Finance Committee Meeting

May 30th, 2017
12:00pm – 1:30pm

Bay Area Metro Center
375 Beale Street; Suite 700
San Francisco, CA 94105
Pacific Conference Room – 8th Floor

AGENDA

1. Call to Order – Roll Call

2. Public Comments

3. Approval of Minutes – January 24th, 2017
Action: Motion to approve minutes

4. Review of PLAN Financials and Investment Reports

a. Audited Financial Reports for FY 15/16
Financial Reports as of March 2017

b. Quarterly Investment Report as of March 2017

Action: Motion to approve Financial Statements, MOIC and Investment Report, as presented.

5. TPA Claims Administration
York Claims Administration Contract Renewal
Action: Motion to approve contract as presented

6. Review of Preliminary Administrative Budget and Comparison to Prior Year
Action: Motion to approve PLAN Administrative Budget for FY 2017/18

7. Other Business

8. Adjourn

Committee may take action on any item included in the agenda.

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

Special
Finance Committee Teleconference
Meeting Minutes

375 Beale Street; Ste 700
San Francisco, CA 94105
San Andreas Conference Room

January 24th, 2017
11:00am – 12:00pm

Presiding	**Jurisdiction**
Ann Ritzma	Foster City

Committee Members Present

Rebecca Mendenhall	San Carlos
Richard Lee	South San Francisco
Mary Furey	Saratoga

Staff Present – ABAG PLAN Corporation
Courtney Ruby, Finance Director
Jill Stallman, Claims Manager/ Acting Risk Manager
Kim Chase, Administrative Assistant

1. **Call to Order:** Meeting was called to order at 11:03 a.m. by Ann Ritzma. A quorum was present.

2. **Public Comments:** None

3. **Approval of Minutes –** September 28th, 2016**:**
   Minutes for September 28th, 2016 were approved as presented.
   //M//Lee//S//Mendenhall//C//Unanimous

4. Review of PLAN Financial Reports & Administrative Budget, Quarterly Investment Report & Investment Policy

   1. **Fiscal Year 2015/2016 Financial Reports & Administrative Budget**
      Courtney reviewed with the committee the Fiscal Year 2015/2016 Financial Report reflecting the Financial Reports as of June 30th, 2016 and includes the Balance Sheet and Income Statements for the three PLAN funds - Administration, General Liability, and the Property Pool.

      It was noted that a typo existed in this section where in it was incorrectly stated that Los Gatos departed the pool when it was meant to read that Los Altos had left the pool (pg 2 of staff report).

2. Quarterly Investment Report as of September 2016

Courtney reviewed with the Committee the Quarterly Investment Report as of September 2016. She reviewed the summary of investments for the quarter-ended September 30th, 2016. She presented the portfolio's market value which consisted of LAIF; COD"s; Federal Agency Issues and cash on hand. PLAN's current financial position is healthy per government code 53646. The Investment Summary Report for March – September 2016 noted 13 securities that were called, 6 purchased and no securities that matured.

3. PLAN Investment Policy

Courtney reviewed with the committee the revisions of PLAN's investment policy. In September 2016 at the last finance committee meeting (minutes were enclosed and approved) revisions were requested to meet California code and current investment guidance from the state controller's office. We found during the review that our maturity limits for our US Treasuries and Federal Agencies exceeded the State guideline of 5 years. However, the California code does allow deviation as long as the board approved and ours was authorized by the board. She then pointed to Appendix A from PLAN's investment policy that summarizes authorized and suitable investments. She mentioned that our limitations are more conservative than the states guidelines. She is seeking the Committee's input on how they want to amend PLAN's current investment policy. At a minimum she recommends adjusting the maturity levels to 5 years, for the US Securities and Federal Agencies. Additionally, to allow more flexibility in investment, she would like the committee to consider increasing the maturity limits for CD's to at least 3 years.

As far as LAIF (the compliance issue from auditors) the statement should say LAIF's limit be stated as "State treasury limit as prescribed by LAIF" instead of referencing an actual percentage so that we don't have to update the policy every time the state changes the percentage. Finally, in reviewing the portfolio Courtney noted between 40-60% of the aggregate total of investments are callable notes over this time period. Our policy states that investments in callable notes be limited to 25% of the portfolio. Callable securities tend to get a higher yield, which is one reason why they are attractive. She asked for direction from the Committee if they would like to change allowable percentage or maintain the current restrictions.

Richard asked if the Committee was being asked to lower the average security from 7 to 5 years. She affirmed. He said for us to make that decision, would be to look at the yield curve from 2 years out to 5 years out. The last time he looked it was fairly flat, and he says he doesn't see any rewards for taking on the additional risk. He noted that 5 years seems long for Federal, but asked for the remainder of the Committee to discuss. He noted that if the yield curve were not flat he would reconsider. Mary noted that this is just for policy purposes not action taking. Richard noted not having history on this Committee and asked how are there so many items out of compliance. Courtney acknowledge that she too does not have a long history and discussion ensued about staff turnover on many levels. Ann agreed it is due to turnover.

Mary asked if 25% is reasonable. Richard that if 25% is the maximum then he is in agreement. Richard made a motion to leave things as they are which is to

keep callable notes at a maximum of 25% of the portfolio while allowing existing investments to mature thus bringing ourselves into compliance in time. **//M//Lee//S//Ritzma//C//Unanimous**

Richard made a motion to reduce maturities on US Treasuries and Federal Agency obligations and to amend the investment policy to reduce the maximum maturity limit to 5 years. **//M//Lee//S//Mendenhall//C//Unanimous**

Mary made a motion for LAIF to comply with state regulations and for policy language to reflect this. **//M//Furey//S//Lee//C//Unanimous**

Richard made a motion to increase CD maturity limit from 2 years to 5 years and for timed CDs to go up to 5 years, as well. **//M//Lee//S//Mendenhall//C//Unanimous**

Rebecca stated that they used to get quarterly reports. Courtney said she would resume that practice.

Courtney noted that she will send the new investment policy & appendix w/investments.

Richard made a motion to re-delegate Courtney to make investments on behalf of PLAN. **//M//Lee//S//Mendenhall//C//Unanimous**

5. Other Business/Announcements

Rebecca asked about Jim Hill's role going forward. Jill discussed with the Committee Jim's retirement status and private consultant role on special projects with PLAN via a direct contract with PLAN. Jill said she and Gertruda have stepped up to fill in and to provide support to members on matters they used to discuss with Jim.

