ABAG PLAN CORPORATION

Finance Committee
Special Meeting

May 10, 2010
10:30 a.m.

101 Eighth St.
Oakland, CA
Auditorium
&
Following Teleconference Locations

Office of the Finance Director
City Hall
70 North First Street
Campbell, CA 95008

Office of the Finance Director
City Hall
501 Primrose Road
Burlingame, CA 94010-3997

Office of the Finance Director
City Hall
455 East Calaveras Blvd.
Milpitas, CA 95035

1. **Call to Order**

2. **Public Comments**

3. **Approval of Minutes of Special Meeting of the Finance Committee and the Risk Management Committee of 4-21-10 ***

4. **2009 Audited Financial Statements and Memorandum on Internal Control ***
   ABAG Finance Director and Chief Financial Officer of PLAN Corp., Herb Pike, will review the Audited Financial Statements of PLAN Corp. for Fiscal Year 2008-09 and the accompanying Memoranda on Internal Control and Required Communications.

5. **Requested Information on Performance Measures For The 2010-11 Budget ***
   The attached staff report presents initial measures of PLAN services that should be expanded and refined in the future.

6. **Requested Information on Budget Assumptions and Indirect Overhead Components ***
   The attached staff reports from Mr. Pike present information requested by the Committee at its meeting of April 21st before it could give final approval to the proposed 2010-11 ABAG PLAN Budget.

7. **Other Business**

8. **Adjournment**

***** Materials attached

ABAG PLAN CORPORATION

Finance Committee Regular Meeting
Risk Management Committee Special Meeting

Summary Minutes

Wednesday, April 21, 2010
101 Eighth Street
Oakland, CA 94607
Auditorium

Presiding	**Jurisdiction**
Jessee Takahashi, Acting Chair, Finance Committee	Campbell

Finance Committee Members Present

Emma Karlen	Milpitas
Jesus Nava	Burlingame

Risk Management Committee Members Present

Laura Allen	Colma / by teleconference
LeeAnn McPhillips	Gilroy / by teleconference
Julie Carter	Dublin
LaRae Brown	Millbrae

Staff Present

Darrell Dearborn, Interim ABAG PLAN Risk Manager
Herb Pike, ABAG PLAN Chief Financial Officer
Brian Kirking, ABAG IT Director
Gertruda Luermann, ABAG PLAN Risk Management Analyst
Carol Taylor, ABAG PLAN Secretary

Others Present

Kevin Bryant	Woodside
Ronald Anderson	Suisun City / by teleconference
Mark Joseph	Suisun City / by teleconference

1. Call To Order

The meeting was called to order at 9:45 a.m. A quorum was present for each committee.

2. Public Comments

None.

3. Approval of Finance Committee Minutes for March 18, 2009

Meeting minutes of the Finance Committee meeting of March 18, 2009 were approved as presented. **Motion/Karlen, Second/Takahashi, unanimously approved**.

4. Costs of The Risk Management information System also known as iVOS

Mr. Dearborn summarized the information in two staff reports before the Committees regarding the history of the iVOS project, costs associated with its purchase and implementation over two fiscal years, and its projected costs to June 30, 2010. Mr. Dearborn said that the original cost estimates for the system given to the Risk Management Committee and the Board in 2008 did not include costs for ABAG staff in the IT and Finance Departments who performed the in-house work required to convert data from the old RiskMaster system and implement the iVOS system. This work totaled 941 hours and $106,000 in 2008-09, and is estimated to total 2778 hours and $290,000 in 2009-10.

Mr. Dearborn said that the unbudgeted implementation costs incurred in 2008-09 were funded from salary savings within the total ABAG PLAN budget, and it is estimated that the unbudgeted costs in 2009-10 can be funded from the same source without an increase in the previously approved budget. He acknowledged that these unbudgeted costs should have been made known to the Committee much earlier. However, staff managing the project before July 1, 2009 did not express any concern about implementation costs that were charged to the project during 2008-09. Staff responsible for the project after that date did not know that in-house implementation costs had not been reported to, and approved by, the Committee and Board.

Mr. Takahashi and Ms. Brown asked if ABAG PLAN has recourse against AON for these costs under our contract. Mr. Kirking said probably not, the cost of the system stated in the AON proposal ($372,005) was expressed in the contract as work to be done on an hourly basis without a cap on costs to actually be incurred.

In response to questions, staff explained that iVOS is not a stand alone system but requires connection to and integration with Oracle data base and financial systems within ABAG. Mr. Takahashi asked if AON will support the system in light of the customization ABAG has done to make the system fit PLAN requirements. Mr. Kirking said that it would. Most users of iVOS adapt it to meet their particular needs. There will be a $22,000 annual maintenance fee payable to AON.

Mr. Nava asked how depreciation of the system would be treated. Mr. Pike explained that it would be depreciated as a capital asset over its expected life through an annual depreciation expense in the Administrative budget starting in 2010-11. Based on a seven year expected life, the amount will be $62,000. This number of years may be increased to ten with a lower annual expense.

Further discussion occurred regarding costs that should be approved by the Board. Ms. McPhillips asked if ABAG PLAN should cover all of the unbudgeted implementation costs that were not first approved by the Board. Ms Allen suggested that a recommendation should be made to the Board that it retroactively approve the expenditures made in 2008-09, and that it approve the total expenditures expected to be made by June 30, 2010. Mr. Kirking said that the estimated total of $290,000 in 2009-11 is a valid target and that it should allow installation to be completed.

