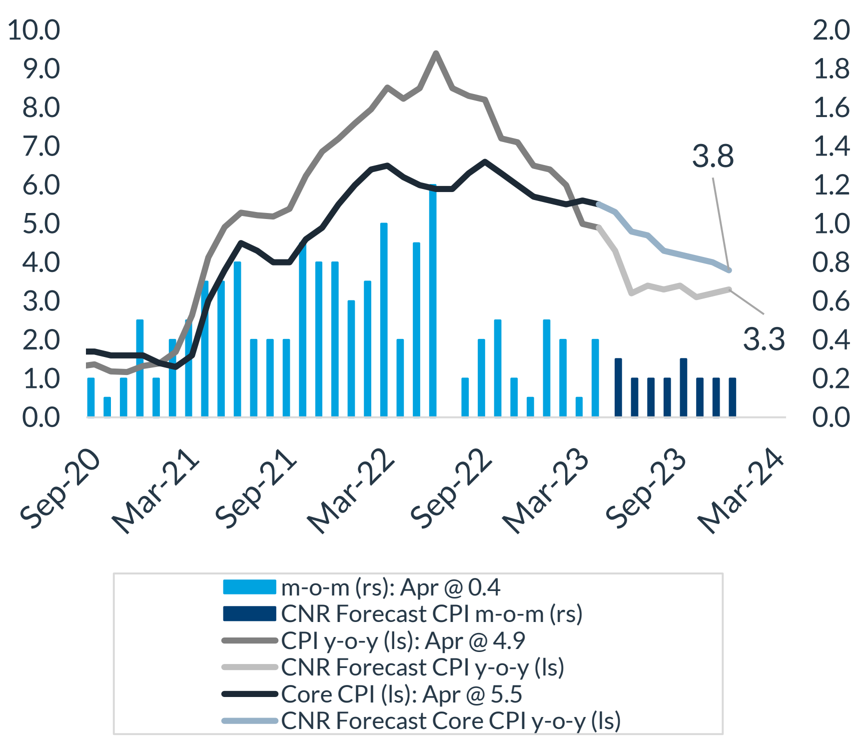
Source: Bureau of Labor Statistics, as of May 2023.
Information is subject to change and is not a guarantee of future results.

CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: • NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE

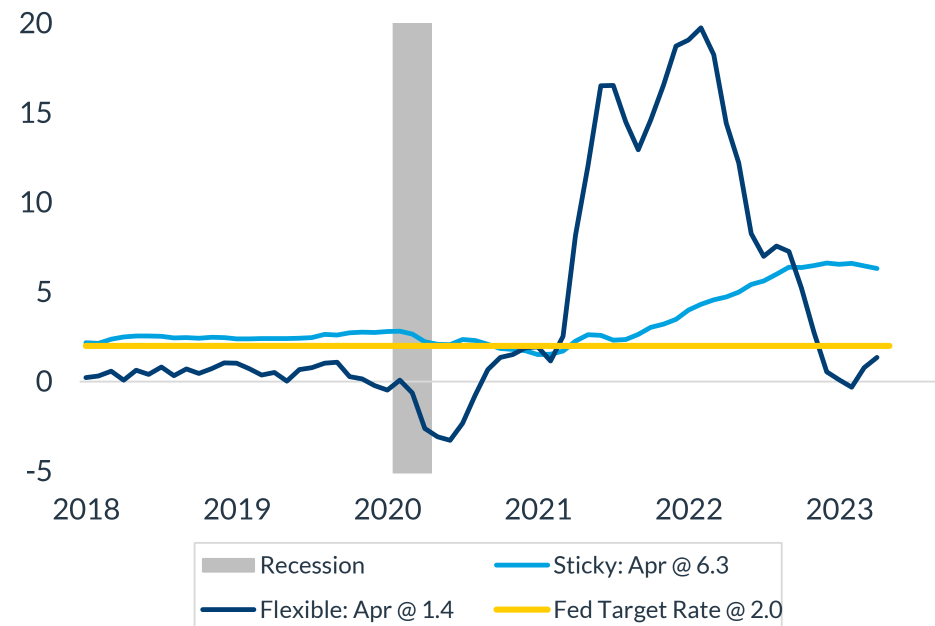
Inflation Expected to Continue to Moderate

- Expect headline and core inflation to continue to slow through second half of 2023.
- Slowdown driven by goods prices, with supply chain disruptions easing and high demand falling.
- Service sector pressures, particularly in labor intensive industries, are proving stickier.

Consumer Price Index - with Forecast
%, annual rate, seasonally adjusted



Core CPI: Sticky & Flexible Prices - Atlanta Fed
% change y-o-y, not seasonally adjusted



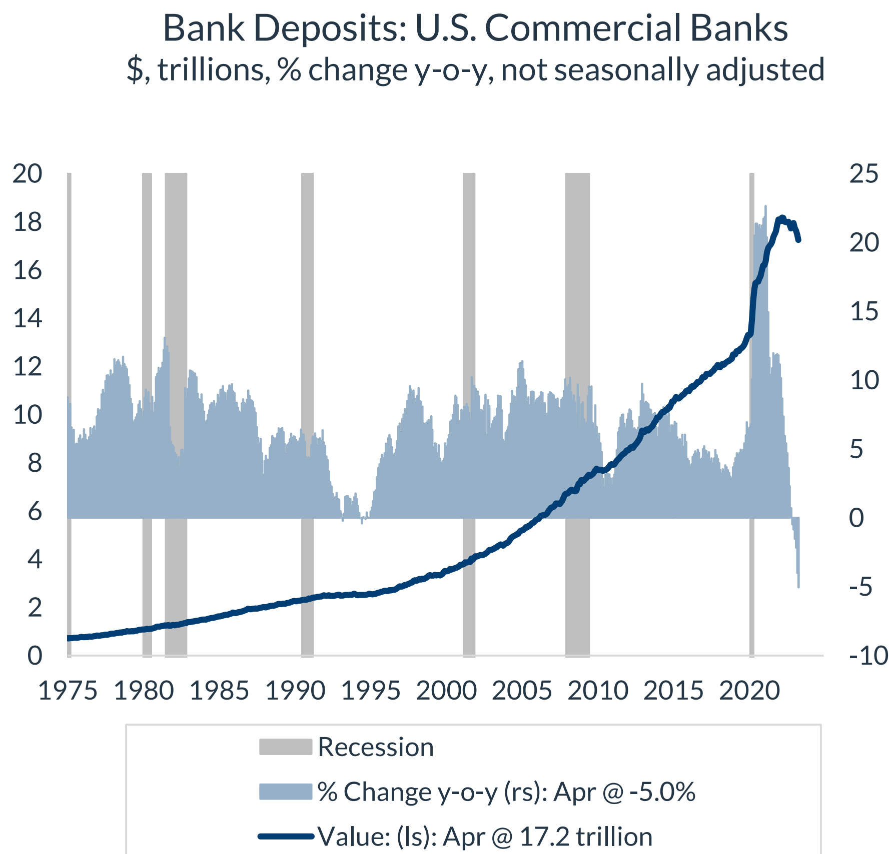
- Flexible inflation pertains to goods and services with frequent price changes —e.g., automobiles, hotel rooms, theme park admission prices and eating out.
- Sticky inflation includes items where price changes occur relatively slowly — e.g., rent, education, healthcare and personal care.

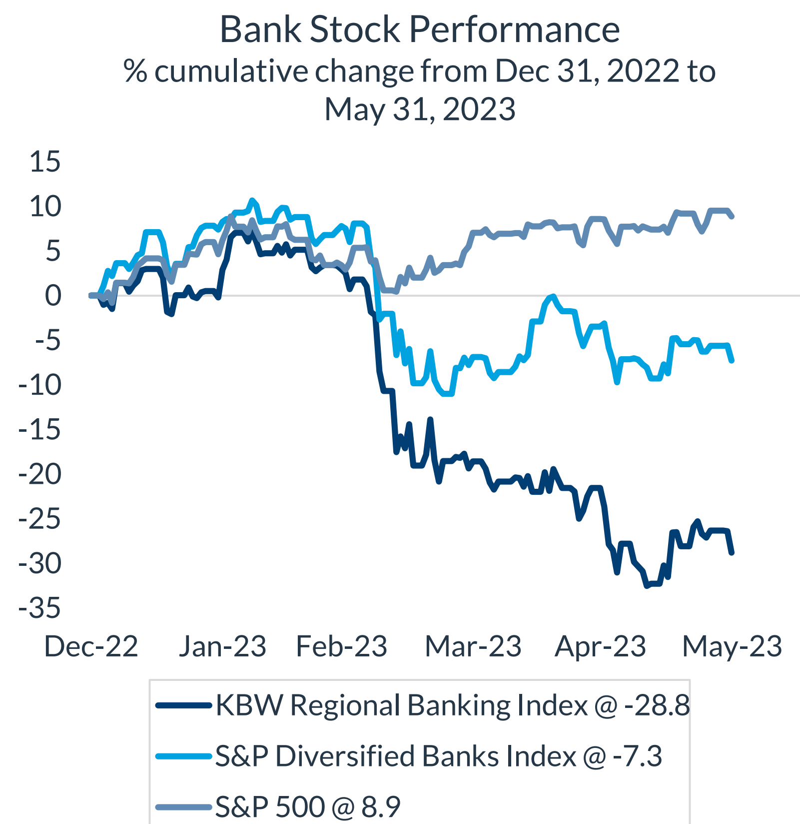
Sources: US Bureau of Labor Statistics, CNR Research, as of April 2023; Federal Reserve Bank of Atlanta, as of April 2023.
Information is subject to change and is not a guarantee of future results.

CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: • NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE

Rare Decline in Deposits Is Causing Banking Stress

- Deposits have traditionally been a cheap source of funding for bank loans.
- Higher yields elsewhere are causing depositors to move cash; banks must raise the interest rate to compete.
- This will put more upward pressure on loan rates and downward pressure on bank profitability.





Sources: Federal Reserve, May 2023. KBW Regional Banking Index, S&P Dow Jones Indices, May 2023.
Information is subject to change and is not a guarantee of future results.

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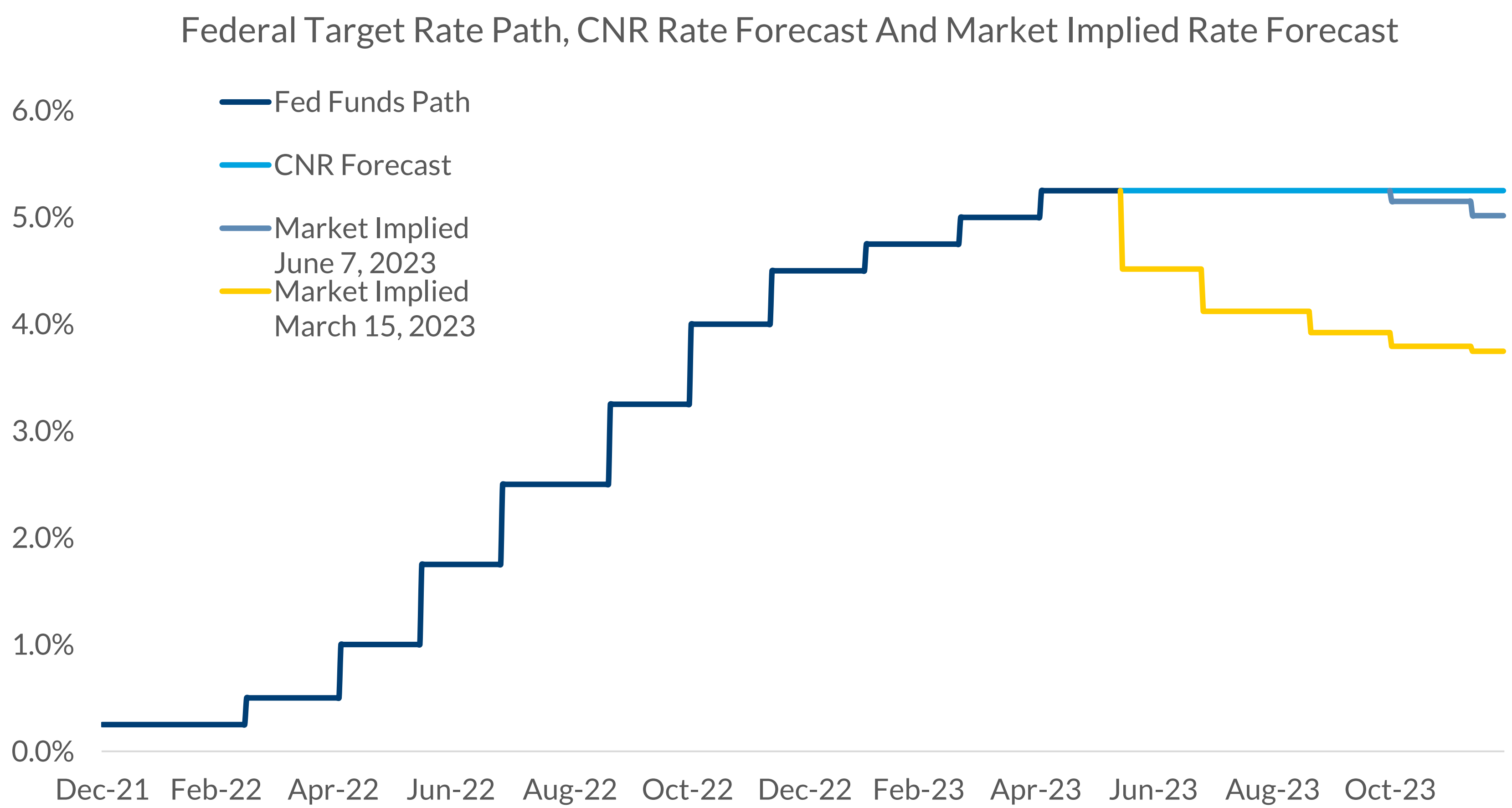
The Federal Reserve Will Keep Rates High

- The Federal Reserve has been clear that it does not see rate cuts in 2023.
- The market has rapidly adjusted expectations since March, shifting from 5 to 2 cuts by the end of the year.
- If short term rates stay higher for longer, further market volatility ahead is likely.