Courtney briefed the Committee on the ABAG-MTC staff consolidation and confirmed no employee will be financially harmed in this integration and everyone is to be made whole. She said there will be a Contract for Services (CS) come February, and is asking Jill to send to this committee upon receipt. She also noted she is anticipating a consolidation date of May 1st, 2017. *(The noted information was shared with the committee on January 24th).*

Jill called for questions. None were raised. Courtney confirmed the commitment to PLAN, making sure we have you engaged and answering any questions along the way.

Ann called for any other business, no other business was discussed. She will bring Yulia up to speed with the meeting discussion as she was not present for this meeting.

6. Adjourned at 11:40pm by Ann Ritzma

Respectfully Submitted,

Jill Stallman

ABAG PLAN Claims Manager
Acting Risk Manager

DATE: **May 24, 2017**

TO: **PLAN Finance Committee**

FROM: **Courtney Ruby, Finance Director**

SUBJECT: **Audited Financial Reports for FY15-16**
Financial Reports as of March 2017

AUDIT REPORTS FOR THE YEAR ENDED JUNE 30, 2016

Basic Financial Statements

Our independent auditors, Maze & Associates issued an unqualified opinion on the PLAN financial statements. PLAN's financial statements present fairly, in all material respects, the financial position of PLAN at June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended.

The Statement of Net Position (Balance Sheet) shows assets of $49,656,263 and net assets (unrestricted net equity) of $28,676,136. The Statement of Activities (Income Statement) reports Program Revenues of $9,242,928, Investment Income of $1,002,596, Program expenses of $6,062,245 and a total change in net position of $4,422,458 ($3,180,683 from Program). Net cash flows for the year were $17,461,550 resulting in an ending cash balance of $19,936,065.

Memorandum on Internal Controls

The auditors did not identify any deficiencies in internal controls that were considered to be material weaknesses during the course of their examination of PLAN's financial records.

MARCH 2017 FINANCIAL REPORT

Attached are PLAN's financial reports as of March 31, 2017. Reports included are Balance Sheet and Income Statements for the three PLAN Funds—Administration, General Liability and Property Pool.

Balance Sheet

The Balance Sheet is a snapshot of the PLAN funds at a specific point in time. Total assets are $48.1 million, down $1.6 million from the balance of $49.7 million at fiscal year-end June 30, 2016. Net Equity (total assets less total liabilities) is $33.5 million, up $4.8 million from the balance of $28.7 million at fiscal year-end.

The increase in net equity is a result of a current operating surplus of $5 million in total: $3.7 million in the Liability Fund, $988,000 in the Administration Fund, and a small surplus in the Property Fund of $263,000 (discussed in the following section).

A balance sheet may be viewed as a measure of the financial strength of the organization. The PLAN balance sheet reflects a financially strong organization that has continued to increase its strength in the first nine months of the current fiscal year.

Income Statement – Administration Fund

Revenues year-to-date (YTD) for the first nine months of the fiscal year are at 100% of budget, $2.4 million. However, if prorated the amount would be $1.8 million (75% of the budget). Total YTD expenses are $1.4 million, representing 58.80% of budget. The claims consultant fees will catch up to the budgeted amount by year end. Using the prorated revenues, we project to have a $330,000 surplus.

The surplus is attributed to the following savings: $300,000 in personnel costs (director vacancy and reduced finance and administration charges) and $15,000 savings in slight savings over budgeted amount for claims and actuarial consultants and $15,000 savings in travel, board and committee expenses, printing, postage and other general direct costs. See PLAN Budget and Actual Summary for year end projection with line item detail.

Income Statement – General Liability Fund

Revenues year-to-date (YTD) for the first nine months of the fiscal year are at 94.02% of budget, $5.7 million. Total YTD expenses are $1.6 million, representing 27.61% of the budget and resulting in a $3.7 million surplus. Both earned premium and insurance and bonding expense are recognized at 100% of budget, the net effect in overstating these revenue and expense accounts is to overstate the Fund's surplus by $1 million. As such, the YTD surplus is closer to $2.7 million.

Due to our overall PLAN losses developing very favorably we have not had to utilize our budgeted adjustment to claims reserve of $3 million, resulting in a $2.25 million savings at this time. We did however make our scheduled general liability tail assessment payment of $641,000 to the cities of Gilroy and Los Gatos in compliance with their withdrawal agreements from the pool. Additionally, several programs (best practices services, defensive driver training and risk management programs and training) designed to reduce claims expense have not been utilized and/or offered at the level we anticipated therefore our expenses are approximately $800,000 less than budgeted. These items have contributed to our YTD $2.7 million surpluses.

Income Statement – Property Pool Fund

Revenues (earned premium) year-to-date (YTD) for the first nine months of the fiscal year are at 100% of budget, $1.2 million. Due to our overall losses developing very favorably we have not had to utilize our budgeted adjustment to claims reserve of $350,000, resulting in a $262,500 savings at this time. Total YTD property insurance expenses are $983 thousand, representing 100% of budget. Therefore, the current surplus of $263,000 is the projected surplus as well.

I may be reached directly at (415) 820-7923 should you have any questions regarding PLAN's financial reports.

Basic Financial Statements

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)
BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
ABAG PLAN Corporation
San Francisco, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise PLAN's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PLAN's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PLAN's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of PLAN as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Ten-Year Claims Development Information-General Liability Pool and Ten-Year Claims Development Information-Property Liability Pool be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maze & Associates

Pleasant Hill, California
March 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG PLAN Corporation (PLAN) has issued the financial reports for fiscal year ending June 30, 2016 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. PLAN continues to utilize full accrual basis of accounting and the format presentation is consistent with the prior year.

GASB 34 requires PLAN to provide an overview of financial activities for the fiscal year, in this discussion and analysis, 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 Position—provides information about the financial position of PLAN, including assets, liabilities and net position. The difference between this statement and the traditional Balance Sheet is that net position (fund equity) is 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 inflows 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 2016 FINANCIAL HIGHLIGHTS

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

- Total assets at June 30, 2016 were $49.7 million. At June 30, 2015, total assets were $47.8 million.