Mr. Dearborn said that the staff would prepare a report to the Risk Management Committee in August, after the books close for 2009-10, detailing the status of the project in terms costs, work completed and work remaining to be done, if any.

The discussion of unbudgeted costs included suggestions that ABAG PLAN should develop policies for budget control on projects of this kind that would ensure cost overruns are brought to the Board or a Committee so decisions to provide additional funding or reduce the scope of the project to stay within budget can be in a timely manner. The Committees agreed those policies should be pursued.

Motion/Takahashi, Second/Karlen, unanimously approved, that staff prepare a report to the Board for its meeting of June 16, 2010 explaining the history and costs of iVOS, whether additional implementation costs will be incurred in 2010-11, and asking the Board to approve the 2009-10 implementation costs currently estimated at $290,000. The report should be available to the Board at least one week before its meeting.

Laura Allen, LeeAnn McPhillips and Julie Carter of the Risk Management Committee left the meeting at 11 a.m., and the remaining items were considered by only the Finance Committee.

5. ABAG PLAN Investment Reports

Mr. Pike presented reports for quarters ending June 30, 2009, September 30, 2009 and December 31, 2009. No remarkable performance issues were noted. Investment yields continued to be low reflecting historically low interest rates on portfolio investments.

Two changes in the investment policy were approved: 1) To increase from 25% to 30% the share of the portfolio that can be invested in callable bonds, and 2) The policy prohibiting investments in corporate bonds was lifted to take advantage of highly rated corporate bonds with higher yields than other approved securities, if available.

6. Proposed ABAG PLAN Administrative Budget for FY2010-11

Mr. Dearborn presented the proposed budget for the Administrative Fund for 2010-11. The proposed budget totals $3,051,680 or 11.3% above the current budget of $2,743,049. Principle reasons for this increase are the first year of iVOS depreciation ($62,000), the Marcus Beverly contract ($144,000), additional IT staff costs associated with the new iVOS system ($84,000) and the addition of contract claim examiner costs for FY2011 ($75,000) to handle an increase in the number of claims.

A question was raised regarding Mr. Beverly's contract and what services were being provided under it. Mr. Dearborn said Mr. Beverly had provided assistance in developing iVOS reports and data to the actuary for the 2010-11 premium study, and help in correcting claim cause codes. He has also provided risk management services to several member cities. Mr. Dearborn explained that at its February meeting the Executive Committee authorized the chair, Ms. Allen, to renegotiate the contract if Mr. Beverly's hours worked were less than 65 for the month of March, 2010.

Questions were raised regarding the indirect overhead rate, including the components of costs making up the rate. Mr. Dearborn said that at its February meeting the Executive Committee approved the issuance of an RFP in FY2011 to have an outside firm review the methodology used to establish the indirect overhead rate and the direct costs attributed to ABAG PLAN, and to report its findings. The review will also compare the ABAG PLAN indirect overhead methodology to those used in comparable insurance pools.

Ms. Brown asked about how the ABAG budget looked for 2010-11. Mr. Pike briefly described the limited compensation changes budgeted for ABAG employees, which include a salary increase equal to the change in the CPI, capped at 3%, as called for in the second year of a current two-year labor agreement.

Mr. Nava asked for a breakout of all of the compensation assumptions built into the 2010-11 ABAG PLAN budget. Mr. Takahashi asked for a breakout of the components of the indirect overhead rate. Mr. Joseph asked if there were performance measures PLAN used that would be helpful in the budget process. Mr. Dearborn said measures were available and can be included in the budget.

Motion/ Nava, Second / Karlen, unanimously approved, to approve the proposed 2010-11 Administrative Budget, subject to receiving the additional indirect overhead rate information requested, and subject to a decision on Mr. Beverly's contract.

7. Other Business

Mr. Dearborn discussed the Audited Financial Report for FY2008-09 which was emailed to the Committee on April 20, 2009. No action was recommended; however, if the Committee would like to consider it, a special meeting should be scheduled. Mr. Takahashi asked that members call Mr. Dearborn's office with dates and times during the first week of May when a special meeting of the Committee might be held via conference call to consider the Report and take action before the Board meeting of June 16, 2010.

8. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 12:45 p.m.

TO: PLAN Finance Committee

FROM: Herbert Pike, Chief Financial Officer

DATE: April 20, 2010

SUBJECT: **2009 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, 2009.

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 were no reportable conditions identified in the auditors' Memorandum on Internal Control, and they reported we had resolved the sole reportable condition of the prior audit through the hiring of a new Assistant Finance Director to facilitate oversight and enforcement of adequate internal control processes.

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

	6/30/09	**6/30/08**
Total assets	$48,715	$44,980
Above-deductible claims	1,651	8,721
Claim reserves	16,329	17,241
Net assets	31,355	27,362

The primary cause for the reduction in the Above-deductible claims was 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 excluded such exposure in the future effective July 1, 2008. It is unclear how the subsequent Board decision establishing a cap of $7 million on "Inverse Tail Claims" will affect the claims reserves identified by the actuary for June 30, 2010.

We are happy to report that with reduced claims and reduced claims reserves enabling a substantial (14.6 percent) increase in Net Assets, confidence level for the pool remains well above 90% as of June 30, 2009. 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 significant investment in loss prevention programs.

