ABAG PLAN CORPORATION
101 - 8th Street
Oakland, CA 94607-4756

AGENDA

Executive Committee
Regular Meeting
May 14, 2009
10:00 a.m.
Conference Room B
&

Teleconference Location	**Contact**
455 East Calaveras Blvd., Milpitas CA	**Emma Karlen**

1. Call To Order

2. Public Comments

3. Approval of Minutes, January 15, 2009* **Action**

4. Election of Officers for FY 09-10 &
Approval of Committee Schedules* **Action**

The Committee is asked to nominate officers to fill the Board Chair and Vice Chair positions for FY09-10, recommend committee appointments, and recommend dates for the committees' regular meeting dates.

5. Management Proposal ** **Action**

Marcus Beverly, Director of Risk Management, will present a proposal for management of the PLAN for FY 09-10.

6. Actuary Committee Report **Action**

A. Funding Policy Revisions*

Staff will present a request to recommend revising the PLAN's Funding Policy to include the Termination Formula approved by the Board.

B. Program Status and Funding for FY 09-10*

Staff will provide an overview of Bickmore Risk Services' report regarding the PLAN's Liability Program as of June 30, 2009. The committee will be provided funding options for 2009-10 for the Liability and Property Programs and asked to make recommendations to the Board.

7. Risk Management Committee Report **Action**

A. Risk Management Programs & Funding*

Gertruda Luermann, Risk Management Analyst, will present an overview of member progress in implementing the Risk Management Policy, feedback and suggestions for the risk management programs, and recommended funding for the FY 09-10 programs.

B. Revisions to Risk Management Policy* **Action**

Staff will present new best practices for Employment Practices Liability for review and approval, as well as a minor change to the Police best practices.

8. Finance Committee Report* **Action**

Staff will present an overview of the Committee's activities, including the audited financials as of June 30, 2008, and the PLAN's Investment Performance Report as of March 31, 2009. Investment report will be presented at the meeting.

9. Claim Committee Report **Action**

A. Revisions to Liability MOC*

Staff will present proposed revisions to the Liability Memorandum of Coverage (MOC) for recommendation to the Board.

B. Committee Update** **Information**

Staff will provide an update of significant issues and claims addressed by the committee throughout the year.

Break – Lunch

10. Strategic Planning Discussion* **Action**

Staff will present alternatives for the facilitator for the Board meeting planned for October 2009 and provide an overview of key strategic issues to be addressed, including options for the PLAN's organizational structure.

11. Proposed ABAG PLAN Budget – FY 2009-10* **Action**

Staff will present the proposed budget for funding administrative expenses of the PLAN.

Please Note: Item 11. will be discussed in closed session pursuant to the requirements of the Ralph M. Brown Act. All actions taken will be announced in open session prior to the adjournment of the meeting.

12. Conference with Legal Counsel – anticipated or existing litigation

Arcadia Development v. Morgan Hill* **Action**

13. Announcements

14. Other Business

15. Adjournment

Please Note: the Committee may act on any item on this agenda

* Enclosure attached

** Report to be provided at meeting

ABAG

Draft

Agenda Item 3.

Executive Committee
Special Meeting
Summary of Minutes

January 15, 2009
ABAG PLAN Corporation
101 Eighth Street, Oakland, CA
Conference Room B

Presiding	**Jurisdiction**
Emma Karlen	Milpitas

Committee Members Present

Julie Carter	Dublin
Jim Steele	So. San Francisco
Laura Allen	Colma
Shawn Mason	San Mateo
Cecilia Quick	Pacifica

Committee Members Not Present

Herb Lester	Suisun
Jeff Killian	Millbrae

Consultant(s)

Peter Urhausen – Attorney	Pacifica

Staff Present – ABAG PLAN Corporation

Marcus Beverly, ABAG PLAN Risk Manager
Gertruda Luermann, PLAN Risk Management Analyst
Carol Taylor, PLAN Secretary

Mailing Address: P.O. Box 2050 Oakland, California 94604-2050 510-464-7969 Fax: 510-464-7989
Location: Joseph P. Bort MetroCenter 101 Eighth Street Oakland, California 94607-4756

1. **CALL TO ORDER:**
   Emma Karlen called meeting to order at 10:00 a.m.

2. **PUBLIC COMMENTS:**
   There were no public comments.

3. **APPROVAL OF MINUTES: SPECIAL MEETING SEPTEMBER 10, 2008:**
   Minutes of Special Meeting on September 10, 2008, approved as presented.
   /M/Steele/S/Allen//C/Unanimously approved.

4. **LAND USE SURVEY UPDATE**
   Marcus Beverly and Ken Moy presented a summary of the responses and analysis of the potential for inverse tail claims. All but three members have responded, representing 95% of total the exposure by premium. Moy estimated of the 30 reported claims or expected claims approximately 50% have some potential, and of the 300 current applications and actions reported approximately 10% have some potential.

   The results reflect the exposure to regulatory inverse claims varies but currently is greatest among 6-8 members. The factors differ for each member but include coastal restrictions, limited growth ordinances, zoning restrictions, and amount of developable land. In spite of the disputes that can arise from these issues members have found ways to reach compromise in most cases.

   Estimating the financial exposure to the PLAN from those disputes that ultimately become lawsuits is difficult to determine. Legal expenses from single family home disputes have generated as much as $300,000 to $400,000 in legal fees, while those from larger developments have generated as much as $3 to $4 million.

   Beverly reported a new pending land use controversy from the City of Half Moon Bay. Land use claims tendered to PLAN by other members include Pacifica, Morgan Hill, East Palo Alto and Benicia. One of the pending claims has been denied and recently disputed.

   While the PLAN does not cover the regulatory inverse exposure, Beverly emphasized it is in the members' best interest to promote and support best practices to avoid or minimize liability from land use decisions, in the same way PLAN does not cover but supports risk management for employment practices liability. Committee members agreed and suggested training resources for planning commissioners and council members through the League of CA Cities. Staff will send announcement reminding members of these resources and availability of grant funds to attend. Staff is also still working with member contacts to present training for PLAN members on this topic.

   No action or further direction provided at this time.

5. PROPOSED PROGRAM CHANGES:

Marcus Beverly presented the Board's proposed changes to the Liability Program to limit the exposure to inverse tail claims. A draft memo from the Board to Members outlining the proposed changes was also provided. The committee was asked to review the recommendation and provide direction for presentation to the members' governing bodies for approval.

Committee members discussed the proposed changes and the barriers to implementation, including the complicated nature of the issues and the difficulty of getting all the member city managers together to agree on a solution they could recommend to their councils. Given the Board's split vote for the proposal and the nine members who weren't represented at the meeting, the members expressed concern that moving forward with the proposal would be an exercise in futility.

This concern was supported by the fact that the Committee members themselves could not reach a consensus on a proposal. However, members recognized the need to take some steps before the next Board meeting and discussed among themselves what they felt they could support at this time. Members discussed the pros and cons of various member positions, ranging from doing nothing to dissolving the pool if nothing is done. Members recognized that leaving or dissolving would not eliminate member exposure to tail claims but expressed confidence that the exposure has been eliminated going forward.

The members ultimately decided the best solution may be an interest based facilitation conducted by an outside expert who can lead members in a discussion of their interests, rank them, and help the members achieve consensus on what to do. If a member feels it is in their best interest to leave the pool if the Board's current proposal is not enacted, they can explain why and members can have a chance to decide what can or should be done to reach a consensus.

The Committee made the following recommendation for the Board. The Executive Committee took up the recommended Board action and discussed how best to implement it. Recognizing their was lack of consensus among the Committee members regarding the proposal, and the fact not all members were present to vote on it, the Committee recommends the Board reconsider its recommendation and members participate in an interest-based facilitation at the October meeting, with an open invitation to all member city managers to participate in the discussion. /M/Mason/S/Quick/C/unanimously approved.

6. PLANNING AND OBJECTIVES FOR 2009

Marcus Beverly provided an overview of plans and goals for 2009, including changes to the claims staff, procedures, and software conversion. Included was a discussion of proposed changes to the Memorandum of Coverage to include plaintiff attorney fees in the definition of covered damages.

7. OTHER BUSINESS:
The next meeting date was changed to May 14, 2009.

8. ADJOURNMENT:
Meeting was adjourned at 12:20 p.m. by Emma Karlen.

Respectfully Submitted,

Marcus Beverly
Risk Manager & Secretary
ABAG PLAN Corporation

/cj

Agenda Item 4.

Staff Report

May 4, 2009

To: Executive Committee
From: Marcus Beverly, Risk Manager
Re: Nomination of Officers and Committee Schedule FY 2009/2010

Recommendation

Staff requests the Committee nominate officers, recommend committee appointments, and approve the recommended committee schedule for FY 2009/2010.

Election of Officers

The PLAN Bylaws, Article IX, Section 2., Election of Officers, states: "At the first meeting of the Board of Directors, and at each annual meeting thereafter, nominations for the officers shall be made and seconded by a director. If more than two (2) names are received in nomination for any one office, balloting shall occur until a nominee receives a majority of the votes cast; provided that after the first ballot the nominee receiving the fewest votes shall be dropped from the balloting.

Each officer shall serve a one (1) year term. Any officer except the Chair and Vice-Chair may succeed himself/herself and may serve any number of consecutive or non-consecutive terms. The Chair and Vice-Chair may succeed himself-herself, only if his/her term was filled as a result of a vacancy in the office."

Nomination Committee

The Executive Committee is the nomination committee for both the Chair and Vice Chair positions for the coming policy year. The Chair also may entertain nominations from the floor during the nomination process at the annual meeting. Staff requests the committee members solicit nominations to submit to the Board.

Committee Appointments

Executive Committee.

A standing committee consisting of nine members: the Chair and Vice-Chair of the Board, the Chair of each standing committee, or if the chair of a standing committee is the Chair or Vice-Chair of the Board, a representative of such standing committee appointed by the committee and three at-large members of the Board elected by the Board.

At the last meeting of the Actuary Committee, Gary Broad of Ross was nominated and appointed to be the Committee's representative to the Executive Committee. Pending the election of the Chair and Vice Chair, there are no Executive Committee appointment vacancies. Committee members filling the at-large positions are asked to confirm if they will seek election for FY 09-10.

Other Committee Appointments

Staff wants to encourage membership on all the committees and prefers to have an odd number of participants to help with obtaining a quorum. The minimum number of members required for all but the Executive Committee is three, but there have been five, seven, or nine members on committees, depending on interest. When a new person is added that makes the total even, staff recruits for another member.

The Risk Management Committee at one time was up to nine members but currently has seven. Otherwise, there are no current vacancies.

Committee Schedule for FY 2009-10

Staff requests the committee review the attached listing of committee members and the regular meeting schedule for FY 2009-10.

The Board's annual planning meeting is tentatively scheduled for October 29-30, 2009. Per the Committee's direction at its last meeting, staff is arranging for a facilitated interest-based discussion of the issues related to the Inverse Tail Exposure. Details to follow in Agenda Item 10.

Requested Action:

Staff requests the committee nominate officers, approve the meeting schedule, and provide direction regarding the committee members for FY 09-10.

Association of Bay Area Governments

PLAN CORPORATION

Pooled Liability Assurance Network

Committee Listing &
Regular Meeting Dates
FY 2009/10

	Date	Time	Location
Board Of Directors			
Laura Allen, Chair, Colma	**10/29-30/09**	**9:30 a.m. to 4:30 p.m.**	**TBD**
TBD, Vice Chair	**6/16/10**	**11:30 a.m. to 4:30 p.m.**	**TBD**
Executive Committee	**5/13/10**	**10:00 a.m. to 1:30 p.m.**	**ABAG**
Laura Allen, Chair, Colma			
TBD, Vice Chair,			
Jim Steele, Finance Committee Chair, South San Francisco			
Shawn Mason, Claim Committee Chair, Los Gatos			
Gary Broad, Actuary Rep, Ross			
Jeff Killian, Risk Management Rep, Millbrae			
Cecilia Quick, at-large, Pacifica			
Julie Carter, at-large, Dublin			
Herb Lester, at-large, Suisun City			
Risk Management Committee			
Laura Allen, Chair, Colma			
Kristi Chappelle, Foster City	**10/7/09**	**10:00 a.m. to 1:00 p.m.**	**ABAG**
Jeff Killian, Millbrae			
Julie Carter, Dublin	**4/14/10**	**10:00 a.m. to 1:00 p.m.**	**ABAG**
Lee Ann McPhillips, Gilroy			
Julia Rasulova, San Carlos			
Herb Lester, Suisun City			
Vacant			
Vacant			
Actuary Committee	**4/29/10**	**10:00 a.m. to 1:00 p.m.**	**ABAG**
Emma Karlen, Chair, Milpitas			
Paul Rankin, Dublin			
Bronda Silva, American Canyon			
Gary Broad, Ross			
Alvin James, East Palo Alto			
Barbara Powell, Saratoga			
Jesus Nava, Burlingame			
Claim Committee	**2/3/10**	**10:00 a.m. to 1:00 p.m.**	**ABAG**
Shawn Mason, Chair, San Mateo			
Orry Korb, Los Gatos			
Gary Galliano, Newark			
Pamela Thompson, San Bruno			
Heather McLaughlin, Benicia			
Jim Steele, South San Francisco			
LeeAnn McPhillips, Gilroy			

Finance Committee	**3/24/10**	**10:00 p.m. to 1:00 p.m.**	**ABAG**

Jim Steele, Chair, South San Francisco
Emma Karlen, Milpitas
Jesse Takahashi, Campbell
Jim O'Leary, San Bruno
Jesus Nava, Burlingame

Police Chief Steering Committee	**3/17/10**	**10:00 a.m. to 1:00 p.m.**	**ABAG**

James Saunders, Chair, Pacifica
Sandra Spagnoli, Benicia
Ray Samuels, Newark
Jack Van Etten, Burlingame
Donald O'Keefe, Half Moon Bay
Greg Rothaus, San Carlos
David Gullo, Campbell - vacant

Agenda Item 5.

5. Management Proposal ** Action
Marcus Beverly, Director of Risk Management, will present a proposal for management of the PLAN for FY 09-10.

Report to be provided at the meeting.

Agenda Item 6.A.

Staff Report

Date: May 4, 2009
To: Executive Committee
From: Marcus Beverly
Re: Funding Policy Revisions

Recommendation: Staff recommends the committee approve changes to the Funding Policy as outlined below.

Background: the PLAN has a Funding Policy to guide the Actuary Committee and Board in making decisions regarding the Liability Program funding. The Policy states the Actuary Committee should review the policy annually. At the last Board meeting members approved a formula for allocating losses among the members in the event of the PLAN's termination. Staff is making a recommendation to amend the Policy to include the formula.

Analysis: the PLAN's Revised Risk Coverage Agreement, Article XII Termination and Distribution, Section 12.2, states:

> Upon termination of this Agreement, the Corporation shall cause an actuarial consultant to prepare a report setting forth each Member Entity's retained equity and a formula for determining, or a determination of, the amount due from each Member Entity to cover all claims for which such Member Entity is responsible for each Program in which it is a participant plus all costs reasonably determined by the Board to be necessary to wind up.

After extensive analysis and review, on October 22, 2008, the Board approved a formula for determining a Member's share of assets or liabilities upon termination of the PLAN. The formula and additional definitions related to it should be added to the Funding Policy to reflect this decision. Attached is the Funding Policy with the proposed revisions.

In addition, the PLAN actuary recommended slight modifications to the definitions of Expected Liabilities and Expected Losses to be statistically more precise.

Requested Action: staff requests the Committee review and approve the Funding Policy revisions to reflect the Board's decision regarding allocation of losses in the event of termination.

Deleted: June 11,

Deleted: 8

Deleted: Page 1¶

ABAG PLAN Corporation
Funding Policy
Adopted May 22, 2002
Revised May 19, 2004
Revised June 11, 2008
Draft 2009

1.0 Policy

It is the policy of the ABAG PLAN Corporation (PLAN) to prudently fund its programs to maintain sufficient assets to pay all losses, avoid substantial fluctuations in assets or deposits, and provide risk management services tailored to each member. We will achieve this through the most efficient mix of insurance, self-insurance and risk management resources.

2.0 Scope

This funding policy applies to activities of the PLAN with regard to funding the financial assets of the Liability Program. Terms with special meaning are defined in the "Definitions" section of this policy.

3.0 Objectives

It is the objective of this policy to provide a system which will accurately monitor and forecast losses and funding levels so that the PLAN can maintain sufficient assets to meet its obligations. Funding of the programs will be in accordance with sound actuarial methods and management principles with the following priorities:

1. Sufficient assets to pay expected losses
2. Stability of funding to avoid substantial fluctuations in deposits or assets
3. Support risk management programs to benefit all members

3.1 Sufficient Assets

The PLAN shall utilize Expected Liabilities, projected discounted liabilities at an actuarially determined Confidence Level (CL) of approximately 50%, when reporting liabilities for purposes of audited financial statements.

The PLAN calculates reserves for Unallocated Loss Adjustment Expenses (ULAE) at 10% of undiscounted Expected Liabilities.

The PLAN maintains a Risk Margin Fund with assets equal to the difference between Expected Liabilities plus ULAE and discounted liabilities at a 90% CL.

Deleted: June 11,
Deleted: 8
Deleted: Page 1¶

The PLAN may return Net Assets to members only to the extent assets will remain at least equal to discounted liabilities at a 90% CL.

Upon termination of the PLAN, any remaining assets or liabilities per member shall be calculated using the Termination Formula attached as Exhibit A.

The PLAN shall calculate its initial Program Year deposits at a minimum of Expected Losses (50% CL) for that year.

The initial Program Year deposit shall include amount needed, if any, to maintain total assets at least equal to Expected Liabilities.

With respect to initial Program Year Deposits, assessments, or returns, the Executive Committee is granted the authority to utilize an actuarial degree of confidence other than that noted above when it is appropriate to do so based upon evaluation of the following criteria:

- Favorable or unfavorable program funding issues that need to be addressed
- Insurance market conditions
- Legislative issues expected to impact the liability environment or pool management, and
- Risk exposures that impact the viability of the program

3.2 Stability of Funding

The PLAN maintains a Self-Insured Retention (SIR) Fund consisting of assets greater than discounted liabilities at a 90% CL. This fund enables the PLAN to prudently raise or lower the program's SIR &/or total Deposits depending on market conditions and loss experience. It's also used as a catastrophe reserve and to fund risk management programs.

The PLAN shall maintain a Net Asset to SIR ratio of at least 3:1.

The PLAN shall maintain an SIR Fund Balance to SIR ratio of at least 2:1.

The PLAN shall maintain a Net Program Year Deposit to Net Asset Ratio of 1:1 or less.

The PLAN shall maintain an Expected Liabilities to Net Asset ratio of 1.5:1 or less.

The PLAN shall consider transferring risk through insurance or other alternatives to protect assets from falling below the recommended ratios or Expected Liabilities at a 70% CL.

3.3 Support Risk Management Programs

The PLAN shall allow the use of funds to provide risk management services for the members.

4.0 Delegation of Authority

ABAG is designated as funding manager of the PLAN and is responsible for ensuring all funding activities are within the guidelines of these policies. ABAG shall develop and maintain administrative procedures for the operation of the funding program, with resources allocated to analyze and recommend a funding strategy for each Program Year.

5.0 Reporting

Deleted: June 11,

Deleted: 8

Deleted: Page 1¶

The Risk Manager will submit a yearly report which summarizes Ultimate Net Losses, funding levels, funding options for the upcoming Program Year, and how well the PLAN is achieving its funding goals and benchmarks.

6.0 Funding Program Benchmarks:

The PLAN shall seek to maintain the following benchmarks in choosing funding options:

- Yearly Deposits at least equal to Expected Losses (50% CL), with goal of 70% CL
- Net Assets to SIR ratio at least 3:1, with goal of 5:1.
- SIR Fund to SIR ratio at least 2:1, with goal of 3:1.
- Expected Liabilities to Net Asset ratio of 1.5:1, with goal of 1:1 or less.
- Net Deposit to Net Asset ratio of 1:1, with goal of 0.5:1 or less.
- Maintain Risk Margin Fund at 90% CL

7.0 Policy Adoption

The PLAN's funding policy shall be adopted by resolution of the Board of Directors. The policy shall be reviewed annually by the Actuary Committee and any modification made thereto must be approved by the Board.

8.0 Definitions

Claim Reserves: estimate of the funds needed to pay for known claims against a member that have been reported to the PLAN. The PLAN will establish a reserve for each open claim.

Confidence Level (CL): statistical term used to express the degree to which an actuarial projection (usually Ultimate Net Loss or IBNR) will be an accurate prediction of the dollar losses ultimately paid for a given Program Year or combination of Years. The higher a CL the greater surety the actuary has that losses will not exceed the dollar value used to attain that CL.

Deposit: the amount charged either individually or collectively to the pool members to cover the loss expenses of a given Program Year.

Expected Liabilities: Claim Reserves + IBNR, discounted, at an actuarially determined Confidence (CL) level of approximately 55% to 60%, for all Program Years. Same as Reserves for Claims and Claims Adjustment Expenses on Statement of Net Assets.

Expected Losses: actuarial projection of Ultimate Net Loss for a Program Year, discounted, at a Confidence (CL) level of approximately 55% to 60%.

Deleted: 50% confidence level.

Incurred But Not Reported (IBNR) Claims: estimate of the funds needed to pay for covered losses that have occurred but have not yet been reported to the member and/or PLAN. IBNR claims include (a) known loss events that are expected to become claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported.

Deleted: June 11,
Deleted: 8
Deleted: Page 1¶

Loss Adjustment Expenses: expenses incurred in the course of investigating and settling claims.

- **Allocated loss adjustment expenses (ALAE)** include costs or expected costs directly attributable to a specific claim, such as attorney, expert, or damage appraisal fees.
- **Unallocated loss adjustment expenses (ULAE)** include costs or expected costs that are not directly attributable to a specific claim but are related to claims settlement, such as salaries, supplies, and other costs of the PLAN's claims administrator.

Net Assets: total assets less total liabilities. Refer to audited financials Statement of Net Assets.

Ultimate Net Loss: the sum of claims paid to date, Claim Reserves and IBNR, all within the program's pooled layer or SIR. Estimate of the total value of all claims that will ultimately be made against members for which the PLAN is responsible.