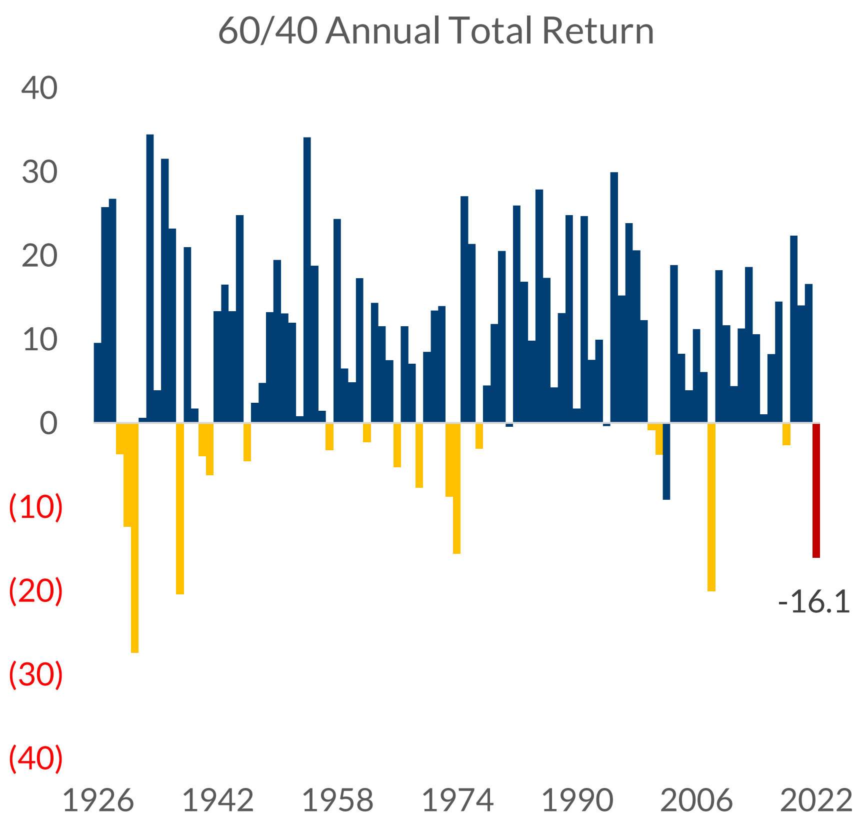


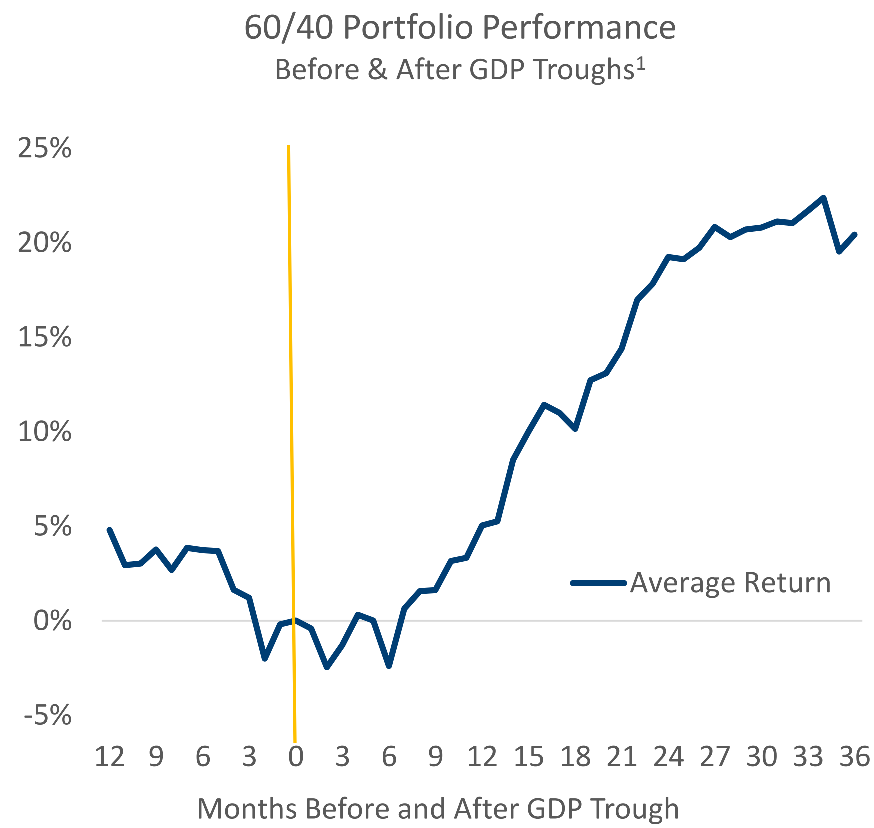
Sources: Bloomberg, Federal Reserve Futures Market, CNR Research. As of 6/7/2023, unless otherwise indicated.
Information is subject to change and is not a guarantee of future results.

CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: • NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE

Anticipated Rebound in 60/40 Is Unfolding

- After one of the most difficult years in history, both stocks and bonds are off to positive starts in 2023.
- With higher yields and a likely peak soon in the Fed's hiking cycle, return prospects for bonds remain attractive.
- Stocks, though, may struggle in coming months as recessionary pressures build.





Sources: Ibbotson Associates Index Data via Morningstar Direct. FactSet. 60/40 split between Equities and Fixed Income. Equities index: S&P 500. Fixed Income index: Bloomberg US Aggregate Bond Index. Hypothetical value of assets held in untaxed portfolios invested in US stocks and bonds.
[1]Stocks and bond investments are represented by total returns of the S&P 500 and 50% IA SBBI US LT Government/50% IA SBBI US LT Corporate 1/1926-1/1976, Bloomberg US Aggregate 1/1976-present. Past performance is no guarantee of future results. Information is not representative of any CNR product or service. Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

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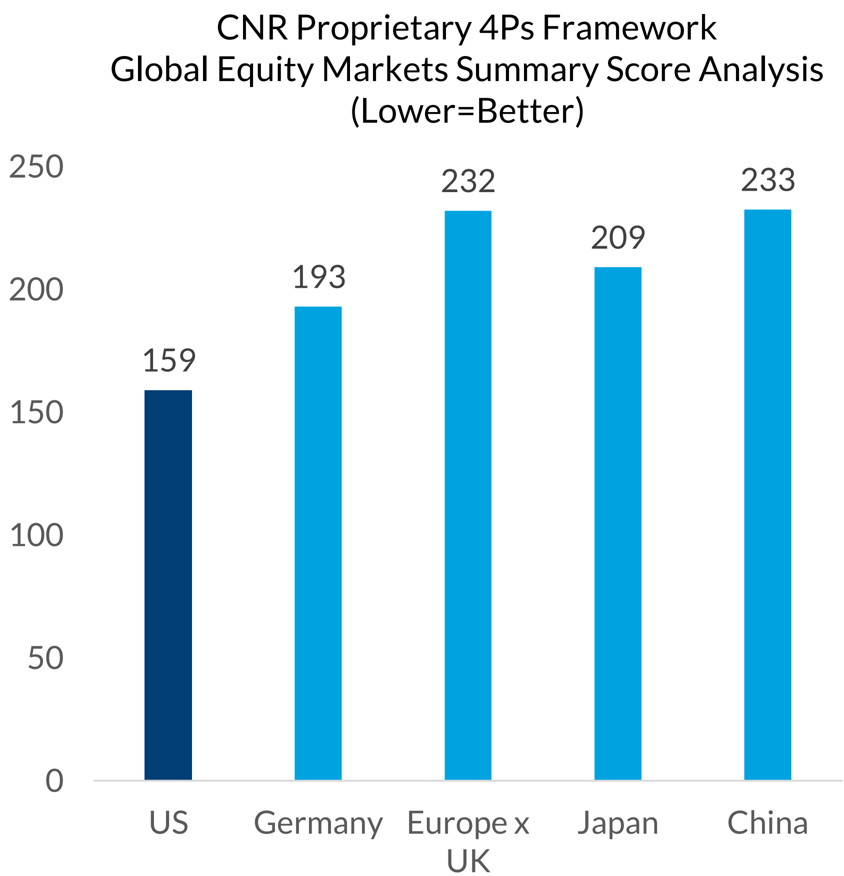
US Remains Best Region Given Macro Uncertainty

- US outlook remains most resilient for investors.
- US continues to be best positioned for long term growth among major economies.
- CNR proprietary 4Ps ranking is supportive of continued overweight to US equities.



Country/ Region	What's Needed to Change Our Outlook?
China	• Reversal of state control measures • Relaxation of tensions with West • Easing of property market bubble
Euro Area	• Clean end to Ukraine war/peace dividend • Higher nominal GDP potential • Competitive market reforms

Sources: Bloomberg, CNR Research, as of May 2023. Information is subject to change and is not a guarantee of future results.

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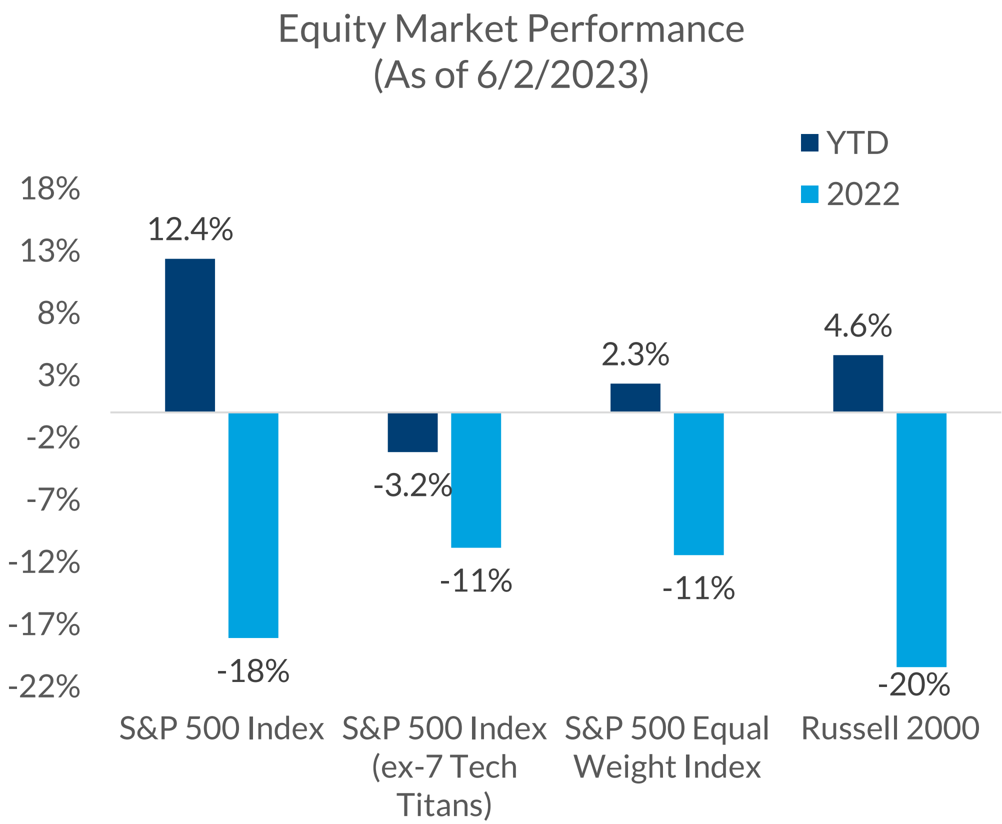
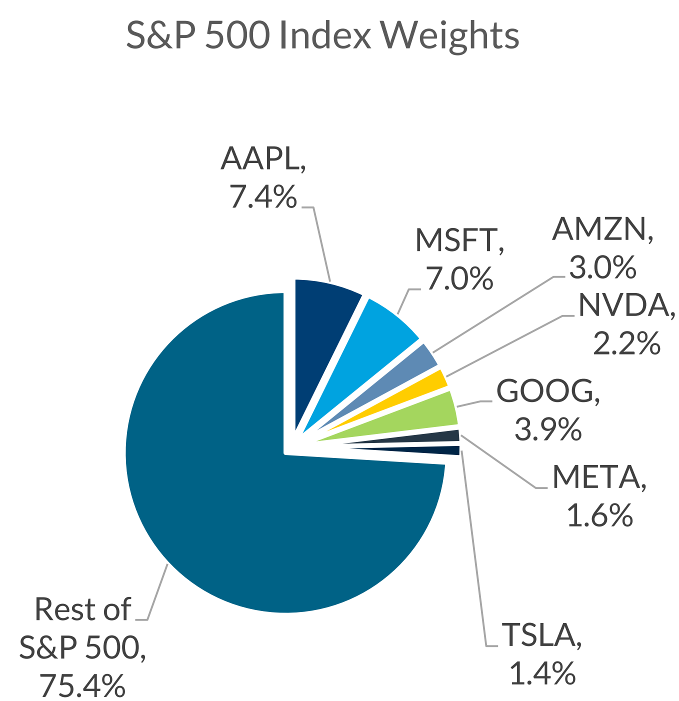
Narrow Breadth Casts Doubt on Rally's Sustainability

- Strong 2023 returns have been narrowly driven by a handful of mega cap stocks, mostly tech.
- Smaller cap companies have significantly lagged.
- New bull markets have traditionally seen greater participation, and outperformance from smaller companies.





Source: FactSet, as of May 2023.
7 Tech Titans are: Alphabet, Amazon, Apple, Meta Platforms, Microsoft Nvidia, Tesla.
Past performance is no guarantee of future results

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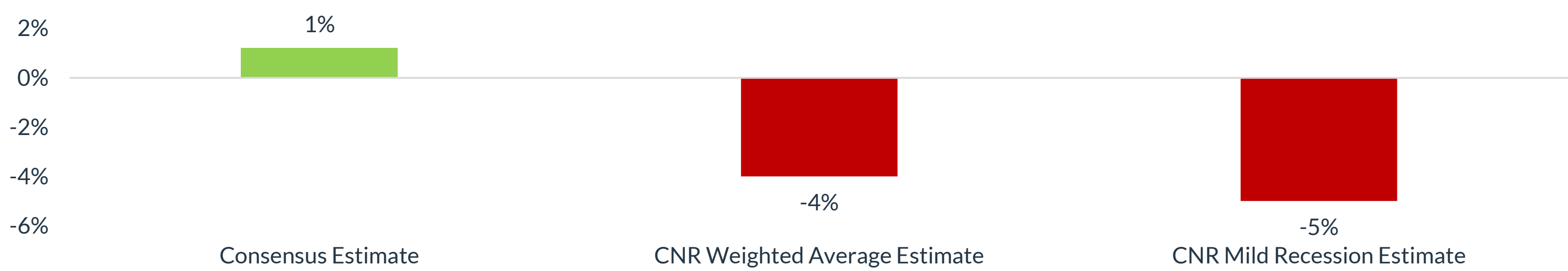
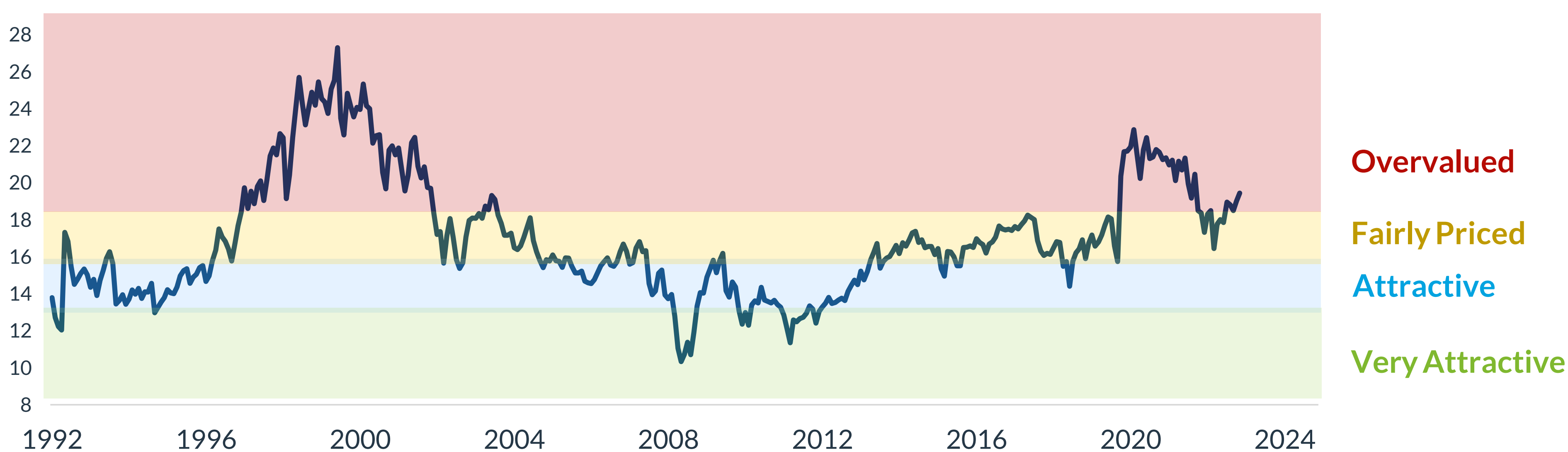
Markets Still Don't Reflect Risks Ahead

- Focusing on fundamentals is key.
- Earnings estimates have come down significantly, but markets are still pricing in a soft landing scenario.
- The market gains since October lows have been driven entirely by multiple expansion.