Staff Recommendation

Staff recommends these reports be approved by the Finance Committee and forwarded to the full Board for consideration at their Annual Meeting.

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

FOR THE YEAR ENDED
JUNE 30, 2009

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

For the Year Ended June 30, 2009

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MEMORANDUM ON INTERNAL CONTROL

October 9, 2009

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, 2009, 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 PLAN'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 PLAN's financial statements that is more than inconsequential will not be prevented or detected by PLAN'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 PLAN'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 did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

A Professional Corporation

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

CURRENT STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2008-01 – Accounting Oversight & Review

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.

Current Status:

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. 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 fiscal year 2008-09, the Assistant Finance Director was hired and the former Finance Director retired on June 30, 2009.

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ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

REQUIRED COMMUNICATIONS

October 9, 2009

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, 2009 and have issued our report thereon dated October 9, 2009. 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 2009.

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 2009.

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 $16.3 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 PLAN'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.

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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

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ABAG PLAN CORPORATION

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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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, 2009, 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, 2009 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

October 9, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG PLAN Corporation (PLAN) has issued the financial reports for fiscal year ending June 30, 2009 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 2009 FINANCIAL HIGHLIGHTS

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

- Total assets at June 30, 2009 were $48.7 million. At June 30, 2008, total assets were $45.0 million.
- Total revenues, including program and general revenues, were $11.2 million in FY 2009, while total expenses were $7.2 million.
- Total net assets increased by $4.0 million in FY 2009 to a new total of $31.4 million at June 30, 2009.
- General Liability program operating revenues were $5.8 million in FY 2009, while Property Liability operating revenues were $918 thousand and Administration operating revenues were $2.5 million.
- General Liability program operating expenses were $3.7 million in FY 2009, while Property Liability operating expenses were $993 thousand and Administration operating expenses were $2.5 million.
- General revenues, comprising investment income, totaled $2.0 million in FY 2009, of which $1.9 million, $40 thousand and $20 thousand were allocated to General

Liability, Property Liability and Administration funds respectively (see Investment Activities below).
- General Liability net assets were $29.3 million at June 30, 2009, while Property Liability net assets were $1.5 million and Administration net assets were $571 thousand at that date.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

Above-deductible General Liability claims paid totaled $1.4 million in FY 2009 comparing to $8.2 million during FY 2008. In FY 2008, there were two large claim settlements including 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. There were no significant claim settlements in FY 2009. The reserve level for claims was reduced to $16.2 million in FY 2009 from $17.1 million in FY 2008.

Above-deductible Property Liability claims paid during FY 2009 amounted to $266 thousand. Reserves for Property Liability claims were $158 thousand at June 30, 2009, 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, 2009, PLAN has $12.1 million invested in the Local Agency Investment Fund (LAIF), $31.3 million in federal agency securities, and $4.1 million in corporate notes. The large LAIF balance was attributed to matured securities and securities that were called by issuers towards year end. Uninvested monies were deposited in PLAN's LAIF account. Some funds were reinvested in fixed income securities subsequent to June 30, 2009. The investment portfolio realized total earnings of $2.0 million, representing an overall average yield of 3.22% for FY 2009, excluding adjustments for fair value.

The change in market values of PLAN's investment portfolio between June 30, 2008 and June 30, 2009 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 2009 AND OUTLOOK FOR FY 2010

In response to the litigation and land development claim settlements (inverse condemnation) incurred in FY 2008, the Board of Directors of PLAN approved a revised Memorandum of Coverage effective July 1, 2008 designed to prevent such exposure. The Board continues to have more discussions regarding the coverage of inverse claims not yet submitted but due to actions prior to July 1, 2008, and a new policy will be presented to members in FY 2010.

During FY 2009, PLAN selected and commenced implementation of a new claim processing software (iVOS). The web-based system will help PLAN to manage claims more effectively. It will enable PLAN to provide better results and services to members. Members will have on-line access to review claims and reports. The implementation process is expected to complete by the end of December 2009.

In FY 2010, 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 recoveries against property losses in the past.

During FY 2009, PLAN offered and will continue to offer in FY 2010 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, 2009

	General Liability Fund	Property Liability Fund	Administration Fund	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	$9,835,478	$1,608,741	$803,416	$12,247,635
Investments, at Fair Value (Note 2)	35,383,019			35,383,019
Total Cash and Investments	45,218,497	1,608,741	803,416	47,630,654
Receivables				
Due from Members	381,657	50		381,707
Interest	507,459			507,459
Total Current Assets	46,107,613	1,608,791	803,416	48,519,820
Capital Assets (Note 4)				
Construction in Progress	192,369			192,369
Vehicles, Net			2,918	2,918
Capital Assets, net	192,369		2,918	195,287
Total Assets	46,299,982	1,608,791	806,334	48,715,107
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	796,317		235,317	1,031,634
Total Current Liabilities	796,317		235,317	1,031,634
Noncurrent Liabilities (Note 3)				
Reserves for Claims and Claim Adjustment Expenses	14,558,000	150,000		14,708,000
Reserves for Unallocated Loss Adjustment Expenses	1,613,000	7,500		1,620,500
Total Noncurrent Liabilities	16,171,000	157,500		16,328,500
Total Liabilities	16,967,317	157,500	235,317	17,360,134
NET ASSETS				
Unrestricted	29,332,665	1,451,291	571,017	31,354,973
Total Net Assets	$29,332,665	$1,451,291	$571,017	$31,354,973