Deleted: June 11,
Deleted: 8
Deleted: Page 1¶

EXHIBIT A

TERMINATION FORMULA

Upon termination of the PLAN, Net Assets per member shall be calculated by historical program year as follows:

NA = P + I - WPL - XS - LP - D + FI - WCR - IBNR - ULAE
where WPL = (PL250 x CF) + PLP x %P
and WCR = (CR250 x CF) + PCR x %P

The total of Net Assets for all historical program years is the member's total Net Assets.

Terms and Methodology Defined:

(NA) Net Assets - The amount of assets remaining after all liabilities are subtracted.

(P) Premium - These are the actual amounts collected from individual members for loss premium only, which are summed up to arrive at the fiscal year totals.

(I) Investment Income - These are fiscal year totals, which are allocated to each individual member based upon a pro-rata percentage of premiums paid (%P).

WPL Calculation Terms

(PL) Paid Losses - These are the actual loss amounts for individual members paid from the ABAG layer (i.e. above deductible). This amount includes claim settlement amounts and associated legal expenses. Claims administration is not included.

(PL250) $250K Capped Paid Losses - These are the actual loss amounts for individual members paid from the ABAG layer (i.e. above deductible), but with paid losses on each claim capped at $250,000 before applying the deductible. This amount includes claim settlement amounts and associated legal expenses. Claims administration is not included.

(CF) Credibility Factor - An actuarially determined measure of weight to be given to an individual member's loss experience, based upon its relative size compared to other members, based on payroll. The credibility factor for each historical year is the factor used for calculating the loss premium for each historical year.

(PLC) Capped Paid Losses - This is the product of $250K Capped Paid Losses (PL250) and the credibility factor (CF) for each member.

(PLP) Pooled Paid Losses - This is the difference between the total of paid losses (PL) for all members, and the total of capped paid losses (PLC) for all members, which is allocated to each individual member based upon a pro-rata percentage of premiums paid (%P).

(WPL) Weighted Paid Losses - This is the sum of capped paid losses (PLC) and pooled paid losses (PLP).

(XS) Excess Insurance - These are fiscal year totals, which are allocated to each individual member based upon a pro-rata percentage of premiums paid (%P) for fiscal years 2004-05 and prior; and based upon population for 2005-06 and later fiscal years. Population figures are those utilized in the annual premium calculation.

(LP) Loss Prevention Expenses - These are fiscal year totals, which are allocated to each individual member based upon a pro-rata percentage of premiums paid (%P).

Deleted: June 11,

Deleted: 8

Deleted: Page 1¶

(D) Dividends - These are the actual amounts distributed to individual members, which are summed up to arrive at the fiscal year totals.

(FI) Future Investment Income - These are estimated fiscal year totals anticipated based upon the actuarial reserve discount assumptions, which are allocated to each individual member based upon a pro-rata percentage of premiums paid (%P).

WCR Calculation Terms

(CR) Case Reserves - These are the actual loss amounts for individual members reserved in the ABAG layer (i.e. above deductible). This amount includes claim settlement amounts and associated legal expenses. Claims administration is not included.

(CR250) $250K Capped Case Reserves - These are the actual loss amounts for individual members reserved in the ABAG layer (i.e. above deductible), but with paid and incurred losses on each claim capped at $250,000 before applying the deductible. The $250K capped case reserve is the difference between the capped incurred and capped paid.

(CF) Credibility Factor - An actuarially determined measure of weight to be given to an individual member's loss experience, based upon its relative size compared to other members, based on payroll. The credibility factor for each historical year is the factor used for calculating the loss premium for each historical year.

(CRC) Capped Case Reserves - This is the product of $250K Capped Case Reserves (CR250) and the credibility factor (CF) for each member.

(CRP) Pooled Case Reserves - This is the difference between the totals of case reserves (CR) for all members, and the total of capped case reserves (CRC) for all members, which is allocated to each individual member based upon a pro-rata percentage of premiums paid (%P).

(WCR) Weighted Case Reserves - This is the sum of capped case reserves (CRC) and pooled case reserves (CRP).

(WIL) Weighted Incurred Losses - This is the sum of weighted paid losses (WPL) and weighted case reserves (WCR) for each member.

(IBNR) Incurred But Not Reported Reserves - This is the bulk total actuarial reserve, which is allocated to each individual member based upon a pro-rata percentage of weighted incurred losses (%WIL).

(WR) Weighted Reserves - This is the sum of weighted case reserves (WCR) and incurred but not reported reserves (IBNR) for each member.

(ULAE) Unallocated Loss Adjustment Expense Reserves - This is calculated in total as 10% of the total of weighted case reserves (WCR) and incurred but not reported reserves (IBNR), which is allocated to each individual member based upon a pro-rata percentage of weighted reserves (%WR).

Agenda Item 6.B.

Staff Report

Date: May 4, 2009
To: Executive Committee
From: Marcus Beverly
Re: Funding Recommendations for FY 09-10

Recommendation: Staff recommends the committee approve funding levels for the Liability and Property Programs as outlined below.

Background: the PLAN has a Funding Policy to guide the Actuary Committee and Board in making decisions regarding the Liability Program funding. This report compares the actuarial analysis with our Funding Policy to gauge our success in meeting our goals and recommend funding for next year. Attached to this report are select pages from the actuary report for discussion.

Analysis – Outstanding Liabilities

The changes in assets, liabilities, funding and funding ratios are in the table on the next page. Key changes and discussion points include:

- Assets Increased 7%, or $3 Million (M)
- Liabilities Decreased 7.5% to $16M
- Net Assets Increased by 17%, or $4.3M
- SIR Fund Increased by 28.5%, or $4.8M

The projected results are a complete turnaround from last year, which saw decreases of similar amounts in all the above categories except outstanding liabilities. Most significantly, Estimated Ultimate Losses decreased by $2M in spite of a $4.9M increase in 1992-93 due to the Half Moon Bay settlement (p.22 of actuary report, attached). The decreases in more recent years offset the one increase and are a good sign that losses may continue the decline since their peak in 2002-03, with both 03-04 and 04-05 currently expected to be below average years. However, members should also be aware of the potential for another big change in one of the prior years due to the Inverse Tail Exposure that was the main subject at the last Board meeting.

The projected results are well within the benchmarks for a $5M SIR and are again approaching levels needed to support a $10M SIR, if necessary. Staff does not anticipate pressure to raise the SIR for 09-10 since the insurance market is expected to be relatively stable.

ABAG PLAN						
Financial Statement Comparison	**Actual 6/30/2008**	**Projected 6/30/2009**	**Difference 2008 to 09**	**% Change 2008 to 09**	**% Change 2007 to 08**	**Difference 2007 to 08**
Assets	**$ 42,190,319**	**$45,240,000**	**$ 3,049,681**	**7%**	**-8.7%**	**($4,002,578)**
Less						
Liabilities at 50% CL	**$ 17,237,688**	**$15,939,000**	**$(1,298,688)**	**-7.5%**	**0.9%**	**$148,688**
Equals						
Net Assets	**$ 24,952,631**	**$29,301,000**	**$4,348,369**	**17.4%**	**-14.3%**	**($4,151,266)**
Less						
Risk Margin Fund (to 90% CL)	**$7,953,000**	**$7,459,000**	**($494,000)**	**-6.2%**	**2.8%**	**$216,000**
Equals						
Self-Insured Retention Fund	**$ 16,999,631**	**$21,842,000**	**$4,842,369**	**28.5%**	**-20.4%**	**($4,367,266)**
Benchmarks (Min & Goal Ratio)						
Net Assets/$5mil SIR (3-5:1)	**4.99**	**5.86**	0.87	**17.4%**	**-14.3%**	
Net Assets/$10mil SIR (3-5:1)	**2.50**	**2.93**	0.43	**17.4%**	**-14.3%**	
SIR Fund/$5mil SIR (2-3:1)	**3.40**	**4.37**	0.97	**28.5%**	**-20.4%**	
SIR Fund/$10mil SIR (2-3:1)	**1.70**	**2.18**	0.48	**28.5%**	**-20.4%**	
Liabilities to Net Assets Min 1.5:1, Goal 1:1 or less	**0.69**	**0.54**	-0.15	**-21.3%**	**17.7%**	
Net Premium to Net Assets *Min 1:1, Goal to 0.5:1 or less*	**0.20**	**0.17**	-0.03	**-14.8%**	**26.2%**	

Analysis – Funding for FY 09-10

The projections for FY09-10 funding are very stable for a variety of reasons, including no projected increase in administrative expenses and a drop in the loss rate. Total funding is projected to be $8.3M, an increase of less than 1%. This is in spite of an overall increase of 4% in member payroll.

The loss funding rate decreased from $1.03 per $100 of payroll to $1.01, continuing the decline since 2006-07, when the rate was $1.10 per $100 of payroll. Administrative expenses are expected to remain at $2.5M due to an unfilled vacancy.

Funding Analysis	**08-09**	**09-10**	**Difference 2008 to 09**	**% Change 08 to 09**	**% Change 07 to 08**
Loss Funding + XS (Min & Goal = 50% to 70% CL)	$5,738,000	$5,801,000	$63,000	1.1%	4.8%
Admin Funding	$2,500,000	$2,500,000	$0	0.0%	4.2%
Total Funding	**$8,238,000**	**$8,301,000**	**$63,000**	**0.8%**	**4.6%**

Last year one of the biggest changes in the actuary calculations was the cost to self-fund the coverage layers above $5M, with an increase of 87% and $572,000 at the 95% Confidence Level (CL). See "Change 07 to 08" column in table below. This year the estimates have decreased by 10% at every level, making the excess insurance costs relatively higher but still expected to be about the same as the cost to self-fund at a 70% CL. Members agreed to purchase a total of $20M xs $5M retention for FY 08-09, at a cost of $740,000. The price for the same coverage for FY09-10 is expected to increase about 5%, to approximately $775,000.

ABAG PLAN Liability Program	2007-08	2008-09		2009-10	
Funding of $5M to $20M Layer	**Total $15M xs $5M**	**Total $15M xs $5M**	**Change 07 to 08**	**Total $15M xs $5M**	**Change 08 to 09**
Expected Loss and ALAE	**$431,000**	**$ 805,000**	**$ 374,000**	**$ 724,000**	**$ (81,000)**
Discounted Loss and ALAE at 4.0%	**$380,000**	**$710,000**	**$330,000**	**$638,000**	**$ (72,000)**
70% CL Margin	**$439,000**	**$819,000**	**$380,000**	**$736,000**	**$ (83,000)**
80% CL Margin	**$495,000**	**$923,000**	**$428,000**	**$830,000**	**$ (93,000)**
90% CL Margin	**$583,000**	**$1,085,000**	**$502,000**	**$974,000**	**$(111,000)**
95% CL Margin	**$664,000**	**$1,236,000**	**$572,000**	**$1,110,000**	**$(126,000)**
Percent Change YR to YR			**87%**		**-10%**
Excess Insurance @ $700,000					

<u>Funding Recommendations</u>

SIR of $5M: staff recommends keeping the SIR at $5M due to a number of factors, including the relatively stable insurance market, the uncertainty over the Inverse Tail Exposure, an expected increase in the amount of risk management grants, and benchmarks that are not quite up to funding a $10M SIR.

Funding at 50% CL: staff recommends the PLAN maintain funding at a 50%CL for 09-10, discounted at 4%. Members continue to rely on the SIR Fund as leverage to maintain funding at a 50%CL rather than the goal of 70%. The PLAN should continue to earn investment income of at least 4% during FY 09-10, though returns will likely be less than the current 4.6%.

Insurance for Limit to $25M: staff recommends maintaining insurance of $20M xs $5M SIR to fund a $25M limit. The estimate of $700,000 used in the actuary report may be exceeded for that amount of coverage. Last year members agreed to fund the additional $40,000 from reserves to increase the limit to $25M. The premium this year is expected to be approximately $775,000.

Recommendation Summary: continue to maintain $5M SIR, funding at 50%CL discounted 4%, with excess insurance of $20M, for total limit of $25M.

<u>Property Program</u> – the property program insurance rate is expected to increase about 10% but with stable coverage terms for next year. The PLAN funds the $100,000 property pool layer at $170,000 per year, with total pool funding and insurance premiums allocated to members pro-rata based on insured values.

Last year members agreed to charge an additional $30,000 to members with properties in flood zones to fund the difference between the $100,000 deductible for most losses and the $250,000 deductible for flood losses to properties in flood zones.

Losses so far this year are below $150,000, a significant improvement from over $500,000 in pooled losses in 07-08. Net assets have increased to more than $1.7M with the recovery of over $380,000 for above-aggregate deductible losses in 2004 and 2005.

Given the improved results, staff undertook a review of the cost to broaden the pooled coverage by reducing the deductible for auto losses from $10,000 to $5,000 and paying Replacement Cost, rather than Actual Cash Value, for total losses to vehicles that are listed on the property schedule. The estimated average annual cost to provide these coverage enhancements is $26,500.

In addition, staff has analyzed the increased cost to implement a "disappearing deductible" for losses above $25,000. This will provide more recovery for the member and enable the PLAN to claim the full amount of the paid loss against the annual $250,000 aggregate deductible. A few years ago the insurer added a "stacking" provision that does not count the member's deductible as contributing to the aggregate, resulting in less recovery to the PLAN. The proposed disappearing deductible is a compromise, keeping the smaller losses from eroding the aggregate but giving full weight to the larger losses. Less than 2% of all PLAN property claims are above $25,000, with the annual cost of implementing the disappearing deductible estimated at $25,000.

If funded at their estimated annual cost the changes would increase pool funding from $200,000 (with flood funding) to $251,500. Given the program's financial health and the current strain on member budgets, staff recommends implementing the changes but deferring any increase in the overall funding. Members can afford a year or two of monitoring the costs of implementing the changes before deciding whether or not to increase funding.

Changing the deductibles will require a modification to the Property Program Memorandum of Coverage (MOC), as indicated in the attached exhibit.

Recommendation: maintain annual pooled loss funding of $170,000, with additional $30,000 for flood exposure. Total funding with insurance allocated pro-rata based on insured values.

<u>Requested Action:</u> staff requests the committee make a recommendation for FY 09-10 funding of the Liability Program based on the actuary projections and input from staff.

Staff also requests the committee approve the recommended changes to the property program and maintain the pooled funding at $170,000, allocated pro-rata by insured values.

DRAFT

Bickmore Risk Services

Leadership. Trust. Solutions.

Monday, April 6, 2009

Mr. Marcus Beverly
Director of Risk Management
Association of Bay Area Governments
101 Eighth Street
Oakland, CA 94607

Re: Actuarial Review of the Self-Insured Liability Program

Dear Mr. Beverly:

As you requested, we have completed our review of ABAG's self-insured liability program (the PLAN). We estimate the ultimate cost of claims and expenses for claims incurred during the 2009-10 program year to be $5,101,000 including allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income (assuming a $5 million retention). ALAE is basically the direct cost associated with the defense of individual claims. The discount for investment income is calculated based on the likely payout pattern of your claims, assuming a 4.0% return on investments per year. For budgeting purposes, the expected cost of 2009-10 claims translates to a rate of $1.01 per $100 payroll.

In addition, we estimate the program's liability for outstanding claims to be $15,939,000 as of June 30, 2009, including ALAE, unallocated loss adjustment expenses (ULAE), and discounted for anticipated investment income. ULAE is the remainder of the cost to administer all claims to final settlement. Given estimated program assets of $45,240,000 (including SIR Fund assets), the program is funded above the 95% confidence level (see Graph 1 on Page 8).

We understand that PLAN has designated the program's available funds above its discounted outstanding liabilities at the 90% confidence level as the SIR Fund.

From the table on the next page, at the 90% confidence level, we estimate the program's discounted outstanding liabilities to be $23,399,000. Therefore, we project the program to have surplus of $21,841,000 as of June 30, 2009.

800.541.4591 | 1831 K Street, Sacramento, CA 95814 | 3760 Kilroy Airport Way, Suite 360, Long Beach, CA 90806
www.BRSrisk.com | 916.244.1100 PHONE 916.244.1199 FAX | 562.508.4400 PHONE 562.508.4399 FAX

The $15,939,000 estimate is the minimum liability to be booked by the PLAN in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires PLAN to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

Estimated Liability for Unpaid Loss and LAE
at June 30, 2009

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$15,905,000				
ULAE	1,591,000				
Investment Income	1,557,000				
Discounted Loss and LAE	$15,939,000	$18,123,000	$19,079,000	$21,565,000	$23,398,000
Available Funding Includes SIR Fund	$45,240,000				
Redundancy or (Deficiency)	$29,301,000	$27,117,000	$26,161,000	$23,675,000	$21,842,000

GASB #10 does not address an actual funding requirement for the program, but only speaks of the liability to be recorded on the PLAN's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level.

The following chart shows our funding recommendations for PLAN for the 2009-10 fiscal year assuming $5 million, $10 million, $15 million and $20 million retention limits.

Loss and ALAE Funding Guidelines

	$5 Million	$10 Million	$15 Million	$20 Million
Expected Loss and ALAE	$5,790,000	$6,067,000	$6,306,000	$6,514,000
Discounted Loss and ALAE at 4.0%	5,101,000	5,345,000	5,556,000	5,739,000
70% Confidence Level	5,887,000	6,168,000	6,412,000	6,623,000
80% Confidence Level	6,631,000	6,949,000	7,223,000	7,461,000
90% Confidence Level	7,789,000	8,162,000	8,484,000	8,763,000
95% Confidence Level	8,876,000	9,300,000	9,667,000	9,986,000

Loss and ALAE Layer Funding

	$5 Million XS $5 Million	$5 Million XS $10 Million	$5 Million XS $15 Million
Expected Loss and ALAE	$277,000	$239,000	$208,000
Discounted Loss and ALAE at 4.0%	244,000	211,000	183,000
70% CL Margin	281,000	244,000	211,000
80% CL Margin	318,000	274,000	238,000
90% CL Margin	373,000	322,000	279,000
95% CL Margin	424,000	367,000	319,000

The funding recommendations above are for losses and allocated loss adjustment expense only. They do not include any provision for claims administration, excess insurance, loss control, overhead, and other expenses associated with the program.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety – including the graphs, attachments, exhibits and appendices. Our report has been developed for the PLAN's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to PLAN in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or John Alltop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services

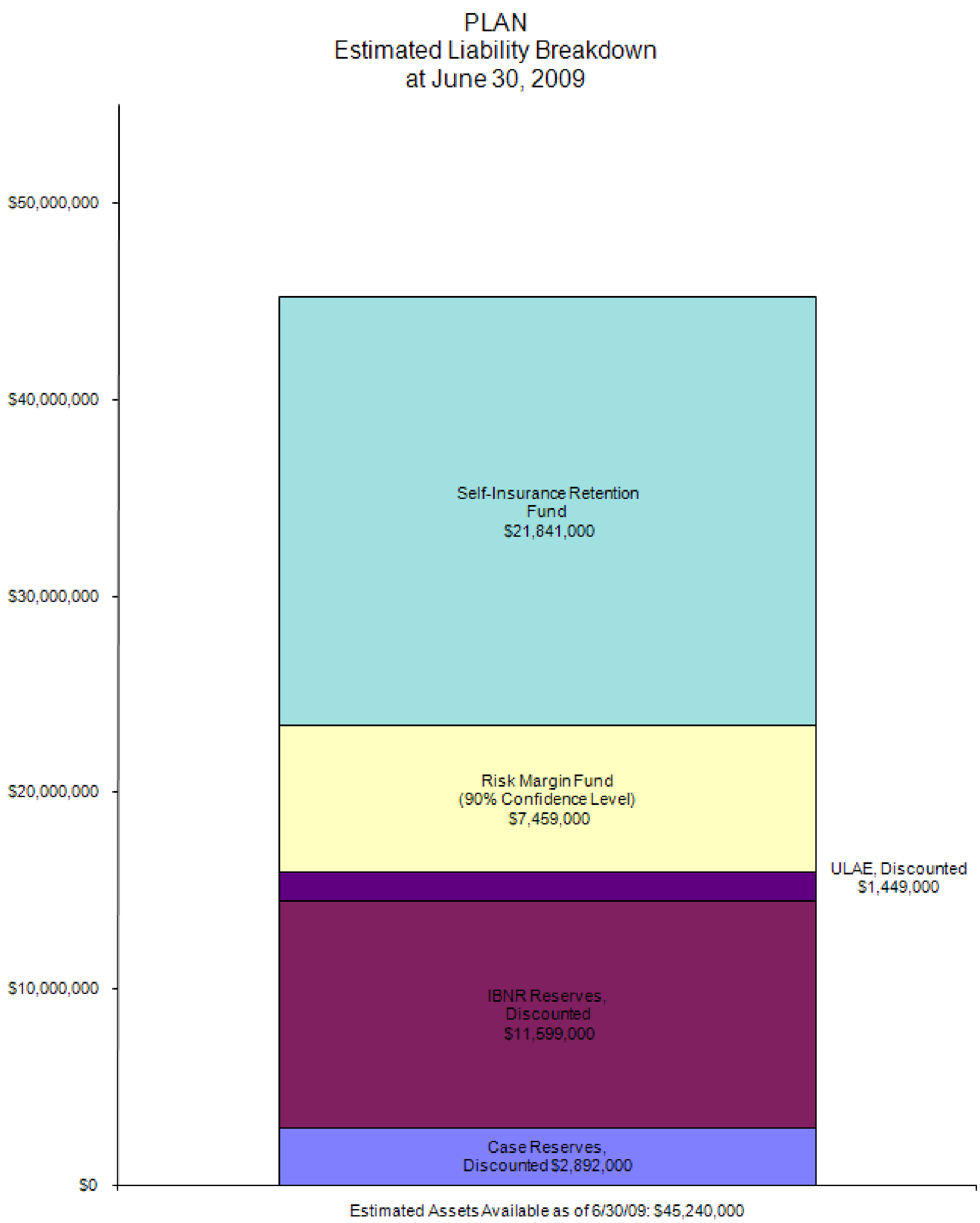
DRAFT

Mike Harrington
Director, Property and Casualty Actuarial Services, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

DRAFT

John Alltop
Managing Director, Risk Financing Practice, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

DRAFT



PLAN
Estimated Liability Breakdown
at June 30, 2009
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
Self-Insurance Retention Fund $21,841,000
Risk Margin Fund (90% Confidence Level) $7,459,000
ULAE, Discounted $1,449,000
IBNR Reserves, Discounted $11,599,000
Case Reserves, Discounted $2,892,000
Estimated Assets Available as of 6/30/09: $45,240,000