- Total revenues, including program and general revenues, were $10.5 million in FY 2016, while total expenses were $6.1 million.

- Total net position increased by $4.4 million in FY 2016 to a new total of $28.7 million at June 30, 2016. The increase is primarily attributed to a low net increase in claims provision of $196 thousand in the general liability fund that did not significantly affect the overall program expenses. The claims reserve in the General Liability Fund was reduced from $22.1 million to $19.9 million by a combination of the net increase to the claims provision of $196 thousand and payment of prior and current year claims of $2.4 million.

- General Liability program operating revenues were $5.6 million in FY 2016, while Property Liability operating revenues were $1.2 million and Administration operating revenues were $2.5 million.

- General Liability program operating expenses was $2.5 million in FY 2016. Property Liability operating expenses were $1.4 million and Administration operating expenses were $2.2 million.

- General revenues, comprising investment income, totaled $1.0 million in FY 2016 with the recognition of fair market value adjustments, of which $1.0 million was allocated to General Liability and $1 thousand was allocated to each of Property Liability fund and Administrative fund.

- General Liability net position was $27 million at June 30, 2016, while Property Liability net position was $665 thousand and Administration net position was $988 thousand at that date.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

Above-deductible General Liability claims paid totaled $2.4 million in FY 2016 compared to $3.3 million during FY 2015. PLAN has experienced a slight reduction in claim frequency and has been very aggressive in reducing claim adjustment expenses. Prior fiscal year payouts were a function of the closure of more mature and higher valued claims. The reserve level for claims was decreased to $19.9 million in FY 2016 from $22.1 million in FY 2015. The decrease in reserves is primarily a function of an overall reduction in expected losses and a change in the ultimate loss forecast by PLAN's actuary.

Above-deductible Property claims paid during FY 2016 amounted to $436 thousand compared to $233 thousand during FY 2015. Liability reserve for Property claims were $350 thousand at June 30, 2016. PLAN property losses continue to be stable and predictable with additional insulation provided by our Stop Loss Aggregate program.

INVESTMENT ACTIVITIES

As of June 30, 2016, total book value of the portfolio was $41.8 million, comprised of cash invested in Local Agency Investment Fund (LAIF), certificates of deposit, and federal agency securities. PLAN has $12.8 million invested in LAIF, $2.8 million in certificates of deposit, and $26.4 million in federal agency securities. Total market value of the investments was $41.9 million as of that date.

The investment income was $625 thousand before fair market value adjustments. The investment income was $1 million with fair market value adjustments. The overall average yield was 1.3% when the adjustments for fair market value are excluded.

At June 30, 2016, the market value of PLAN's investments is $153 thousand above book value. With the exception of PLAN's investment in LAIF and certificates of deposit, 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 securities to maturity; 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 2016 AND OUTLOOK FOR FY 2017

In 2016, PLAN invested $1.23 million in its *Risk Management Best Practices Program*, which focuses on loss control and safety. In 2016 PLAN provided its members *Risk Management and Loss Control* consulting services, as well as, claims administration services that aligned with individualized strategic goals defined by each member. This year's focus was Playground Safety Best Practices as well as reducing loss frequency in the public works sector (sewer claim prevention, sidewalk safety). In 2016, PLAN also continued its ongoing training efforts on contractual risk transfer (contracting risk).

PLAN's annual Sewer Summit continues to be a success; we had a record attendance this year and demand for this event continues to grow. Also successful and well attended was the Urban Forest Conference, with specific focus on drought and severe weather implications to our urban forest environment.

PLAN also conducted a "Risk Awareness Survey" which provided members with valuable information as it relates to safety and risk management temperament, behaviors and attitudes within our member agencies.

The outlook for FY 2017 continues to be bright. PLAN's financial performance continues to reflect our ongoing efforts to reduce claim frequency and manage claim severity. In addition to maintain focus on our core competencies, PLAN is also focused on succession planning with the impending retirement of the Risk Manager.

PLAN staff will continue its focus on developing additional analytic tools (RMIS) to better analyze emerging loss patterns in pedestrian and bicyclist claims. Staff is also taking the lead on behalf of ABAG on the insurance and risk management aspects associated with the staff consolidation of ABAG and MTC staff when implemented.

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 Courtney Ruby, Finance Director at ABAG PLAN Corporation, 375 Beale, Street Suite 700, San Francisco, CA 94105.

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ABAG PLAN CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2016

	General Liability Fund	Property Liability Fund	Administration Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Note 2)	$17,571,756	$1,015,381	$1,348,928	$19,936,065
Investments, at Fair Value (Note 2)	29,118,297			29,118,297
Total Cash and Investments	46,690,053	1,015,381	1,348,928	49,054,362
Receivables:				
Due from Members	520,148			520,148
Interest	81,753			81,753
Total Assets	47,291,954	1,015,381	1,348,928	49,656,263
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	332,489		360,638	693,127
Reserves for Claims and Claim Adjustment Expenses (Note 3)	1,598,000	350,000		1,948,000
Total Current Liabilities	1,930,489	350,000	360,638	2,641,127
Noncurrent Liabilities (Note 3):				
Reserves for Claims and Claim Adjustment Expenses	15,973,000			15,973,000
Reserves for Unallocated Loss Adjustment Expenses	2,366,000			2,366,000
Total Noncurrent Liabilities	18,339,000			18,339,000
Total Liabilities	20,269,489	350,000	360,638	20,980,127
NET POSITION (Note 4)				
Unrestricted	27,022,465	665,381	988,290	28,676,136
Total Net Position	$27,022,465	$665,381	$988,290	$28,676,136