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	General Liability Fund	Property Liability Fund	Administration Fund	Total
PROGRAM OPERATING REVENUES				
Premiums from Members				
General Liability	$5,761,872			$5,761,872
Administration			$2,499,999	2,499,999
Property Insurance		$917,716		917,716
Total Program Operating Revenues	5,761,872	917,716	2,499,999	9,179,587
PROGRAM OPERATING EXPENSES				
Provision for Claims and Claim Adjustment Expenses	473,326	265,761		739,087
Property Insurance Coverage		725,761		725,761
Excess Insurance Coverage	763,706		15,473	779,179
Depreciation			8,742	8,742
Management and Administration (Note 1A)	222,198		2,180,756	2,402,954
Contract Services	1,215,457		318,834	1,534,291
Other Expenses	1,010,002	1,000	17,587	1,028,589
Total Program Operating Expenses	3,684,689	992,522	2,541,392	7,218,603
Net Program Operating Income (Loss)	2,077,183	(74,806)	(41,393)	1,960,984
GENERAL REVENUE (EXPENSE)				
Investment Income	1,971,709	40,000	19,831	2,031,540
Total General Revenue (Expense)	1,971,709	40,000	19,831	2,031,540
CHANGES IN NET ASSETS	4,048,892	(34,806)	(21,562)	3,992,524
BEGINNING NET ASSETS	25,283,773	1,486,097	592,579	27,362,449
ENDING NET ASSETS	$29,332,665	$1,451,291	$571,017	$31,354,973

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	General Liability Fund	Property Liability Fund	Administration Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from members	$5,631,420	$918,716	$2,499,999	$9,050,135
Payments for insurance and contract services	(1,337,534)	(725,761)	(334,307)	(2,397,602)
Payments to ABAG	(222,198)		(2,167,424)	(2,389,622)
Claims paid	(1,385,326)	(265,761)		(1,651,087)
Other payments	(1,010,002)	(1,000)	(17,587)	(1,028,589)
Net cash flows from operating activities	1,676,360	(73,806)	(19,319)	1,583,235
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(192,369)			(192,369)
Net cash flows from capital and related financing activities	(192,369)			(192,369)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturities and sales of investments	4,105,797			4,105,797
Interest received	2,126,144	40,000	19,831	2,185,975
Net cash flows from investing activities	6,231,941	40,000	19,831	6,291,772
Net increase (decrease) in cash and cash equivalents	7,715,932	(33,806)	512	7,682,638
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,119,546	1,642,547	802,904	4,564,997
CASH AND CASH EQUIVALENTS AT END OF YEAR	$9,835,478	$1,608,741	$803,416	$12,247,635
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	$2,077,183	($74,806)	($41,393)	$1,960,984
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation			8,742	8,742
Change in assets and liabilities:				
Receivable from Members	(130,452)	1,000		(129,452)
Payables	641,629		13,332	654,961
Reserves for claims and claim adjustment expenses	(823,000)			(823,000)
Reserves for unallocated loss adjustment expenses	(89,000)			(89,000)
Net cash flows from operating activities	$1,676,360	($73,806)	($19,319)	$1,583,235

See accompanying notes to basic financial statements

NOTE 1 – SUMMARY OF 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 $2,482,451 for these services and $274,165 for contract services in the fiscal year ended June 30, 2009. Of these services, $5,774 was due to ABAG at June 30, 2009.

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 may be received and are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that may be received and are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2009 amounted to $1,489,467.

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.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consist of the following at June 30, 2009:

	Cash and Cash Equivalents	Investments	Total
Cash in Banks	$107,071		$107,071
Local Agency Investment Fund	12,140,564		12,140,564
U.S. Agency Obligations		$31,323,569	31,323,569
Corporate Notes		4,059,450	4,059,450
Total Cash and Investments	$12,247,635	$35,383,019	$47,630,654

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	None
U.S. Agency Securities	7 years	N/A	None, (A)	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%	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 (B)	10%	10%
California Local Agency Investment Fund	N/A	N/A	None, (C)	None

(A) Maximum limit of 20% of the investment portfolio on mortgage-backed securities.
(B) ABAG PLAN can also purchase money market funds managed by a manager with a minimum 5 year history and $500 million under management.
(C) LAIF has a limit of $40 million

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 which has been prepared using stated maturity date or callable dates, if applicable:

Cash and Investments	12 Months or less	13 to 24 Months	25 to 60 Months	Total
Investments with Original Maturities of 3 Months or Greater:				
U.S. Agency Obligations				
Federal Home Loan Bank	$7,035,759	$4,191,054	$2,179,012	$13,405,825
Federal Home Loan Mortgage Corporation	10,055,646			10,055,646
Federal National Mortgage Association	2,018,868		1,769,136	3,788,004
Federal Farm Credit Bank	2,005,276	2,068,818		4,074,094
Corporate Notes				
HSBC			976,920	976,920
General Electric Capital			3,082,530	3,082,530
Subtotal Investments	21,115,549	6,259,872	8,007,598	35,383,019
Cash and Cash Equivalents:				
Cash in Banks	107,071			107,071
Local Agency Investment Fund	12,140,564			12,140,564
Subtotal Cash and Cash Equivalents	12,247,635			12,247,635
Total Cash and Investments	$33,363,184	$6,259,872	$8,007,598	$47,630,654