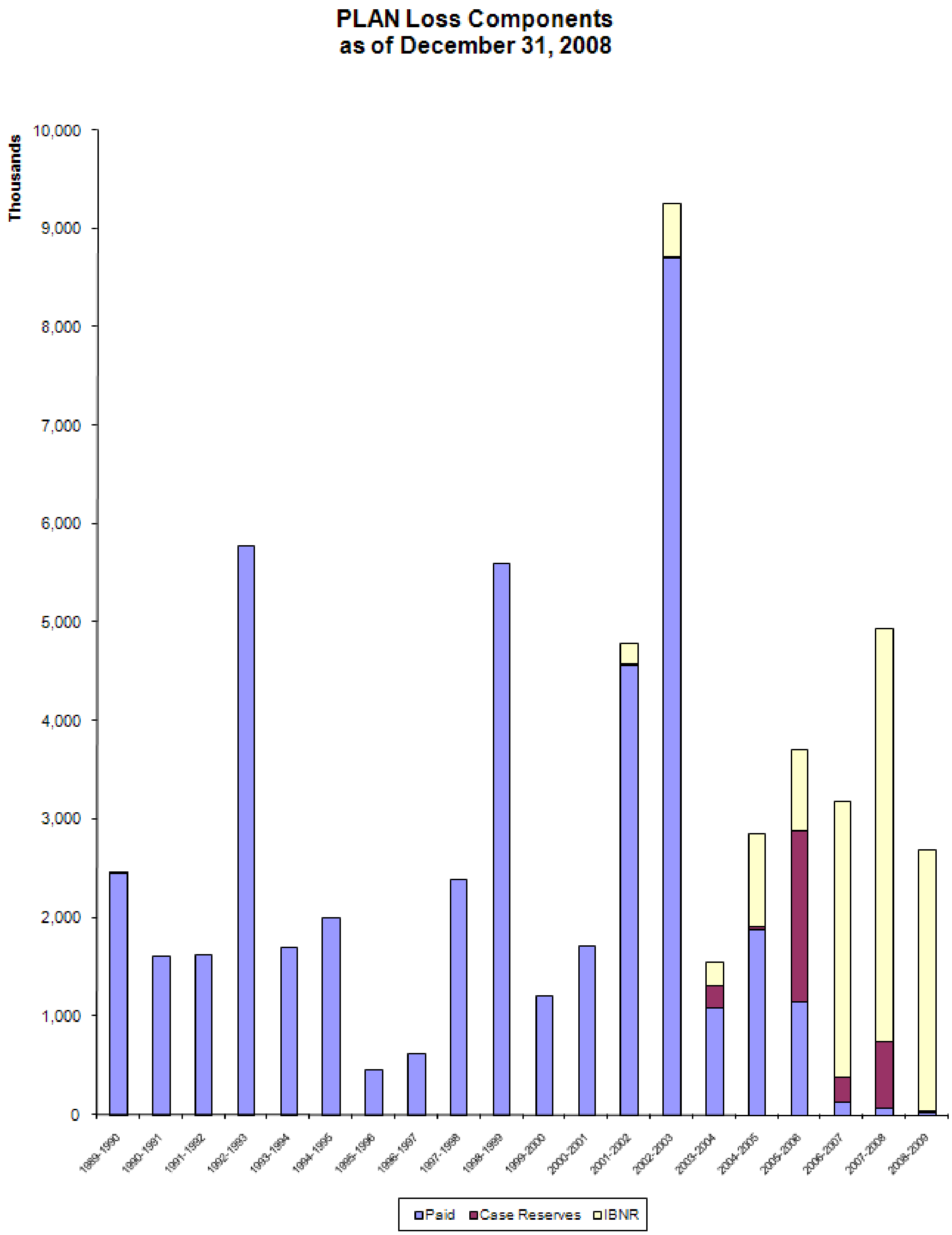
DRAFT

We provide the following allocation of deposit premiums, which include ultimate loss and ALAE assuming a $5M retention per occurrence, claims administration, other administration and excess insurance costs from $5M to $20M per occurrence at the expected confidence level on a discounted basis (4%). This is shown in further detail on Exhibit 1, page 2.

Member	Loss Funding	Excess Insurance	Expenses	Total Deposit
American Canyon	$122,749	$11,831	$52,371	$186,952
Atherton	44,070	5,533	32,468	82,071
Benicia	427,022	20,648	138,327	585,998
Burlingame	305,336	21,304	185,651	512,291
Campbell	111,821	29,639	74,985	216,445
Colma	51,456	1,154	38,529	91,138
Cupertino	119,317	40,590	51,542	211,450
Dublin	75,848	34,652	49,504	160,004
East Palo Alto	185,369	24,354	84,223	293,946
Foster City	74,396	22,367	62,909	159,672
Gilroy	242,659	37,766	107,765	388,190
Half Moon Bay	42,670	9,641	32,605	84,916
Hillsborough	167,620	7,924	71,688	247,232
Los Altos	132,322	20,664	51,260	204,245
Los Altos Hills	22,034	6,522	21,827	50,383
Los Gatos	219,778	22,140	124,532	366,450
Millbrae	112,430	15,784	79,515	207,729
Milpitas	210,330	51,232	101,294	362,856
Morgan Hill	252,343	28,943	77,708	358,994
Newark	93,957	32,378	69,227	195,561
Pacifica	331,961	29,237	98,726	459,924
Portola Valley	14,680	3,293	14,547	32,520
Ross, Town of	49,480	1,756	49,068	100,304
San Bruno	280,227	29,520	120,996	430,743
San Carlos	332,367	20,924	143,780	497,070
San Mateo	399,280	70,683	217,550	687,513
Saratoga	81,308	23,315	85,833	190,455
South SF	464,842	44,688	160,622	670,152
Suisun City	67,825	20,807	43,963	132,595
Tiburon	38,555	6,559	30,268	75,383
Woodside	26,951	4,151	26,713	57,815
Total	$5,101,000	$700,000	$2,500,000	$8,301,000

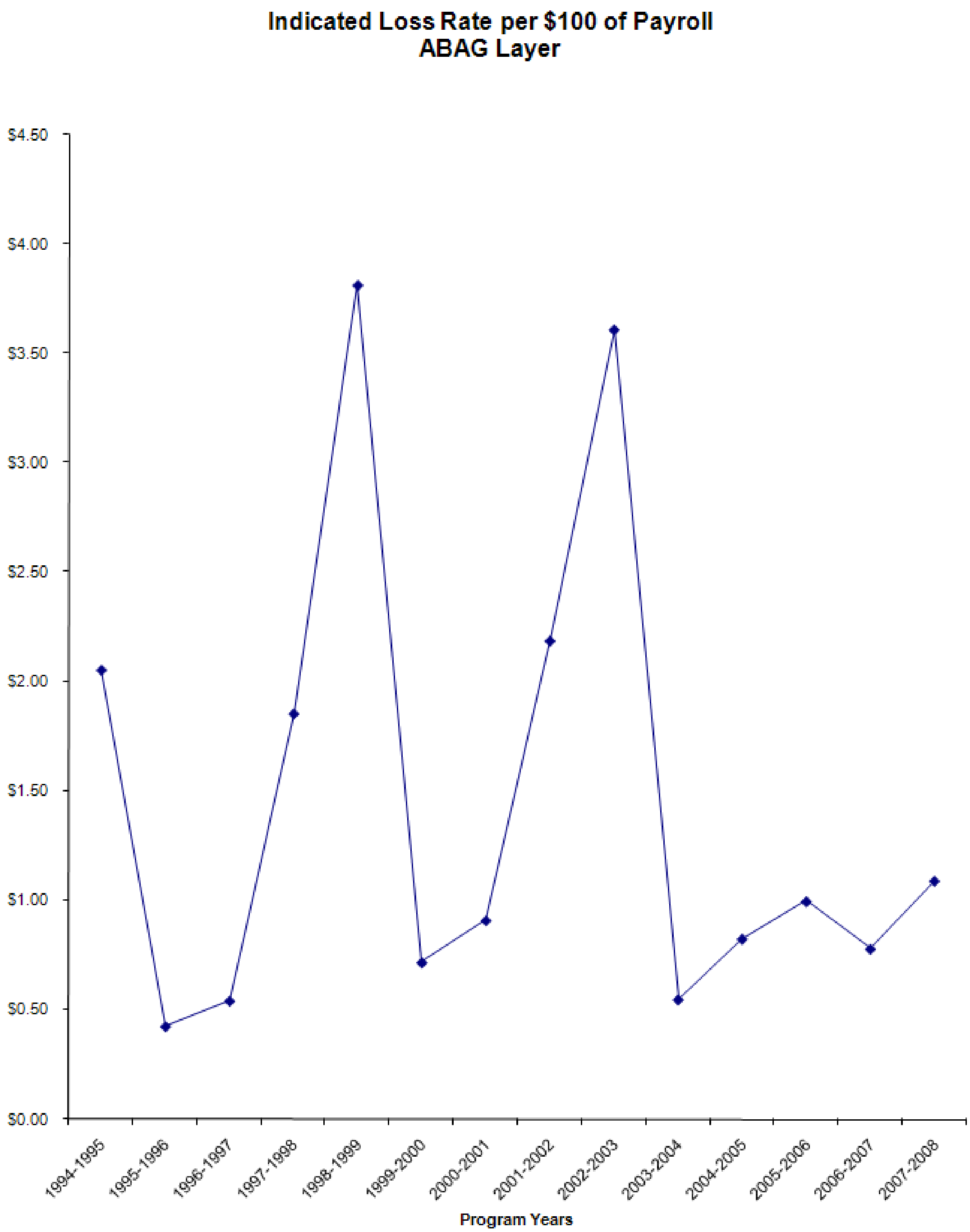
D. OTHER RESULTS

The following chart show each program year's ultimate loss broken down by paid losses, case reserves and IBNR reserves.



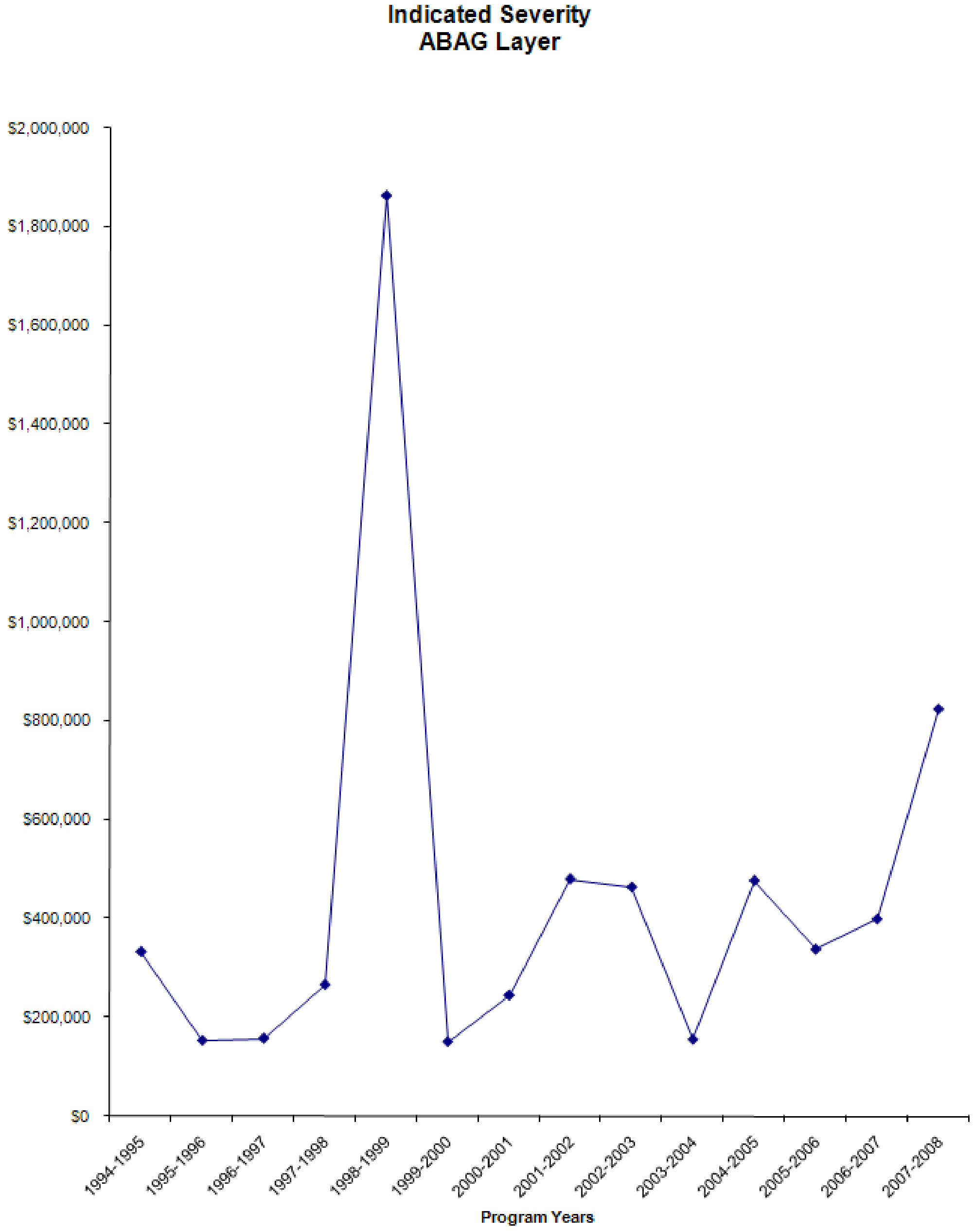
DRAFT

PLAN's historical loss rates per $100 of payroll has been highly variable in the period shown in the graph below. With the exceptions of the unusually high peaks in the 1998-99 and 2002-03 years, the program's loss rate has averaged $1.08.



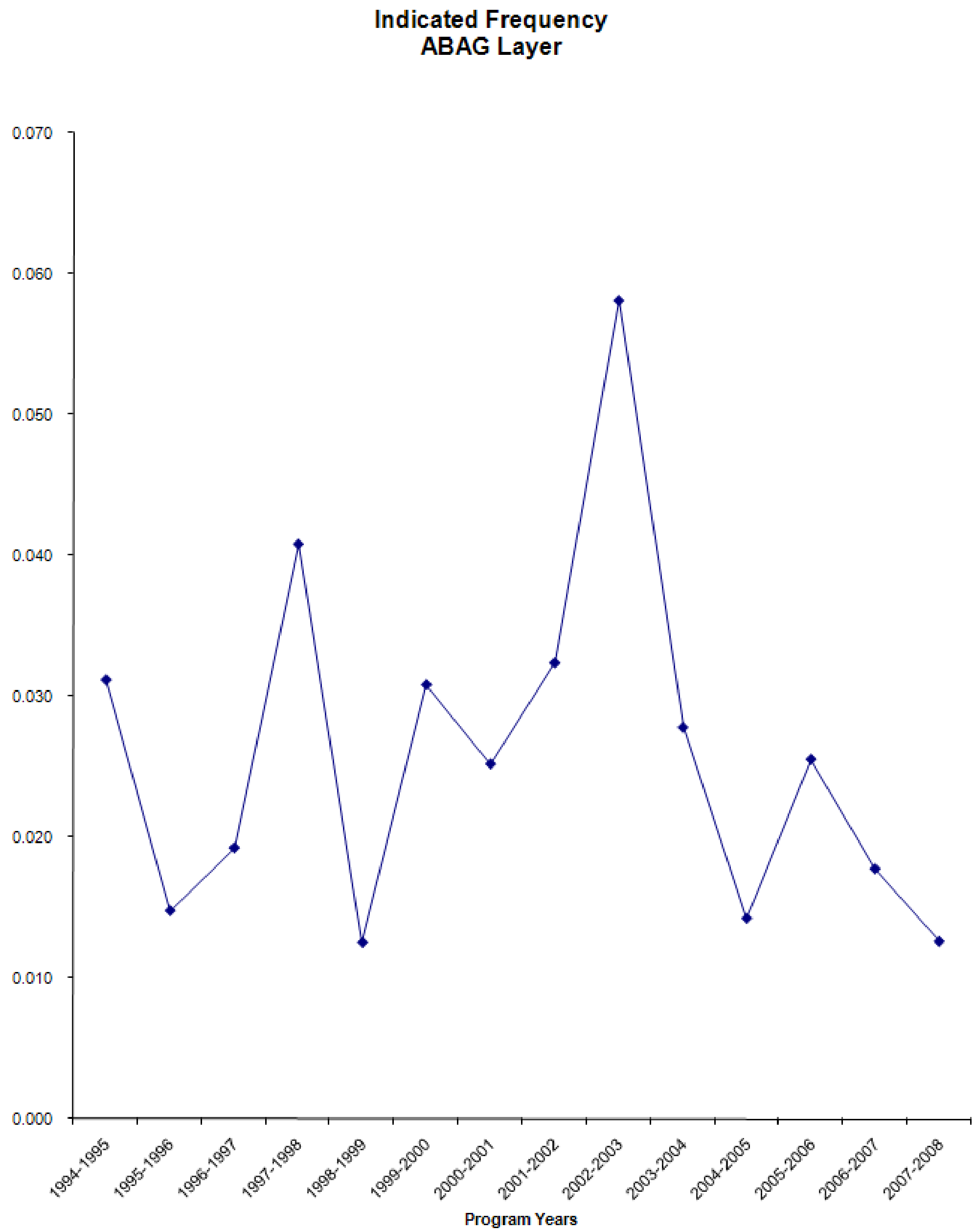
DRAFT

The program's average cost per claim has been on an upward trend over the most recent ten years. The PLAN averaged $227,000 per claim during the 1994-95 through 1997-98 years. However, the program's average cost per claim has jumped to $1,865,000 in the 1998-99 year and has averaged $338,000 between 1999-00 to 2006-07 years. It appears that 2007-08 would be much worst than recent average. The claim severities in the following chart are limited to ABAG limits.



DRAFT

PLAN's claims frequency per $1 million of payroll has also been random, due to the relatively few claims that penetrate the PLAN layer. The program's frequency was greater than 0.04 claims per $1 million of payroll twice in the past fourteen years and lower than 0.02 six times during the same period.



E. COMPARISON WITH OUR PREVIOUS RESULTS

The most recent report for PLAN was dated April 24, 2008. The following table displays a comparison of the program's ultimate losses from the prior report to the current report.

Estimated Ultimate Losses

Program Year	Prior Report	Current Report	Change
1986-88	$2,175,751	$2,175,751	$0
1988-89	560,575	560,575	0
1989-90	2,468,864	2,468,864	0
1990-91	1,610,260	1,610,260	0
1991-92	1,622,189	1,622,189	0
1992-93	835,152	5,785,152	4,950,000
1993-94	1,708,564	1,708,564	0
1994-95	1,995,329	1,995,329	0
1995-96	458,209	458,209	0
1996-97	627,703	627,703	0
1997-98	2,390,163	2,390,163	0
1998-99	5,593,878	5,593,878	0
1999-00	1,199,915	1,199,915	0
2000-01	1,788,000	1,709,846	(78,154)
2001-02	6,935,000	4,797,000	(2,138,000)
2002-03	9,310,000	9,262,000	(48,000)
2003-04	2,020,000	1,546,000	(474,000)
2004-05	3,834,000	2,859,000	(975,000)
2005-06	4,335,000	3,709,000	(626,000)
2006-07	5,244,000	3,187,000	(2,057,000)
2007-08	5,501,000	4,943,000	(558,000)
Total	$62,213,552	$60,209,398	($2,004,154)

As you can see, we have decreased our estimates of the program ultimate losses in all program years except the 1992-93 year. This is the result of favorable development on those years offset by the adverse development on the 1992-93 year.

The following table displays a comparison of the PLAN's proposed 2009-10 funding and actual 2008-09 funding by member. Both assume a $5 million retention per occurrence, excess insurance costs from $5M to $20M per occurrence, claims administration, and other administration costs.

Member	2009-10 Proposed Funding	2008-09 Actual Funding	Dollar Change	Percent Change
American Canyon	$186,952	$180,709	$6,242	3.5%
Atherton	82,071	81,900	171	0.2%
Benicia	585,998	569,973	16,025	2.8%
Burlingame	512,291	400,953	111,338	27.8%
Campbell	216,445	242,356	(25,911)	-10.7%
Colma	91,138	123,801	(32,663)	-26.4%
Cupertino	211,450	188,086	23,364	12.4%
Dublin	160,004	173,328	(13,324)	-7.7%
East Palo Alto	293,946	252,685	41,261	16.3%
Foster City	159,672	142,470	17,202	12.1%
Gilroy	388,190	369,881	18,309	5.0%
Half Moon Bay	84,916	105,333	(20,416)	-19.4%
Hillsborough	247,232	353,188	(105,956)	-30.0%
Los Altos	204,245	237,959	(33,713)	-14.2%
Los Altos Hills	50,383	50,036	347	0.7%
Los Gatos	366,450	304,343	62,107	20.4%
Millbrae	207,729	211,023	(3,293)	-1.6%
Milpitas	362,856	339,797	23,059	6.8%
Morgan Hill	358,994	370,316	(11,322)	-3.1%
Newark	195,561	188,295	7,266	3.9%
Pacifica	459,924	611,844	(151,920)	-24.8%
Portola Valley	32,520	31,351	1,170	3.7%
Ross, Town of	100,304	107,780	(7,476)	-6.9%
San Bruno	430,743	405,236	25,508	6.3%
San Carlos	497,070	459,914	37,156	8.1%
San Mateo	687,513	528,856	158,657	30.0%
Saratoga	190,455	146,504	43,951	30.0%
South SF	670,152	762,396	(92,244)	-12.1%
Suisun City	132,595	155,087	(22,492)	-14.5%
Tiburon	75,383	79,289	(3,906)	-4.9%
Woodside	57,815	63,312	(5,496)	-8.7%
Total	$8,301,000	$8,238,000	$63,000	0.8%

DRAFT

The following table displays PLAN members' 2009-10 experience modification adjustment. This is the experience modification factor minus 100%, and shows how each member performs relative to the pool average. A negative percentage indicates better than average performance, while a positive percentage indicates worse than average performance. A detailed calculation of the experience modification factors is shown in Exhibit 1, page 9.