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	General Liability Fund	Property Liability Fund	Administration Fund	Total
PROGRAM REVENUES				
Premiums from Members:				
General Liability	$5,560,926			$5,560,926
Administration			$2,458,002	2,458,002
Property Insurance		$1,224,000		1,224,000
Total Program Revenues	5,560,926	1,224,000	2,458,002	9,242,928
PROGRAM EXPENSES				
Provision for Claims and Claim Adjustments (Note 3)	196,352	435,660		632,012
Property Insurance Coverage		986,153		986,153
Excess Insurance Coverage	1,281,926			1,281,926
Management and Administration			1,436,876	1,436,876
Loss Prevention Programs	617,369			617,369
Contract Services			725,233	725,233
Other Expenses	368,308		14,368	382,676
Total Program Expenses	2,463,955	1,421,813	2,176,477	6,062,245
Net Program Operating Income (Loss)	3,096,971	(197,813)	281,525	3,180,683
GENERAL REVENUE (EXPENSES)				
Other Income	239,179			239,179
Investment Income	1,000,570	1,113	913	1,002,596
Total General Revenue	1,239,749	1,113	913	1,241,775
CHANGE IN NET POSITION	4,336,720	(196,700)	282,438	4,422,458
NET POSITION - BEGINNING	22,685,745	862,081	705,852	24,253,678
NET POSITION - ENDING	$27,022,465	$665,381	$988,290	$28,676,136

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	General Liability Fund	Property Liability Fund	Administration Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Members	$6,012,996	$1,224,000	$2,468,002	$9,704,998
Payments for Insurance and Contract Services	(2,413,718)	(986,153)	(725,233)	(4,125,104)
Payments to ABAG			(1,329,696)	(1,329,696)
Claims Paid	(2,394,352)	(435,660)		(2,830,012)
Other Payments	(368,308)		(14,368)	(382,676)
Net Cash Flows from (used by) Operating Activities	836,618	(197,813)	398,705	1,037,510
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of Investments	15,357,997			15,357,997
Interest Received	1,064,017	1,113	913	1,066,043
Net Cash Flows from (used by) Investing Activities	16,422,014	1,113	913	16,424,040
Net Cash Flows	17,258,632	(196,700)	399,618	17,461,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	313,124	1,212,081	949,310	2,474,515
CASH AND CASH EQUIVALENTS AT END OF YEAR	$17,571,756	$1,015,381	$1,348,928	$19,936,065
RECONCILIATION OF NET PROGRAM OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Program Operating Income (loss)	$3,096,971	($197,813)	$281,525	$3,180,683
Adjustments to Reconcile Net Program Operating Income (Loss) to Cash Flows from Operating Activities:				
Change in Assets and Liabilities:				
Receivable from Members	452,070		10,000	462,070
Payables	(514,423)		107,180	(407,243)
Reserves for Claims and Claim Adjustment Expenses	(2,404,000)			(2,404,000)
Reserves for Unallocated Loss Adjustment Expenses	206,000			206,000
Net Cash Flows from (used by) Operating Activities	$836,618	($197,813)	$398,705	$1,037,510

See accompanying notes to basic financial statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description and Programs

The ABAG Pooled Liability Assurance Network Corporation (PLAN) is a non-profit public benefit corporation created by the Association of Bay Area Governments (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.

ABAG assists PLAN by providing administrative, accounting and clerical supports. On behalf of PLAN, ABAG incurred $1,493,651 for these services and $781,631 for contract services in the fiscal year ended June 30, 2016.

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 United States of America.

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

The Statement of Net Position and the Statement of Activities display the overall financial activities of PLAN's programs. 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 program expenses and program revenues for each function of PLAN's business-type activities. Program 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 position, 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.

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 $25 million (above the $5 million PLAN layer) 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, 2016, amounted to $1,281,926.

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.

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. PLAN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

F. Estimates

PLAN's management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consist of the following at June 30, 2016:

	Cash and Cash Equivalents	Investments	Total
Cash in Banks	$7,150,200		$7,150,200
Local Agency Investment Fund	12,785,865		12,785,865
U.S. Agency Securities:			
Federal Farm Credit Bank		$2,000,080	2,000,080
Federal Home Loan Bank		7,222,513	7,222,513
Federal Home Loan Mortgage Corporation		4,042,760	4,042,760
Federal National Mortgage Association		13,085,650	13,085,650
Certificates of Deposit		2,767,294	2,767,294
Total Cash and Investments	$19,936,065	$29,118,297	$49,054,362

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 (E)	N/A	None	None
U.S. Agency Securities	7 years (E)	N/A	None, (A)	None
Bankers Acceptances	180 days	A1/P1	25%	10%
Commercial Paper	270 days	A1/P1/F1	10%	10%
Medium Term/Corporate Notes	5 years	AA	10%	10%
Negotiable Certificates of Deposit	2 years	AA/A-1	30%	10%
Time Certificates of Deposit	1 years	(D)	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 in 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 $65 million per account.
(D) Financial institution must have received a minimum overall satisfactory rating for meeting the credit needs for California Communities in its most recent evaluation.
(E) The Board approved investment policy allows maximum maturity of 7 years, which is longer than the 5 years as specified in the Government code.

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Fair Value Hierarchy

PLAN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of PLAN as of June 30, 2016:

Investment Type	Level 2	Exempt	Total
California Local Agency Investment Fund	$12,785,865		$12,785,865
U.S. Agency Securities:			
Federal Farm Credit Bank	2,000,080		2,000,080
Federal Home Loan Bank	7,222,513		7,222,513
Federal Home Loan Mortgage Corporation	4,042,760		4,042,760
Federal National Mortgage Association	13,085,650		13,085,650
Certificates of Deposit - Current		$1,252,447	1,252,447
Certificates of Deposit - Non-current	1,514,847		1,514,847
Total Investments	$40,651,715	$1,252,447	41,904,162
Cash in banks and on hand			7,150,200
Total Cash and investments			$49,054,362

The California Local Agency Investment Fund (LAIF), U.S. Agency Securities and Non-current Certificates of Deposit are classified in Level 2 of the fair value hierarchy. LAIF's value is based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. U.S. Agency Securities and non-current Certificates of Deposit are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Current Certificates of Deposit are exempt from GASB 72. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

C. 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.

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 the earlier of stated maturity date or callable dates, if applicable:

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and Investments	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Agency Securities:				
Federal Farm Credit Bank	$2,000,080			$2,000,080
Federal Home Loan Bank	7,222,513			7,222,513
Federal Home Loan Mortgage Corporation	2,000,000		$2,042,760	4,042,760
Federal National Mortgage Association	10,003,990		3,081,660	13,085,650
Certificates of Deposit	1,252,447	$502,238	1,012,609	2,767,294
Subtotal Investments	22,479,030	502,238	6,137,029	29,118,297
Cash and Cash Equivalents:				
Cash in Banks	7,150,200			7,150,200
Local Agency Investment Fund	12,785,865			12,785,865
Subtotal Cash and Cash Equivalents	19,936,065			19,936,065
Total Cash and Investments	$42,415,095	$502,238	$6,137,029	$49,054,362

As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 167 days.