As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 235 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, 2009 for each investment type:

	Rating at year end			
	Exempt from Disclosure	Aaa	A3	Aa2
Local Agency Investment Fund	$12,140,564			
U.S. Agency Obligations		$31,323,569		
Corporate Notes				
HSBC			$976,920	
General Electric Capital Corporation				$3,082,530
Total	$12,140,564	$31,323,569	$976,920	$3,082,530

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, 2009:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Securities	$13,405,825
Federal Home Loan Mortgage Corporation	Federal Agency Securities	10,055,646
Federal National Mortgage Association	Federal Agency Securities	3,788,004
Federal Farm Credit Bank	Federal Agency Securities	4,074,094
Corporation	Corporate Note	3,082,530

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 CLAIM ADJUSTMENT EXPENSES

Reconciliation of Reserves

Reserves for claims and claim adjustment expenses changed as follows:

	General Liability Pool		Property Liability Pool	
	2009	2008	2009	2008
Reserves for claims and claim settlement expenses, beginning of year	$17,083,000	$17,471,091	$157,500	$157,500
Provision for claims and claim settlement expenses attributable to insured events of:				
Current year	5,029,000	5,184,000	157,500	157,500
Prior years	(4,555,674)	2,660,970	108,261	330,819
Total incurred claims and claim settlement expenses	473,326	7,844,970	265,761	488,319
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:				
Claims paid -- current year	(24,415)		(378,598)	(414,942)
Claims paid -- prior years	(1,360,911)	(8,233,061)	112,837	(73,377)
Total payments	(1,385,326)	(8,233,061)	(265,761)	(488,319)
Reserves for claims and claim settlement expenses, end of year	$16,171,000 **	$17,083,000	$157,500	$157,500
Components of unpaid claim liabilities:				
Reserves for claims and claim settlement expenses	$14,558,000	$15,381,000	$150,000	$150,000
Reserves for unallocated loss settlement expenses	1,613,000	1,702,000	7,500	7,500
Total	$16,171,000	$17,083,000	$157,500	$157,500

** The liability is recorded at present value using a discount rate of 4%.

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight line method over the estimated useful lives of assets, which are as follows:

Vehicles	4 Years
Capitalized software	7 Years

Capital Assets activity was as follows for the year ended June 30, 2009:

	June 30, 2008	Additions	June 30, 2009
Capital assets not being depreciated:			
Construction in progress		$192,369	$192,369
Total capital assets not being depreciated		$192,369	192,369
Capital assets being depreciated:			
Capitalized software	$432,838		432,838
Vehicles	52,715		52,715
Total capital assets being depreciated	485,553		485,553
Less accumulated depreciation for:			
Capitalized software	432,838		432,838
Vehicles	41,055	8,742	49,797
Total accumulated depreciation	473,893	$8,742	482,635
Net capital assets being depreciated	11,660		2,918
Capital Assets, Net	$11,660		$195,287

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

	(dollars in thousands)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
(1) Earned premiums	$4,695	$4,916	$5,486	$6,223	$6,300	$6,979	$7,475	$8,085	$7,906	$8,262
Excess insurance premiums			250	370	445	544	562	777	710	764
Net Earned	4,695	4,916	5,236	5,853	5,856	6,436	6,913	7,308	7,196	7,498
(2) Investment income allocation:										
FY 08-09	$148	$96	$39	($203)	$123	$119	$139	$206	$92	$106
FY 07-08	179	185	(20)	(266)	191	146	198	258	116	
FY 06-07	163	167	47	(214)	172	180	212	236		
FY 05-06	151	184	43	(203)	179	206	206			
FY 04-05	141	176	54	(71)	171	196				
FY 03-04	131	163	69	143	179					
FY 02-03	140	171	172	161						
FY 01-02	140	198	191							
FY 00-01	166	230								
FY 99-00	159									
(3) Net earned premiums and investment revenues	6,213	6,486	5,831	5,200	6,871	7,283	7,668	8,008	7,404	7,604
(4) Unallocated expenses	1,647	1,394	1,597	1,844	2,137	2,532	2,825	2,799	5,086	5,013
(5) Funds available for claims	4,566	5,092	4,234	3,356	4,734	4,751	4,843	5,209	2,318	2,591
(6) Paid (cumulative) as of:										
End of program year	66	53		955	59	29	97	15		24
One year later	735	234	580	1,247	529	102	255	57	95	
Two years later	928	960	2,589	5,716	600	873	905	235		
Three years later	1,073	1,046	3,016	8,180	969	1,838	1,471			
Four years later	1,203	1,070	3,284	8,124	944	1,874				
Five years later	1,213	1,146	3,278	8,667	1,766					
Six years later	1,213	1,710	4,573	8,277						
Seven years later	1,200	1,710	3,289							
Eight years later	1,200	3,013								
Nine years later	1,213									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	3,444	3,926	3,985	3,039	4,302	8,095	8,581	4,938	5,194	5,029
One year later	3,022	3,573	2,832	4,464	3,935	5,170	4,183	4,412	4,351	
Two years later	2,632	2,177	2,119	3,378	3,116	3,151	3,678	2,449		
Three years later	1,234	1,297	1,280	1,166	1,874	1,625	2,429			
Four years later	211	483	856	1,095	950	790				
Five years later	334	272	1,899	789	404					
Six years later	144	100	276	469						
Seven years later	49	69	190							
Eight years later										
Nine years later										
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	3,510	3,979	3,985	3,994	4,361	8,124	8,678	4,953	5,194	5,053
One year later	3,756	3,807	3,412	5,711	4,464	5,272	4,438	4,469	4,446	
Two years later	3,560	3,137	4,708	9,094	3,716	4,024	4,583	2,684		
Three years later	2,307	2,343	4,296	9,346	2,843	3,463	3,900			
Four years later	1,414	1,553	4,140	9,219	1,894	2,664				
Five years later	1,547	1,418	5,177	9,456	2,170					
Six years later	1,357	1,810	4,949	8,746						
Seven years later	1,249	1,778	3,479							
Eight years later	1,200	3,013								
Nine years later	1,213									
(9) Change in estimated net incurred claims from end of policy year	(2,297)	(966)	(506)	4,752	(2,191)	(5,460)	(4,778)	(2,269)	(748)	5,053
(10) Net Asset Distributions										
Paid 7/01	(217)	(254)								
(11) Total Net Asset Distributed	(217)	(254)								
(12) Funds available after estimated claims and net asset distributions	3,570	2,333	755	(5,390)	2,564	2,087	943	2,525	(2,128)	(2,462)