2023 S&P 500 Earnings Growth Forecasts



S&P 500 Forward Price/Earnings Ratio



Sources: FactSet, CNR Research, as of May 31, 2023.
Indices are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.

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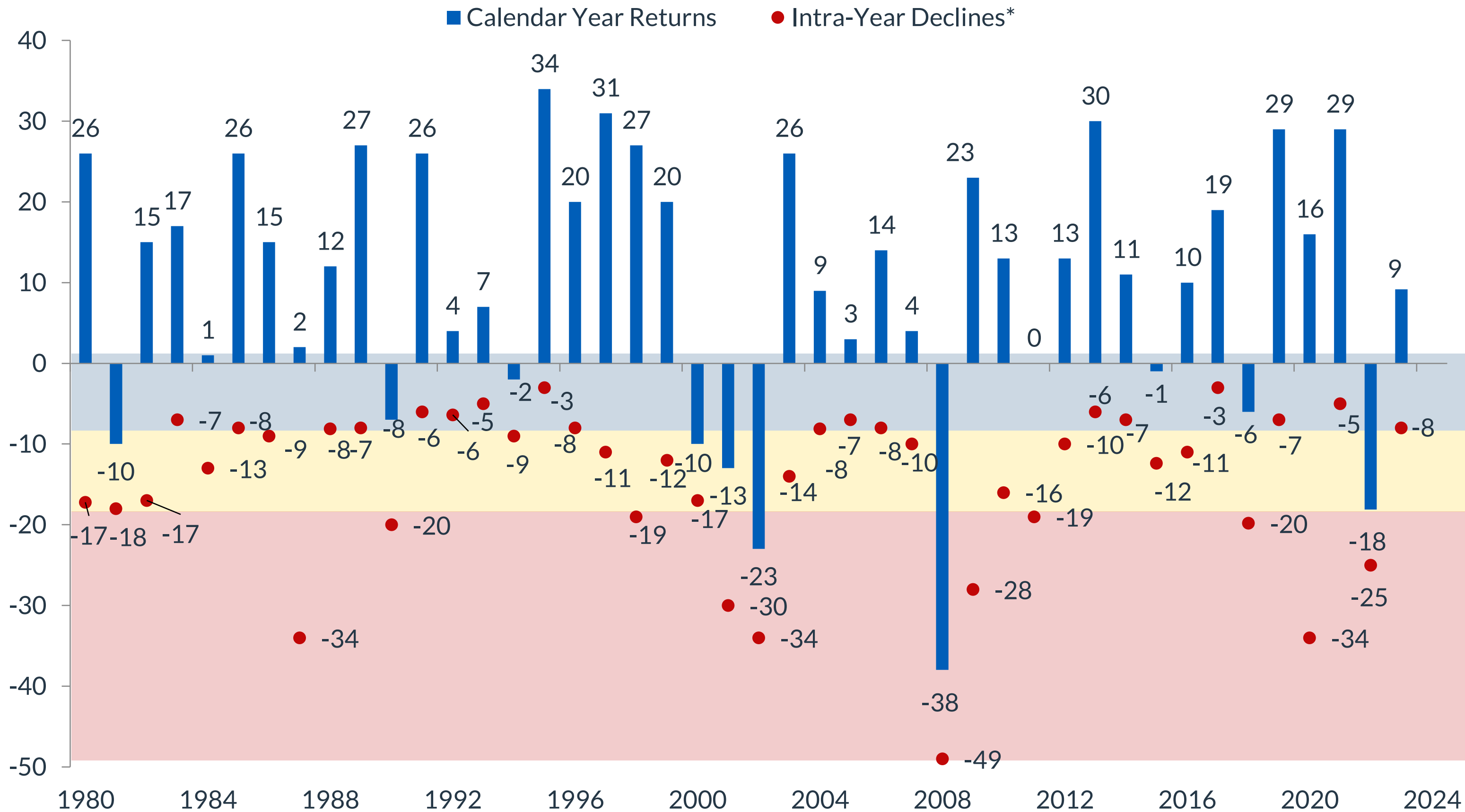
Short-Term Volatility Is Normal

- Corrections are a normal part of market movements.
- The breadth and depth of this pullback are likely to add more time to an ultimate recovery.

S&P 500 Return (%)



Sources: Bloomberg, CNR Research, as of May 31, 2023.
*Intra-year declines are the largest declines within the calendar year.
Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.
Past performance is no guarantee of future results.

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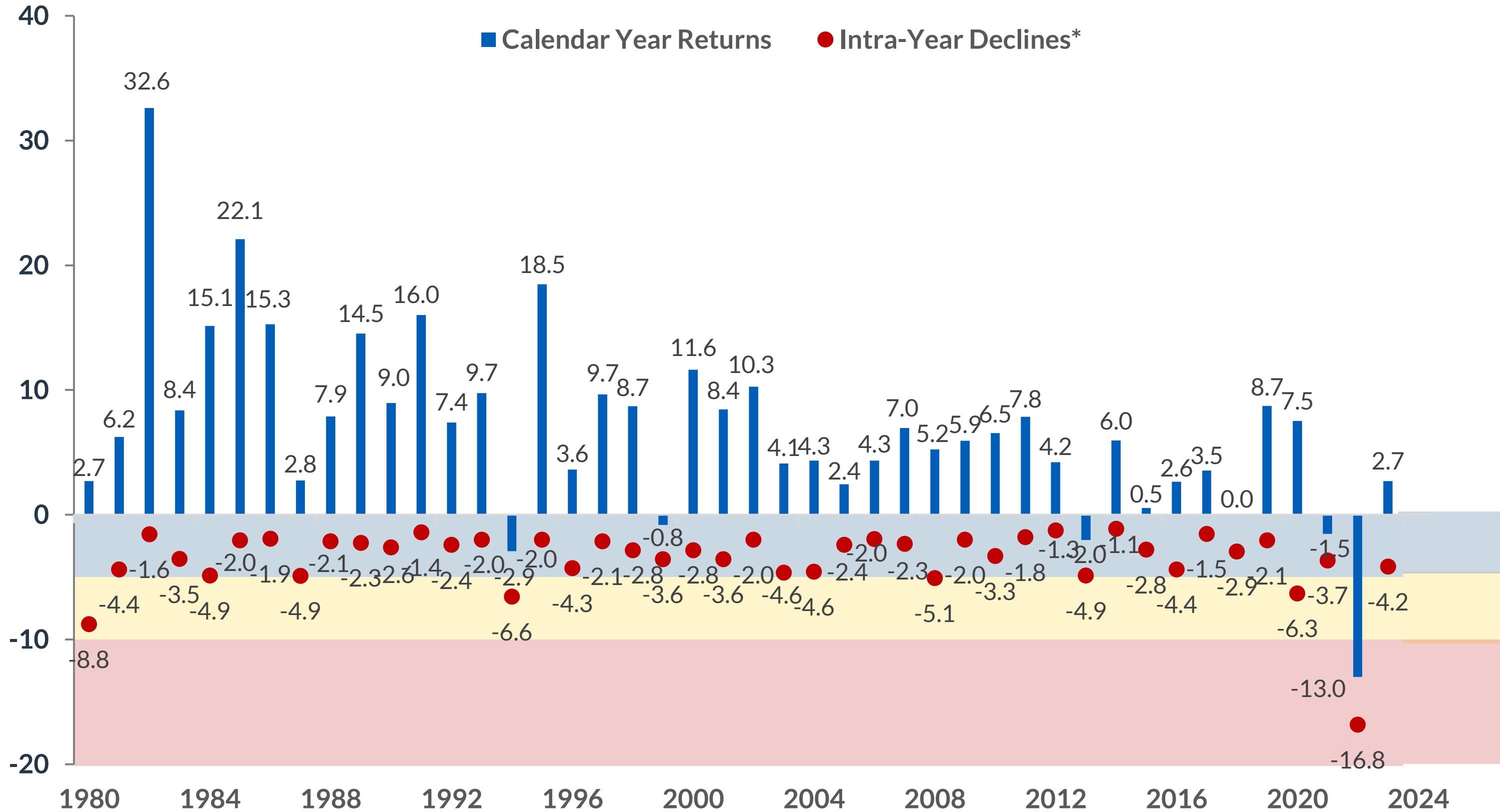
Short-Term Bond Market Volatility Is Not Normal

- 2022 is the largest pullback on record since 1980 in fixed income.
- Fixed income volatility is high, and the magnitude of this year's move is unprecedented.
- High interest rate sensitivity, high inflation, historically low interest rates and a surprise shock from the Fed have fueled negative returns.

Bloomberg US Aggregate Bond Index Return (%)



Source: Bloomberg, as of May 2023.
*Intra-year declines are the largest declines within the calendar year.
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Past performance is no guarantee of future results.

Investment Grade Is Now a More Compelling Allocation

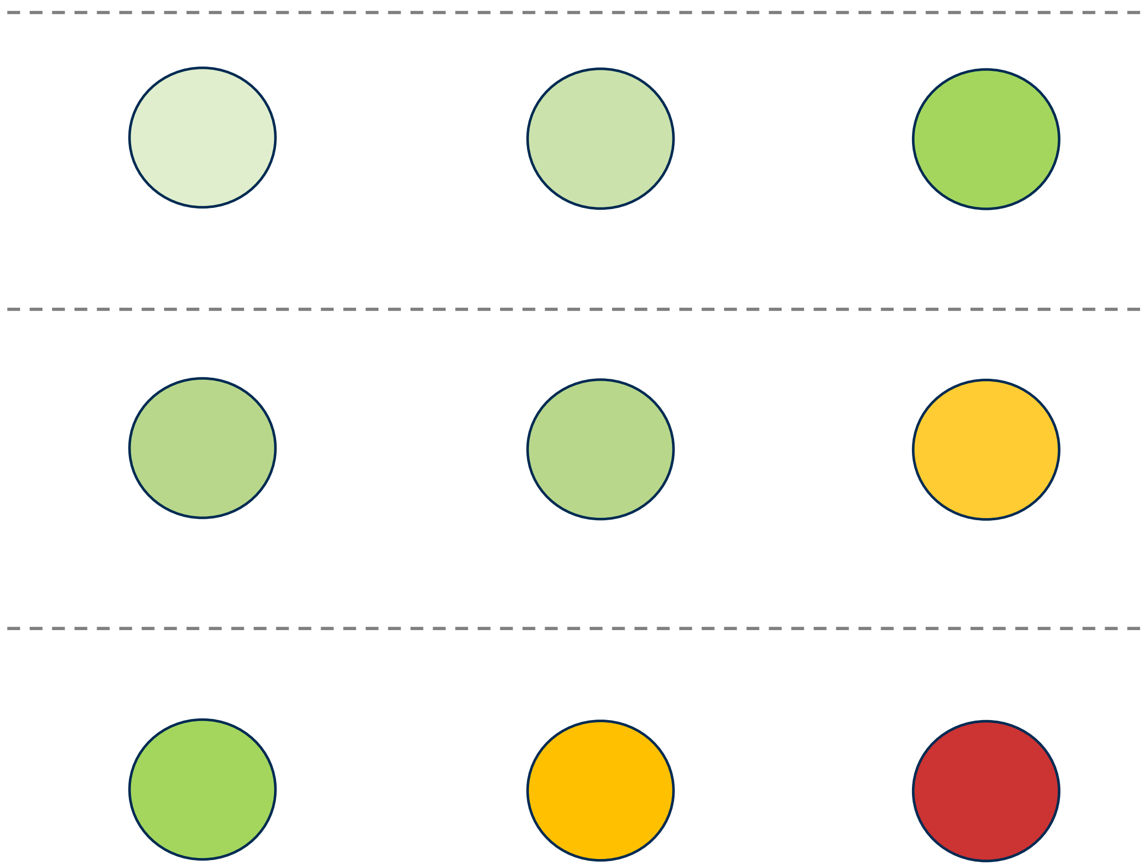
- High yield debt remains attractive in the long term, but we recommend reducing our overweight.

2-Year Treasury Note | Short Term Bonds | High Yield Bonds

Slow Growth (22%)
- Stable Rates
- Resilient Growth
- Healthy Corporate Environment

Mild Recession (65%)
- Lower/Stable Rates
- Negative Growth
- Moderate Volatility

Normal Recession (13%)
- Flight to Safety
- Significant GDP Decline
- High Volatility



Sources: Bloomberg, CNR Research, as of May 2023. Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses. Information is subject to change and is not a guarantee of future results. See index definitions for more information.