D. 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 investment rating service as of June 30, 2016:

	Aaa	Not Rated	Total
U.S. Agency Securities:			
Federal Farm Credit Bank	$2,000,080		$2,000,080
Federal Home Loan Bank	7,222,513		7,222,513
Federal Home Loan Mortgage Corporation	4,042,760		4,042,760
Federal National Mortgage Association	13,085,650		13,085,650
Certificates of Deposit		$2,767,294	2,767,294
Total Investments	$26,351,003	$2,767,294	$29,118,297

E. Concentration of Credit Risk

PLAN's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, as listed in Section A of this note. No investments exceeded these limits at June 30, 2016. Included in the table at C above are investments held by the General Liability Fund.

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. 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.

G. Local Agency Investment Fund

PLAN is a 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.

H. 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	
	2016	2015	2016	2015
Reserves for claims and claim settlement expenses, beginning of year	$22,135,000	$30,025,000	$350,000	$350,000
Provision for claims and claim settlement expenses attributable to insured events of:				
Current year	4,382,532	5,666,742	350,000	350,000
Prior years	(4,186,180)	(10,292,849)	85,660	(116,674)
Total incurred claims and claim settlement expenses	196,352	(4,626,107)	435,660	233,326
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:				
Claims paid -- current year	(16,532)	(324,742)	(48,345)	(227,115)
Claims paid -- prior years	(2,377,820)	(2,939,151)	(387,315)	(6,211)
Total payments	(2,394,352)	(3,263,893)	(435,660)	(233,326)
Reserves for claims and claim settlement expenses, end of year	$19,937,000 *	$22,135,000	$350,000	$350,000
Components of unpaid claims liabilities:				
Reserves for claims and claim settlement expenses	$17,571,000	$19,975,000	$350,000	$350,000
Reserves for unallocated loss settlement expenses	2,366,000	2,160,000		
Total	$19,937,000	$22,135,000	$350,000	$350,000
Current portion	$1,598,000	$1,546,000	$350,000	$350,000

* The liability is recorded at present value using a discount rate of 3%. Undiscounted liability claims totaled $21,290,194 at June 30, 2016.

NOTE 4 – NET POSITION

Net Position is the excess of a fund's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. All of PLAN's net position is classified as follows:

Unrestricted describes the portion of the Net Position which may be used for any PLAN purpose.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

PLAN is subject to litigation arising in the normal course of business. In the opinion of the PLAN's Legal Counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of PLAN.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(1) Earned premiums	$8,085	$7,906	$8,262	$8,326	$7,753	$7,562	$7,685	$9,218	$8,499	$8,019
Excess insurance premiums	777	710	764	776	738	634	652	673	629	1,282
Net Earned	7,308	7,196	7,498	7,550	7,015	6,928	7,033	8,545	7,870	6,737
(2) Investment income allocation:										
FY 15-16	48	(55)	(10)	22	17	12	31	56	46	45
FY 14-15	58	(67)	(13)	26	10	9	23	58	51	
FY 13-14	44	(51)	(9)	20	16	12	29	52		
FY 12-13	69	(63)	(4)	31	30	59	50			
FY 11-12	85	(76)	2	58	52	76				
FY 10-11	106	(15)	14	89	63					
FY 09-10	129	36	60	98						
FY 08-09	206	92	106							
FY 07-08	259	116								
FY 06-07	237									
(3) Net earned premiums and investment revenues	8,549	7,113	7,644	7,894	7,203	7,096	7,166	8,711	7,967	6,782
(4) Unallocated expenses	2,799	5,086	5,013	3,673	4,422	3,579	3,909	4,143	3,101	2,788
(5) Funds available for claims	5,750	2,027	2,631	4,221	2,781	3,517	3,257	4,568	4,866	3,994
(6) Paid (cumulative) as of:										
End of program year	15		24	305	23	71	430		325	17
One year later	57	95	405	363	359	198	662	648	1,777	
Two years later	235	1,009	2,064	1,474	1,004	2,569	1,689	812		
Three years later	506	2,954	2,595	2,350	1,354	3,006	1,815			
Four years later	1,061	5,719	2,918	2,353	2,060	3,573				
Five years later	1,646	5,847	3,473	2,402	2,069					
Six years later	1,657	6,756	3,526	2,438						
Seven years later	1,657	6,756	3,529							
Eight years later	1,657	6,756								
Nine years later	1,657									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	4,938	5,194	5,029	4,199	4,789	4,918	6,063	5,534	5,342	4,366
One year later	4,412	4,351	3,995	6,944	7,353	8,977	8,299	5,505	4,578	
Two years later	2,449	3,595	3,660	4,643	11,270	6,830	4,033	7,218		
Three years later	1,447	2,392	2,871	3,029	6,164	3,830	1,827			
Four years later	937	2,231	3,139	1,592	1,230	1,330				
Five years later	281	1,939	219	1,359	336					
Six years later	125	632	266	248						
Seven years later	86	340								
Eight years later	55									
Nine years later										
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	4,953	5,194	5,053	4,504	4,812	4,989	6,493	5,534	5,667	4,383
One year later	4,469	4,446	4,400	7,307	7,712	9,175	8,961	6,153	6,355	
Two years later	2,684	4,604	5,724	6,117	12,274	9,399	5,722	8,030		
Three years later	1,953	5,346	5,466	5,379	7,518	6,836	3,642			
Four years later	1,998	7,950	6,057	3,945	3,290	4,903				
Five years later	1,927	7,786	3,692	3,761	2,405					
Six years later	1,782	7,388	3,792	2,686						
Seven years later	1,743	7,096	3,529							
Eight years later	1,712	6,756								
Nine years later	1,657									
(9) Change in estimated net incurred claims from end of policy year	(3,296)	1,562	(1,524)	(1,818)	(2,407)	(86)	(2,851)	2,496	688	4,383
(10) Net distributions						106	100	198	(919)	135
(11) Funds available after estimated claims and net asset distributions	4,093	(4,729)	(898)	1,535	376	(1,280)	(285)	(3,264)	(2,408)	(254)