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

(dollars in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
(1) Earned premiums	$529	$439	$516	$829	$822	$984	$893	$1,004	$892	$918
Excess insurance premiums	319	380	347	679	658	774	718	858	727	726
Net Earned	210	59	169	150	164	210	175	146	165	192
(2) Investment income allocation:										
FY 08-09	5	2	3	(1)	(1)	2	(1)	(1)	(16)	(5)
FY 07-08	11	4	7	(1)	(2)	(4)	(15)	(9)	(15)	
FY 06-07	9	3	5	(1)	(1)	(4)	(12)	(4)		
FY 05-06	7	2	4	(1)	3	(2)	(1)			
FY 04-05	6	2	4		2	2				
FY 03-04	3	1	2	(2)	2					
FY 02-03	4	1	3	(2)						
FY 01-02	10	9	9							
FY 00-01	10	9								
FY 99-00	10									
(3) Net earned premiums and investment revenues	285	92	206	142	167	204	146	132	134	187
(4) Unallocated expenses	56		1	13						1
(5) Funds available for claims	229	92	205	129	167	204	146	132	134	186
(6) Paid (cumulative) as of:										
End of program year	7	9	63	214	19	165	208	225	415	379
One year later	20	21	76	243	105	273	420	294	796	
Two years later	20	22	82	237	102	283	424	181		
Three years later	20	22	82	255	199	283	187			
Four years later	20	22	81	255	199	132				
Five years later	20	22	81	255	199					
Six years later	20	22	81	255						
Seven years later	20	22	81							
Eight years later	20	22								
Nine years later	20									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	150	51	150	157	157	157	158	158	158	158
One year later	1									
Two years later										
Three years later										
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	7	9	213	371	176	322	365	452	573	537
One year later	21	21	76	243	105	273	420	294	796	
Two years later	20	22	82	237	102	283	424	181		
Three years later	20	22	82	255	199	283	187			
Four years later	20	22	81	255	199	132				
Five years later	20	22	81	255	199					
Six years later	20	22	81	255						
Seven years later	20	22	81							
Eight years later	20	22								
Nine years later	20									
(9) Change in estimated net incurred claims from end of policy year	13	13	(132)	(116)	23	(190)	(178)	(271)	223	537
(10) Net Asset Adjustment FY 04-05				104						
(12) Funds available after estimated claims	209	70	124	(22)	(32)	72	(41)	(49)	(662)	(351)

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.

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To: PLAN Finance Committee

From: Darrell Dearborn, Interim Risk Manager

Date: May 6, 2010

Subject: **PLAN Performance Measures**

At the Finance Committee meeting of April 21, 2010 staff was asked if performance measures were available that would assist the Committee in its consideration of the 2010-11 PLAN budget. The new iVOS claim management system is a powerful tool that can extract performance information and answer a number of questions about risk exposures, losses and claim activity over time.

We will develop several measures the Board may find useful and present them to the Board at its annual meeting on June 16th. In the interim, we can provide the Committee with the numbers of claims received, closed and pending at year end for calendar 2007, 2008 and 2009 together with the number of authorized full-time claim examiner positions for each year.

Claim Activity 2007- 2009

Type	2007	2008	2009
New	924	1097	849
Closed	1068	1090	862
Pending @ 12/31	426	520	551
No. Claim Examiners	6	6	5

In addition to claim adjusting services, ABAG PLAN provides risk management services that assist members to systematically evaluate and manage their risk exposures. This involves developing a Risk Management Framework of basic best practices and implementing 14 additional operational best practices through the Risk Management Grant Program and Scorecard. Performance measures for these services are expressed as the percentage of Risk Management Frameworks completed and operational best practices implemented by PLAN members as a whole. This information has been given to the Risk Management Committee twice each year and to the Board annually. Below are recent measures.