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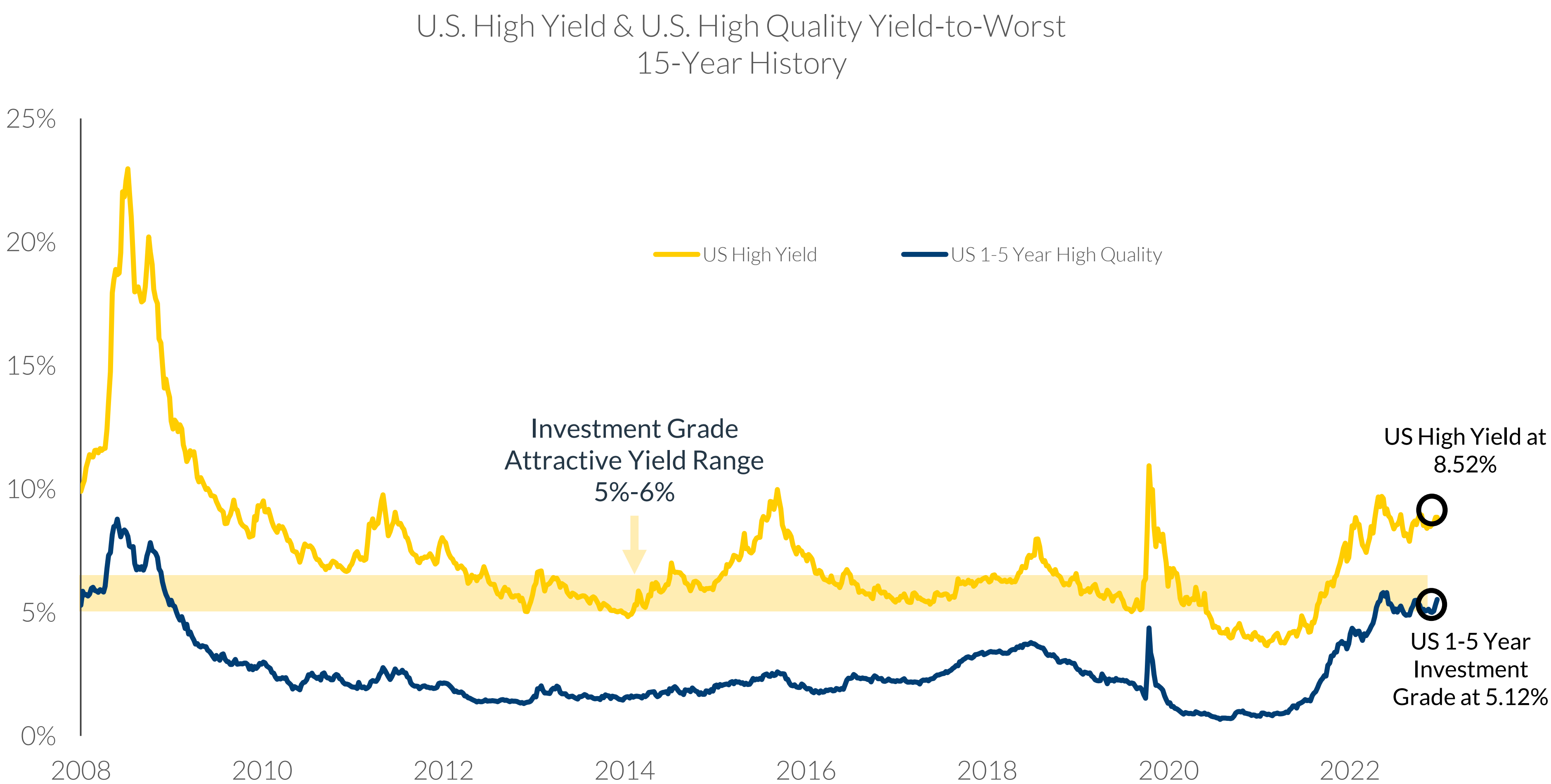
Attractive Investment Grade Yield

The First Time in 15 Years



Sources: Bloomberg, CNR Research, as of May 26, 2023.
Past performance is no guarantee of future results.
Indices used: HY: Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD 1-5y IG: Bloomberg US Corporate 1-5 Year Total Return Index Value Unhedged USD. Refer to the index definitions for more information.

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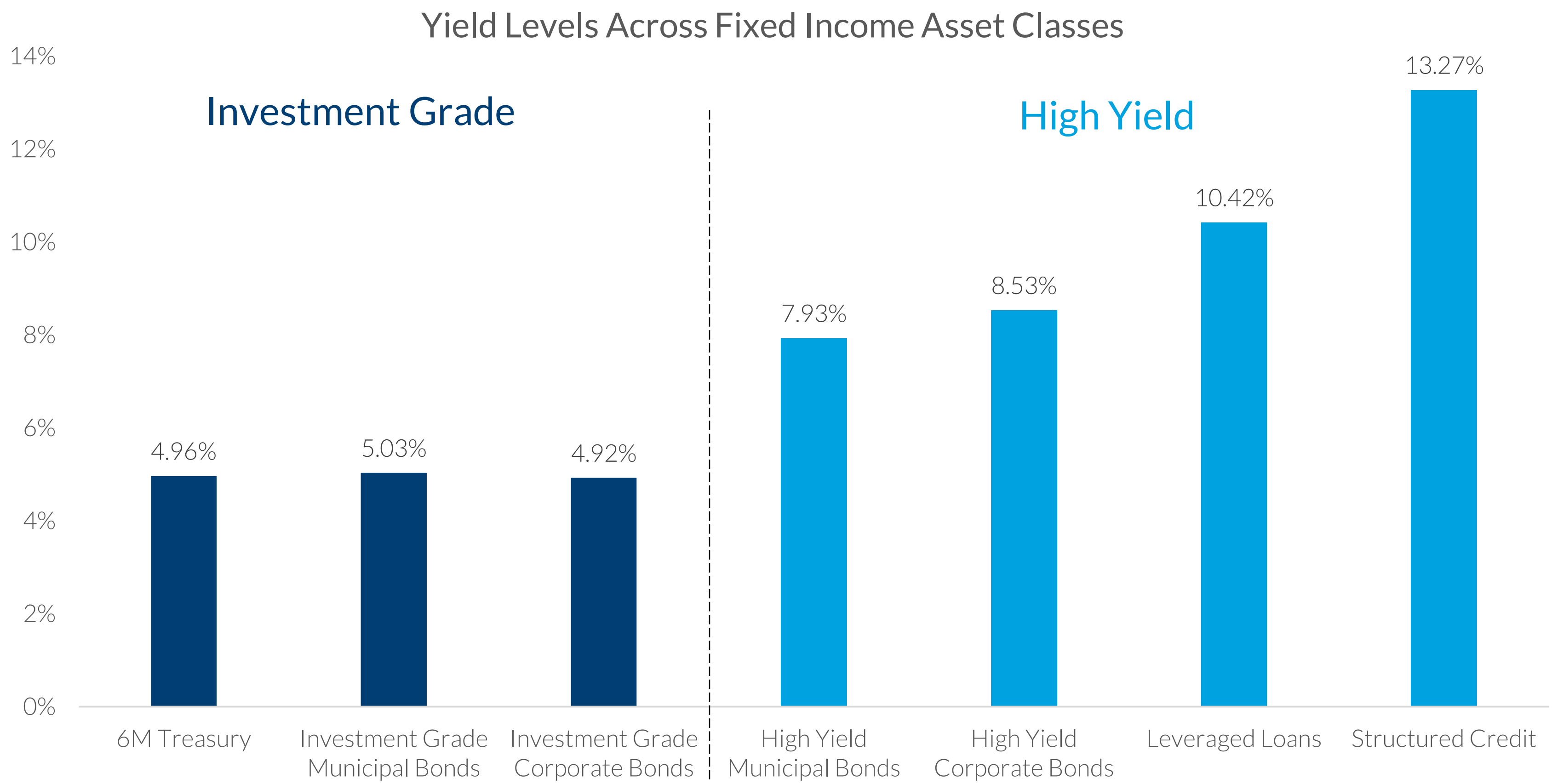
Yields Are Substantially Higher

- Higher yields have opened the door to a more diversified fixed income allocation.



Assumes the highest marginal federal tax rate of 37%, plus the 3.8% Medicare surcharge

Municipal bond index yields are tax-adjusted at 37% federal and 3.8% Medicare surcharge rates.
Sources: Bloomberg, CNR Research, as of April 2023. Information is not representative of any CNR product or service. Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses. Information is subject to change and is not a guarantee of future results.
Index information- 6M Treasury: Bloomberg US 6m Treasury Bill Index. Investment Grade Municipal Bonds: Bloomberg US 1-15 Yr. Municipal Bond Index. Investment Grade Corporate Bonds: Bloomberg US Intermediate Corporate Bond Index. High Yield Municipal Bonds: Bloomberg 60% Tax-Exempt HY/40% LB Municipal Bond Index. High Yield Corporate Bonds: Bloomberg US High Yield Corporate Bond Index. Leveraged Loans: Morningstar LSTA US Leveraged Loan Index. Structured Credit: Palmer Square CLO BB Index.

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Key Signals to Watch For

- As more key events happen, the greater confidence we will have to increase risk exposure in portfolios.

CNR Projected Dates							
Indicator	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Bottoming in ISM PMI Index							
Headline CPI Falls Below Wage Growth							
Fed Funds Rate Peaks/Fed Pauses							
Economic Activity Bottoms							
Upward Earnings Revisions Begin							
High Yield Spreads Peak							

Source: CNR Research, May 2023. Information is subject to change and is not a guarantee of future results.

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Potential Next Steps for Portfolios

Asset Allocation Positioning
Base Case
• Signs of bottoming economic activity/beginning of new growth cycle • Add cyclical US equity exposure • Reduce investment grade (IG) fixed income allocations
Best Case
• Higher confidence of multi-year expansion/geopolitical risk easing • Overweight US equity exposure, underweight IG fixed income allocations • International equity contingent on geopolitical considerations
Worst Case
• High risk of structural bear market/deeper recession, exogenous shock • Meaningfully lower overall equity exposure • Meaningfully increase allocations to IG fixed income

Source: CNR Research, May 2023. Information is subject to change and is not a guarantee of future results.

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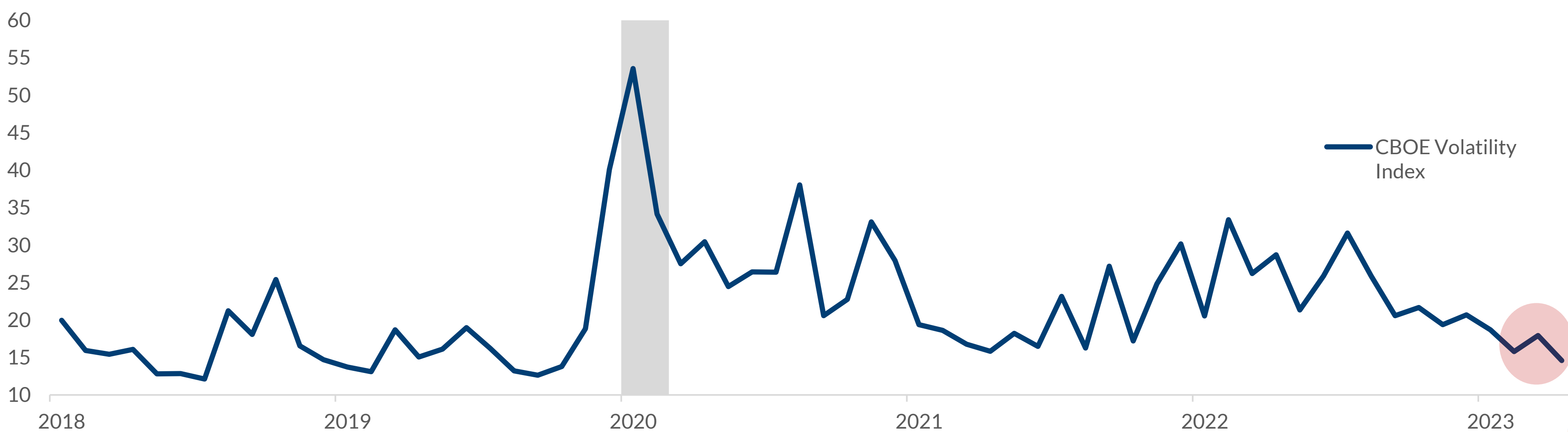
Macro Uncertainties Support Defensive Positioning

- Remain overweight fixed income, modestly underweight equities.
- Focused on holding US quality bonds and stocks.

Reasons to Be Wary	Reasons to Be Optimistic
• Geopolitical risks remain high	• Recession likely to be mild
• Downward earnings revisions likely to continue	• Consumers resilient, corporate balance sheets solid
• Fed likely to stay higher for longer	• Bear market close to historical average length
• Bank stress/normal recession risk increasing	• Valuations have repriced from cycle highs
• Valuations still not cheap	• Rate cycle peak likely close
• Rally breadth has been narrow	

Market Complacency: Equity Volatility at Lowest Level Since Post Pandemic Recession



Source: FactSet, as of June 2023.

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Appendix

Your Portfolio Management Team

Poul-Erik Olsen, CFA, CPWA®
Managing Director, Senior Portfolio Manager
(415) 477-2544
PoulErik.Olsen@cnr.com

Poul-Erik joined City National Rochdale in 2003 and has over 25 years of experience in finance. He earned his BS in Economics from the Aarhus School of Business in Denmark and his MBA in Finance from the University of California at Berkeley, where he specialized in finance and international business. He holds the Chartered Financial Analyst® designation and is a member of the CFA Institute.

Robert Meckstroth, CFA, CPWA®
Senior Portfolio Manager
(415) 576-3941
Robert.Meckstroth@cnr.com

Robert joined City National Rochdale in 2011. He earned his BA in Economics and BS in Marketing from the University of Florida and his MBA at the Haas School of Business at the University of California at Berkeley. He holds the Chartered Financial Analyst® designation and is a member of the CFA Institute.

Andrew Austin, CFA
Portfolio Manager
(415) 576-3934
Andrew.Austin@cnr.com

Andrew joined City National Rochdale in 2014 and has over 10 years of experience in the financial services industry. He earned a BS in Mathematical Sciences from UC Santa Barbara and his MBA at the Haas School of Business at the University of California at Berkeley. He holds the Chartered Financial Analyst® designation and is a member of the CFA Institute

Hareesh Sivashanker, CFA, CFP®
Associate Portfolio Manager
(415) 576-3940
Hareesh.Sivashanker@cnr.com

Yuan Wang, CFA, CAIA
Associate Portfolio Manager
(415) 477-2541)
Yuan.Wang@cnr.com

Yash Patil, CFA
Portfolio Analyst
(415) 576-3936
Yash.Patil@cnr.com

Stephanie Reese
Portfolio Assistant
(415) 576-3942
Stephanie.Reese@cnr.com

Shaggie Ocampo
Portfolio Assistant
(415) 576-2815
Shaggie.Ocampo@cnr.com

Glory Natnat
Senior Administrative Specialist
(415) 576-3932
Glory.Natnat@cnr.com

Portfolio Managers

- Partner with you to develop your customized portfolio
- Direct implementation of your strategy & monitor portfolio outcomes

Associate Portfolio Managers

- Manage trading, allocation changes, and portfolio rebalancing
- Conduct quarterly review meetings

Portfolio Analysts

- Coordinate with Research team
- Ensure strategy is accurately reflected in your portfolio

Portfolio Assistants

- Handle operational, tax, and cash disbursement requests

Administrative Specialists

- Coordinate meeting and travel requests
- Arrange scheduling and delivery of meeting materials
- Prepare materials for review meetings

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Glossary

Attribution–A technique used to disaggregate the sources of a portfolio's return in order to better understand why the portfolio return differed from a benchmark. This difference between the portfolio return and the benchmark return is known as the active return.