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

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(1)	Earned premiums	$1,004	$892	$918	$1,086	$1,080	$992	$1,151	$1,357	$1,392	$1,224
	Excess insurance premiums	858	727	726	885	880	802	961	1,165	1,147	986
	Net Earned	146	165	192	201	200	190	190	192	245	238
(2)	Investment income allocation:										
	FY 15-16										
	FY 14-15	(1)	(12)	(3)	(1)	(5)	(8)	(4)	(2)		
	FY 13-14	(1)	(12)	(5)	(1)	(7)	(9)	(5)	2		
	FY 12-13	(1)	(10)	(4)		(6)	(7)	2			
	FY 11-12	(1)	(16)	(4)	(1)	(4)	(1)				
	FY 10-11	(1)	(15)	(4)	(1)	(2)					
	FY 09-10	(1)	(13)	(4)	1						
	FY 08-09	(1)	(16)	(5)							
	FY 07-08	(9)	(15)								
	FY 06-07	(4)									
(3)	Net earned premiums and investment revenues	126	56	163	198	176	165	183	192	245	238
(4)	Unallocated expenses			1							
(5)	Funds available for claims	126	56	162	198	176	165	183	192	245	238
(6)	Paid (cumulative) as of:										
	End of program year	225	415	379	148	318	252	103	117	227	48
	One year later	294	796	407	242	409	555	388	286	580	
	Two years later	181	859	374	236	486	556	367	397		
	Three years later	181	859	371	224	477	532	289			
	Four years later	177	859	371	227	412	532				
	Five years later	177	585	371	227	412					
	Six years later	177	585	319	227						
	Seven years later	177	585	319							
	Eight years later	177	585								
	Nine years later	177									
(7)	Estimated reserves for claims and claims adjustment expenses										
	End of policy year	158	158	158	158	158	250	250	350	350	350
	One year later										
	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	383	573	537	306	476	502	353	467	577	398
	One year later	294	796	407	242	409	555	388	286	580	
	Two years later	181	859	374	236	486	556	367	397		
	Three years later	181	859	371	224	477	532	289			
	Four years later	177	859	371	227	412	532				
	Five years later	177	585	371	227	412					
	Six years later	177	585	319	227						
	Seven years later	177	585	319							
	Eight years later	177	585								
	Nine years later	177									
(9)	Change in estimated net incurred claims from end of policy year	(206)	12	(218)	(79)	(64)	30	(64)	(70)	3	398
(10)	Net distributions	0	0	0	0	0	0	0	0	0	0
(11)	Funds available after estimated claims	(51)	(529)	(157)	(29)	(236)	(367)	(106)	(205)	(335)	(160)

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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) This line shows the net distributions for claims dividends and tail assessments.

(11) This line shows the funds available after reestimated claims and distributions.

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Memorandum on Internal Controls

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

FOR THE YEAR ENDED JUNE 30, 2016

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

For The Year Ended June 30, 2016

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MAZE & ASSOCIATES

MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of the
ABAG Pooled Liability Assurance Network Corporation
San Francisco, California

In planning and performing our audit of the basic financial statements of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of and for the year ended June 30, 2016, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of PLAN's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
March 20, 2017

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

FS2016-01 Upcoming Governmental Accounting Standards Board Pronouncements

The following pronouncements are effective in fiscal year 2016/17:

GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported

2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions

3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

GASB 74 - *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB 77 - *Tax Abatement Disclosures*

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

GASB 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB 80 - *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

GASB 82 - *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Presentation of Payroll-Related Measures in Required Supplementary Information

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

Selection of Assumptions

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

Classification of Employer-Paid Member Contributions

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

The following pronouncements are effective in fiscal year 2017/18:

GASB 75 - *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74,Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

GASB 81 - *Irrevocable Split-Interest Agreements*

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

How the Changes in This Statement Improve Financial Reporting

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

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REQUIRED COMMUNICATIONS

To the Board of Directors of the
ABAG Pooled Liability Assurance Network Corporation
San Francisco, California

In planning and performing our audit of the basic financial statements of the ABAG Pooled Liability Assurance Network Corporation (PLAN) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by PLAN are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB Statement No. 72 – *Fair Value Measurement and Application*

The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

GASB 76 -*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

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The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

The pronouncement became effective, but did not have a material effect on the financial statements

GASB 79 – *Certain External Investment Pools and Pool Participants*

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The pronouncement became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by PLAN during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting PLAN's financial statements were:

> *Estimated Fair Value of Investments:* As of June 30, 2016, PLAN held approximately $49.1 million of cash and investments as measured by fair value as disclosed in Note 2 to the Financial Statements. Fair value is essentially marketing pricing in effect as of June 30, 2016. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.
>
> *Estimated Reserve for Claims:* Management's estimate of the reserve for claims and claims adjustment expenses is disclosed in Note 3 to the financial statements and is based on an actuarial study determined by a consultant, which is based on the claims experience of PLAN. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated March 20, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to PLAN's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as PLAN's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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

Maze & Associates

Pleasant Hill, California
March 20, 2017

Financial Reports

(QE March 2017)