Risk Management Master Scorecard

	Jun 08	**Dec 08**	**Jun 09**	**Dec 09**	**May 10**
Risk Mgmt Framework Avg.	92%	97%	98%	98%	99%
Tier I & Tier 2 Operational Best Practices Avg.	76%	84%	84%	86%	90%

Conclusion

These measures and others will be included with the 2010-11 budget when presented to the Executive Committee on May 13th and to the Board on June 16th.

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

TO: ABAG PLAN Finance Committee

FROM: Herbert Pike
Chief Financial Officer

DATE: May 6, 2010

SUBJECT: Budget Assumptions regarding FY 2010-11 Personnel Costs

Listed below are the adjustment factors utilized in budgeting personnel costs for FY 2010-2011. It should be noted that the actual costs for each employee are reviewed and adjusted monthly to reflect step changes, changes in family status, changes in insurance, changes in leave accruals, use of public transit subsidy, and any other factor that affects the billable rate.

PERSONNEL COST BUDGET PROJECTIONS
FY 2010-2011 ADJUSTMENT FACTORS

Utilizing current benefit factors for each employee, e.g. Single or family medical plan, current vacation accrual, etc.

Assume same OPEB benefit (retiree medical) at a cost of 10.5% of salary

Individuals at less than top step will receive step (5%) increase on anniversary date

Productive hours reduced eight hours per employee to reflect higher average leave usage, sick, jury, bereavement, et al.

To be based on comparative salary survey to be completed by September 2010, allowed for up to 1% as of 1/1/2011.

To cover potential negotiated salary increases and other benefit increases, factored mid-year 3% for salary increases

For instance, if the actuarial review were to increase our OPEB cost, it is assumed to come from within the 3% allowed.

Health benefit costs estimated to increase 8% as of 1/1/2011.

NOTE: All actual charges are based on individual salary and benefit costs updated monthly to reflect their current cost of salary and benefits.

TO: ABAG PLAN Finance Committee

FROM: Herbert Pike
Chief Financial Officer

DATE: May 6, 2010

SUBJECT: Draft Indirect Cost Allocation Plan for FY 2010-11

There are two worksheets attached. The first is the "FY 10-11 Indirect Cost Carry forward Calculation for FY 08-09" which details why there is a line (budgeted account) in the second file, "Proposed Indirect Cost Plan for FY 2010-11" titled "Carry-over From June 30, 2008" in the amount of $52,879. The carry-over reflects the audited amount in FY 2008-09 that indirect overhead expenses exceeded "Recovered indirect costs". At the end of the fiscal year, instead of going back for the year just concluded and adjusting the overhead rate to recover exactly enough to cover indirect expense, ABAG is allowed to roll the uncollected amount into the second fiscal year following to get full recovery. Conversely, if indirect expenses were less than recovered, then ABAG would enter a negative into the carry-over account. As is evident in the worksheet, ABAG has continued to recover less than it spent on indirect costs.

The three-page Indirect Cost Plan for FY 2010-11 reveals the hours of each position projected to charge to the indirect overhead projects over the next year and their associated labor costs. The slight increase in total hours is primarily due to the proposed transfer of a Data Base Analyst from contract to a full-time employee. The additional personnel costs are offset by the reduction in "Consultants-Systems".

Despite changes in several accounts, the overall total results in the same indirect overhead rate for FY 2010-11—42.95%--as was in force for FY 2009-10. We will continue to refine the numbers as we close the month of April, but no substantial change is anticipated.

I can answer any questions you may pose to me by telephone of by e-mail, and I will be available during the meeting to answer any questions, as well.

Association of Bay Area Governments
FY 10-11 Indirect Cost Carryforward Calculation for FY 08-09
Attachment 1

	Actual FY 06-07	**Actual FY 07-08**	**Actual FY 08-09**	**Estimated FY 09-10**		**Proposed FY 10-11**
Approved ICAP Rate	44.79%	43.49%	43.00%	42.95%	Proposed IC Rate FY 10-11	42.95%
Beginning carryforward from FY before last FY	249,578	135,508	6,793	30,070	Carryforward FY 08-09	52,879
Actual indirect costs	2,518,958	2,600,280	2,909,182	3,089,307	Indirect costs FY 10-11	3,169,288
Total indirect costs	2,768,537	2,735,788	2,915,974	3,119,377	Total indirect costs FY 10-11	3,222,167
Actual direct salaries & fringe benefits	6,118,931	6,176,058	6,603,599	7,033,001	Direct salaries & fringe FY 10-11	7,450,912
Approved rate	44.79%	43.49%	43.00%	42.95%	Calculated IC Rate FY 10-11	42.95%
Recovered indirect costs (approved rate x actual base)	2,740,669	2,685,968	2,839,548	3,020,674		3,200,167
Web hosting fees (a)	0	0	995	0		0
Mailing labels charges (b)	6,327	9,741	6,033	5,000		7,000
Printing in-house charges (c)	14,748	10,008	16,520	16,000		15,000
Total recovered overhead	2,761,744	2,705,717	2,863,095	3,041,674		3,222,167
Ending carryforward (total indirect costs	6,793	30,070	52,879	77,703		

Note: All years with actual information have passed Single Audit with no audit findings.

(a) Miscellaneous charges to ABAG clients
(b) Charges to projects for printing mailing labels at 12 cents per label.
(c) Charges to projects for duplicate copying at 5 cents per page.