Average Credit Ratings–The average credit rating is calculated by assigning a rating to individual positions based on the current credit rating fromhighest (AAA = 1) to lowest (D = 21) as determined by Moody's or Standard & Poor's, each third-party independent agencies . The average of both ratings is used, if both are available. Otherwise, whichever rating is available will be used for the average. Ratings are weighted by the market value of each securityin the portfolio. The credit rating is not a guarantee of future performance.

Average Normalized Expected Growth ($)–The expected appreciation of the security or asset class over the long-term expressed as a dollar value.

Average Normalized Expected Growth (%)–The expected appreciation of the security or asset class over the long-term expressed as a percentage of the current market value time period.

Change in Accrued Interest–The difference between a portfolio's beginning and ending balance of accrued interest within a specified period.

Current Yield–A security's annual income (interest or dividends) divided by the current price of the security.

Dividend Yield–A stock's annual dividend expressed as a percentage of a current share price.

Effective Duration–Estimates how much the value of a bond portfolio would be affected by a change in prevailing interest rates. The longer a portfolio's duration, the more sensitive it is to changes in interest rates.

EPS Growth–The long-term EPS Growth Forecast is the consensus of Wall Street equity analysts' opinions for long-term forward earnings growth rates as compiled by Bloomberg from industry-standard sources and does not represent City National Rochdale'sestimates.

Estimated Annual Income–The income that a security would produce in one year at its current distribution rate and presented gross of fees.

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Glossary

Estimated Rate of Return – A weighted average of the expected return of each asset class multiplied by the proportion of the asset class relative to the total portfolio. Both “Near-Term” and “Long-Term” return/risk expectations are based on City National Rochdale’s Capital Market Assumptions, as set by our Asset Allocation Committee on a monthly basis. For the majority of Fixed Income based assumptions, the “Near-Term” expectation is generated from a 12-24 month outlook associated with the 5-year yield curve spot rate, for that specific market.

The expected returns are net of any City National Rochdale management fees, however other fees may apply. The expected returns do not include fees for trading costs (i.e. commissions). Please speak to your financial advisor for a complete understanding of all fees.

Income Earned – The sum of interest, dividends and change in accrued interest. This value does not include capital gains.

Income Projections – Projected income from dividends and interest by month within a selected time period of 12 months or less and are presented gross of fees.

Near Term Growth – The expected appreciation of the security or asset class over the next 12 months.

Near Term Growth Adjusted (%) – An adjustment made to the Average Normalized Expected Growth based upon City National Rochdale’s view of current market conditions.

P/E – Price Earnings Ratio; the market price of a common stock divided by its expected future earnings per share.

Standard Deviation – A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

Strategic Allocation – The asset class allocation that is specified by a client and documented in the Investment Policy Statement. This allocation takes into consideration a client’s risk tolerance, time horizon and investment objectives and is meant to provide guidance on the long-term objectives of the portfolio. It is intended to be static unless the client’s investment objectives change.

Tactical Allocation – An active portfolio management strategy that over weights or underweights certain asset classes relative to the strategic allocation based upon future expected asset class performance over a 12- to 24-month time horizon.

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Taxable Equivalent Yield – The return that is required on a taxable investment to make it equal to the return on a tax-exempt investment assuming the highest marginal federal tax bracket.

Time Weighted Rate of Return - a measure of compounded growth in a portfolio, and is calculated using a geometric mean function. Time weighted rate of return eliminates distortion from ongoing contributions and withdrawals from a portfolio, focusing purely on investment performance.

Total Return Near Term ($) – The expected total return of the security or asset class over the long-term adjusted by City National Rochdale's view of current market conditions and expressed as a dollar value.

Total Return Near Term (%) – The expected total return of the security or asset class over the long-term adjusted by City National Rochdale's view of current market conditions and expressed as a percentage of the current market value.

Yield to Maturity – The discount rate at which the sum of all future cash flows from the bond (interest and principal) is equal to the price of the bond.Yield to Worst – The lower of the yield to maturity or the yield to call. It is essentially the lowest potential rate of return for a bond, excluding delinquency or default.

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Index Definitions

For a complete list of index definitions please visit:

https://go.cnr.com/l/82322/2022-07-14/63pm8c/82322/1657803503CybFoZ1Y/portfolio_review_book_index_definitions.pdf

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Retirement Fiduciary Status Disclosure

When you receive investment recommendations on your retirement accounts, it is important to know whether the person giving you that advice is a "fiduciary" under Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code ("the Code"); together, these are federal laws that are applicable to retirement accounts. When investment professionals are fiduciaries under Title I of ERISA or the Code, they have important obligations that are designed to protect your interests. Investment professionals who provide advice and are fiduciaries cannot receive payments that create conflicts of interest, unless they qualify for an "exemption" issued by the Department of Labor ("DOL").

The DOL issued a prohibited transaction exemption ("PTE") for fiduciary investment advice providers who have conflicts of interest that could affect their interactions with retirement investors, called Improving Investment Advice for Workers & Retirees ("PTE 2020-02"). Fiduciaries must satisfy important investor protections, including a best interest standard, to use the exemption. It is important to note that the protections in the exemption are (1) in addition to the legal requirements and standards imposed by other regulators, and (2) only apply when a fiduciary provides investment advice to you about your retirement accounts.

We acknowledge that, effective February 1, 2022 (or such later date as may be established by the DOL for compliance with PTE 2020-02), when we provide investment advice to you regarding your retirement plan account or individual retirement account ("IRA"), we are fiduciaries within the meaning of Title I of ERISA and/or the Code, as applicable. The way we make money creates some conflicts with your interests, so we operate under an exemption that requires us to act in your best interest and not put our interests ahead of yours. For more information on our best interest standard obligations and any material conflicts of interest we have when we provide investment advice, see our "Client Relationship Summary" and our Form ADV Part 2A Brochure, which are available at cnr.com.

If you have assets in a current or former retirement plan or IRA, you have several options available to you. These include leaving the assets where they are, rolling into a new retirement plan or rolling or transferring into a new IRA. Before a recommendation in this regard can be made, your financial advisor will ask you for important information about your current plan or IRA. This may include its investment options, fees and expenses, and certain provisions and features in order to compare it to the investment options, fees and expenses, and provisions and features that would apply in a new IRA. This information is used in order to provide you with investment advice that is in your best interest. Without this information, we may not be able to make a recommendation to you with regard to whether you should or should not take a distribution and rollover to an IRA or transfer from one IRA to another. This is because we may not be able to conduct the analysis needed to provide you with a recommendation in your best interest. Effective July 1, 2022 (or such later date as may be established by the DOL for compliance with PTE 2020-02 related to rollover recommendation and disclosure requirements), if you do not receive a confirmation outlining why a rollover or transfer is in your best interest, please contact your financial advisor. When such documentation is delivered and a recommendation is made, we are a fiduciary. For more information, please speak to your financial advisor.

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Important Disclosures Continued

The information presented does not involve the rendering of personalized investment, financial, legal, or tax advice. This presentation is not an offer to buy or sell, or a solicitation of any offer to buy or sell any of the securities mentioned herein.

Certain statements contained herein may constitute projections, forecasts and other forward looking statements, which do not reflect actual results and are based primarily upon a hypothetical set of assumptions applied to certain historical financial information. Certain information has been provided by third-party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed.

Any opinions, projections, forecasts, and forward-looking statements presented herein are valid as on the date of this document and are subject to change.

Equity Investing Risks: There are inherent risks with equity investing. These risks include, but are not limited to stock market, manager, or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Investments in small cap stocks be more volatile than those of larger ones, and they are also often less liquid than those of larger companies because there is a limited market for small-cap securities. Investments in large cap stocks may grow more slowly than the overall market. Value stocks may perform differently from the market as a whole and may be undervalued by the market for a long period of time. Due to the relatively high valuations of growth stocks which are generally a function of expected earnings growth, growth stocks will be more volatile than value stocks and such earnings growth may not occur or be sustained. Investing in international markets carries risks such as currency fluctuation, regulatory risks, economic and political instability. Emerging markets involve heightened risks related to the same factors as well as increased volatility, lower trading volume, less liquidity, greater custodial and operational risks, less developed legal and accounting systems than developed markets.

Concentrating assets in a particular industry, sector of the economy, or markets may increase volatility because the investment will be more susceptible to the impact of market, economic, regulatory, and other factors affecting that industry or sector compared with a more broadly diversified asset allocation.

Concentrating assets in the real estate sector or REITs may disproportionately subject a portfolio to the risks of that industry, including the loss of value because of adverse developments affecting the real estate industry and real property values. Investments in REITs may be subject to increased price volatility and liquidity risk; concentration risk is high.
Investments in Master Limited Partnerships (MLP) are susceptible to concentration risk, illiquidity, exposure to potential volatility, tax reporting complexity, fiscal policy and market risk. Investors of MLPs are subject to increased tax reporting requirements. MLP investors typically receive a complicated Schedule K-1 form rather than Form 1099. MLPs may not be appropriate investments for tax-advantaged accounts because of potential negative tax consequences (Unrelated Business Tax Income).

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Important Disclosures Continued

Fixed Income Investing Risks: There are inherent risks with fixed income investing. These risks may include interest rate, call, credit, market, inflation, government policy, liquidity, or junk bond. When interest rates rise, bond prices fall. Investments in below-investment-grade debt securities and unrated securities of similar credit quality, commonly known as "junk bonds" or "high-yield securities," may be subject to increased interest, credit, and liquidity risks. Floating rate loan securities generally trade in the secondary market and may have irregular trading activity, wide bid/ask spreads and extended trade settlement periods. The value of collateral, if any, securing a floating rate loan can decline, may be insufficient to meet the issuer's obligations in the event of non-payment of scheduled interest or principal or may be difficult to readily liquidate. Bank loans do not typically trade on an organized exchange making them relatively illiquid and difficult to value. Consequently, the fund manager may have difficulty liquidating a position at a favorable price. The yields and market values of municipal securities may be more affected by changes in tax rates and policies than similar income-bearing taxable securities. Certain investors' incomes may be subject to the Federal Alternative Minimum Tax (AMT) and taxable gains are also possible. Investments in the municipal securities of a particular state or territory may be subject to the risk that changes in the economic conditions of that state or territory will negatively impact performance. Investments in emerging markets bonds may be substantially more volatile, and substantially less liquid, than the bonds of governments, government agencies, and government-owned corporations located in more developed foreign markets. Frontier market countries generally have smaller economies and even less developed capital markets than traditional emerging markets, and, as a result, the risks are magnified in frontier market countries. Restricted and illiquid securities may fall in price because of an inability to sell the securities when desired. Investing in restricted securities may subject the portfolio to higher costs and liquidity risk.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund.

If a fund owning life settlement policies is unable to make premium payments on a life policy, the policy will lapse and the fund will lose its ownership interest in the policy. There may be a mismatch of cash flows related to the fund's investment in life policies. There is currently no established secondary market for life policies, and are not considered liquid investments. If the fund must sell a life policy to meet redemptions or other cash needs, the fund may be forced to sell at a loss. The longer the insured lives, the lower the fund's rate of return on the life policy. The underwriter's estimate of the insured's life expectancy may be incorrect. An insurance company may be unable or refuse to pay benefits on a life policy.

Important Disclosures Continued

City National Rochdale Funds are distributed by SEI Investments Distribution Co., which is not affiliated with City National Bank or any of its affiliates.

Certain alternative investments are open only to investors who meet certain "accredited investor" criteria. An Accredited Investor is any natural person (individually or with spouse) with $1 million net worth (excluding personal residence) or with individual income of more than $200,000 in each of the last 2 years, or $300,000 in joint income with spouse and the reasonable expectation of reaching the same income level in the current year. This also includes institutions with $5,000,000 or more in assets. Please see the Offering Memorandum for more complete information regarding an alternative fund's investment objectives, risks, fees and other expenses.

Alternative investments are speculative, may entail substantial risks and may not be suitable for all investors.
Private investments often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and may involve complex tax structures and delays in distributing important tax information.

Certain closed-end fund distributions may come from a return of principal or capital rather than dividends, interest, or capital gains.

Investments in commodities can be very volatile and direct investment in these markets can be very risky, especially for inexperienced investors.

Client account investment returns include the reinvestment of interest and dividends. Investment returns are computed net of management fees and exclude transaction costs associated with trading securities in the account.

As with any investment strategy, there is no guarantee that investment objectives will be met and investors may lose money.
Diversification may not protect against market loss or risk.

All investing is subject to risk, including the possible loss of the money you invest.

Indices are unmanaged and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

Past performance is no guarantee of future performance.

An asset allocation program cannot guarantee profits. Loss of principal is possible.

CITY NATIONAL ROCHDALE
AN RBC/CITY NATIONAL COMPANY

For More Information:

New York Headquarters
400 Park Avenue
New York, NY 10022

Beverly Hills Headquarters
400 North Roxbury Drive
Beverly Hills, CA 90210

citynationalrochdale@cnr.com

www.cnr.com

Peninsula
HEALTH CARE DISTRICT
Building a Healthier Community

DATE: July 7, 2023

TO: PHCD Finance Committee

FROM: Vickie Yee, CFO

Re: Potential WAB Paydown / Cashflow

BACKGROUND:

The Peninsula Health Care District currently has two outstanding Certificates of Participation (COP) from the financing of The Trousdale Assisted Living/Memory Care community.

- Original Balance $40M @ 3.91% - Current Balance $32,815,000
- Original Balance $10M @ 3.47% - Current Balance $8,780,000

In July 2022, the Finance Committee engaged Gary Hicks, Financial Advisor, to assess whether an early redemption of the COPs would make sense for the District. The $10M is not callable until February 1, 2027, and no other option is available to redeem this debt. Therefore, Mr. Hicks analyzed and evaluated early prepayment options for the $40M paydown options of $10M and $20M.

His findings were that both options would place the District in a less than favorable position concerning liquidity. In addition, if swap rates continue to increase, the District would see a zero termination fee to a net positive cash flow return. Mr. Hicks recommends reserving cash for improving and expanding operations and not paying off low-coupon debt during a time of rising interest rates. The Committee agreed to table the item until interest rates are higher.

In March 2023, the Committee revisited whether to pay down the $40M COP. The bank will pay the District to reduce or eliminate the debt at that time. The Committee also believed that the interest rates would continue to increase and be more favorable to the District. The Committee decided to table the item until May, when the strategic plan is expected to be completed, to see if cashflow permits.

In May 2023, new payoff numbers from the bank indicate that the borrower will need to pay the bank the following at termination:

- Full Termination: Bank receives $1.17MM from borrower
- Terminate $10MM: Bank receives $465K from borrower
- Terminate $20MM: Bank receives $735K from borrower

At this time, the Committee requested that I get new payoff numbers and how the termination fee was calculated. In addition, I was asked to evaluate the cashflow situation and bring the item back for consideration in July.

Peninsula HEALTH CARE DISTRICT
Building a Healthier Community

FINDINGS:

At this time, I have not heard back from the bank with new payoff numbers or the calculations behind the termination fee. I hope to have them by the meeting on Tuesday.

From a cashflow perspective, the District has $27M. This balance is after purchasing the 1764 Marco Polo Way building on 6/30/23. Of this amount, $10M is Board Restricted reserves which leave $17M of available cash.