- Balance Sheet
- Income Statements

BALANCE SHEET

ABAG PLAN Corporation
MAR-17 USD

	Total	Admin Fund	Liability Fund	Property Fund
ASSETS				
CASH IN BANK	779,960.04	0.00	397,265.99	382,694.05
LOCAL AGENCY INVEST. FUND	16,855,720.87	2,109,880.20	14,043,966.07	701,874.60
CASH DEPOSITED AT CLAIMS ADMINIS	124,355.22	0.00	98,446.94	25,908.28
INVESTMENTS IN SECURITIES	29,750,000.00	0.00	29,750,000.00	0.00
DISCOUNT ON SECURITIES	(5,112.86)	0.00	(5,112.86)	0.00
PREMIUM ON SECURITIES	1,730.62	0.00	1,730.62	0.00
	---	---	---	---
NET INVESTMENTS IN SECURITIES	29,746,617.76	0.00	29,746,617.76	0.00
ACCT. REC. CLAIMS REIMB.	455,903.37	0.00	455,903.37	0.00
ACCR. INT. REC. LAIF	32,281.77	0.00	32,281.77	0.00
ACCR. INT. REC. SECURITIES	65,171.09	0.00	65,171.09	0.00
LONG-TERM RECEIVABLES	32,000.00	0.00	32,000.00	0.00
AUTOMOBILES	52,714.56	52,714.56	0.00	0.00
ACCUM. DEPREC. AUTOMOBILES	(52,714.56)	(52,714.56)	0.00	0.00
	---	---	---	---
TOTAL ASSETS	48,092,010.12	2,109,880.20	44,871,652.99	1,110,476.93
	==========	==========	==========	==========
LIABILITIES				
ACCOUNTS PAYABLE	137,929.49	133,616.49	4,313.00	0.00
CLAIMS RESERVE	20,287,000.00	0.00	19,937,000.00	350,000.00
ABOVE-DEDUCTIBLE CLAIMS PAID	(5,833,215.74)	0.00	(5,665,309.60)	(167,906.14)
	---	---	---	---
CLAIMS RESERVE AT MONTH-END	14,453,784.26	0.00	14,271,690.40	182,093.86
	---	---	---	---
TOTAL LIABILITIES	14,591,713.75	133,616.49	14,276,003.40	182,093.86
	---	---	---	---
FUND EQUITY				
RESTRICTED EQUITY				
CAPITAL RESERVE	52,714.56	52,714.56	0.00	0.00
CONTINGENCY RESERVE	599,464.75	599,464.75	0.00	0.00
	---	---	---	---
TOTAL RESTRICTED EQUITY	652,179.31	652,179.31	0.00	0.00
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GENERAL EQUITY				
RETAINED EARNINGS	27,871,292.55	336,110.74	26,869,800.08	665,381.73
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TOTAL GENERAL EQUITY	27,871,292.55	336,110.74	26,869,800.08	665,381.73
	---	---	---	---
CURRENT YEAR SURPLUS/(DEFICIT)	4,976,824.51	987,973.66	3,725,849.51	263,001.34
TOTAL FUND EQUITY	33,500,296.37	1,976,263.71	30,595,649.59	928,383.07
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TOTAL LIABILITIES AND FUND EQUITY	48,092,010.12	2,109,880.20	44,871,652.99	1,110,476.93
	==========	==========	==========	==========

INCOME STATEMENT

ABAG PLAN CORPORATION - ADMINISTRATION
MAR-17 USD

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
EARNED PREMIUM	2,397,859.00	0.00	2,397,858.00	(100.00)%	1.00
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TOTAL REVENUES	2,397,859.00	0.00	2,397,858.00	(100.00)%	1.00
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EXPENSES					
DIRECT LABOR					
PERSONNEL COSTS	1,627,971.00	120,169.39	965,780.46	59.32%	662,190.54
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TOTAL PERSONNEL COSTS	1,627,971.00	120,169.39	965,780.46	59.32%	662,190.54
	---	---	---	---	---
RISK MANAGEMENT INFORMATION S	25,000.00	0.00	0.00	0.00%	25,000.00
TECHNICAL CONSULTANT FEES	0.00	0.00	16,142.00	n/m	(16,142.00)
LEGAL CONSULTANTS	10,000.00	3,125.00	7,426.00	74.26%	2,574.00
CLAIMS CONSULTANTS	639,388.00	0.00	362,766.83	56.74%	276,621.17
ACTUARIAL CONSULTANTS	30,000.00	0.00	10,390.00	34.63%	19,610.00
AUDIT FEES FINANCIAL	16,000.00	0.00	14,400.00	90.00%	1,600.00
OTHER CONSULTANTS	7,500.00	3,525.34	9,093.34	121.24%	(1,593.34)
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TOTAL	727,888.00	6,650.34	420,218.17	57.73%	307,669.83
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OTHER DIRECT CHARGES					
TRAVEL	7,500.00	0.00	1,389.45	18.53%	6,110.55
TEMPORARY PERSONNEL SERVICES	0.00	6,050.88	6,050.88	n/m	(6,050.88)
PRINTING IN-HOUSE	2,500.00	0.00	0.00	0.00%	2,500.00
PRINTING OUTSIDE	1,500.00	0.00	292.58	19.51%	1,207.42
CONFERENCES & SEMINARS	5,000.00	0.00	5,549.72	110.99%	(549.72)
OFFICE SUPPLIES	1,500.00	0.00	1,301.98	86.80%	198.02
SUBSCRIPTIONS & MEMBERSHIPS	3,500.00	351.88	3,062.95	87.51%	437.05
SPACE RENTAL	0.00	394.00	788.00	n/m	(788.00)
POSTAGE	2,000.00	0.00	0.00	0.00%	2,000.00
TELEPHONE	3,500.00	0.00	836.21	23.89%	2,663.79
BOARD & COMMITTEE COSTS	7,500.00	0.00	453.95	6.05%	7,046.05
STAFF TRAINING & DEVELOPMENT	2,500.00	0.00	50.00	2.00%	2,450.00
MISCELLANEOUS	5,000.00	0.00	4,109.99	82.20%	890.01
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TOTAL OTHER DIRECT CHARGES	42,000.00	6,796.76	23,885.71	56.87%	18,114.29
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TOTAL EXPENSES	2,397,859.00	133,616.49	1,409,884.34	58.80%	987,974.66
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SURPLUS/(DEFICIT)	0.00	(133,616.49)	987,973.66	n/m	(987,973.66)
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INCOME STATEMENT