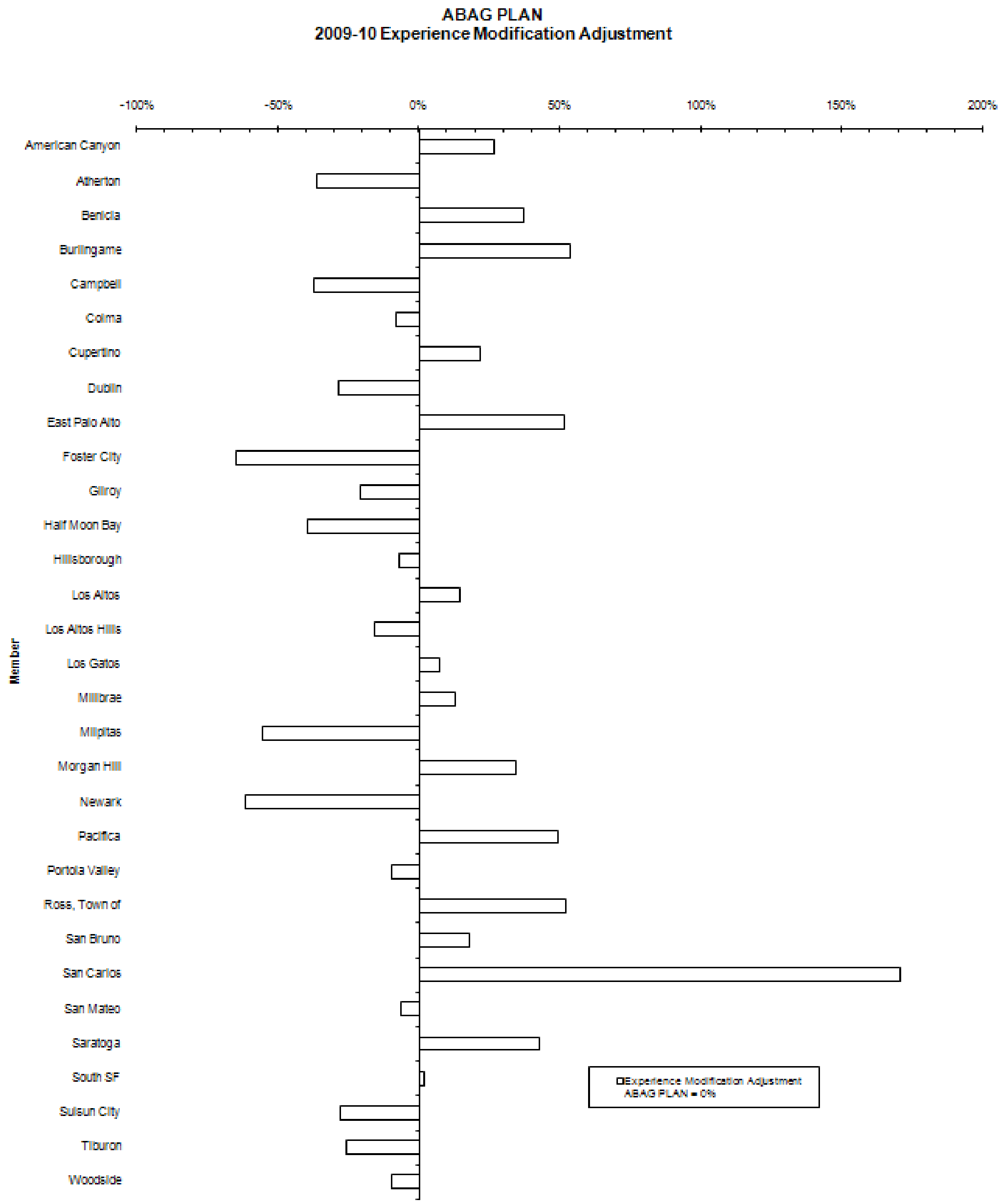


Exhibit 1
page 2a

ABAG PLAN CORPORATION

Split of 2009-10 Deposit Between Loss Funding and Administrative Expenses
$5M Retention / $20M Limit

Member (A)	Loss Funding (B)	Excess Insurance (C)	Expenses (D)	Total Deposit (E)
American Canyon	$122,749	$11,831	$52,371	$186,952
Atherton	44,070	5,533	32,468	82,071
Belvedere	na	0	0	na
Benicia	427,022	20,648	138,327	585,998
Brisbane	na	0	0	na
Burlingame	305,336	21,304	185,651	512,291
Campbell	111,821	29,639	74,985	216,445
Colma	51,456	1,154	38,529	91,138
Cupertino	119,317	40,590	51,542	211,450
Dublin	75,848	34,652	49,504	160,004
East Palo Alto	185,369	24,354	84,223	293,946
Foster City	74,396	22,367	62,909	159,672
Gilroy	242,659	37,766	107,765	388,190
Half Moon Bay	42,670	9,641	32,605	84,916
Hillsborough	167,620	7,924	71,688	247,232
Los Altos	132,322	20,664	51,260	204,245
Los Altos Hills	22,034	6,522	21,827	50,383
Los Gatos	219,778	22,140	124,532	366,450
Millbrae	112,430	15,784	79,515	207,729
Milpitas	210,330	51,232	101,294	362,856
Morgan Hill	252,343	28,943	77,708	358,994
Newark	93,957	32,378	69,227	195,561
Pacifica	331,961	29,237	98,726	459,924
Portola Valley	14,680	3,293	14,547	32,520
Ross, Town of	49,480	1,756	49,068	100,304
San Bruno	280,227	29,520	120,996	430,743
San Carlos	332,367	20,924	143,780	497,070
San Mateo	399,280	70,683	217,550	687,513
Saratoga	81,308	23,315	85,833	190,455
South SF	464,842	44,688	160,622	670,152
Suisun City	67,825	20,807	43,963	132,595
Tiburon	38,555	6,559	30,268	75,383
Woodside	26,951	4,151	26,713	57,815
Total	$5,101,000	$700,000	$2,500,000	$8,301,000

(B) (E) - (D) - (C)
(C) From Exhibit 1, page 2c.
(D) From Exhibit 1, page 2c.
(E) From Exhibit 1, page 2b.

DRAFT

Exhibit 1
page 2b

ABAG PLAN CORPORATION

2009-10 Deposit - Change from 2008-09 Deposit Limited to 30%
$5M Retention / $20M Limit

Member (A)	2009-10 Indicated Deposit (B)	2008-09 Deposit (C)	Initial Indicated Difference (D)	2009-10 Deposit Limited to 30% change (E)	Adjusted 2009-10 Deposit Limited to 30% change (F)	Adjusted Indicated Difference (G)
American Canyon	186,184	180,709	3.0%	186,184	186,952	3.5%
Atherton	81,734	81,900	-0.2%	81,734	82,071	0.2%
Belvedere	0	0	na	na	na	na
Benicia	583,593	569,973	2.4%	583,593	585,998	2.8%
Brisbane	0	0	na	na	na	na
Burlingame	510,189	400,953	27.2%	510,189	512,291	27.8%
Campbell	215,557	242,356	-11.1%	215,557	216,445	-10.7%
Colma	90,764	123,801	-26.7%	90,764	91,138	-26.4%
Cupertino	210,582	188,086	12.0%	210,582	211,450	12.4%
Dublin	159,348	173,328	-8.1%	159,348	160,004	-7.7%
East Palo Alto	292,740	252,685	15.9%	292,740	293,946	16.3%
Foster City	159,017	142,470	11.6%	159,017	159,672	12.1%
Gilroy	386,597	369,881	4.5%	386,597	388,190	5.0%
Half Moon Bay	84,568	105,333	-19.7%	84,568	84,916	-19.4%
Hillsborough	226,032	353,188	-36.0%	247,232	247,232	-30.0%
Los Altos	203,407	237,959	-14.5%	203,407	204,245	-14.2%
Los Altos Hills	50,176	50,036	0.3%	50,176	50,383	0.7%
Los Gatos	364,947	304,343	19.9%	364,947	366,450	20.4%
Millbrae	206,877	211,023	-2.0%	206,877	207,729	-1.6%
Milpitas	361,367	339,797	6.3%	361,367	362,856	6.8%
Morgan Hill	357,521	370,316	-3.5%	357,521	358,994	-3.1%
Newark	194,759	188,295	3.4%	194,759	195,561	3.9%
Pacifica	458,037	611,844	-25.1%	458,037	459,924	-24.8%
Portola Valley	32,387	31,351	3.3%	32,387	32,520	3.7%
Ross, Town of	99,893	107,780	-7.3%	99,893	100,304	-6.9%
San Bruno	428,976	405,236	5.9%	428,976	430,743	6.3%
San Carlos	495,031	459,914	7.6%	495,031	497,070	8.1%
San Mateo	710,396	528,856	34.3%	687,513	687,513	30.0%
Saratoga	218,215	146,504	48.9%	190,455	190,455	30.0%
South SF	667,402	762,396	-12.5%	667,402	670,152	-12.1%
Suisun City	132,051	155,087	-14.9%	132,051	132,595	-14.5%
Tiburon	75,073	79,289	-5.3%	75,073	75,383	-4.9%
Woodside	57,578	63,312	-9.1%	57,578	57,815	-8.7%
Total	8,301,000	8,238,000	0.8%	8,271,558	8,301,000	0.8%

(B) From Exhibit 1, page 2c.
(C) From provided by ABAG.
(D) (B) / (C) - 1
(E) Deposit limited to plus or minus 30% change from 2008-09 level.
(F) Difference in deposit due to limiting (if any) is added to column (E) on a pro-rata basis using column (E).
(G) (F) / (C) - 1

Exhibit 1
page 2c

ABAG PLAN CORPORATION

2009-10 Deposit by Member
$5M Retention / $20M Limit

Member (A)	Deductible (B)	Deductible Factor (C)	Adjusted Experience Modification Factor (D)	2009-10 Payroll (00) (E)	ABAG PLAN Loss Fund Contribution (F)	Excess Insurance (G)	Adjusted Admin. Expenses (H)	Indicated Total Deposit (I)
American Canyon	25,000	1.366	127%	71,050	121,982	11,831	52,371	186,184
Atherton	25,000	1.366	64%	50,711	43,733	5,533	32,468	81,734
Belvedere	na	0.000	0%	0	0	0	0	0
Benicia	25,000	1.366	137%	228,709	424,618	20,648	138,327	583,593
Brisbane	na	0.000	0%	0	0	0	0	0
Burlingame	250,000	0.706	153%	282,112	303,234	21,304	185,651	510,189
Campbell	100,000	1.000	62%	179,184	110,933	29,639	74,985	215,557
Colma	50,000	1.204	92%	46,690	51,082	1,154	38,529	90,764
Cupertino	250,000	0.706	121%	139,230	118,449	40,590	51,542	210,582
Dublin	50,000	1.204	72%	87,949	75,191	34,652	49,504	159,348
East Palo Alto	100,000	1.000	152%	122,400	184,163	24,354	84,223	292,740
Foster City	100,000	1.000	35%	213,289	73,740	22,367	62,909	159,017
Gilroy	50,000	1.204	79%	255,780	241,066	37,766	107,765	386,597
Half Moon Bay	50,000	1.204	61%	58,513	42,321	9,641	32,605	84,568
Hillsborough	50,000	1.204	93%	131,912	146,420	7,924	71,688	226,032
Los Altos	100,000	1.000	115%	115,622	131,484	20,664	51,260	203,407
Los Altos Hills	25,000	1.366	84%	19,147	21,827	6,522	21,827	50,176
Los Gatos	50,000	1.204	107%	170,362	218,274	22,140	124,532	364,947
Millbrae	100,000	1.000	113%	99,470	111,578	15,784	79,515	206,877
Milpitas	100,000	1.000	45%	471,717	208,842	51,232	101,294	361,367
Morgan Hill	100,000	1.000	134%	188,359	250,870	28,943	77,708	357,521
Newark	100,000	1.000	38%	244,555	93,154	32,378	69,227	194,759
Pacifica	50,000	1.204	149%	185,015	330,074	29,237	98,726	458,037
Portola Valley	25,000	1.366	90%	11,867	14,547	3,293	14,547	32,387
Ross, Town of	25,000	1.366	152%	23,818	49,068	1,756	49,068	99,893
San Bruno	100,000	1.000	118%	238,318	278,460	29,520	120,996	428,976
San Carlos	100,000	1.000	271%	123,014	330,327	20,924	143,780	495,031
San Mateo	250,000	0.706	93%	646,506	422,162	70,683	217,550	710,396
Saratoga	25,000	1.366	142%	56,475	109,067	23,315	85,833	218,215
South SF	100,000	1.000	102%	456,750	462,092	44,688	160,622	667,402
Suisun City	25,000	1.366	72%	69,160	67,281	20,807	43,963	132,051
Tiburon	50,000	1.204	74%	43,032	38,246	6,559	30,268	75,073
Woodside	25,000	1.366	90%	21,825	26,713	4,151	26,713	57,578
Total		1.017	100%	5,052,541	5,101,000	700,000	2,500,000	8,301,000

(B) Deductible provided by ABAG. See Appendix D, Page 3.
(C) Based on Appendix D, Page 1.
(D) From Exhibit 1, Page 9.
(E) From Appendix D, Page 2.
(F) { [$5,101,000 / Total (E)] x [(C) / Weighted Average of (C)] x (D) x (E)}.
$5,101,000 is the discounted expected loss & ALAE from Exhibit 2, Page 1a. (4% Discount Rate).
(G) From Exhibit 1, page 6.
(H) [Total fixed expenses / Total number of members].
Total fixed expenses are equal to 67% of total expenses. Total expenses of $2,500,000 projected by ABAG.

(I) (F) + (G) + (H)

ABAG PLAN CORPORATION

Liability

Premium Allocation by Member Breakdown

2008-09 VS. 2009-10 Premiums

	Current Year						Prior Year					
City	Deductible	5-year Incurred Lim. Losses	5-year Projected Payroll	Mod Factor	Loss Funding	Total Premium	Deductible	5 year Incurred Lim. Losses	5 year Projected Payroll	Mod Factor	Loss Funding	Total Premium
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
American Canyon	$25,000	$341,124	$237,944	127%	$133,813	$186,952	$25,000	$393,244	$208,231	135%	$129,867	$180,709
Atherton	25,000	16,407	227,845	64%	49,266	82,071	25,000	14,269	224,554	63%	50,492	81,900
Benicia	25,000	1,192,269	944,558	137%	445,266	585,998	25,000	1,422,959	886,846	141%	458,451	569,973
Burlingame	250,000	1,747,582	1,213,573	153%	324,538	512,291	250,000	1,714,037	1,186,239	134%	270,698	400,953
Campbell	100,000	322,803	811,034	62%	140,572	216,445	100,000	463,911	792,764	71%	156,590	242,356
Colma	50,000	127,525	188,716	92%	52,235	91,138	50,000	359,695	170,237	144%	81,969	123,801
Cupertino	250,000	667,996	592,807	121%	159,040	211,450	250,000	634,359	573,811	107%	141,282	188,086
Dublin	50,000	134,257	364,443	72%	109,844	160,004	50,000	340,618	340,030	100%	133,290	173,328
East Palo Alto	100,000	784,949	489,159	152%	208,517	293,946	100,000	670,815	435,569	132%	177,790	252,685
Foster City	100,000	154,889	972,634	35%	96,108	159,672	100,000	140,607	951,892	32%	90,150	142,470
Gilroy	50,000	758,616	1,194,777	79%	278,832	388,190	50,000	631,705	1,117,499	65%	265,048	369,881
Half Moon Bay	50,000	46,242	259,866	61%	51,963	84,916	50,000	127,926	244,707	82%	72,647	105,333
Hillsborough	50,000	400,197	527,207	93%	154,344	247,232	50,000	1,103,914	491,005	174%	284,214	353,188
Los Altos	100,000	491,259	458,481	115%	152,148	204,245	100,000	632,669	436,652	126%	155,992	237,959
Los Altos Hills	25,000	12,397	77,248	84%	28,349	50,383	25,000	20,433	75,053	87%	28,326	50,036
Los Gatos	50,000	707,807	743,798	107%	240,415	366,450	50,000	668,811	728,579	94%	206,689	304,343
Millbrae	100,000	500,253	476,857	113%	127,362	207,729	100,000	792,955	495,694	135%	145,090	211,023
Milpitas	100,000	727,932	2,193,490	45%	260,073	362,856	100,000	768,427	2,171,004	42%	242,174	339,797
Morgan Hill	100,000	995,104	774,625	134%	279,813	358,994	100,000	1,156,977	698,869	145%	289,595	370,316
Newark	100,000	244,605	1,238,253	38%	125,532	195,561	100,000	216,601	1,194,297	35%	127,676	188,295
Pacifica	50,000	1,188,296	807,780	149%	359,311	459,924	50,000	1,563,403	775,810	169%	413,026	611,844
Portola Valley	25,000	0	42,548	90%	17,840	32,520	25,000	138	39,788	91%	17,810	31,351
Ross, Town of	25,000	268,041	86,657	152%	50,825	100,304	25,000	574,687	78,503	226%	67,329	107,780
San Bruno	100,000	1,082,402	1,026,276	118%	307,980	430,743	100,000	1,080,898	1,036,287	103%	280,396	405,236
San Carlos	100,000	1,681,575	566,544	271%	351,251	497,070	100,000	1,894,001	563,701	262%	326,660	459,914
San Mateo	250,000	2,105,463	2,637,216	93%	492,845	687,513	250,000	1,520,299	2,506,316	64%	350,390	528,856
Saratoga	25,000	381,939	215,145	142%	132,382	190,455	25,000	300,739	204,613	119%	106,705	146,504
South SF	100,000	1,698,341	1,924,852	102%	506,780	670,152	100,000	2,108,855	1,817,901	113%	486,247	762,396
Suisun City	25,000	101,906	273,915	72%	88,088	132,595	25,000	184,052	258,734	86%	103,475	155,087
Tiburon	50,000	18,552	158,923	74%	44,805	75,383	50,000	3,146	144,497	72%	43,584	79,289
Woodside	25,000	36,334	84,845	90%	30,865	57,815	25,000	86,156	79,767	103%	34,347	63,312
Total		$18,937,061	$21,812,015		$5,801,000	$8,301,000		$21,591,307	$20,929,448		$5,738,000	$8,238,000

Notes:
(2) throught (7) From Bickmore report dated April 6, 2009.
(8) throught (13) From Bickmore report dated April 24, 2008.
(14) through (18) = [(3) through (7)] / [(9) through (13)] - 1, respectively.
Mod factors are based on credibility weighting of incurred losses and projected payroll. Credibility is based on payroll. Loss funding is based on deductible, incurred loss, mod factor, and projected payroll.

4/14/2009 9:32 PM Premium Comp Explanation

ABAG PLAN CORPORATION

Liability

Premium Allocation by Member Breakdown

2008-09 VS. 2009-10 Premiums

	Change in				
City	Incurred Lim. Losses	Projected Payroll	Mod Factor	Loss Funding	Total Premium
(1)	(14)	(15)	(16)	(17)	(18)
American Canyon	-13%	14%	-6%	3%	3%
Atherton	15%	1%	0%	-2%	0%
Benicia	-16%	7%	-3%	-3%	3%
Burlingame	2%	2%	14%	20%	28%
Campbell	-30%	2%	-12%	-10%	-11%
Colma	-65%	11%	-37%	-36%	-26%
Cupertino	5%	3%	14%	13%	12%
Dublin	-61%	7%	-29%	-18%	-8%
East Palo Alto	17%	12%	15%	17%	16%
Foster City	10%	2%	9%	7%	12%
Gilroy	20%	7%	22%	5%	5%
Half Moon Bay	-64%	6%	-26%	-28%	-19%
Hillsborough	-64%	7%	-46%	-46%	-30%
Los Altos	-22%	5%	-9%	-2%	-14%
Los Altos Hills	-39%	3%	-3%	0%	1%
Los Gatos	6%	2%	14%	16%	20%
Millbrae	-37%	-4%	-16%	-12%	-2%
Milpitas	-5%	1%	7%	7%	7%
Morgan Hill	-14%	11%	-7%	-3%	-3%
Newark	13%	4%	11%	-2%	4%
Pacifica	-24%	4%	-12%	-13%	-25%
Portola Valley	-100%	7%	-1%	0%	4%
Ross, Town of	-53%	10%	-33%	-25%	-7%
San Bruno	0%	-1%	15%	10%	6%
San Carlos	-11%	1%	3%	8%	8%
San Mateo	38%	5%	46%	41%	30%
Saratoga	27%	5%	20%	24%	30%
South SF	-19%	6%	-10%	4%	-12%
Suisun City	-45%	6%	-16%	-15%	-15%
Tiburon	490%	10%	4%	3%	-5%
Woodside	-58%	6%	-12%	-10%	-9%
Total	-12%	4%		1%	1%

4/14/2009 9:32 PM Premium Comp Explanation

ABAG PLAN CORPORATION

Liability

Premium Allocation by Member Breakdown

2008-09 VS. 2009-10 Premiums

	Current Year			Prior Year			Change in		
City	Administrative Expense	Reported Counts	CY Paid Losses	Administrative Expense	Reported Counts	CY Paid Losses	Administrative Expense	Reported Counts	CY Paid Losses
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
American Canyon	$52,371	25	$92,370	$50,842	37	$61,154	3%	-32%	51%
Atherton	32,468	9	11,830	31,407	9	6,730	3%	0%	76%
Benicia	138,327	80	443,790	111,521	82	421,641	24%	-2%	5%
Burlingame	185,651	116	917,698	130,255	100	491,339	43%	16%	87%
Campbell	74,985	26	121,719	85,766	68	176,964	-13%	-62%	-31%
Colma	38,529	5	73,746	41,832	11	88,962	-8%	-55%	-17%
Cupertino	51,542	33	82,741	46,804	19	91,568	10%	74%	-10%
Dublin	49,504	13	22,385	40,038	11	66,246	24%	18%	-66%
East Palo Alto	84,223	34	353,642	74,895	44	240,740	12%	-23%	47%
Foster City	62,909	31	128,691	52,320	29	76,024	20%	7%	69%
Gilroy	107,765	48	293,356	104,832	75	287,985	3%	-36%	2%
Half Moon Bay	32,605	8	20,109	32,685	9	18,123	0%	-11%	11%
Hillsborough	71,688	38	169,990	68,975	53	150,517	4%	-28%	13%
Los Altos	51,260	21	83,352	81,966	19	392,091	-37%	11%	-79%
Los Altos Hills	21,827	1	12,397	21,710	2	19,897	1%	-50%	-38%
Los Gatos	124,532	51	156,170	97,654	80	220,665	28%	-36%	-29%
Millbrae	79,515	35	264,736	65,933	43	162,947	21%	-19%	62%
Milpitas	101,294	55	290,112	97,623	64	312,472	4%	-14%	-7%
Morgan Hill	77,708	45	200,998	80,721	48	283,086	-4%	-6%	-29%
Newark	69,227	43	109,200	60,619	48	88,404	14%	-10%	24%
Pacifica	98,726	38	239,693	198,818	59	1,119,291	-50%	-36%	-79%
Portola Valley	14,547	0	0	13,541	0	0	7%	0%	0%
Ross, Town of	49,068	3	151,780	40,451	5	76,248	21%	-40%	99%
San Bruno	120,996	56	569,949	124,839	72	562,033	-3%	-22%	1%
San Carlos	143,780	66	793,669	133,255	75	632,286	8%	-12%	26%
San Mateo	217,550	140	1,030,687	178,466	164	655,802	22%	-15%	57%
Saratoga	85,833	12	435,144	39,800	10	63,629	116%	20%	584%
South SF	160,622	73	887,758	276,149	75	1,820,942	-42%	-3%	-51%
Suisun City	43,963	27	33,377	51,612	30	72,488	-15%	-10%	-54%
Tiburon	30,268	6	3,352	35,705	7	28,852	-15%	-14%	-88%
Woodside	26,713	2	7,478	28,965	3	7,478	-8%	-33%	0%
Total	$2,500,000	1,140	$8,001,918	$2,500,000	1,351	$8,696,607	0%	-16%	-8%

Notes:
(2), (3), and (4) From Bickmore report dated April 6, 2009.
(5), (6) and (7) From Bickmore report dated April 24, 2008.
(8) through (10) = [(2) through (4)] / [(5) through (7)] - 1, respectively.
Variable expenses are based on a function that weights CY paid loss by two-thirds and reported counts by one-third.