There are several projects that may require a significant amount of funds:

- PWC project
- Plans for the 1764 Marco Polo Way building (currently, there is a 2-year leaseback)
- allcove Teen Mental Health Center (expected to open in September/October 2023)

The District may see interest rates of 6% or more if it needs to borrow to fund projects.

RECOMMENDATION:

As a result of the numerous upcoming projects that may require significant funds, the recommendation at this time is to not move forward with the early prepayment of the $40M loan.

Peninsula HEALTH CARE DISTRICT
Building a Healthier Community

DATE: July 5, 2023

TO: PHCD Finance Committee

FROM: Vickie Yee, CFO

Re: CalPERS Pension – PROs/CONs to move out of CalPERS Update

BACKGROUND:

In September 2020, we engaged Jeff Chang of Best, Best & Krieger to do an analysis to see if CalPERS Pension is the right retirement program for the District. Mr. Chang was asked to evaluate the following areas:

- PCHD's current participation in CalPERS
- The potential cost of leaving CalPERS
- How a defined contribution plan approach to retirement saving differs from a defined benefit approach
- Options available to PCHD under its existing 457 plan, or a new 401(a) plan, to provide additional, more portable, retirement savings to new and current employees

Based on the findings, one recommendation at that time was to stay with CalPERS. Given the relatively low employer's cost of CalPERS, the fact that it provides a significant and valuable benefit to older workers and a current contract termination cost of approximately $470,000, the recommendation to the Committee was to table any current consideration of leaving CalPERS. It was too expensive. A contract termination will likely be far less expensive in the future when the plan consists only of PEPRA participants and not CLASSIC participants. The Committee agreed to table the consideration.

At the last Committee meeting in May, Director Zell asked to revisit this item, given that the District no longer has any active members on the Classic plan.

FINDINGS:

Julian Robinson, Senior Actuary at CalPERS, provided me with very broad termination fee estimates as of June 30, 2022 (one-year lag).

As of June 30, 2022, using a range of 1.75% and 4.50% discount rates, termination liability is as follows:

- For the classic plan, the estimate of the unfunded termination liability ranges from $200,000 to $750,000.
- For the PEPRA plan, the estimate of the unfunded termination liability ranges from $150,000 to $650,000.

To get an actual termination fee, the Board will have to have made the decision to terminate and will require a Board resolution. The actual termination calculation will reflect interest rates and treasury yields at the time of termination, updated plan membership, and investment performance of the assets.

I also spoke to Mr. Chang, who suggested waiting a couple of years for the higher yields to take effect. Over the past few years, interest rates have been very low, and CalPERS investments haven't been making their expected returns. He believes the termination fees will go down in a couple of years.

OPTIONS:

1. Wait two years for the higher yields to take effect to revisit the PROs and CONs of moving out of CalPERS Pension.

2. Hire consultants to perform an analysis, which would include the following deliverables:

   - Estimated termination Fee with current interest rates
   - Pros and Cons of Leaving CalPERS
   - Alternative plans that would provide the same level of benefit to the employees.
   - Recommendations

   I have reached out to Mr. Chang for a proposal (attached). He recommended that we hire an independent actuarial firm to prepare an updated termination calculation, costing between $1,000 - $2,000/per plan. Mr. Chang will provide the additional analysis and estimate his fees will range from $3,000 to $7,500. The total cost of the analysis will be around $10,000.

RECOMMENDATION:

Based on the findings of a potential termination fee of up to $650,000 for the PEPRA plan and Mr. Chang's suggestion to wait a couple of years for the higher yields to take effect, the recommendation is to table the consideration of terminating CalPERS for a couple of years.

BEST BEST & KRIEGER LLP
ATTORNEYS AT LAW

Jeffrey C. Chang
Partner
(916) 329-3685
jeff.chang@bbklaw.com

June 23, 2023

VIA E-MAIL – VICKIE.YEE@PENINSULAHEALTHCAREDISTRICT.ORG

Vickie Yee
Peninsula Health Care District
1819 Trousdale Drive
Burlingame, CA 94010

Re: Best Best & Krieger LLP Engagement Letter

Dear Vickie:

ABOUT OUR REPRESENTATION

Best Best & Krieger LLP is pleased to represent Peninsula Health Care District (the District). Specifically, we will advise you with regard to the possible termination of your CalPERS contract and such other employee benefits matters as you may request. This letter constitutes our agreement setting the terms of our representation. If you want us to represent you and agree to the terms set forth in this letter, after you review the letter please sign it and return the signed copy to us.

CONFIDENTIALITY AND ABSENCE OF CONFLICTS

An attorney-client relationship requires mutual trust between the client and the attorney. It is understood that communications exclusively between counsel and the client are confidential and protected by the attorney-client privilege.

To also assure mutuality of trust, we have maintained a conflict of interest index. The California Rules of Professional Conduct defines whether a past or present relationship with any party prevents us from representing the District. Similarly, the District will be included in our list of clients to ensure we comply with the Rules of Professional Conduct with respect to the District.

We have checked the following names against our client index: Vickie Lee and Peninsula Health Care District. Based on that check, we can represent the District. Please review the list to see if any other persons or entities should be included. If you do not tell us to the contrary, we will assume that this list is complete and accurate. We request that you update this list for us if there are any changes in the future.

YOUR OBLIGATIONS ABOUT FEES AND BILLINGS

We have already discussed with you the fee arrangement. My discounted billing rate and rates for our attorneys and staff are:

Jeffrey C. Chang, Partner	$600
John Wahlin, Partner	$600
Isabel Safie, Partner	$550
Susan Neethling, of Counsel	$500
Adam Thomas, of Counsel	$425
Charles Miller, Pension Consultant	$260

Other attorneys may be called upon from time to time to work on matters as particular needs arise and will be billed at current individual rates depending upon the area of expertise. Hourly rates for those attorneys fall within the following ranges for new work: Partners and Of Counsel range from $250 - $895 per hour; Associates range from $235 - $430 per hour, and Paralegals and Clerks from $175 - $300 per hour. These ranges cover both our public and private rates.

Our rates are reviewed annually and may be increased from time to time with advance written notice to the client.

The billing policies are described in the memorandum attached to this letter, entitled “Best Best & Krieger LLP’s Billing Policies.” You should consider the Billing Policies memorandum part of this agreement as it binds both of us. For that reason, you should read it carefully.

INSURANCE

We understand that you are not now insured or have any insurance that may cover potential liability or attorneys’ fees in this case. If you think you may have such insurance, please notify me immediately.

We are also pleased to let you know that Best Best & Krieger LLP carries errors and omissions insurance with Lloyd’s of London. After a standard deductible, this insurance provides coverage beyond what is required by the State of California.

NEW MATTERS

When we are engaged by a new client on a particular matter, we are often later asked to work on additional matters. You should know that such new matters will be the subject of a new signed supplement to this agreement. Similarly, this agreement does not cover and is not a commitment by either of us that we will undertake any appeals or collection procedures. Any such future work would also have to be agreed upon in a signed supplement.

HOW THIS AGREEMENT MAY BE TERMINATED

You, of course, have the right to end our services at any time. If you do so, you will be responsible for the payment of fees and costs accrued but not yet paid, plus reasonable fees and costs in transferring the case to you or your new counsel. By the same token, we reserve the right to terminate our services to you upon written notice, order of the court, or in accordance with our attached Billing Policies memorandum. This could happen if you fail to pay our fees and costs as agreed, fail to cooperate with us in this matter, or if we determine we cannot continue to represent you for ethical or practical concerns.

CLIENT FILE

If you do not request the return of your file, we will retain your file for five years. After five years, we may have your file destroyed. If you would like your file maintained for more than five years or returned, you must make separate arrangements with us.

THANK YOU

On a personal note, we are pleased that you have selected Best Best & Krieger LLP to represent the District. We look forward to a long and valued relationship with you and appreciate your confidence in selecting us to represent the District in this case. If you have any questions at any time about our services or billings, please do not hesitate to call me.

If this letter meets with your approval, please sign and date it, and return the original to us. Unless you sign, date and return by July 7, 2023, we will not represent you in any capacity, and we will assume that you have made other arrangements for legal representation.

Sincerely,

Jeffrey C. Chang

Jeffrey C. Chang
of BEST BEST & KRIEGER LLP

JCC:sba
Attachment

AGREED AND ACCEPTED:

By: ________________________________

Dated: ______________________________

BEST BEST & KRIEGER LLP'S BILLING POLICIES

Our century of experience has shown that the attorney-client relationship works best when there is mutual understanding about fees, expenses, billing and payment terms. Therefore, this statement is intended to explain our billing policies and procedures. Clients are encouraged to discuss with us any questions they have about these policies and procedures. Clients may direct specific questions about a bill to the attorney with whom the client works or to our Accounts Receivable Department (accounts.receivable@bbklaw.com). Any specific billing arrangements different from those set forth below will be confirmed in a separate written agreement between the client and the firm.

INVOICE AND PAYMENT OPTIONS

Best Best & Krieger strives to meet our clients' needs in terms of providing a wide variety of invoice types, delivery and payment options. Please indicate those needs including the preferred method of invoice delivery (Invoice via Email; or USPS). In addition, accounts.receivable@bbklaw.com can provide a W-9 upon request and discuss various accepted payment methods.

FEES FOR PROFESSIONAL SERVICES

Unless a flat fee is set forth in our engagement letter with a client, our fees for the legal work we will undertake will be based in substantial part on time spent by personnel in our office on that client's behalf. In special circumstances which will be discussed with the client and agreed upon in writing, fees will be based upon the novelty or difficulty of the matter, or the time or other special limitations imposed by the client.

Hourly rates are set to reflect the skill and experience of the attorney or other legal personnel rendering services on the client's behalf. All legal services are billed in one-tenth of an hour (0.10/hour) or six-minute increments. Our attorneys are currently billed at rates from $235 to $895 per hour, and our administrative assistants, research assistants, municipal analysts, litigation analysts, paralegals, paraprofessionals and law clerks are billed at rates from $175 to $300 per hour for new work. These rates reflect the ranges in both our public and our private rates. These hourly rates are reviewed annually to accommodate rising firm costs and to reflect changes in attorney status as lawyers attain new levels of legal experience. Any increases resulting from such reviews will be instituted automatically and will apply to each affected client, after advance notice.

Non-Attorney Personnel: BBK may employ the services of non-attorney personnel under the supervision of a BBK attorney in order to perform services called for in the legal services agreement. The most common non-attorney personnel utilized are paralegals. Other types of non-attorney personnel include, but are not limited to, case clerks, litigation analysts, and specialty consultants. The client agrees that BBK may use such non-attorney personnel to perform its services when it is reasonably necessary in the judgment of the responsible BBK attorney. Hourly fees for non-attorney personnel will be charged at the rate then in effect for such personnel. A copy of BBK's current rates and titles for non-attorney personnel will be provided upon request.

FEES FOR ELECTRONICALLY STORED INFORMATION ("ESI") SUPPORT AND STORAGE

BBK provides Electronically Stored Information ("ESI") services for matters requiring ESI support – typically litigation or threatened litigation matters. BBK provides services for basic ESI processing and storage at the following rates per month based on the number of gigabytes of data ("GB") processed and stored:

1GB -250GB: $10 per GB
251GB - 550GB: $8 per GB
551GB - 750GB: $6 per GB
751GB - 1TB: $4 per GB

The amount BBK charges for basic processing and storage of ESI allows BBK to recover the costs of providing such services, plus a net profit for BBK. BBK believes that the rates it charges for processing and storage are lower than comparable services available from third party vendors in the market. If you wish to contract separately with a third party vendor for processing and storage costs, please notify BBK in writing. BBK also provides advanced ESI processing services at hourly rates for personnel in its Litigation Support Group. A copy of BBK's current rates for such services will be provided upon request. BBK shall not incur costs for ESI support on a particular matter without first confirming by email or written correspondence with the client that the client agrees such services are necessary for the matter at hand.

FEES FOR OTHER SERVICES, COSTS AND EXPENSES

We attempt to serve all our clients with the most effective support systems available. Therefore, in addition to fees for professional legal services, we also charge separately for some other services and expenses to the extent of their use by individual clients. These charges include but are not limited to, mileage at the current IRS approved rate per mile, extraordinary telephone and document delivery charges, copying charges, computerized research, court filing fees and other court-related expenditures including court reporter and transcription fees. No separate charge is made for secretarial or word processing services; those costs are included within the above hourly rates.

We may need to advance costs and incur expenses on your behalf on an ongoing basis. These items are separate and apart from attorneys' fees and, as they are out-of-pocket charges, we need to have sufficient funds on hand from you to pay them when due. We will advise the client from time to time when we expect items of significant cost to be incurred, and it is required that the client send us advances to cover those costs before they are due.

ADVANCE DEPOSIT TOWARD FEES AND COSTS

Because new client matters involve both a substantial undertaking by our firm and the establishment of client credit with our accounting office, we require an advance payment from clients. The amount of this advance deposit is determined on a case-by-case basis discussed first with the client, and is specified in our engagement letter.

Upon receipt, the advance deposit will be deposited into the firm's client trust account. Our monthly billings will reflect such applications of the advance deposit to costs and not to attorney's fees (unless otherwise noted in our accompanying engagement letter). At the end of engagement, we will apply any remaining balance first to costs and then to fees. We also reserve the right to require increases or renewals of these advanced deposits.

By signing the initial engagement letter, each client is agreeing that trust account balances may be withdrawn and applied to costs as they are incurred and to our billings, when we issue our invoice to the client. If we succeed in resolving your matter before the amounts deposited are used, any balance will be promptly refunded.

MONTHLY INVOICES AND PAYMENT

Best Best & Krieger LLP provides our clients with monthly invoices for legal services performed and expenses incurred. Invoices are due and payable upon receipt.

Each monthly invoice reflects both professional and other fees for services rendered through the end of the prior month, as well as expenses incurred on the client's behalf that have been processed by the end of the prior month. Processing of some expenses is delayed until the next month and billed thereafter.

Our fees are not contingent upon any aspect of the matter and are due upon receipt. All billings are due and payable within ten days of presentation unless the full amount is covered by the balance of an advance held in our trust account.

It is our policy to treat every question about a bill promptly and fairly. It is also our policy that if a client does not pay an invoice within 60 days of mailing, we assume the client is, for whatever reason, refusing to pay. We reserve the right to terminate our engagement and withdraw as attorney of record whenever our invoices are not paid. If an invoice is 60 days late, however, we may advise the client by letter that the client must pay the invoice within 14 days or the firm will take appropriate steps to withdraw as attorney of record. If the delay is caused by a problem in the invoice, we must rely upon the client to raise that with us during the 14-day period. This same policy applies to fee arrangements which require the client to replenish fee deposits or make deposits for anticipated costs.

From time to time clients have questions about the format of the bill or description of work performed. If you have any such questions, please ask them when you receive the bill so we may address them on a current basis.