Association of Bay Area Governments
Proposed Indirect Cost Plan for FY 2010-11

		General (901001)		Information System Support (901000)		Combined	
Salaries and Benefits		**Hours**	**Amount**	**Hours**	**Amount**	**Hours**	**Amount**
Ademola, L.	Computer Tech.	0.0	0	1,742.0	91,594	1,742.0	91,594
Attaway, S.	Web Master	0.0	0	1,080.0	78,732	1,080.0	78,732
Castro, F.	Exec. Dir. Secretary	1,772.0	130,650	0.0	0	1,772.0	130,650
Eeds, D.	Acctg. Supervisor	1,043.0	94,402	0.0	0	1,043.0	94,402
Flood, J.	Supply Clerk	1,686.0	73,375	0.0	0	1,686.0	73,375
Fong, C.	HR Assistant	1,401.6	92,996	0.0	0	1,401.6	92,996
Harrington, C.	Acctg. Specialist	625.0	40,656	0.0	0	625.0	40,656
Hsieh, S.	Assistant Fin. Dir.	1,031.0	99,925	0.0	0	1,031.0	99,925
Jones, P.	Assistant Exec. Dir.	900.0	124,902	0.0	0	900.0	124,902
Kilpatrick, S.	Legal Secretary	50.0	2,738	0.0	0	50.0	2,738
Kirking, B.	Info. System Dir.	0.0	0	1,100.0	122,947	1,100.0	122,947
Lawyer, D.	Front Desk Receptionist	906.0	44,195	0.0	0	906.0	44,195
Parkinson, F	Programmer	150.0	11,009	842.0	61,794	992.0	72,803
Pike, H.	Finance Director	1,090.0	144,534	0.0	0	1,090.0	144,534
Rapport, E.	Deputy Exec. Dir.	1,000.0	164,520	0.0	0	1,000.0	164,520
Rutherford, V.	Asst. Comm. Officer	30.0	1,703	0.0	0	30.0	1,703
Saelee, J.	Supply Clerk	1,212.0	56,394	0.0	0	1,212.0	56,394
Samar, B.	Computer Tech.	0.0	0	1,732.0	147,792	1,732.0	147,792
Selvanayagam, :	Database Analyst	800.0	62,560	532.0	41,602	1,332.0	104,162
Tse, B.	Supply Clerk	1,154.0	56,154	0.0	0	1,154.0	56,154
Williams, A.	Sr. Systems Admin.	732.0	71,216	1,000.0	97,290	1,732.0	168,506
Williams, M.	Secretary	885.6	42,571	500.0	24,035	1,385.6	66,606
Wire, G.	Account Clerk	700.0	38,913	0.0	0	700.0	38,913
Total Salaries & Benefits		**17,168.2**	**1,353,411**	**8,528.0**	**665,787**	**25,696.2**	**2,019,198**
Other Direct Expenses							
Consultants--Systems			40,000 \1		5,000		45,000
Audit Fees			48,000		4,500		52,500

Association of Bay Area Governments
Proposed Indirect Cost Plan for FY 2010-11

	General (901001)			Information System Support (901000)		Combined	
Salaries and Benefits	**Hours**	**Amount**		**Hours**	**Amount**	**Hours**	**Amount**
Travel		3,000			0		3,000
Temporary Personnel Services		20,000	\2		0		20,000
Printing--outside		5,000			0		5,000
Conferences & Seminars		8,000			0		8,000
Equipment Maintenance		6,000			70,000		76,000
Office Supplies		40,000			30,000		70,000
Subscriptions & Memberships		3,850			7,000		10,850
Computer Processing (ADP)		12,000			0		12,000
Depreciation--Furniture & Auto		20,000			0		20,000
Depreciation--Computers		0			47,000		47,000
Depreciation--Seismic Retrofit		28,184			0		28,184
Depreciation--Office Renovation		100,000	\3		0		100,000
Building Maintenance		245,000			0		245,000
Utilities		80,000			0		80,000
Space Rentals		20,000			0		20,000
Automobile Expense		7,000			0		7,000
Postage		22,000			0		22,000
Telephone		0			50,000		50,000
Insurance		130,000			0		130,000
Recruiting		8,000			0		8,000
Labor Relations		10,000			0		10,000
Staff Training & Development		40,000			10,000		50,000
Amortized Software Costs		0			15,000		15,000
Carry-over From June 30, 2009		46,417			6,463		52,879
Miscellaneous		15,555			0		15,555
Total Other Direct		**958,006**			**244,963**		**1,202,969**
Less:							
Mailing Label Charges		0			7,000		7,000

Association of Bay Area Governments
Proposed Indirect Cost Plan for FY 2010-11

	General (901001)		Information System Support (901000)		Combined	
Salaries and Benefits	**Hours**	**Amount**	**Hours**	**Amount**	**Hours**	**Amount**
Copying Charges		0		15,000		15,000
Net Overhead		**2,311,417**		**888,750**		**3,200,167**
Direct Labor Cost		**7,450,912**		**7,450,912**		**7,450,912**
Indirect Cost Rate		**0.310219314**		**0.11928066**		**0.429499974**

\1=$10,000 for Actuarial, $22,000 Oracle, $8,000 misc. contract support/advisory
\2=$10,000 for accounting, $10,000 clerical backfill
\3= Office Improvements Depreciation= $700,000 amortized over 7 years yields $100,000 per year. Assume loan initiated JUL 2010