4/14/2009 9:32 PM Premium Comp Explanation

MEMORANDUM OF COVERAGE (PROPERTY)

In consideration of the premiums paid and the covenants in this Memorandum, ABAG and the Member Entity agree as follows:

I. Excess Insurance

ABAG shall purchase a policy or policies of property insurance including endorsements naming each Member Entity participating in the Property Program as a Named Insured (collectively, the "Excess Policy"). Such policy or policies and all endorsements is/are attached as Exhibit A-1 through A-2 and incorporated into this Memorandum:

Insurer	Policy Type	Policy No.
____________________	_____________	__________

II. Pooled Coverage

ABAG shall pay to the Member Entity and to any person insured under the Excess Policy for any loss arising out of any one occurrence (which, but for the amount of the loss, would be covered under the Excess Policy) the portion of such loss which exceeds the deductible set forth in § III up to the point at which such loss is covered under the Excess Policy. The coverage period and property covered are the same as the Excess Policy.

III. Pooled Coverage Limits

ABAG shall pay all losses and damages within the Pooled Coverage described in § II which exceeds the individual self-insured retentions of the Member Entities ("Deductible") set forth below:

Vehicle loss or damage	-	$5,000 per occurrence
All other	-	$5,000 per occurrence
Losses above $25,000	-	$0 per occurrence

Deleted: 10

ABAG's liability under this Section and Section II shall not exceed the self-insured retention under the Excess Policy or the limit(s) under the aggregate stop loss or deductible endorsement portion of the Excess Policy.

Deleted: 1992-93

Deleted:

IV. Procedures

For all losses within the Pooled Coverage, ABAG shall have all the rights and obligations of the "insurer," the "company" and cognate terms as set forth in the Excess Policy. For all losses exceeding the Pooled Coverage, ABAG shall be responsible for coordinating claims adjusting, loss payments, subrogation and other processes, procedures, and the rights and obligations of ABAG and the issuer(s) of the Excess Policy with respect to ABAG and the issuer(s) of the Excess Policy. Each Member Entity shall have the rights and obligations of the "insured" and cognate terms as set forth in the Excess Policy.

V. Definitions

All capitalized terms shall have the meanings ascribed to them in the Revised Coverage Agreement and the Excess Policy.

property.cov

Deleted: 1992-93

Deleted:

Agenda
Item 7.A.

ABAG PLAN CORPORATION
101 - 8th Street
Oakland, CA 94607-4756

Staff Report

Date: May 5, 2009

To: Executive Committee
From: Marcus Beverly
Re: Risk Management Programs – Update and Funding For FY 09-10

Recommendation: staff requests the Committee recommend to the Board funding for Risk Management Programs in FY 09-10.

Background: since the Board passed the Risk Management Policy in 2005, the members have increased funding for risk management programs, including budgets for consulting services to help achieve the Policy's recommended best practices and grants to provide incentives for doing so.

Analysis: per the attached spreadsheet, the total spent so far this year has exceeded $1 million for the first time, representing 60% of the total budgeted for the year. Almost half the total has been spent on police grants; including funds claimed from prior years that have pushed the total to 139% of the amount budgeted for this year. The next highest category of use is risk management programs, with over $300,000 paid and 54% of this year's budget.

Half of the members have yet to claim their framework grants, though all but five members have now qualified for them. The remaining budget categories are at no more than 36% of the budget allocated, with the total, including amounts claimed form prior years, reaching 60% of the total budgeted. We expect use to continue over the last quarter of the fiscal year, reaching perhaps as much as 75% of the total budgeted.

As we continue to work with members to get the word out we continue to see increased usage of the grants. We expect with the budget difficulties faced by the members we will see more interest in using the grants but also more pressure on their ability to match the program and equipment grants. As a result, the committee might consider increasing the grant amounts and/or lowering the matching requirement for program grants.

The Police Chiefs Committee recommended increasing their grants by using the 5% of premium formula used for other grants and lowering the matching requirement from 50% to 25%.

Staff prepared a FY 09-10 budget for the Risk Management Committee (RMC) with the current formula for Police grants and the proposed increase. The budget also included a similar increase for the risk management program grants, with the current 5% and a proposed grant of 10% of total

The RMC members voted to keep the Police grant at $15,000 but to eliminate the match entirely. They also voted to increase the risk management grants to 10% of premium and to eliminate the match for those grants as well, to recognize the difficultly members are having coming up with the match during these tough budget times.

Other suggestions for improving the programs and use of grant funds are encouraged from the committee members for discussion at the meeting.

A brief discussion of each category and RMC recommended funding is provided below.

Risk Management Programs

Risk Management Services:
Recommend continued funding up to 4.5% of each Member's total premium for FY09-10. Focus will continue to be on achieving the best practices, assessing achievement of previous goals and the impact on losses, and updating goals for 09-10.

Matching Grants:
Recommend continued funding of grants for the members, focused primarily on equipment and services directly related to the PLAN's best practices, including sidewalk repair, tree maintenance, playground upgrades, and safety equipment. The recommended funding is 10% of total premium rounded up to the nearest $5,000 increment, with an additional $5,000 for those members without police.

Staff suggests members provide updated goals for FY09-10 to qualify for the grants.

Risk Management Training:
Recommend continued funding at $3,000 per year for each member. This is typically used for members to attend training conferences such as PARMA, PRIMA, and CAJPA, rent safety videos, or for other of training as requested.

Police Risk Management:
Recommend grants of $15,000 per member with no matching requirement and a total of $40,000 for training for all members.

Defensive Driving Training: staff recommends we continue to fund this program at $40,000 for all members.

Sewer Loss Prevention:
Recommends lowering the budget from $80,000 back to $60,000.
This program continues to be popular with our members and the public. We continue with the Sewer Summit and have expanded the public education component to include emergency preparedness in case of sewer outage.

Risk Management Staffing:
Funding for the Risk Management Analyst position has so far come from the SIR Fund, rather than the annual administration funding. For 2009-10 the position's budget is $207,527, with salary, benefits and overhead. Staff will present a budget with this position in the admin funding and one without it. Since we have not replaced Terry Hickman this would be a good time to include the analyst position in the budget without an overall increase. However, given the current budget climate members may choose to keep funding the position from reserves.

Requested Action: staff requests the Committee review, discuss and recommend funding for risk management programs for FY 09-10.

Loss Prevention Programs
FISCAL YEAR: 2008/2009

Member	Best Practices - used	% used	Defensive Driving - used	Framework Grants - used		Risk Mgmt Programs - used		Prior and currnet FY remaining	Police Grants - used		Prior and currnet FY remaining	Risk Mgmt Training		Sewer Smart	Member Totals
	52120		52122	52131		52128			53011			52132		52121	
Budget FY08/09	$ 370,710.00		$ 40,000.00	$ 284,433.20		$ 555,000.00			$ 360,000.00			$ 93,000.00		$ 80,000.00	$ 1,783,143.20
American Canyon	812.50	10%		9,950.00	FY08/09	15,417.20	gas detectors/confined :	19,582.80	11,794.29	Toughbooks					$ 37,973.99
Atherton	937.50	25%		-		23,662.00	Fire alarms, ada, wheel	1,125.73	22,862.59	Tasers,Car videc	24,467.13				$ 47,462.09
Benicia	2,534.60	10%	777.00	10,000.00	FY08/09	26,433.35	trng+equip./Smart cove	31,066.65	13,563.25	Lexpol.08.09/Sin	34,796.38				$ 53,308.20
Burlingame	1,093.75	6%		-		19,987.00	Tree Inv. Proj.	27,844.00	12,845.00	Tasers, Lexipol	40,248.88	1,070.00	CPSI Trng		$ 34,995.75
Campbell	1,812.50	17%		5,931.11	FY07/08			35,000.00	17,317.47	Video Cameras/L	3,811.79	3,000.00	CAJPA08/PARMA.09		$ 28,061.08
Colma	5,562.50	100%		10,000.00	FY06/07	3,966.37	door opener/solar ped. Flsh lght	10,000.00	15,192.86	Lexipol Trng Bulletin, In car video system	17,994.03	1,214.95	EQ Mgmt Trng		$ 35,936.68
Cupertino	6,620.10	78%		-		17,367.28	ADA, etc.	12,632.72	15,000.00	Neighborhood Watch		700.00	Perform. Mgmt Trng		$ 24,687.38
Dublin	3,026.45	39%	4,434.00	9,910.31	FY05/06	10,000.00	playround equip. fy07.0	15,000.00	13,042.05	Tasers		285.00	PARMA 09(McCreary)		$ 40,697.81
East Palo Alto	1,500.00	13%						40,000.00			84,258.80	1,063.22	CAJPA08/Gordon		$ 2,563.22
Foster City	781.25	12%	790.26	3,639.00	FY05/06			19,391.50	11,530.09	Lexipol Trng Bull	56,837.08	1,500.00	Competent Person trng		$ 18,240.60
Gilroy	1,593.75	10%		10,000.00	FY07/08			20,000.00	33,879.00	FBI Trng/Camera	-	1,299.40	CalPerla Conf/P&R Conf.		$ 46,772.15
Half Moon Bay	1,906.25	40%		-		3,786.85	EOC lg screen, camera	26,213.15	80,062.09	Lexipol/Tasers/C	(3,167.87)				$ 85,755.19
Hillsborough	2,738.85	17%	777.00	-				40,710.60	35,543.72	Harras.trng, misc	18,367.87	30.00	RMIS Webinar		$ 39,089.57
Los Altos	937.50	9%		-				40,000.00			55,535.50				$ 937.50
Los Altos Hills	-	0%		-		33,824.76	Equestrian/security cam	0.24							$ 33,824.76
Los Gatos	13,344.96	97%		10,000.00	FY08/09	8,956.18	sidewalk/Wkplace Viole	36,043.82	2,850.00	Lexipol.09/10	42,781.00				$ 35,151.14
Millbrae	1,987.65	21%	2,331.00	-				40,000.00			38,200.40				$ 4,318.65
Milpitas	2,756.40	18%		-		30,000.00	sidewalk	20,000.00	71,915.00	Gis devices syste	15,000.00				$ 104,671.40
Morgan Hill	2,959.30	18%		8,561.00	FY08/09			45,000.00	5,618.91	Pepperball gun	59,753.41				$ 17,139.21
Newark	5,468.75	64%		10,000.00	FY08/09	19,180.88	HR Rules & regs,lcw,wi	5,107.42	17,058.48	SWAT Trng.	32,031.25	797.00	Reg. Political Signs & Speech		$ 52,505.11
Pacifica	500.00	2%	240.00	-				75,000.00	2,850.00	Lexpol.08.09	12,313.41				$ 3,590.00
Portola Valley	1,093.75	78%		-				35,000.00							$ 1,093.75
Ross	781.25	16%		-				30,000.00	8,328.40	Vid Mics/Lexipol	68,371.60				$ 9,109.65
San Bruno	93.75	1%		-				47,632.40	26,285.07	Lexipol, Video	32,470.12	3,000.00	Arborist Conf./CAJPA08		$ 29,378.82
San Carlos	1,900.55	9%		10,000.00	FY06/07	25,000.00	Blding security devices;	25,000.00	3,426.23	Policy Manual,Ta	14,999.63				$ 40,326.78
San Mateo	3,140.15	13%	720.00	-				65,000.00			52,500.00	3,000.00	PARMA/CAJPA08/CPSI Cert.		$ 6,860.15
Saratoga	2,589.90	39%		5,671.26	FY06/07 &07/08	11,998.24	AED, Sidewalk Rep., Ca	19,792.54				535.00	CPSI Cert.		$ 20,794.40
So. San Francisco	3,691.95	11%	2,640.00	-		40,000.00	Sidewalk, tree mgmt, Al	40,000.00	34,750.00	Security cameras	15,000.00				$ 81,081.95
Suisun City	781.25	11%		10,000.00	FY07.08			30,000.00			50,094.57	1,478.10	Norcal HR Conf./Labor Law Conf.		$ 12,259.35
Tiburon	2,562.50	72%		5,745.41	FY08.09	10,000.00	Tree pruning	10,000.00	33,231.77	In-car videos/Var	27,374.20				$ 51,539.68
Woodside	2,875.00	101%		-		1,951.50	Playground Safety	33,048.50				390.00	PARMA.09(Bryant)		$ 5,216.50
Sub-Totals	$ 78,384.61	21%	$ 12,709.26	$ 119,408.09		$ 301,531.61			$ 488,946.27			$ 19,362.67		$ -	$ 1,005,342.51
General Program. Expense	29,933.73		-						10,415.57	workshops				28,947.25	69,296.55
															-
															-
Program Grants Totals	$ 108,318.34		$ 12,709.26	$ 119,408.09		$ 301,531.61			$ 499,361.84			$ 19,362.67		$ 28,947.25	$ 1,074,639.06
Budget Bal. 08/09	$ 262,391.66		$ 27,290.74	$ 165,025.11		$ 253,468.39			$ (139,361.84)			$ 73,637.33		$ 51,052.75	$ 708,504.14
	29%	21%	32%	42%		54%			139%			21%		36%	60%

ABAG Plan Corporation Risk Management Program Funding						FY 09-10			DRAFT			
City	Loss & Admin Funding 09-10	Risk Services Budget at 4.5%	Hours @ $125/hr	Matching Grant at 10%	Matching Grant Rounded Up*	Training	Total without Police	Total as % of Funding	Police Grants*	Total with Police	% w/ Police Grants	Net Funding
AMERICAN CANYON	$ 186,952	$ 8,413	67	$ 18,695	$ 25,000	$ 3,000	$ 36,413	19%		$ 36,413	19%	$ 150,539
ATHERTON	$ 82,071	$ 3,693	30	$ 8,207	$ 10,000	$ 3,000	$ 16,693	20%	$ 15,000	$ 31,693	39%	$ 50,378
BENICIA	$ 585,998	$ 26,370	211	$ 58,600	$ 60,000	$ 3,000	$ 89,370	15%	$ 15,000	$ 104,370	18%	$ 481,628
BURLINGAME	$ 512,291	$ 23,053	184	$ 51,229	$ 55,000	$ 3,000	$ 81,053	16%	$ 15,000	$ 96,053	19%	$ 416,238
CAMPBELL	$ 216,445	$ 9,740	78	$ 21,645	$ 25,000	$ 3,000	$ 37,740	17%	$ 15,000	$ 52,740	24%	$ 163,705
COLMA	$ 91,138	$ 4,101	33	$ 9,114	$ 10,000	$ 3,000	$ 17,101	19%	$ 15,000	$ 32,101	35%	$ 59,037
CUPERTINO	$ 211,450	$ 9,515	76	$ 21,145	$ 30,000	$ 3,000	$ 42,515	20%		$ 42,515	20%	$ 168,935
DUBLIN	$ 160,004	$ 7,200	58	$ 16,000	$ 25,000	$ 3,000	$ 35,200	22%		$ 35,200	22%	$ 124,804
EAST PALO ALTO	$ 293,946	$ 13,228	106	$ 29,395	$ 30,000	$ 3,000	$ 46,228	16%	$ 15,000	$ 61,228	21%	$ 232,718
FOSTER CITY	$ 159,672	$ 7,185	57	$ 15,967	$ 20,000	$ 3,000	$ 30,185	19%	$ 15,000	$ 45,185	28%	$ 114,487
GILROY	$ 388,190	$ 17,469	140	$ 38,819	$ 40,000	$ 3,000	$ 60,469	16%	$ 15,000	$ 75,469	19%	$ 312,721
HALF MOON BAY	$ 84,916	$ 3,821	31	$ 8,492	$ 10,000	$ 3,000	$ 16,821	20%	$ 15,000	$ 31,821	37%	$ 53,095
HILLSBOROUGH	$ 247,232	$ 11,125	89	$ 24,723	$ 25,000	$ 3,000	$ 39,125	16%	$ 15,000	$ 54,125	22%	$ 193,107
LOS ALTOS	$ 204,245	$ 9,191	74	$ 20,425	$ 25,000	$ 3,000	$ 37,191	18%	$ 15,000	$ 52,191	26%	$ 152,054
LOS ALTOS HILLS	$ 50,383	$ 2,267	18	$ 5,038	$ 15,000	$ 3,000	$ 20,267	40%		$ 20,267	40%	$ 30,116
LOS GATOS	$ 366,450	$ 16,490	132	$ 36,645	$ 40,000	$ 3,000	$ 59,490	16%	$ 15,000	$ 74,490	20%	$ 291,960
MILLBRAE	$ 207,729	$ 9,348	75	$ 20,773	$ 25,000	$ 3,000	$ 37,348	18%	$ 15,000	$ 52,348	25%	$ 155,381
MILPITAS	$ 362,856	$ 16,329	131	$ 36,286	$ 40,000	$ 3,000	$ 59,329	16%	$ 15,000	$ 74,329	20%	$ 288,527
MORGAN HILL	$ 358,994	$ 16,155	129	$ 35,899	$ 40,000	$ 3,000	$ 59,155	16%	$ 15,000	$ 74,155	21%	$ 284,839
NEWARK	$ 195,561	$ 8,800	70	$ 19,556	$ 20,000	$ 3,000	$ 31,800	16%	$ 15,000	$ 46,800	24%	$ 148,761
PACIFICA	$ 459,924	$ 20,697	166	$ 45,992	$ 50,000	$ 3,000	$ 73,697	16%	$ 15,000	$ 88,697	19%	$ 371,227
PORTOLA VALLEY	$ 32,520	$ 1,463	12	$ 3,252	$ 15,000	$ 3,000	$ 19,463	60%		$ 19,463	60%	$ 13,057
ROSS	$ 100,304	$ 4,514	36	$ 10,030	$ 15,000	$ 3,000	$ 22,514	22%	$ 15,000	$ 37,514	37%	$ 62,790
SAN BRUNO	$ 430,743	$ 19,383	155	$ 43,074	$ 45,000	$ 3,000	$ 67,383	16%	$ 15,000	$ 82,383	19%	$ 348,360
SAN CARLOS	$ 497,070	$ 22,368	179	$ 49,707	$ 50,000	$ 3,000	$ 75,368	15%	$ 15,000	$ 90,368	18%	$ 406,702
SAN MATEO	$ 687,513	$ 30,938	248	$ 68,751	$ 70,000	$ 3,000	$ 103,938	15%	$ 15,000	$ 118,938	17%	$ 568,575
SARATOGA	$ 190,455	$ 8,570	69	$ 19,046	$ 25,000	$ 3,000	$ 36,570	19%		$ 36,570	19%	$ 153,885
SOUTH SAN FRANCIS	$ 670,152	$ 30,157	241	$ 67,015	$ 70,000	$ 3,000	$ 103,157	15%	$ 15,000	$ 118,157	18%	$ 551,995
SUISUN CITY	$ 132,595	$ 5,967	48	$ 13,260	$ 15,000	$ 3,000	$ 23,967	18%	$ 15,000	$ 38,967	29%	$ 93,628
TIBURON	$ 75,383	$ 3,392	27	$ 7,538	$ 10,000	$ 3,000	$ 16,392	22%	$ 15,000	$ 31,392	42%	$ 43,991
WOODSIDE	$ 57,815	$ 2,602	21	$ 5,782	$ 15,000	$ 3,000	$ 20,602	36%		$ 20,602	36%	$ 37,213
Member Total	**$ 8,300,997**	**$ 373,545**	**2,988**	**$ 830,100**	**$ 950,000**	**$ 93,000**	**$ 1,416,545**	**17%**	**$ 360,000**	**$ 1,776,545**	**21%**	**$ 6,524,452**
General Management		**$ 41,505**				**$ 50,000**						
Grand Total		**$ 415,050**				**$ 143,000**						

** Contract Police = $5,000 more in matching grant*

Agenda Item 7.B.

ABAG PLAN CORPORATION
101 - 8th Street
Oakland, CA 94607-4756

Staff Report

Date: May 7, 2009
To: Executive Committee
From: Marcus Beverly
Re: Risk Management Policy Review & Additions

Recommendation: staff recommends the Committee review the attached draft best practices for Employment Practices Liability (EPL) and recommend revisions to the Executive Committee.

Background: as we continue to assist members in implementing the PLAN's Risk Management Policy (RMP), we collect best practices to address exposures not currently included in the Policy, with new best practices added to the RMP as needed.