CHANGES IN FEE ARRANGEMENTS AND BUDGETS

It may be necessary under certain circumstances for a client to increase the size of required advances for fees after the commencement of our engagement and depending upon the scope of the work. For example, prior to a protracted trial or hearing, the firm may require a further advance payment to the firm's trust account sufficient to cover expected fees. Any such changes in fee arrangements will be discussed with the client and mutually agreed in writing.

Because of the uncertainties involved, any estimates of anticipated fees that we provide at the request of a client for budgeting purposes, or otherwise, can only be an approximation of potential fees.

BEST BEST & KRIEGER LLP

INSURANCE PROPOSAL
Prepared For:

Eskaton Properties, Inc.

Difference in Conditions – The Trousdale

Period: 02/28/2023 – 02/28/2024 or When Bound

The Liberty Company Insurance Brokers, Inc.
5000 Hopyard Road, Suite 325
Pleasanton, CA 94588

Tim Mooney
Producer
Phone: (925) 566-3292
E-mail: tmooney@libertycompany.com
License #0D79653

February 3, 2023

Disclaimer – The synopsis of coverage used in this proposal is not intended to express any legal opinion as to the nature of coverage. The proposal does not change, alter, or extend any of the policy terms and conditions. Please refer to your policy for specific details of your coverage.

Table of Contents

Service Team

Your service unit is key to the success of the overall risk management program. It is the unit that is your voice in the marketplace; it is the unit that represents you in claim disputes; it is the unit that works with you to protect your assets, people, and property.
Therefore, we believe that the service unit stands alone among all broker services. Your Liberty Company service unit is responsible for recognizing the need for these supportive and supplemental services and coordinating their activities on your behalf.

Your service unit is composed of the following:

Producer

Tim Mooney	O: (925) 566-3292
tmooney@libertycompany.com	C: (415) 342-6458

Account Executive

Brent Nishikawa	O: (925) 566-3298
bnishikawa@libertycompany.com	

Claims Manager

Kimaili Davis	O: (747) 444-3048
kdavis@libertycompany.com	

Director of Risk Management

Joe Fisco	O: (562) 277-0044
Joe.fisco@libertycompany.com	

Our philosophy is to operate as an extension of your company's staff. As part of your team, we take an aggressive consulting stance in accommodating your insurance needs and add a specialized level of expertise to your own resources.

Our Principles

We provide our clients, regardless of size, professional counsel, and service beyond their expectations. We encourage and promote the members of our team to seek the highest level of insurance knowledge, so they may advise our most valuable asset, our clients, in the most professional manner. We pursue growth by providing opportunities for our team to expand their technical, product, and client industry knowledge, which benefits you, our client. We appreciate not only your business, but the trust you have placed with our organization to help you succeed, and we welcome your suggestions to strengthen our partnership.

LIBERTY

Eskaton Properties, Inc.

Liberty Company Insurance Brokers – Property & Casualty Service Team

Tim Mooney

Senior Vice President

tmooney@libertycompany.com

O: 925.566.3292

M (Preferred): .415.342.6458

Brent Nishikawa

Account Executive

bnishikawa@libertycompany.com

O: 925.566.3298

Kimaili Davis

Claims Manager

kdavis@libertycompany.com

claims@libertycompany.com

O: 747.444.3048

Joe Fisco

Director of Risk Management, West Coast

joe.fisco@libertycompany.com

M: 562.277.0044

WE GET IT

Insurance can be difficult to understand. That's why we help put the terms into plain English and balance your diverse needs with solutions. People don't want an 800 number, they want to connect with someone real who will understand their story. The Liberty Company provides dedicated account management, effective communication, and a wealth of knowledge. We pride ourselves on excellent service and meeting your companies risk management needs.

Peace of Mind with Great Care

DIFFERENCE IN CONDITIONS OPTION #1

Named Insured: Eskaton Properties LLC; dba: The Trousdale
Carrier: QBE Specialty Insurance / AM Best: A, XV
Policy Term: 02/28/2023 – 02/28/2024 or When Bound
Location: 1600 Trousdale Drive, Burlingame, CA 94010
Annual Premium: $81,243.12 (Not Including **TRIA**) – **TRIA Premium: $38,750(Not Including T&F)**

Difference in Conditions Earthquake Only (Named Peril)

Limits:	**Limit of Insurance, any one loss occurrence: $25,000,000** *(TIV: $60,491,800): Bldg: $52,684,500 / BPP: $2,585,300 / BI: $5,222,000* In no event will the policy exceed this limit for any one loss occurrence, regardless of the number of coverages, causes of loss or locations involved, and regardless of any additional coverages provided under this policy. Earthquake Limit: $25,000,000
Sublimit:	Building Ordinance Coverage A (Full Limits) Building Ordinance Coverage B + C Sublimit $5,268,450 Electronic Data Processing (Hardware & Software): $500,000
Coverage:	Real Property, Furniture, Fixtures, Equipment, Machinery, Electronic Data Processing – Equipment, Combined Business Interruption and Extra Expense, Extended Period of Indemnity (180 Days), Increased Period of Restoration
Policy Conditions:	Cancellation: (60) sixty days except 10 days for non-payment of premium Coinsurance: NIL
Causes of Loss:	Named Peril Earthquake Only / Coverage Enhancement: Ensuing Water Damage
Valuation:	Property: Replacement Cost (RC) Time Element: Actual Loss Sustained
Deductible:	Earthquake: 15% per Unit for Earthquake Subject to a $50,000 Minimum Per Occurrence
Minimum Retained Premium:	25%; If Insured cancels, earned premium shall be computed on a Short Rate basis (Pro-Rate less 10%) or 25% Minimum Earned, whichever is greater.

Option #1 Proposal Conditions & Subjectivities

Proposal Conditions & Subjectivities:	1. Acceptable Inspection Report (Provide Name and Phone Number of Inspection Contact at time of Binding); 2. No Soft Floor Exposure on pre-1980 construction; 3. Time Element Values at 100% of Annual Exposure; 4. Building Ordinance B. Demo & C. ICC - Limited to the Percentage Shown Above of the Bldg Value/Bldg - In the event that Dollar Amount Exceeds the Sublimit, the Policy Sublimit shall Prevail; 5. Structures listed on a National Register of Historic Places are ineligible for coverage; 6. No Earthquake (or Flood, if covered) losses in the last five years; 7. TRIA Coverage is subject to coverage also being purchased on the All Risk Underlying **Subjectivities:** • Signed and dated Statement of Values (SOV) is required at time of binding. • Signed and dated TRIA acceptance or rejection letter at binding. • Warrant All Risk including theft underlying policy in force. • Warrant no tuck under or soft first floor parking. • Warrant values reported based on 100% replacement cost and annual time element values (if • applicable)

DIFFERENCE IN CONDITIONS OPTION #2

Named Insured: Eskaton Properties LLC; dba: The Trousdale
Carrier: Underwriters at Lloyd's London & Summit Specialty Insurance / AM Best: A, XV & A, VIII
Policy Term: 02/28/2023 – 02/28/2024 or When Bound
Location: 1600 Trousdale Drive, Burlingame, CA 94010
Annual Premium: $90,384.01 (Not Including **TRIA**) – **TRIA Premium: $25,815 (Not Including T&F)**

Difference in Conditions Earthquake Only (Named Peril)

Limits:	**Limit of Insurance, any one loss occurrence: $25,000,000** *(TIV: $60,491,800): Bldg: $52,684,500 / BPP: $2,585,300 / BI: $5,222,000* In no event will the policy exceed this limit for any one loss occurrence, regardless of the number of coverages, causes of loss or locations involved, and regardless of any additional coverages provided under this policy. Earthquake Limit: $25,000,000
Sublimit:	Building Ordinance Coverage A (Full Limits) Building Ordinance Coverage B + C Sublimit $5,000,000 Electronic Data Processing (Hardware & Software): $50,000
Coverage:	Real Property, Business Personal Property, Business Interruption/Extra Expense, Extended Period of Indemnity (180 Days), Increased Period of Restoration
Policy Conditions:	Cancellation: (30) Thirty days except 10 days for non-payment of premium Coinsurance: NIL
Additional Policy Conditions:	Newly Acquired Location(s) must be submitted for prior approval Plants, Trees, Shrubs, Landscaping & Irrigation Systems are Excluded
Causes of Loss:	Named Peril Earthquake Only / Coverage Enhancement: Ensuing Water Damage
Valuation:	Property: Replacement Cost (RC) Time Element: Actual Loss Sustained
Deductible:	Earthquake: 15% per Unit for Earthquake Subject to a $25,000 Minimum Per Occurrence
Minimum Retained Premium:	25%

Option #2 Proposal Conditions & Subjectivities

Proposal Conditions & Subjectivities:	1. Acceptable inspection. Inspection contact name and phone number required at time of binding. 2. Carrier will issue its own forms, including mandatory endorsements as applicable including, but not limited to: Pollution including but not limited to Mold, Microorganisms, Asbestos and Dioxins; Radioactive, Biological and Chemical exclusions; Bacteria and Virus exclusions; Property Cyber and Data exclusions; War and Terrorism exclusions; Cyber Risk, Computer Related, Equipment Breakdown and Ensuing Loss exclusions. **Subjectivities:** • Signed and dated Statement of Values (SOV) is required at time of binding. • Signed Surplus Lines D1 Form • Signed and dated TRIA acceptance or rejection letter at binding. • Warrant All Risk including theft underlying policy in force. • Warrant no tuck under or soft first floor parking. • Warrant values reported based on 100% replacement cost and annual time element values (if applicable)

Marketing Summary

Carrier	Status	Comments
QBE Specialty Insurance Co	Quoted	Option #1 Presented
Underwriters at Lloyds London	Quoted	Option #2 Presented
Arrowhead General Insurance	Declined	Not Competitive - approximate prem: $120,379
Risk Insurance Brokers	Declined	Not Competitive - approximate prem: $120,000
Tango-V3 Insurance Partners	Declined	Not Quoting New Accounts
VIKCO Insurance Services	Declined	Not Competitive - approximate prem: $99,080

Premium Summary

DATE: February 3, 2023

Named Insured: Eskaton Properties, Inc. / The Trousdale

Coverage	2022-2023 Expiring Premiums	2023-2024 *Premiums
DIC - Earthquake		
Option #1 – QBE Specialty Insurance	N/A	$81,243.12
Option #2 – Lloyds of London / Summit	N/A	$90,384.01
Total Premium	**N/A**	**TBD Pending Option Selected**

*Premiums do not include TRIA.

Insured Name: Eskaton Properties, Inc.

☐ Please bind coverage as outlined in this proposal.
- ☐ Option #1 – QBE Specialty Insurance
- ☐ Option #2 – Lloyds of London / Summit

☐ Please bind coverage as outlined above with the following changes:

Changes Required:

______________________________ __________________________

Signature of Executive Officer Date

____

Name & Title of Signing Officer

General Statement

COVERAGE AND LIMITS

This exhibit describes coverage, amounts, limits, etc., but it does not take the place of the actual insurance policies. While we have made every effort to remove inaccuracies from this report, some may exist. For definitive coverage provisions and exclusions, refer to the policies, endorsements, and amendments.
For property quotes, we have used values that you provided. Please carefully examine these values and/or secure an outside appraisal to ensure their accuracy and adequacy.
This proposal is based upon exposures to loss that currently exist and were made known to the agency. All changes and new exposures need to be reported by you, so that proper coverage may be offered.

Higher limits of liability may be available for additional premium.

INSURER SOLVENCY

We are not technically qualified to comment on the solvency or claims-paying ability of any insurer. In an effort to help you analyze the quality of the carrier(s), we have provided rating information from the A.M. Best rating organization. The A.M. Best office website may be found at: www.ambest.com.

We caution you that catastrophic occurrences or other business matters can quickly have a negative impact on any insurer's financial condition. State "guarantee" funds created for the protection of policyholders may limit or preclude access to reimbursement for certain types of claims and/or to companies with significant net worth.

NON-ADMITTED INSURER

If a non-admitted insurer is providing coverage there is no protection by the state guaranty fund in the event of the insurer's insolvency.

PREMIUM PAYMENT

Regardless of the payment method you choose, it is important to note that carriers are not obligated to reinstate cancelled policies.

Agency Bill Items: If your premium is billed by us, payment is due on the effective date of the coverage or installment. Endorsement and audit premium adjustments are due on the date billed. Failure to promptly remit may result in cancellation of your coverage.
Company Bill Items: If your policy is a "company bill" contract, you must remit your payment directly to the insurance company on a timely basis. Unfortunately, insurers do not always notify us about the status of a "company bill" payment, so you can't rely on us to remind you about overdue premiums or policy cancellations. If you encounter any billing problem or have a billing concern, please call us immediately, so that we can investigate for you.

Premium Financing: You may ask us to "finance" your premium through an independent finance company. This is an unforgiving payment system. Please carefully review the finance agreement for full details on the late payment and finance charges that apply. Your insurance policy is collateral for the loan. If you miss a payment, coverage will be cancelled. Because we may not always receive late notices, The Liberty Company Insurance Brokers cannot accept responsibility for following up on late payments or threatened "non-payment" cancellations. Please do not count on us to remind you to make the payment.

THIS PROPOSAL CONTAINS ONLY A SUMMARY OF YOUR INSURANCE COVERAGE AND POLICY. IT IS YOUR RESPONSIBILITY TO REVIEW THE ENTIRE POLICY CAREFULLY AND COMPLETELY FOR ITS ACTUAL TERMS, LIMITS AND CONDITIONS. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE TERMS OF THE POLICY AND THE PROVISIONS OF THIS PROPOSAL, THE TERMS OF THE POLICY WILL GOVERN AND CONTROL.