EPL best practices were drafted in response to member requests and as a follow up to training sponsored last year. Best practices provided by the law firm of Liebert Cassidy Whitmore were reviewed and revised by members of the Risk Management Committee, which recommended the practices as presented in the attached.

Analysis: the original list has been reduced to seven key provisions, covering hiring practices, orientation, compliance with applicable laws, grievance procedures, discipline policies, compliance with FLSA, and leave policies.

Also attached are minor revisions to the Police Best Practices, per the Chiefs Committee request, to reflect changes in technology for video and audio recording.

Requested Action: staff requests the Committee review the EPL best practices and recommend adding them to the RMP. The Committee is also requested to recommend the changes to the Police best practices

Operational Best Practices	
Employment Best Practices The program measures below are not a comprehensive list of all the important practices, which should be in place to help ensure well-managed and safe employment practices. However these measures are good measures to use in the self-evaluation process. They will assist in ensuring that a City-managed employment practice operation includes the most highly recommended management controls.	
1	Each agency shall have recruitment procedures that comply with applicable State and Federal laws regulating employment discrimination. Agencies shall take steps to complete a background/reference check on applicants prior to hire.
2	Agencies shall take steps to ensure that all new employees are educated (oriented) on all applicable and relevant personnel policies, procedures, rules, regulations as part of the orientation process. This process shall include a written sign-off by the new hire to document receipt of the important information.
3	Agencies shall have a current anti-harassment and discrimination policy in place and shall train supervisors and manager on the policy in compliance with AB 1825. In addition, agencies shall ensure that workplace safety training, including violence prevention, is completed as required by state and federal laws and regulations (i.e. OSHA and CalOSHA). This includes the development and maintenance of an IIPP along with training for employees.
4	Agencies shall have an internal grievance procedure in order to resolve employment related disputes at the lowest level possible
5	Agencies shall have a comprehensive discipline policy and procedure that is timely, reasonable, consistent, well-supported, and provides for procedural due process.
6	Agencies shall periodically evaluate for compliance with FLSA to ensure that jobs are correctly classified as exempt or non-exempt and to ensure that payroll processing is accurate relative to the regular rate of pay and overtime compliance.
7	Agencies shall have policies, procedures and/or forms in place relative to the many types of leaves available to employees: industrial leave, ADA/FEHA accommodation leave, CA family sick leave, CA pregnancy disability leave, FMLA/CFRA leave, family temporary disability leave, military leave, leave to appear at child's school, leave for victim of domestic violence, leave for jury duty and court appearances, and time off to vote.

Police Best Practices

Police Risk Management
Police risk management is an integral part of the overall City's risk management exposure and should be subject to the risk assessment and evaluation review process as conducted by representatives from all City departments.
Measures
Member written General Orders (GO's) or guidelines reflect dates indicating reviews and updates. Key policies are reviewed annually.
Each Member uses a legal liability service or other qualified consultant for updated policy and procedure notification and advice.
Member departments have adopted a "force options" approach to policing. Training records reflect this philosophy.
Code 3 driving standards are in place which reflect current legal liability and professional standards that minimize risk to others sharing roads with emergency vehicles.
Member departments comply with all POST-mandated training requirements, including perishable skills, and training to General Orders is documented.
Digital audio-visual technology, and/or digital audio recorders on person, are used to document any contact or incident.

Deleted: in patrol vehicles,

Deleted: provide defense against alleged police misconduct claims.

Agenda
Item 8.

Staff Report

Date: May 4, 2009
To: Executive Committee
From: Marcus Beverly
Re: Finance Committee Report

Recommendation: Staff recommends the committee accept the audited financial statements as of June 30, 2008, and the financial report as of March 31, 2009.

Analysis: please see attached memo from Herbert Pike summarizing the audit results and memorandum on internal control. The financial report will be provided at the meeting.

Staff will provide an overview of the Finance Committee's activities over the last year and key actions taken during discussion at the meeting.

Requested Action: staff requests the Committee review and accept the audit and financial reports.

March 5, 2008

TO: PLAN Finance Committee

FM: Herbert Pike, Chief Financial Officer

RE: **2008 Audited Financial Statements and Memorandum on Internal Control**

We are happy to present the audited Basic Financial Statements and Memorandum on Internal Control for the fiscal year ended June 30, 2008.

The auditors expressed a clean opinion on the Basic Financial Statements and made no adjustments other than the usual market value adjustments for PLAN's investments. PLAN follows the practice of maintaining investments at amortized cost basis internally. Market values are reflected on audited financial statements in order to comply with GASB requirements. The auditors also did not uncover any material weaknesses in internal control as a result of their audit work. There is one reportable condition presented in the auditors' Memorandum on Internal Control to which management's response is included therein.

Key 2-year financial information of PLAN ($'000):

	6/30/08	6/30/07
Total assets	$44,980	$47,964
Above-deductible claims	8,721	2,491
Claim reserves	17,241	17,629
Net assets	27,362	30,084

The primary cause for the reduction of total assets and net assets is the settlement during FY 07-08 of two litigation and coastal development claims that totaled $8.3 million, $1.6 million of which was recorded as unallocated claims expense, and $6.7 million of which was booked as above-deductible claims. In response to these two losses, the PLAN Board approved a revised Memorandum of Coverage that excludes such exposure in the future effective July 1, 2008. Total general liability above deductible claims was $1.9 million in FY 06-07.

We are happy to report that despite these losses in FY 07-08, confidence level for the pool was still above 90% as of June 30, 2008. We attribute this to the pool's strong equity position which is primarily the result of the Board's foresight in holding back equity distributions in recent years and the investment in loss prevention programs.

Staff Recommendation

Staff recommends these reports for approval by the Board at its next meeting.

ABAG PLAN CORPORATION

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

This Page Left Intentionally Blank

ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

Table of Contents

This Page Left Intentionally Blank

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ABAG PLAN Corporation
Oakland, California

We have audited the financial statements of each major fund of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of June 30, 2008, and for the year then ended, which collectively comprise PLAN's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of PLAN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds of PLAN at June 30, 2008 and the respective changes in financial position and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis and Required Supplementary Information are not required parts of the basic financial statements but are required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Maze + Associates

September 28, 2008

This Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG PLAN Corporation (PLAN) has issued the financial reports for fiscal year ending June 30, 2008 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since PLAN has always been using this method of accounting, changes in its financial reports are primarily in the format of presentation.

GASB 34 requires PLAN to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

(1) Statement of Net Assets—provides information about the financial position of PLAN, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

(2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

(3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FISCAL YEAR 2008 FINANCIAL HIGHLIGHTS

PLAN's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2008 were $45.0 million. At June 30, 2007, total assets were $48.0 million.
- Total revenues, including program and general revenues, were $12.3 million in FY 2008, while total expenses were $15.0 million.
- Total net assets decreased $2.7 million in FY 2008 to a new total of $27.4 million at June 30, 2008.
- General Liability program operating revenues were $6.3 million in FY 2008, while Property Liability operating revenues were $892 thousand and Administration operating revenues were $2.4 million.
- General Liability program operating expenses were $11.4 million in FY 2008, while Property Liability operating expenses were $1.2 million and Administration operating expenses were $2.4 million.
- General revenues, comprising investment income, totaled $2.6 million in FY 2008, of which $2.5 million, $90 thousand and $60 thousand were allocated to General Liability, Property Liability and Administration funds respectively (see Investment Activities below).

- General Liability net assets were $25.3 million at June 30, 2008, while Property Liability net assets were $1.5 million and Administration net assets were $593 thousand at that date.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

Above-deductible General Liability claims paid totaled $8.2 million in FY 2008 comparing to $1.9 million during FY 2007. The large increase in claims in FY 2008 was due to two settlements, one for outstanding litigation against PLAN and another for claims arising from a coastal development. These settlements included $1.6 million of legal costs that were booked as Unallocated Claims Expense. Also recorded was $8.0 million in adjustment to Claims Reserve in order to bring Claims Reserve up to the level recommended by PLAN's actuary consultant.

Above-deductible Property Liability claims paid during FY 2008 amounted to $488 thousand. Reserves for Property Liability claims were $158 thousand at June 30, 2008, and have been at this level for the last several years.

INVESTMENT ACTIVITIES

As required by GASB, PLAN reports its investments at fair value. At June 30, 2008, PLAN has $1.6 million invested in the Local Agency Investment Fund (LAIF), $34.5 million in federal agency securities, and $5.0 million in corporate notes. The investment portfolio realized total earnings of $2.6 million, representing an overall average yield of 4.4% for FY 2008, excluding adjustments for fair value.

The change in market values of PLAN's investment portfolio between June 30, 2007 and June 30, 2008 was insignificant. With the exception of PLAN's investment in LAIF, all other investments are fixed income securities. The market value of a fixed income security falls during periods of rising interest rates, and increases when interest rates decline. It is PLAN's investment objective to hold all its securities to maturity, and therefore, temporary unrealized gains and losses have no real financial significance for the pool. As all securities in PLAN's investment portfolio are highly rated, they are generally regarded as safe investments that will mature at their full face values.

MAJOR PROGRAM INITIATIVES IN FY 2008 and OUTLOOK FOR FY 2009

In response to the litigation and land development claim settlements, the Board of Directors of PLAN approved a revised Memorandum of Coverage effective July 1, 2008 designed to prevent such exposure.

In FY 2009, PLAN will continue to offer its members $25 million in general liability coverage which includes an excess insurance policy with a limit of $20 million. The property program will offer property appraisals and boiler inspections for key facilities. PLAN will also continue to focus on collection of property damage losses from responsible parties. This effort has realized significant reductions in property losses in the past.

During FY 2008, PLAN offered and will continue to offer in FY 2009 the following loss prevention programs:

- The Best Practices program offers special credits for consulting and training resources as incentives for implementing recommended practices.

- The Framework Grant program offers up to $35,000 per member for those that have successfully implemented risk management framework and risk control plans.

- The Police Risk Management program offers up to $15,000 per jurisdiction to members that have performed procedure review and annual updates.

- The Defensive Driving program offers the latest training to all member staff, including police and other emergency personnel.

- The Sewer Smart Program website: www.sewersmart.org. PLAN also continued to distribute backflow devices and partnered with other pools to expand our training offerings

CONTACTING PLAN'S FINANCIAL MANAGEMENT

The Basic Financial Statements are intended to provide PLAN members, citizens, creditors and other interested parties a general overview of PLAN's finances. Questions about these statements should be directed to ABAG PLAN Corporation, 101 Eighth Street, Oakland, CA 94607.

ABAG PLAN CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2008

	General Liability Fund	Property Liability Fund	Administration Fund	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	$2,119,546	$1,642,547	$802,904	$4,564,997
Investments, at Fair Value (Note 2)	39,488,816			39,488,816
Total Cash and Investments	41,608,362	1,642,547	802,904	44,053,813
Interest Receivable	661,894			661,894
Receivable from Members	251,205	1,050		252,255
Total Current Assets	42,521,461	1,643,597	802,904	44,967,962
Capital Assets (Note 4)				
Automobiles, Net			11,660	11,660
Capital Assets, net			11,660	11,660
Total Assets	42,521,461	1,643,597	814,564	44,979,622
LIABILITIES				
Current Liabilities				
Payable to Association of Bay Area Governments	154,688		221,985	376,673
Total Current Liabilities	154,688		221,985	376,673
Noncurrent Liabilities (Note 3)				
Reserves for Claims and Claim Adjustment Expenses	15,381,000	150,000		15,531,000
Reserves for Unallocated Loss Adjustment Expenses	1,702,000	7,500		1,709,500
Total Noncurrent Liabilities	17,083,000	157,500		17,240,500
Total Liabilities	17,237,688	157,500	221,985	17,617,173
NET ASSETS				
Unrestricted	25,283,773	1,486,097	592,579	27,362,449
Total Net Assets	$25,283,773	$1,486,097	$592,579	$27,362,449

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	General Liability Fund	Property Liability Fund	Administration Fund	Total
PROGRAM OPERATING REVENUES				
Premiums from Members				
Administration			$2,399,997	$2,399,997
General Liability	$6,323,437			6,323,437
Property Insurance		$891,937		891,937
Total Program Operating Revenues	6,323,437	891,937	2,399,997	9,615,371
PROGRAM OPERATING EXPENSES				
Provision for Claims and Claim Adjustment Expenses	9,575,241	488,319		10,063,560
Property Insurance Coverage		726,937		726,937
Excess Insurance Coverage	709,719		15,473	725,192
Depreciation			13,179	13,179
Management and Administration (Note 1A)	191,564		2,067,282	2,258,846
Contract Services	555,054		265,737	820,791
Other Expenses	363,299		9,160	372,459
Total Program Operating Expenses	11,394,877	1,215,256	2,370,831	14,980,964
Net Program Operating Income (Loss)	(5,071,440)	(323,319)	29,166	(5,365,593)
GENERAL REVENUE (EXPENSE)				
Unrealized gain on investments				
Investment Income	2,494,098	90,001	59,850	2,643,949
Total General Revenue (Expense)	2,494,098	90,001	59,850	2,643,949
Changes in Net Assets	(2,577,342)	(233,318)	89,016	(2,721,644)
Beginning Net Assets	27,861,115	1,719,415	503,563	30,084,093
Ending Net Assets	$25,283,773	$1,486,097	$592,579	$27,362,449

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	General Liability Fund	Property Liability Fund	Administration Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from members	$6,423,913	$891,936	$2,399,997	$9,715,846
Payments for insurance and contract services	(1,152,966)	(726,937)	(281,210)	(2,161,113)
Payments to ABAG	(191,564)		(2,053,576)	(2,245,140)
Claims paid	(9,963,332)	(488,319)		(10,451,651)
Other payments	(363,299)		(9,160)	(372,459)
Net cash provided by operating activities	(5,247,248)	(323,320)	56,051	(5,514,517)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturities and sales of investments	3,284,301			3,284,301
Interest received	2,502,242	90,001	59,850	2,652,093
Cash Flows from Investing Activities	5,786,543	90,001	59,850	5,936,394
Net increase (decrease) in cash and cash equivalents	539,295	(233,319)	115,901	421,877
Cash and cash equivalents at beginning of year	1,580,251	1,875,866	687,003	4,143,120
Cash and cash equivalents at end of year	$2,119,546	$1,642,547	$802,904	$4,564,997
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	($5,071,440)	($323,319)	$29,166	($5,365,593)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation			13,179	13,179
Change in assets and liabilities:				
Receivable from Members	100,476	(1)		100,475
Payable to Association of Bay Area Governments and Other Payables	111,807		13,706	125,513
Reserves for Claims and Claim Adjustment Expenses	(341,091)			(341,091)
Reserves for Unallocated Loss Adjustment Expenses	(47,000)			(47,000)
Net cash provided (used) by operating activities	($5,247,248)	($323,320)	$56,051	($5,514,517)

See accompanying notes to basic financial statements

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. *Description and Programs*

The Association of Bay Area Governments Pooled Liability Assurance Network Corporation (PLAN) is a non-profit public benefit corporation created by ABAG to provide a pooled approach for liability coverage for a number of Bay Area cities as allowed under the California Government Code. The purpose of PLAN is to operate and maintain a joint program for liability and property damage protection for the member agencies. PLAN is governed by a Board of Directors comprising officials appointed by each member agency. The activities of PLAN include setting and collecting premiums, administering and paying claims and related expenses, investing PLAN's assets, and offering loss prevention programs.

The Association of Bay Area Governments (ABAG) assists PLAN by providing administrative, accounting and clerical support. PLAN paid ABAG $2,355,588 for these services and $197,978 for contract services in the fiscal year ended June 30, 2008.

The members of PLAN must be members of ABAG, but not all ABAG members are members of PLAN. For that reason, PLAN is not a component unit of ABAG.

B. *Basis of Presentation*

PLAN's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

The Statement of Net Assets and the Statement of Activities display overall financial activities of PLAN. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of PLAN that are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of PLAN's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

C. *Major Funds*

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to at least ten percent of their fund-type total and five percent of the grand total.

PLAN reported all its enterprise funds as major funds in the accompanying financial statements:

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Liability Fund – this fund accounts for revenues and expenses for the general liability program for its participating members.

Property Liability Fund – this fund accounts for revenues and expenses for the property liability program for its participating members.

Administration Fund – this fund accounts for revenues and expenses for management and administration activities of PLAN.

D. Basis of Accounting

PLAN accounts for all transactions in enterprise funds, which are separate sets of self-balancing accounts that comprise assets, liabilities, net assets, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Since PLAN operates proprietary activities, which are usually thought to be business-type activities, applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 may apply unless they conflict with or contradict GASB pronouncements. PLAN has elected not to apply FASB pronouncements issued after November 30, 1989.

Premiums from Members - Each member is assessed a premium which is intended to cover PLAN's claims, operating costs and claims settlement expenses. Premiums are based on an actuarially determined estimate of the probable losses and expenses attributable to a policy year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be in excess of the desired confidence level. All premiums are recognized as revenues when earned, based on the period covered by the premium.

Losses and Claims - PLAN establishes claim liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, and based on estimates of claims that have been incurred but not reported (IBNR). Because actual claim costs can be affected by such complex factors as inflation, changes in legal costs and damage awards, claim liabilities are recommitted periodically using a variety of actuarial and statistical techniques to produce current estimates. The calculation of estimated future claims costs is based on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

PLAN has a multi-level risk sharing arrangement. Each member assumes its own losses up to its retention level. Losses in excess of the self-insured retention are paid out of a central pool maintained by PLAN for the pooled layers of coverage. This central pool is funded by premiums from all members.

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

PLAN purchases excess insurance policies to provide coverage for its members' exposure to losses in excess of the liability pool's $5 million limit and the property pool's $100,000 limit. Excess liability insurance provides a total of $15 million in liability coverage and excess property insurance pays claims up to the replacement cost of damaged property, subject to the terms of the policies. Premiums paid for excess insurance during the year ended June 30, 2008 amounted to $1,436,656.

Risk Sharing - PLAN is a "risk sharing" program which pools risks and funds and shares in the cost of losses. Losses and expenses are paid from the liability and property pools up to the limit of coverage subject to the self-insured retention.

Each year, PLAN evaluates the pools' financial risk position, defined as contributions less expenses, claim reserves and incurred-but-not-reported (IBNR) claims. If the events of the year result in a negative risk position, the members' annual assessments may be increased in subsequent years.

Capital Assets – Capital Assets is stated at cost less accumulated depreciation, which is provided on the straight-line basis over the estimated useful lives of the respective assets. The estimated useful life of software is seven years and that of vehicles is four years.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consist of the following at June 30, 2008:

	Cash and Cash Equivalents	Investments	Total
Cash in Banks	$2,924,691		$2,924,691
Local Agency Investment Fund	1,640,306		1,640,306
U.S. Agency Obligations		$34,456,768	34,456,768
Corporate Notes		5,032,048	5,032,048
Total Cash and Investments	$4,564,997	$39,488,816	$44,053,813

NOTE 2 - CASH AND INVESTMENTS (Continued)

A. *Authorized Investments by PLAN*

PLAN's Investment Policy and the California Government Code allow PLAN to invest in the following, provided the credit ratings of the issuers are acceptable to PLAN.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	7 years	N/A	None, (B)	None
U.S. Agency Securities	7 years	N/A	None, (A), (B)	None
Bankers Acceptances	180 days	A1/P1	25%	10%
Commercial Paper	270 days	A1/P1/F1	10%	10%
Medium Term Notes	5 years	AA	10%, (B)	10%
Negotiable Certificates of Deposit	2 years	AA/A-1	30%	10%
Time Certificates of Deposit	1 years	CRA - Satisfactory	10%	10%
Money Market Mutual Funds	N/A	AAA or (C)	10%	None
California Local Agency Investment Fund	N/A	N/A	None	None

(A) Maximum limit of 20% of the investment portfolio on mortgage-backed securities.
(B) The aggregate total of investments in callable notes is limited to 25% of portfolio.
(C) ABAG PLAN can also purchase money market funds managed by a manager with a minimum 5 year history and $500 million under management.

B. *Interest Rate Risk*

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The sensitivity of the fair values of PLAN's investments to market interest rate fluctuations can be analyzed by the following distribution of PLAN's cash and investments by maturity:

Cash and Investments	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Total
Investments with Original Maturities of 3 Months or Greater:					
U.S. Agency Obligations					
Federal Home Loan Bank	$4,041,192	$3,105,519	$4,054,338	$7,971,130	$19,172,179
Federal Home Loan Mortgage Corporation	3,042,109	6,157,248			9,199,357
Federal National Mortgage Association		2,025,780			2,025,780
Federal Farm Credit Bank	2,042,124	2,017,328			4,059,452
Corporate Notes			5,032,048		5,032,048
Subtotal Investments	9,125,425	13,305,875	9,086,386	7,971,130	39,488,816
Cash and Cash Equivalents:					
Cash in Banks	2,924,691				2,924,691
Local Agency Investment Fund	1,640,306				1,640,306
Subtotal Cash and Cash Equivalents	4,564,997				4,564,997
Total Cash and Investments	$13,690,422	$13,305,875	$9,086,386	$7,971,130	$44,053,813

As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 212 days.

C. *Credit Risk*

Credit risk is the risk of failure of an issuer of an investment in fulfilling its obligation to the holder of the investment. Presented below is the actual rating by Moody's as of June 30, 2008 for each investment type:

	Rating at year end		
	Exempt from Disclosure	Aaa	Aa
Local Agency Investment Fund	$1,640,306		
U.S. Agency Obligations		$34,456,768	
Corporate Notes			$5,032,048
Total	$1,640,306	$34,456,768	$5,032,048

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

PLAN's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total entity-wide investments, are as follows at June 30, 2008:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Securities	$19,172,179
Federal Home Loan Mortgage Corporation	Federal Agency Securities	9,199,357
Federal Farm Credit Bank	Federal Agency Securities	4,059,452
CitiGroup	Corporate Note	2,995,335

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, PLAN may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the public agency's deposit. All of PLAN's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in PLAN's name.

In addition, the custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, PLAN may not be able to recover the value of its investment or collateral securities that are in the possession of another party. PLAN's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by PLAN, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

E. Local Agency Investment Fund

PLAN is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. PLAN reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporate notes.

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Statement of Cash Flows

For purposes of the statement of cash flows, PLAN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 3 - RESERVES FOR CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

Reconciliation of Reserves

Reserves for claims and claim adjustment expenses changed as follows:

	General Liability Pool		Property Liability Pool	
	2008	2007	2008	2007
Reserves for claims and claim settlement expenses, beginning of year	$17,471,091	$20,033,000	$157,500	$157,500
Provision for claims and claim settlement expenses attributable to insured events of:				
Current year	5,184,000	4,938,000	157,500	157,500
Prior years	2,660,970	(5,551,918)	330,819	385,728
Total incurred claims and claim settlement expenses	7,844,970	(613,918)	488,319	543,228
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:				
Claims paid -- current year		(15,240)	(414,942)	(224,725)
Claims paid -- prior years	(8,233,061)	(1,932,751)	(73,377)	(318,503)
Total payments	(8,233,061)	(1,947,991)	(488,319)	(543,228)
Reserves for claims and claim settlement expenses, end of year	$17,083,000	$17,471,091	$157,500	$157,500
Components of unpaid claim liabilities:				
Reserves for claims and claim settlement expenses	$15,381,000	$15,722,091	$150,000	$150,000
Reserves for unallocated loss settlement expenses	1,702,000	1,749,000	7,500	7,500
Total	$17,083,000	$17,471,091	$157,500	$157,500

NOTE 4 - CAPITAL ASSETS

Capital Assets activity was as follows for the year ended June 30, 2008:

	2007	Additions	2008
Cost			
Capitalized software	$432,838		$432,838
Automobiles	52,715		52,715
Total	485,553		485,553
Accumulated depreciation			
Capitalized software	432,838		432,838
Automobiles	27,876	$13,179	41,055
Total	460,714	13,179	473,893
Capital Assets, Net	$24,839	($13,179)	$11,660

ABAG PLAN CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - GENERAL LIABILITY POOL
YEARS ENDED JUNE 30

(dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
(1) Earned premiums	$4,980	$4,695	$4,916	$5,486	$6,223	$6,300	$6,979	$7,475	$8,085	$7,906
Excess insurance premiums				250	370	445	544	562	777	710
Net Earned	4,980	4,695	4,916	5,236	5,853	5,856	6,436	6,913	7,308	7,196
(2) Investment income allocation:										
FY 07-08	($68)	$148	$178	$42	($197)	$173	$206	$200	$215	$96
FY 06-07	(75)	160	165	46	(211)	168	222	208	232	
FY 05-06	(70)	152	185	44	(204)	180	207	207		
FY 04-05	(61)	142	177	54	(71)	172	197			
FY 03-04	6	131	164	70	144	180				
FY 02-03	14	141	173	173	162					
FY 01-02	30	141	200	193						
FY 00-01	247	167	230							
FY 99-00	189	160								
FY98-99	89									
(3) Net earned premiums and investment revenues	5,281	6,037	6,388	5,858	5,476	6,729	7,268	7,528	7,755	7,292
(4) Unallocated expenses	1,514	1,647	1,394	1,597	1,844	2,137	2,532	2,825	2,799	5,086
(5) Funds available for claims	3,767	4,390	4,994	4,261	3,632	4,592	4,736	4,703	4,956	2,206
(6) Paid (cumulative) as of:										
End of program year	1,865	66	53		955	59	29	97	15	
One year later	2,574	735	234	580	1,247	529	102	255	57	
Two years later	3,280	928	960	2,589	5,716	600	873	905		
Three years later	3,659	1,073	1,046	3,016	8,180	969	1,838			
Four years later	3,979	1,203	1,070	3,284	8,124	944				
Five years later	4,141	1,213	1,146	3,278	8,667					
Six years later	5,470	1,213	1,710	4,573						
Seven years later	5,567	1,200	1,710							
Eight years later	5,594	1,200								
Nine years later	5,594									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	3,400	3,444	3,926	3,985	3,039	4,302	8,095	8,581	4,938	5,194
One year later	2,537	3,022	3,573	2,832	4,464	3,935	5,170	4,183	4,412	
						3,116	3,151	3,678		
Three years later	1,752	1,234	1,297	1,280	1,166	1,874	1,625			
Four years later	1,455	211	483	856	1,095	950				
Five years later	1,054	334	272	1,899	789					
Six years later	366	144	100	376						
Seven years later	304	49	69							
Eight years later	182									
Nine years later										
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	5,265	3,510	3,979	3,985	3,994	4,361	8,124	8,678	4,953	5,194
One year later	5,111	3,756	3,807	3,412	5,711	4,464	5,272	4,438	4,469	
Two years later	5,322	3,560	3,137	4,708	9,094	3,716	4,024	4,583		
Three years later	5,411	2,307	2,343	4,296	9,346	2,843	3,463			
Four years later	5,434	1,414	1,553	4,140	9,219	1,894				
Five years later	5,195	1,547	1,418	5,177	9,456					
Six years later	5,836	1,357	1,810	4,949						
Seven years later	5,871	1,249	1,778							
Eight years later	5,776	1,200								
Nine years later	5,594									
(9) Change in estimated net incurred claims from end of policy year	329	(2,310)	(2,201)	964	5,462	(2,467)	(4,661)	(4,095)	(484)	
(10) Net Asset Distributions Paid 7/01	(225)	(217)	(254)							
(11) Total Net Asset Distributed	(225)	(217)	(254)							
(12) Funds available after estimated claims and net asset distributions	(1,602)	3,407	3,470	(688)	(5,824)	2,698	1,273	120	487	(2,988)

ABAG PLAN CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - PROPERTY LIABILITY POOL
YEARS ENDED JUNE 30

(dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
(1) Earned premiums	$529	$529	$439	$516	$829	$822	$984	$893	$1,004	$892
Excess insurance premiums	248	319	380	347	679	658	774	718	858	727
Net Earned	281	210	59	169	150	164	210	175	146	165
(2) Investment income allocation:										
FY 07-08	18	11	4	7		(2)	(4)	(16)	(8)	(14)
FY 06-07	15	9	3	5	(1)	(1)	(4)	(12)	(4)	
FY 05-06	12	7	2	4	(1)	3	(3)	(1)		
FY 04-05	10	6	2	4		2	2			
FY 03-04	4	3	1	2	(2)	1				
FY 02-03	7	4	1	2	(3)					
FY 01-02	10	10	9	9						
FY 00-01	11	10	9							
FY 99-00	10	10								
FY 98-99	7									
(3) Net earned premiums and investment revenues	385	280	90	202	143	167	201	146	134	151
(4) Unallocated expenses	16	56		1	13					
(5) Funds available for claims	369	224	90	201	130	167	201	146	134	151
(6) Paid (cumulative) as of:										
End of program year	6	7	9	63	214	19	165	208	225	415
One year later	54	20	21	76	243	105	273	420	294	
Two years later	65	20	22	82	237	102	283	424		
Three years later	65	20	22	82	255	199	283			
Four years later	65	20	22	81	255	199				
Five years later	40	20	22	81	255					
Six years later	40	20	22	81						
Seven years later	40	20	22							
Eight years later	40	20								
Nine years later	40									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	150	150	51	150	157	157	157	158	158	158
One year later		1								
Two years later	2									
Four years later										
Five years later										
Six years later										
Seven years later										
Eight years later										
Nine years later										
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	156	7	9	213	371	176	322	365	452	573
One year later	54	21	21	76	243	105	273	420	294	
Two years later	67	20	22	82	237	102	283	424		
Three years later	65	20	22	82	255	199	283			
Four years later	65	20	22	81	255	199				
Five years later	40	20	22	81	255					
Six years later	40	20	22	81						
Seven years later	40	20	22							
Eight years later	40	20								
Nine years later	40									
(9) Change in estimated net incurred claims from end of policy year	(116)	13	13	(132)	(116)	23	(39)	59	(158)	573
(10) Net Asset Adjustment FY 04-05					104					
(12) Funds available after estimated claims	329	204	68	120	(21)	(32)	(82)	(278)	(160)	(422)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The preceding tables illustrate how PLAN's earned revenue (net of excess insurance) and investment income compare to related costs of loss and other expenses assumed by PLAN as of the end of each of the past ten years. The rows of table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned premium revenue, premium revenue ceded to excess insurers and net earned premium revenues.
(2) This line shows investment income allocation to policy year from investment income earned during each of the past ten fiscal years.
(3) This line shows the total of net earned premiums and investment revenues.
(4) This line shows each fiscal year's other operating costs of PLAN not allocable to individual claims.
(5) This line shows the net funds available for claims, after payments for excess insurance and unallocated expenses.
(6) This section of ten rows shows the cumulative net claims paid at the end of successive years for each policy year.
(7) This section of ten rows shows the estimated outstanding reserves as of the end of the current year for each policy year. This annual reestimation results from new information received on reported claims not previously reported.
(8) This section of ten rows is the total of (6) and (7) and shows how each policy year's net incurred claims has changed as of the end of successive years.
(9) This line compares the latest reestimated net incurred claims amount to the amount for each policy year originally established (first row of line 8) and shows the difference between the current and original amounts. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.
(10) (General Liability Pool only) This line shows the allocation of net asset distributions to policy years paid by the pool during each of the 10 most recent fiscal years.
(11) (General Liability Pool only) This line shows the total of line 10 by policy year.
(12) This line shows the funds available after reestimated claims and distributions.

This Page Left Intentionally Blank

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
JUNE 30, 2008

This Page Left Intentionally Blank

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2008

Table of Contents

This Page Left Intentionally Blank

MAZE &
ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

MEMORANDUM ON INTERNAL CONTROL STRUCTURE

September 28, 2008

To the Board of Directors of the
ABAG Pooled Liability Assurance Network Corporation (PLAN)
Oakland, California

In planning and performing our audit of the financial statements of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered PLAN's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PLAN's internal control. Accordingly, we do not express an opinion on the effectiveness of PLAN's internal control. As PLAN's administration and the majority of its internal controls are provided by the Association of Bay Area Government (the Association) staff we are repeating comments made to the Association's Executive Board as part of our audit of the Association in this Memorandum to inform you of relevant issues that pertain to internal controls provided by the Association.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted no matters that we consider to be material weaknesses, however, we identified certain deficiencies in internal control that we consider to be significant deficiencies that are included on the Schedule of Significant Deficiencies

The written responses included in this report have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)
MEMORANDUM ON INTERNAL CONTROL STRUCTURE

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2008-01 – <u>Accounting Oversight & Review</u>

The Association's former Assistant Finance Director left the Association's employment in fiscal 2007-08 and has not yet been replaced. This position was vacant during the period under audit and provides key oversight and controls over the accounting function. The absence of this position raises the potential that a significant error could occur and not be timely detected and corrected by existing staff.

The operations of ABAG and its affiliates are diversified, complex and very unusual which increases the need for a qualified Assistant Finance Director to oversee the accounting staff. Many of the oversight functions have been assumed by the incoming Finance Director on a temporary basis. However, both functions will be needed in the future to ensure that procedures are effective and efficient and controls do not deteriorate.

Management Response:

During FY 07-08, the former Finance Director announced his plan to retire after 25 years of service and the Association started recruiting for a new Finance Director. The recruitment was successful and a qualified and experienced successor took over the Finance Director position on July 2, 2008. The former Assistant Finance Director resigned from the Association in January 2008 and that position has not yet been filled to date. Recognizing the increased risk in internal control due to the departure of the Assistant Finance Director, the former Finance Director agreed to stay on to support his successor until the Assistant Finance Director position is filled. During that six-month period, the Association managed to maintain an adequate level of checking and balancing within the Finance Department, and as the results of the audit process for FY 07-08 have shown, there are no audit findings or material weaknesses to report.

This Page Left Intentionally Blank

MAZE &
ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

REQUIRED COMMUNICATIONS

September 28, 2008

To the Board of Directors of the
ABAG Pooled Liability Assurance Network Corporation (PLAN)
Oakland, California

We have audited the financial statements of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of and for the year ended June 30, 2008 and have issued our report thereon dated September 28, 2008. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing PLAN's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by PLAN is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2008.

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

REQUIRED COMMUNICATIONS

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2008.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are unbilled receivables. The PLAN has recorded claims liabilities approximating $17.5 million. Actual losses and the ultimate payment may vary from this estimate.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to PLAN's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as PLAN's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the PLAN, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by PLAN that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

REQUIRED COMMUNICATIONS

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the audit committee.

******

This report is intended solely for the information and use of the Board, its committees, and management and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

This Page Left Intentionally Blank

Agenda
Item
9.A.

ABAG PLAN CORPORATION
101 - 8th Street
Oakland, CA 94607-4756

Staff Report

May 6, 2009

To: Executive Committee
From: Marcus Beverly
Re: Revisions to the Liability Program Memorandum of Coverage (MOC)

Recommendation: staff recommends the Committee review and approve the attached revisions to the Liability MOC and cover memo to the Board explaining the changes.

Background: the proposed revisions have resulted from continuing discussions, begun primarily to address the changes to the inverse exclusion, over the scope of PLAN coverage . The Executive Committee has approved the changes in concept but has not reviewed the proposed MOC revisions.

Analysis: the revisions are a new exclusion and a change to the definition of damages.

The exclusion is meant to support current restrictions of coverage for damages arising from failure to comply with laws, regulations, grant requirements and the like. While the PLAN does not cover fines, fees, sanctions, penalties, and cost of injunctive relief, and those are often elements of claims arising from failure to comply, there is some potential for damages from third parties that fall outside such remedies. While claims of this nature tendered to PLAN have been rare, at least one claim for a dispute over relocation costs required for persons displaced during redevelopment has been received.

The change in the definition of damages to delete the reference to any sum awarded for attorney fees and costs is meant to broaden coverage. The claims in which this is expected to be a factor are civil rights claims, particularly police actions, and dangerous condition property damage claims that include inverse, such as sewer backups, flooding, or landslide claims. While attorney fees are a potential in any of those claims and at times factor into their settlement value, thus far members have not faced awards for such fees but have contributed to a settlement in two cases. Staff does not expect this change to significantly impact the overall severity of claims, but the potential does exist for an award in the hundreds of thousands of dollars.

Requested Action: staff requests the Committee review the proposed memo and MOC language, and provide comment and/or revisions to include in presentation to the Board.

Association of Bay Area Governments
PLAN CORPORATION
Pooled Liability Assurance Network
Association of Bay Area Governments

TO:	Board of Directors ABAG PLAN Corporation	**FR:**	Kenneth K. Moy Legal Counsel
RE:	Revisions to Memorandum of Coverage	**DT:**	February 10, 2009

Summary and Recommendations

The Executive Committee for the ABAG PLAN Program met on September 10, 2008 and considered proposed revisions to the Memorandum of Coverage (MOC). Staff and Legal Counsel recommended adding two exclusions and the City of Pacifica requested an expansion of coverage. The Executive Committee voted unanimously to recommend all revisions and requests that the Board of Directors approve the revisions effective July 1, 2009. A full description of the proposed revisions and the reasons for them follow. The language of the proposed changes to the MOC is attached as Appendix A showing additions in boldface and deletions in overstriken text.

1. Exclude claims arising out of a member's failure to comply with State and Federal laws, regulations, rules, administrative and executive orders, and the like

(a) Background: Municipalities are subject to State and Federal laws, regulations, rules, administrative and executive orders, and the like (collectively, 'Rules'), either as a public entity or as a member of a regulated group that includes private entities. Regulatory authorities can enforce Rules through administrative activities, the imposition of fines or penalties, or judicial relief. If a Rule benefits a defined class, then a member of the class may have a right to enforce the Rule.

A subset of Rules is related to health and safety, workplace safety, hazardous materials handling, etc. ('Health and Safety Regulations'). By definition, Health and Safety Regulations set standards designed to prevent injury or property damage. They often function as the legal standard for "non-negligent" behavior. Put another way, violation of a Health and Safety Regulation is negligence *per se*. Therefore, a claimant alleging bodily injury or property damage often pleads a violation of Health and Safety Regulation if one exists.

All other Rules are related to accomplishing a social goal: Americans with Disabilities Act, CEQA, Endangered Species Act, etc. When these types of Rules are broken, there is usually no bodily injury or property damage. For the reasons set forth in subsection (b), claims based on violations of Rules – except for Health and Safety Regulations – should be excluded from coverage.

(b) Rationale: The underlying principle for this exclusion is that such risks are difficult to manage and losses are difficult to anticipate. In devising a plan of action to comply with Federal or State social mandates, a member balances a complex array of factors such as costs, acceptance of the underlying

MetroCenter, 101 Eighth Street, Oakland, CA 94607-4756 Phone: (510) 464-7900
Mail: P.O. Box 2050, Oakland, CA 94604-2050 Fax: (510) 464-7989
www.abag.ca.gov/plan

Federal/State policies and impacts on local issues, policies and politics. Often the compliance strategy ultimately adopted by the member has some risk attached. The compliance strategy may be to take a minimalist approach for policy or political reasons, implicitly accepting the risk that it may fall short. Budgetary constraints may result in compliance strategy that is less robust and more risky. Finally, the strategy may fail due simply to misjudgment or unanticipated events. None of these scenarios are amendable to traditional risk or loss management techniques.

(c) Revisions: A new subsection IV.K is added to the MOC and the balance of the section is renumbered. The exclusion only applies to public officials errors and omissions coverage. The exclusion applies to claims arising out of the members' violation of statutes, regulations, rules, Executive Orders, administrative procedures, and the like; including when the violation occurs in the context of a grant contract (see discussion in section 2).

2. Exclude claims arising out of a member's failure to comply with grant requirements

(a) Background: The MOC currently excludes claims for public officials errors and omissions coverage for "arising out of any failure to perform or breach of a contractual obligation." ('Contract Exclusion') Municipalities often receive State and Federal grants that include requirements that have been codified in statutes, regulations, rules, Executive Orders, administrative procedures and the like. The grant contracts themselves do not contain the codified provisions. The reference to the codified provisions in the grant contract may not make them part of the contract for the purposes of the existing Contract Exclusion.

(b) Rationale: The underlying principle for this exclusion is that the risks are contract based and should not be "insured". The fact that the State and Federal governments have the ability to impose contract provisions by legislation or rule-making is a loophole in the existing Contract Exclusion and should be eliminated.

(c) Revisions: A new subsection IV.K is added to the MOC and the balance of the section is renumbered. The exclusion only applies to public officials errors and omissions coverage. The exclusion applies to claims arising out of the members' violation of statutes, regulations, rules, Executive Orders, administrative procedures, and the like; including when the violation occurs in the context of a grant contract (see discussion in section 1).

3. Cover awards of plaintiff's attorneys fees as 'Damages'

(a) All versions of the MOC have excluded plaintiff's attorneys fees from the definition of damages. This effectively precludes indemnity for such fees when explicitly identified as such in a judgment of settlement.

(b) Rationale: Settlements often factor in the plaintiff's costs of suit (including attorneys fees). However, with very rare exceptions, settlements do not explicitly identify a portion of the settlement as plaintiff's attorneys fees. On the other hand, a case litigated to judgment will always explicitly identify the portion of the judgment (if any) that is an award of plaintiff's attorneys fees. This distinction is viewed as artificial and thus, should be eliminated.

Please note, the revision does not change coverage. If the ABAG PLAN Program is not obligated to indemnify the member for the claim, the proposed revision does not impose a separate obligation to pay a plaintiff's attorneys fees. For example, plaintiff's attorneys fees awards in a regulatory inverse claim remain excluded.

(c) Revisions: Subsection I.G is revised as follows: (1) plaintiff's attorneys fees are no longer explicitly excluded from the definition of 'Damages' and (2) the general exclusion of 'fees' does not apply to plaintiff's attorneys fees.

Appendix A

MEMORANDUM OF COVERAGE – LIABILITY

Approved June 11, 2008
Effective Date July 1, 2008

MEMORANDUM OF COVERAGE -- LIABILITY

DECLARATIONS

ENTITY COVERED: ____

MAILING ADDRESS: ____
____
____

COVERAGE PERIOD: FROM: ___________ 12:01 A.M., Pacific Time
TO: __________ 12:01 A.M., Pacific Time

PREMIUM: **$__________________________**

DEDUCTIBLE: $________________________ per **Occurrence**

LIMIT OF COVERAGE: Five Million Dollars ($5,000,000) per **Occurrence** *EXCEPT* with respect to **Employee Benefit Plan Administration Liability**. With respect to **Employee Benefit Plan Administration Liability** the LIMIT OF COVERAGE is Two Hundred Fifty Thousand Dollars ($250,000) per **Occurrence**.

In consideration for the payment of the premium, **ABAG** and the ENTITY COVERED which is designated in the DECLARATIONS to this **Memorandum** agree as follows:

SECTION I - DEFINITIONS

Words and phrases in bold print within this **Memorandum** (including any and all endorsements hereto and forming a part hereof) have special meanings, as defined below**:**

G. **Damages** means monetary sums paid or awarded as compensation for **Bodily Injury, Property Damage, Personal Injury, Public Officials Errors and Omissions Injury**, or **Employee Benefit Plan Administration Liability** covered by this **Memorandum**.

Damages **does not include:**

1. Any monetary sum paid or awarded as or for restitution;
~~Any monetary sum paid or awarded as or for attorney fees or costs;~~

2. Any monetary sum paid or awarded as or for fees **(except for plaintiff's attorneys fees)**, fines, sanctions, penalties, punitive damages or exemplary damages;

3. Any monetary sum paid or awarded as or for double, treble or any other mathematical multiplier of **Damages**;

4. Any costs of complying with equitable or other injunctive relief;

5. Any monetary sum paid or awarded as or for any loss, cost or expense arising out of any:

   a. Request, demand or order that any **Covered Party** or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of **Pollutants**; or

   b. Claim or suit by or on behalf of a government authority because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to or assessing the effects of **Pollutants**;

6. Any monetary sum paid or awarded to satisfy any obligation of a **Covered Party** (or any insurance company as a **Covered Party**'s insurer) under any workers' compensation, disability benefits or unemployment compensation law or any similar law.