A.M. BEST FINANCIAL STRENGTH RATING

Best's Rating consists of Rating Classification and Financial Size Category. The Rating Classification assesses Company's overall performance and ability to meet its respective policyholder and other contractual obligations. The Rating Classifications are shown below:

Rating Classification	Ability	"Not Assigned" Classification	Explanations
A++, A+	Superior	NA – 1	Special Data Filing
A, A-	Excellent	NA – 2	Less than Minimum Size
B++, B+	Very Good	NA – 3	Insufficient Operating Experience
B, B-	Adequate	NA – 4	Rating Procedure Inapplicable
C++, C+	Fair	NA – 5	Significant Change
C, C-	Marginal	NA – 6	Reinsurance by Unrated Reinsurer
D	Very Vulnerable	NA – 8	Incomplete Financial Information
E	State Supervision	NA – 9	Company Request
F	In Liquidation	NA - 11	Rating Suspended

The Financial Size Category of Best's Rating examines the Company's financial strength. The financial Size Category accounts for the Company's equity, or Policyholder Surplus available to meet policy holder obligations. The categories are as follows:

Class	Range in 000's	Class	Range in 000'S
I	Up to 1,000	IX	250,000 to 500,000
II	1,000 to 2,000	X	500,000 to 750,000
III	2,000 to 5,000	XI	750,000 to 1,000,000
IV	5,000 to 10,000	XII	1,000,000 to 1,250,000
V	10,000 to 25,000	XIII	1,250,000 to 1,500,000
VI	25,000 to 50,000	XIV	1,500,000 to 2,000,000
VII	50,000 to 100,000	XV	2,000,000+
VIII	100,000 to 250,000		

Risk Engineering

Desktop Earthquake Exposure Review

Increasing insight, reducing risk

Date of Issue: 23 Mar 2023
Confidential

Peninsula Health Care District
The Trousdale
1600 Trousdale Drive
Burlingame, CA 94010
United States

Important Notice:

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General information

Customer Data:			
Parent Company:		Peninsula Health Care District	
Parent Company NAICS Code		923120	
Parent Company NAICS Description		Administration of Public Health Programs	
Parent Company SIC Code		19431	
Location Information:			
Assessed Company:		The Trousdale	
Assessed Company NAICS Code:		623312	
Assessed Company NAICS Description:		Assisted Living Facilities	
Assessed Company SIC Code:		8059	
Address:		1600 Trousdale Drive, Burlingame, CA, 94010 San Mateo County, United States	
Latitude:	37.59330	Longitude:	-122.38493
Scope of Assessment: Desktop Earthquake Exposure Review			
Assessed by:		Nicholas Sindelar	
Reviewed by:		Chris Gibbs	
Assessment Dates:			
Date of Current Assessment: March 23, 2023			
Distribution:			
Customers:		Vickie Yee	
Zurich Risk Engineering:		Nicholas Sindelar	

Executive summary

Scope and Purpose

This report reflects the results of a remote, desktop earthquake exposure review for The Trousdale Senior Living Center. The review is limited to the documents reviewed as current on-site conditions are not part of this assessment.

This assessment is intended to support the customer with their renewal and decision-making process. The information provided in this report is not intended to substitute or replace a detailed engineering analysis.

Zurich's Risk Engineering methodology for determining the risk to the site from a natural hazard event is developed through an understanding of the hazard, what is exposed onsite, and the controls in place to lessen the impact of such an event. The severity of the natural hazards exposing the site were assessed using Zurich Catastrophic Risk Insights (CRI) and local hazard maps.

Local maps provide a higher level of granularity compared to global tools on the one hand (as they tend to consider local characteristics, which may influence the hazard levels) and, on the other, reflect the fact that the structures to be built at this location will be designed to national design codes, which are based on these local resources.

The following documents were reviewed to better understand the exposure:

- As-built construction drawings "conformed set" dated March 23, 2016
- Geotechnical investigation report by Rollo & Ridley dated June 3, 2013
- AFM All in One Regular Risk Evaluation dated December 14, 2022
- 2021 Multijurisdictional Local Hazard Mitigation Plan Vol. 1 &2 for the County of San Mateo Department of Emergency Management by Tetra Tech dated October 2021

Understanding the Risks - Earthquake

Hazard

Zurich CRI global hazard map and Applied Technology Council, ATC, were reviewed to determine relative regional hazard levels. This was further refined based on the site level studies presented by the customer.

The Design Peak Ground Acceleration for this area is ~10 m/s^2 during the 475-year return period (ASCE 7-16). The site lies within a strong earthquake shake potential zone with a Modified Mercalli Index of VI. There are no identified faults that run below the site. Several active faults pass by the area including the San Andreas, San Gregorio, and Hayward. Based on the geotechnical investigations, the potential for liquefaction and secondary amplification are low. The risk of lateral spreading is low due to the relatively flat topography of the site. Landslide hazard is low.

Vulnerabilities

Earthquake forces can have varying impacts on structures with an irregular (non-square/rectangular) footprint. The Trousdale structure has a "U" shaped footprint. A review of the as-built structural drawings, the structural engineering accounts for out of plane forces applied to the building. The irregular plan of this structure is represented in the RMS Secondary characteristics (see Appendix).

The performance of the structure under lateral loading benefits from a modern construction design using specific detailing requirements for the Maximum Credible Earthquake (MCE) for the region. The seismic design loads were increased by 50% to account for the importance of life safety within this building. However, during an earthquake, property damage can include but not up to exterior building facades, architectural components, fire protection systems, and a fire following an earthquake.

Seismic bracing of the fire protection systems was not considered as part of this desktop review. The conforming set of drawings indicate the system was to be designed per NFPA 13. The AFM report from December 2022 has identified areas needing improvements with additional seismic bracing.

Fire protection system damage from earthquakes can range from minor leaks to a catastrophic failure. This not only exposes a facility to water damage, but also renders the fire protection system useless when the structure is most vulnerable to fire. Properly designed and installed bracing allows the pipes to move with the building, decreasing potential damage to the fire protection system.

The lateral forces associated with a major earthquake often damage the integrity of gas systems, allowing gas to leak out of broken piping. Escaping combustible gas provides ample fuel to support an explosion or supply a major fire. Typically, this flow of fuel is unrestricted. From the plumbing drawings, the natural gas system does not appear to have been equipped with a seismic gas shut-off valve (SGSV). It is known that gas release from systems lacking shut-off controls during an earthquake can lead to uncontrolled fires.

Summary of Key Findings

While this site is not located on an active fault, the seismicity of the area will have an impact on the property. The site is exposed to peak ground accelerations of 0.953g or ~10.0 m/s^2 during a large earthquake event with strong shaking across the area. Geotechnical investigations were performed to identify the soil conditions influencing pile depth and foundation design.

The Rollo & Ridley report indicates loose sand and fines were not encountered. The boring logs show the presence of medium dense to very dense sand layers below the groundwater table that have been considered sufficient to resist liquefaction (see R&R report for additional details).

If a SGSV is not provided on the main gas line, this device should be considered to improve the risk.

RMS secondary characteristics for earthquake have been provided in the Appendix of the report.

Site Information

The subject property located at 1600 Trousdale Drive is a six-story above ground high-rise structure used primarily for senior living. The structure has one level of underground parking. With a total area of 139,203 sq.ft., the structure resists lateral loads from earthquake and wind forces through rigid diaphragms that transfer the forces to "special" reinforced concrete shear walls (RCSW) which then transfer the loads to the building foundation. "Special" RCSW require special detailing requirements for regions with higher seismic hazards.

All the floors in the building appear to be constructed using post-tension reinforced concrete slabs.

Exterior walls are mostly an exterior insulating finishing system (EIFS) with areas around relites and patio doors comprising of a composite wood panel system over rigid insulation.

Natural Hazard Risk Overview

The results of this natural hazards assessment are summarized in **Table 1** below

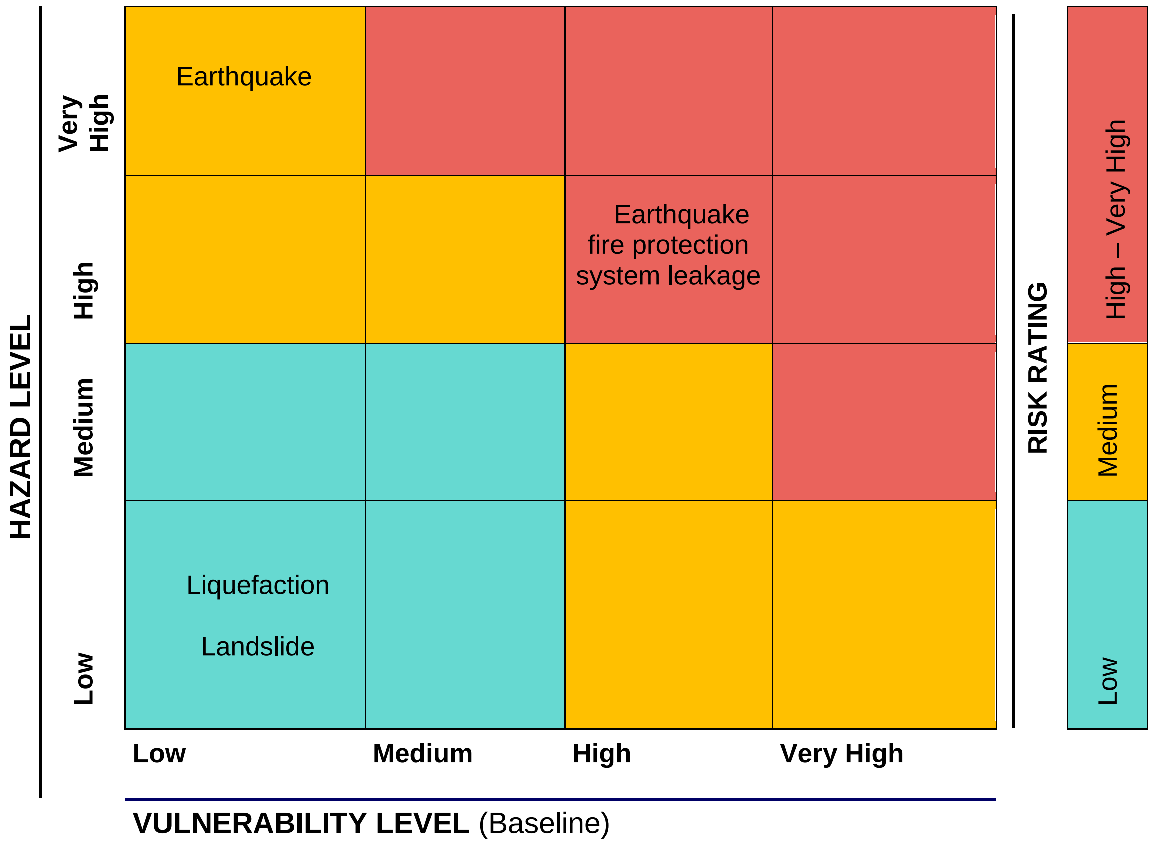


Table 1: Hazard-Vulnerability Matrix for Current Natural Hazards

Notes and clarifications to the above Risk Matrix:

- *The matrix is a **qualitative** visualization of the current natural hazard risks*
- ***Hazard levels** (y-axis) are defined as: "Low", "Medium", "High", or "Very High", according to peril-specific physical parameters (intensities) AND associated probabilities of occurrence:*
- ***Vulnerability** (x-axis) is rated "Low", "Medium", "High", "Very High" and considers the quality of the protection mechanisms (physical and organizational) for the processes and values exposed to the peril.*

As an example, a «high» risk can result from a «medium» hazard level and "high" impact (vulnerability level), due to the poor quality of protection measures and the high processes/values at risk, i.e., exposures.

RMS Data

RMS (Risk Management Solutions, Inc.) primary characteristics and secondary modifiers have been provided. This data can be used to model the natural hazard of earthquake.

The RMS risk modeling process uses four main modules:

1. The Stochastic Module determines the severity of the earthquake event at a regional level.
2. The Hazard Module generates the event information from the given natural hazard.
3. The Vulnerability Module generates the damage information in terms of Mean Damage Ratios (MDRs).
4. The Financial Module generates financial components of the loss expectancy based upon policy structure, deductibles, etc.

The vulnerability functions are determined in the vulnerability module by key building features, the Primary Characteristics:

- Occupancy type: (Residential, Commercial, Industrial)
- Construction Class
- Number of Stories (Note: This is not the actual building height in feet or meters)
- Year of construction

These factors have been determined to be representative of the main parameters, which contribute to the severity of the earthquake damage. They reflect the relative quality of the protection mechanisms against damage from earth movement.

Integrity of data and consistent modeling

One of the potentially problematic issues with the RMS earthquake statistical model is that proper identification of all the secondary modifiers, requires a site visit by a technically experienced engineer who is qualified to confirm the “positive” features of a building adequately and completely, along with the negative features. The RMS data provided here was derived remotely using mapping and construction documents.

Many of these secondary modifiers can have a significant impact upon the vulnerability curve. The internal algorithms linking a selection of “unknown” to other characteristics such as primary construction code, local building codes, year of construction, etc. will give an accurate statistical analysis. When data elements are defined as "unknown" the model will infer certain weighted assumptions based upon primary construction features, year built, and local building codes.

The RMS primary characteristic for the structure is 3A4 – Reinforced concrete shear wall.

Secondary modifiers are provided here:

RMS Data

Please note, the blank cells in spreadsheet are intentional as follows:

- Frame Bolted: this only applies to wood frame residential construction
- URM Retrofit/chimney: this only applies to unreinforced masonry structures
- Anchoring: this only applies to concrete tilt-up construction
- Structural upgrade: this does not apply to the modern Trousdale

Final remarks

This report does not substitute a detailed engineering analysis according to national design codes. The information provided in this report is indicative only and intended to be used as guidance only and not for design or detailing of structures or nonstructural elements.

We would like to thank all those who contributed to this report by helping providing information and by cooperating in a very useful and open way. We also wish to place on record our gratitude for the hospitality extended to us throughout process. Should there be any question regarding this report please do not hesitate to contact us.

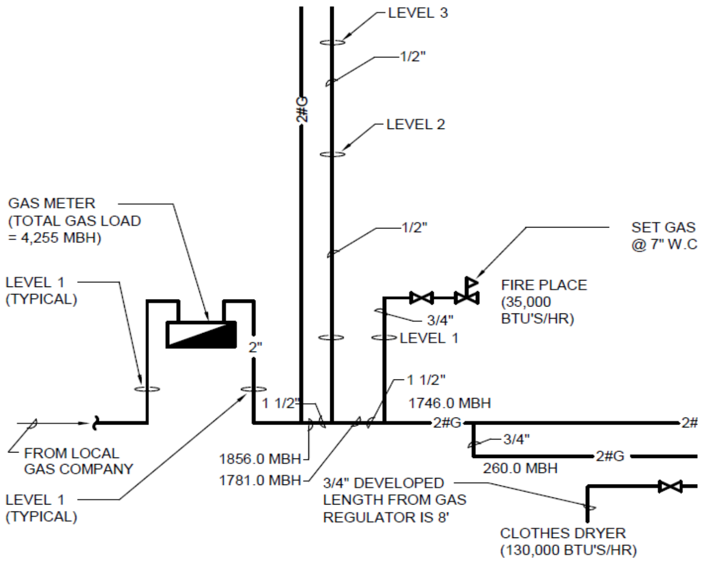
With kind regards

Author:

Nicholas Sindelar, M.Eng.
AVP, Large Property Risk Engineering Manager
Zurich Resilience Solutions
nicholas.sindelar@zurichna.com

Appendix

Based on the plumbing drawings a seismic gas shut off valve is not depicted in the drawings.



5 NATURAL GAS RISER
NO SCALE

Construction Summary

Primary Construction Type	FR - Fire resistive (Reinforced Concrete Frame) - ISO 6		
Height / Basements			
Primary Number of Stories	6	**Basements Exist**	Yes
Critical Equipment in Basement	Unk.	**Basement Adequately Protected**	Unk.

Building Information General and Fire Protection

Building	Main Building				
Year Built	**#Stories/ Basements**	**% Fire Detection**	**% AS / ASN**	**Protection Adequate**	**Building Condition**
2016	5/1	100	100/0	Unk.	N/A
Construction Type					**Floor Area (m2)**
FR – Fire Resistive – ISO 6					139203
Occupancy	Assisted Living & Memory Care Facility				

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