7. Any premium, employer or employee contribution, fee, tax, assessment, or other amount, to enroll or maintain the enrollment of any employee in any **Employee Benefit Plan**

H. **Deductible** means the DEDUCTIBLE that is designated in the DECLARATIONS to this **Memorandum**.

SECTION IV - EXCLUSIONS

This **Memorandum** does not apply to **Damages:**

K. **For Public Officials Errors and Omissions Injury arising out of noncompliance with, or violation of, any statute, regulation, rule, Executive Order, circular, audit or recordkeeping standard, permit, license, administrative ruling, or the like. This exclusion applies regardless of the means taken, or available, to compel compliance and also applies regardless of the means taken, or available to, enforce a remedy for the noncompliance or violation.**

L. Arising out of a **Covered Party's** ownership, operation, use, maintenance, or entrustment to others of any **Aircraft** or **Watercraft**

M. Arising out of any transit authority, transit system or public transportation system owned or operated by a **Covered Party**; but this exclusion does not apply to any transit system operating over non-fixed routes, including dial-a-ride, senior citizen transportation or handicapped transportation.

N. Arising out of the failure to supply or provide an adequate supply of gas, water or electricity.

Agenda Item 10.

Staff Report

May 11, 2009

To: Executive Committee
From: Marcus Beverly
Re: Strategic Planning Discussion

Recommendation: staff requests the committee review and approve a facilitator for the Board meeting scheduled for October, 2009.

Background: at the last Board meeting, on October 22, 2008, the Board discussed the nature and extent of the PLAN's exposure to defense costs for inverse claims that have in the past been denied. Staff refers members to the summary minutes of the meeting for further details.

After considering a number of options, the Board passed a motion to make a recommendation to each member's governing body to:

- Reaffirm the intent of the members to exclude regulatory inverse claims
- Place a lifetime cap of $1 million per member for any regulatory inverse tail claims above the applicable deductible.
- Use the 2008 MOC inverse exclusion language to determine whether or not the regulatory inverse limit applies.

The Executive Committee met on January 15, 2009, to take up the Board's recommendation and prepare a plan for its implementation. Recognizing a lack of consensus among the Committee members regarding the proposal, and the fact not all members were present to vote on it, the Committee recommended the Board reconsider its recommendation and have members participate in an interest-based facilitation at the October Board meeting, with an open invitation to all member city managers who are not Board members to participate in the discussion.

Analysis: Staff solicited proposals from two facilitators recommended by committee members, Royleen White and Glaser & Associates. Their proposals are attached. Both are similar in their approach, and include a total of one and one-half days of work with the Board and Executive Committee. Ms. White's proposal is for a total of $7,645 plus expenses and the Glaser proposal is $6,000 plus expenses. Ms. White

included a pamphlet on interest based problem solving that is not included here but will be provided to members on request or prior to the Board meeting if she is chosen.

Staff will comment on the proposals and discussions with the facilitators at the meeting, but since some committee members have direct experience with them staff will request feedback and direction at the meeting.

Staff will also provide an overview of other key strategic issues to be addressed by the Board, including a withdrawal formula and the PLAN's organizational structure.

Recommendation: staff requests the committee review and discuss the proposals and recommend a facilitator for the meeting.

ROYLEEN WHITE ASSOCIATES
TOLL FREE 888.992.3200
royleenwhite@earthlink.net

ABAG PLAN Corporation
Interest-Based Problem Solving Board Meeting

1.0 Understanding of Assignment

It is our understanding after talking with Risk Manager Marcus Beverly that you are considering an interest-based facilitation at the October 2009 Board Meeting. The Executive Committee recommended this approach at its January 15 meeting, after an exhaustive process in 2008 to resolve issues regarding PLAN coverage and loss sharing policy. As we understand it, the Board approved a program change in October 2008; however the Board was and is split on this issue. In addition, the Executive Committee is also somewhat split, and has been unable to reach consensus on how to implement the proposed program changes. You have decided that a partnership with an external consultant will help to create a "doable" action plan and outline a process to resolve any outstanding issues as you work together to move the PLAN Corporation forward in an effective and reasonable way.

Interest Based Problem Solving (IBPS) "provides a structured process by which participants work to solve problems while fulfilling their own needs and attempting to satisfy the needs of others." (Kelsey Gray, for Cooperative Extension) Rather than go into an exhaustive description of IBPS, we have attached a pamphlet from Cooperative Extension. There are several steps in the process:

- Define the problem
- Determine interests
- Develop options
- Select a solution

In order to be satisfied with the solution, there has to be workable agreement. The substance or outcome of the dispute is only one of the three types of satisfaction levels, the other two being procedural satisfaction and psychological satisfaction. From the documents we have reviewed that the people we have spoken with, it appears as though the PLAN staff and the Executive Committee who worked on this issue have gone to great lengths to satisfy all three; an enormous amount of work has been done! There have been surveys, reports, meetings, briefings, more surveys, more reports and presentations, more meetings, and a genuine reaching-out to all your Members.

One can only wonder what more you might have done! However, progress has been made, according to Mr. Beverly. So that would be the first order of business: to build on that progress. It appears there are several issues about which the Board doesn't seem to have agreement:

1) Do we trust our Members to act honorably?

2) Now that we have amended the Memorandum of Coverage (MOC), is the MOC sufficient going forward, or do we want to amend the contract itself? (Amending the contract entails additional requirements that are challenging.)

We would also suggest that we work with Board Members to revisit the purpose and common ground of ABAG PLAN creation and operation. We realize that staff has done this as recently as last June; however, the core values and beliefs of the common ground are critical to keep "top of mind" if the Board has any hope to reach consensus.

2.1 RWA Approach

We will take the time to interview key group members and staff, and to do up-front assessment that enables us to design a session that meets your needs. Each group facilitation, consulting engagement, workshop, and team development we present is highly interactive; in these sessions, we will utilize our experience and skill as expert process facilitators.

Each session must have structure that moves the group toward the desired outcomes. This structure may be transparent, but it is a large part of the "value-added" that an experienced facilitator provides. In general, facilitation is a process of making human interactions easier and more effective in obtaining some goal. How does the facilitator accomplish this?

- By understanding the differences of style which make people unique and using this knowledge to build bridges and make connections.

- By understanding what is really happening "right now" and knowing how to intervene to help group members accomplish the purposes for which they come together.

- By understanding a body of knowledge about what happens when individuals come together and using that body of knowledge to make assessments and diagnoses about which interventions are appropriate.

- By keeping things simple by focusing on involvement and results.

2.2 Assessment

RWA will conduct telephone interviews with key Board or Executive Committee Members, as well as key PLAN staff. In addition to helping participants begin to focus their thoughts prior to the Board meeting, the interviews will help Royleen to ascertain background for the design, to collect baseline data, and to understand each person's concerns and hopes for the session outcomes.

We will utilize the results to create a more customized work session. In this case, it appears as though you want to follow a classic Interest-Based Problem Solving negotiation process, although as we come closer to the date, you may wish to modify the process.

For example, we assume you wish to do pre-work with the Executive Committee before the Board Meeting; however, we can modify this proposal should you decide not to do this part of the process.

2.3 Work Session

Our goal is to reach consensus and have “buy-in” from all members so that this work actually results in an agreement that has the consensus of the Board Members. In the session, all Board Members and key staff will work together to define the issues we will need to address. The idea is to jointly find the best path to the success criteria we agree on, using IBPS process.

The purpose is to clarify the outcomes for the process and to make sure that all interested participants have a voice. The work session structure has several goals:

- To create an "intentional" group which shares a common understanding of the desired results for the PLAN’s future;
- To review past process and to identify and acknowledge success as well as missteps, so that the organization can continue to progress and learn;
- To set the tone and create a framework for successful collaboration between and among all group members.

The important thing is that the work session gathers the key people, and in a structured environment created by an experienced facilitator, addresses past progress and learning points, creates norms and ground rules, identifies constraints, sets success criteria, and jointly creates the process for the subsequent action planning and implementation.

3.1 Why You Should Hire RWA

- RWA will custom design this process to meet your unique needs.
- RWA is small enough to give you the personal attention you desire, and experienced enough to give you the skills and background you deserve.
- RWA works with clients as partners.
- In addition to her expertise as a trainer and facilitator, Ms. White has extensive experience as a Department Head in the public sector.
- RWA has the proven ability to work with groups to resolve issues and develop strategic action plans.

3.2 Consultant's Background

RWA specializes in organizational improvement, facilitation, and results-oriented team development. RWA works in partnership with clients to develop capabilities to continually learn, grow, and improve. RWA has worked with local government clients to develop productive teams and to create workable action plans for success. Ms. White has a unique combination of skills, including technical expertise in local government, as well as experience in training, organizational development, win-win negotiations and successful group facilitation.

As part of her continuing education, Ms. White learned process facilitation and further developed her training and team-building skills. As she became adept in using these skills, she experienced an increased fascination with organizational development and building high-performing work groups. Royleen had the opportunity to work with a wide variety of intact work teams and citizens advisory groups--often called together to resolve a controversial issue when elected officials desired diverse public involvement. Whether it was an outside citizen’s task force or an intact work group, Ms. White enjoyed the challenge of moving a group from conflict to consensus.

RWA's mission is to add value to clients' bottom-line by providing quality independent consulting; we provide a wide variety of solutions and interventions to solve client problems. The key to success is the relationship we form with each client.

3.3 Approach to Assignments

- We believe that a consultant works best as a **partner** who helps clients use their resources better. You know your organization; there is a great deal of expertise available; RWA works **with** you to help you strategize ways to capitalize on your strengths, while improving limitations.

- We believe in realistic problem-solving. Discussing and resolving real issues moves the action forward. Toward that end, our philosophy emphasizes group interaction to solve **real** problems and to create an **achievable** action plan that addresses your needs.

3.4 Local Government and Non-Profit Partial Client List

City of Livermore, City of Tracy, City of El Cerrito, City of Fremont, City of Burbank, City of Orinda, City of San Ramon, City of Santa Monica, City of Santa Barbara, City of Santa Clarita, City of Irvine, City of Menlo Park, City of Dublin, City of Portola, City of Half Moon Bay, City of San Buenaventura, City of Yorba Linda, City of Newport Beach, City of Cathedral City, City of Pittsburg, City of Sunnyvale, City of West Hollywood, City of Laguna Hills, City of Riverside, City of Long Beach, City of Hemet, Orange County Cities Risk Management Authority, Housing Authority of the City of Los Angeles, Port of Oakland, Livermore Amador Valley Transit Authority, Metropolitan Transportation Authority of Los Angeles, SunLine Transit Agency, Yolo County Transportation District, California Parks and Park Society, Coachella Valley Joint Powers Insurance Authority, California Society of Municipal Finance Officers, California Municipal Business Tax Association, County of Riverside, Contra Costa County, California State University, American Red Cross, American Lung Association, and the Imagination Workshop.

4.0 Client Investment

Royleen White will complete the project as follows:

- Consult with the Mr. Beverly and other key staff prior to the initial work session to begin to identify the challenges thus far and the hoped-for outcomes.
- Design brief questionnaire to prepare for telephone interviews.
- Conduct telephone interviews with key Executive Committee Members or Board Members, in order to gain baseline information on progress to date and challenges still before the group.
- Work with staff to clarify the pre-work necessary for Interest-Based Problem Solving.
- Facilitate one half-day work session with Executive Committee.
- Facilitate one full-day work session with Board of Directors.

The professional fee for the above is $7,645, plus expenses. This provides for the half-day session with Executive Committee, full-day session with the Board of Directors, questionnaire, telephone interviews, pre-work meetings (we are located in Oakland), analysis, design, and preparation. Expenses will include mileage, any profiles, supplies, or instruments that RWA may have to purchase, and any unusual reproduction and/or printing. (We assume ABAG will produce most of printed materials.) It is understood that ABAG PLAN Corporation will provide the site for the work session and audio-visual equipment as requested, as well as logistics for any meetings.

Attachment: Pamphlet on Interest-Based Problem Solving

GLASER & Associates

18 Canterbury Drive
Napa, California 94558
Phone and Fax: (707) 257-2505
Glaserandassociates@prodigy.net

April 30, 2009

Marcus Beverly, Risk Manager
ABAG PLAN Corporation
P.O. Box 2050
Oakland, CA 94604-2050

Dear Marcus:

This letter is submitted to the ABAG PLAN Corporation as a proposal to provide facilitation services to the Board of Directors to address board relationships to refine dispute resolution policies and practices. The following goals have been articulated based on our telephone discussions and the input of one former board member. The actual program plan and goals would be developed on completion of the assessment that is described below when there has been an opportunity to develop a broader understanding of the intended outcomes from a variety of perspectives.

We understand that it is your intent in this project to hold a one-day meeting of the ABAG PLAN board, with the possible addition of another half day meeting of the executive board to finalize agreements and understandings that are identified in the board meeting. While it is most likely that the full day and a half will be needed to accomplish the anticipated goals, that decision could also be made upon the completion of the assessment process.

Draft Goals:

Participants will:

1. Participate in a series of discussions and activities designed to build understanding, trust, and a sense of common purpose among board members representing the ABAG Pooled Liability Assurance Network (PLAN).

2. Clarify guidelines and/or a statement of understanding that will guide PLAN members on what kinds of claims are covered within the scope of the PLAN.

3. Develop a shared understanding of, and commitment to, the dispute resolution procedures, including clarifying agreements on how those procedures apply to both tailing and future claims.

4. Develop common commitments related to the rules and policies under which PLAN will be implemented and that clarify how members will interact.

April 30, 2009
Page Two

5. Develop plans for how agreements will be extended to, and embraced by, new board members.

Assessment:

This proposal includes provisions for assessment of representative participants. A final program plan would be contingent on this assessment process, and it is a process that we feel is a necessary element of the meeting design. We propose that the primary mechanism for assessment input would be by way of a brief written survey or web based survey instrument that would be developed in conjunction with ABAG PLAN staff and members of the executive Board. We would supplement this assessment data with a limited number of telephone interviews of Board members identified by ABAG PLAN staff. These conversations would take between 15 and 30 minutes each.

If we are selected for this facilitation, we can discuss timing and logistics for the assessment process.

Facilitation Plan and Logistics

It is recommended that a small design team be developed to review the facilitation plan and logistics and to support the meeting activities. While the formal meeting plan will be determined by the assessment information, it is anticipated that there will be a balance of small and whole group activities. This will ensure that all participants are able to give input into the discussion and that there is ample opportunity for the entire group to create shared meaning together on the critical issues that are on the agenda. The format of the meeting could also vary depending on the number of board members who indicate an interest in attending.

All meeting activities for the large group can likely take place in one large room that has sufficient space to seat all participants around a horseshoe shaped table with room for chart paper to hang on the wall at the front of the room. There should also be sufficient space for some small group activities to be staged informally around the table. If a second half-day is necessary with the executive board, than it would likely be conducted in a smaller conference room set up in a boardroom configuration.

Cost:

Our fee for this project will not exceed $6000 for a day and a half of meeting facilitation. This fee would be adjusted if the final plan calls for either a shorter or longer meeting. This includes the costs of assessment, program planning and facilitation and recording services for both the full day meeting of the PLAN board, and the half-day executive board meeting. It is our intention that Carol and John Glaser will work together as a team for this project.

ABAG is also responsible for:

- Identification and provision of suitable facilities.
- Provision of any meals or refreshments for participants.
- Provision of all mutually agreeable equipment, materials, or survey software.
- Coordination of communications with staff, board members and any other constituents related to the logistical planning for the meeting.
- Reimbursement for reasonable travel expenses.

Please let me know if you have any questions about any of the information included in this letter and agenda, or if you need any additional information. We're looking forward to the possibility of assisting your work in ABAG PLAN.

Sincerely Yours,

Carol Glaser

Carol Glaser
Managing Partner

Agenda Item 11.

Staff Report

Date: May 7, 2009
To: Executive Committee
From: Marcus Beverly
Re: Proposed ABAG PLAN Budget FY 09-10

Recommendation: Committee members review the proposed administration budget and make a recommendation to the Board for FY 09-10 funding.

Background: the annual administrative budget is used to fund the operations of the PLAN staff, including claims administration, risk management, and support services. The total amount approved is used in the actuary analysis to determine each Member's share of funding.

Analysis: the following pages contain the proposed budget, comparison with the budget for FY 08-09, actual expenses from FY 07-08, and explanatory notes.

Key changes to the budget from last year include:

- No change in total administrative funding of $2,500,000 used for FY08-09.
- Decrease in total personnel costs of 5%, mainly due to reorganization after retirement of Litigation Manager.
- Increase in all other expenses of $20,000, or 6%, due mainly to increase in claim consultants for examiner leave and sewer claim support.
- Decrease in total expenses of $94,031 or 3% even without subsidy for RM Analyst.
- Projected deficit of $197,405, offset by projected reserves of $300,000

These changes and explanation of the remaining budget categories are contained in the explanatory notes following the proposed budget.

Requested Action: staff requests the committee review and recommend the administrative budget for FY 09-10.

ABAG PLAN Corporation Administrative Budget FY 2009/10

	Proposed Budget FY 2009-10		Approved Budget FY2008-09	% Change FYE 10-09	Actual Expenses FY 2007-08	% Change FYE 10-08	Proposed Budget FY 2009-10
REVENUES:							**with subsidy**
Admin. Premium	$ 2,500,000		$ 2,500,000	**0%**	$ 2,399,997	4%	$ 2,500,000
Investments	$ 30,000		$ 60,000	**-50%**	$ 60,000	-50%	$ 30,000
Reserves - RM Analyst	$ -		$ 195,954	**-100%**	n/a	n/a	**$ 207,527**
TOTAL REVENUES	$ 2,530,000		$ 2,755,954	-8%	$ 2,459,997	3%	$ 2,737,527
EXPENSES:							
ABAG Personnel Costs	$ 2,368,405		$ 2,482,436	**-5%**	$ 2,063,912	15%	$ 2,368,405
Risk Management Consultants	$ 10,000		$ 5,000	100%	$ 822	1117%	$ 5,000
Software Support	$ 60,000		$ 60,000	0%	$ 65,904	-9%	$ 120,000
Actuary	$ 20,000		$ 20,000	0%	$ 18,060	11%	$ 20,000
Legal Consultants	$ 50,000		$ 100,000	**-50%**	$ 105,163	-52%	$ 40,000
Claims Consultants	$ 70,000		$ 10,000	**600%**	$ 5,829	1101%	$ 80,000
Travel	$ 7,000		$ 7,000	0%	$ 9,561	-27%	$ 7,000
Printing/Newsletter	$ 9,000		$ 9,000	0%	$ 5,139	75%	$ 9,000
Staff Training	$ 5,000		$ 5,000	0%	$ 3,370	48%	$ 5,000
Office Supplies	$ 8,000		$ 8,000	0%	$ 4,131	94%	$ 8,000
Memberships & Subscriptions	$ 7,000		$ 7,000	0%	$ 6,263	12%	$ 7,000
Claims Audit	$ 10,000		$ 10,000	0%	$ -		$ 10,000
Financial Audit	$ 18,000		$ 18,000	0%	$ 17,318	4%	$ 18,000
Meetings & Conferences	$ 25,000		$ 20,000	25%	$ 27,547	-9%	$ 20,000
Insurance & Bond	$ 20,000		$ 20,000	0%	$ 15,473	29%	$ 20,000
Depreciation	$ 15,000		$ 15,000	0%	$ 13,179	14%	$ 15,000
Miscell/Conting.	$ 25,000		$ 25,000	0%	$ 9,160	173%	$ 25,000
TOTAL EXPENSES	$ 2,727,405		$ 2,821,436	**-3%**	$ 2,370,831	15%	$ 2,777,405
Rev.Over (Under) Expen.	**$ (197,405)**		$ (65,482)	201%	$ 89,166		**$ (39,878)**
Beg.Yr. Admin. Reserve	$ 300,000	#	$ 592,579		$ 503,413		$ 300,000
End of Yr. Admin. Reserve	$ 102,595		$ 600,000	#	$ 592,579		$ 260,122

Projected Pending Software Capitalization Amount

Explanatory Notes ABAG PLAN Budget FY2009/2010

A. REVENUES

A breakdown of the various revenue categories is provided below:

1. Administrative Funding $2,500,000

The administrative premium remains at $2,500,000, due to decrease in personnel costs. Total revenues are below budgeted expenses by $177,405 based on use of projected reserve balance.

2. Investments $30,000

Estimated interest earned on the administrative funding, based on LAIF rates, decreased from $60,000 to $30,000.

3. Other – **from Liability Reserves** **no subsidy or continue at $207,527**

Recommendation is to fund RM Analyst position from admin expenses rather than past practice of using reserves since personnel expenses have decreased with recent restructuring.

B. EXPENSES

The assumptions for the various expense categories are provided below:

4. ABAG Personnel Costs: $ 2,368,405

This cost is down 5% due to reorganization and reflects total salary, benefits and indirect charges for all ABAG staff employees, including the RM Analyst. Computer support and other office support charges are also included in this line item.

5. Risk Management Consultants: $10,000

These funds will be used for facilitator at Board planning meeting and for support in various loss prevention efforts we expect to provide our members.

6. Software Support: $60,000

Cost of our annual software service agreement, Oracle software support, and additional consultant services as needed.

7. Actuarial Consultant: $20,000

Cost for annual actuarial services provided by Bickmore Risk Services.

8. Legal Consultant $50,000

Includes Lextech legal billing audits and use of outside attorneys. Decrease is due to decreased use of Lextech.

9. Claims Consultants $70,000

Cost for transcription services and temporary claims examiners, as needed. Costs have increased due to fill-in for maternity leave and increased outside assistance on sewer claims.

10. Travel: $7,000

Provides reimbursement of travel expenses for staff to various risk management and claim meetings with members.

11. Printing: $9,000

Printing costs for ABAG PLAN documents ranging from Board and Committee materials to the *Risk Matters* newsletter and claim reports, etc.

12. Staff Training $5,000

Budgeted funds for professional staff development.

13. Office Supplies $8,000

Costs of office supplies used by staff, Board of Directors and Committee Members.

14. Memberships & Subscriptions: $7,000

Provides for subscriptions to various risk management and claim publications. Including membership in PARMA, San Francisco Claims Association, PRIMA and CAJPA.

15. Claims Audit $10,000

Costs associated with our claims audit.

16. Financial Audit $18,000

Costs associated with our annual financial audit.

17. Meetings and Conferences $25,000

Cost of annual Board and Committee meetings, as well as annual PARMA conference and other risk management and legislative meetings.

18. Insurance & Bond $20,000

Coverage for PLAN operations including Professional Liability.

19. Depreciation $15,000

For PLAN autos, to include software once operational

20. Miscellaneous/Contingency $25,000

For otherwise uncategorized expenses and budget contingency.