ABAG PLAN CORPORATION - GENERAL LIABILITY
MAR-17 USD

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
EARNED PREMIUM	5,652,087.00	0.00	5,585,621.00	(98.82)%	66,466.00
INVESTMENT INCOME (INCL. LAIF)	0.00	44,644.28	369,405.24	n/m	(369,405.24)
OTHER REVENUES	0.00	0.00	30.00	n/m	(30.00)
CLAIMS TAIL ASSESSMENT	0.00	0.00	(640,909.00)	n/m	640,909.00
	---	---	---	---	---
TOTAL REVENUES	5,652,087.00	44,644.28	5,314,147.24	(94.02)%	337,939.76
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EXPENSES					
OPERATING EXPENSES					
ADJ. TO CLAIMS RESERVE	3,000,000.00	0.00	0.00	0.00%	3,000,000.00
BEST PRACTICES SERVICES	461,471.40	5,730.10	75,974.22	16.46%	385,497.18
SEWER LOSS PREVENTION	85,000.00	0.00	26,162.82	30.78%	58,837.18
DEFENSIVE DRIVER TRAINING	20,000.00	650.00	4,150.00	20.75%	15,850.00
RISK MANAGEMENT PROGRAMS	723,442.55	13,564.13	113,433.44	15.68%	610,009.11
RISK MANAGEMENT TRAINING	128,000.00	11,372.12	33,773.99	26.39%	94,226.01
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TOTAL	1,417,913.95	31,316.35	253,494.47	17.88%	1,164,419.48
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OTHER DIRECT CHARGES					
INSURANCE & BONDING	1,334,087.00	0.00	1,334,087.00	100.00%	0.00
INTEREST EXPENSE/BANK CHARGES	0.00	0.00	716.26	n/m	(716.26)
	---	---	---	---	---
TOTAL OTHER DIRECT CHARGES	1,334,087.00	0.00	1,334,803.26	100.05%	(716.26)
	---	---	---	---	---
	---	---	---	---	---
TOTAL EXPENSES	5,752,000.95	31,316.35	1,588,297.73	27.61%	4,163,703.22
	---	---	---	---	---
SURPLUS/(DEFICIT)	(99,913.95)	13,327.93	3,725,849.51	3,729.06%	(3,825,763.46)
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INCOME STATEMENT

ABAG PLAN CORPORATION - PROPERTY
MAR-17 USD

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
EARNED PREMIUM	1,245,879.00	0.00	1,245,881.00	(100.00)%	(2.00)
	---	---	---	---	---
TOTAL REVENUES	1,245,879.00	0.00	1,245,881.00	(100.00)%	(2.00)
	---	---	---	---	---
EXPENSES					
OPERATING EXPENSES					
ADJ. TO CLAIMS RESERVE	350,000.00	0.00	0.00	0.00%	350,000.00
PROPERTY INSURANCE	982,880.00	0.00	982,879.66	100.00%	0.34
	---	---	---	---	---
TOTAL EXPENSES	1,332,880.00	0.00	982,879.66	73.74%	350,000.34
	---	---	---	---	---
SURPLUS/(DEFICIT)	(87,001.00)	0.00	263,001.34	302.30%	(350,002.34)
	---	---	---	---	---

DATE: **May 24, 2017**

TO: **PLAN Finance Committee**

FROM: **Courtney Ruby, Finance Director**

SUBJECT: **Quarterly Investment Report as of March 2017**

Summary of Investments for the Quarter-ended March 30, 2017

The portfolio's market value of $46,209,513 consists of the following:

Local Agency Investment Funds	$16,855,721
Certificates of Deposit	$ 2,758,073
Federal Agency Issues	$26,595,720

Cash on hand was $779,960 as of March 30, 2017.

PLAN's Current Financial Position[1]

PLAN Corp. is financially well-positioned and able to meet its expenditure requirements for the next six months (statement required per Government Code 53646). As of March 30,2017 PLAN's balance sheet (Assets $48.1M, Liabilities $14.6M and Fund Equity $33.5M) and statement of financial position (Admin Fund $1M surplus, General Liability Fund $3.7M surplus and Property Fund $263k surplus) remains very strong and we do not anticipate any issues in meeting our financial obligations now or in the foreseeable future.

Investment Summary Report for March – September 2016

During this period our portfolio remained unchanged except $1 million the was withdrawn from LAIF to fund Gilroy and Los Altos's General Liability claims tail assessment due in accordance with their withdrawal agreements from the pool. Our overall cash and short-term investments remained steady at $47 million.

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[1] Per California Government Code 53646, the Treasurer is required to state the entity's ability to meet its expenditures for the next six months.

Investment Policy – Revised January 24th 2017

Included for your review is the revised investment policy amended at the Finance Committee's January 24th, 2017 meeting. Both a clean copy and a version with the changes tracked have been provided.

Investment Reports

ABAG PLAN Corp.
Portfolio Management
Portfolio Summary
March 31, 2017

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Local Agency Investment Funds	16,855,720.87	16,855,720.87	16,855,720.87	36.17	1	1	0.810	0.821
Certificates of Deposit - Bank	2,750,000.00	2,758,072.50	2,750,000.00	5.90	915	342	1.157	1.173
Federal Agency Issues - Coupon	27,000,000.00	26,595,720.00	26,997,207.76	57.93	1,704	1,230	1.388	1.408
Investments	**46,605,720.87**	**46,209,513.37**	**46,602,928.63**	**100.00%**	**1,041**	**733**	**1.165**	**1.182**

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	44,638.52	370,052.39
Average Daily Balance	**46,602,883.64**	**44,590,551.56**
Effective Rate of Return	**1.13%**	**1.11%**

Courtney Ruby, Chief Financial Officer

Reporting period 03/01/2017-03/31/2017

Run Date: 05/16/2017 - 14:08

Portfolio PLAN
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PM (PRF_PM1) 7.3.0
Report Ver. 7.3.3a

ABAG PLAN Corp.
Portfolio Management
Portfolio Details - Investments
March 31, 2017

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Local Agency Investment Funds												
LAIF	LAIF	LOCAL AGENCY INVESTMENT FUND			16,855,720.87	16,855,720.87	16,855,720.87	0.821		0.810	1	
		Subtotal and Average	**16,855,720.87**		**16,855,720.87**	**16,855,720.87**	**16,855,720.87**			**0.810**	**1**	
Certificates of Deposit - Bank												
02587DYJ1	BCD1	American Express Centurion Bk.		06/03/2015	250,000.00	250,195.00	250,000.00	1.050		1.036	65	06/05/2017
02006LWJ8	BCD10	ALLY BANK		12/10/2015	250,000.00	251,452.50	250,000.00	1.600		1.578	618	12/10/2018
05573J5B6	BCD6	BMO Harris, NA		10/07/2015	250,000.00	250,112.50	250,000.00	0.900		0.888	6	04/07/2017
14042RAS0	BCD8	Capital One, NA		10/07/2015	250,000.00	250,740.00	250,000.00	1.150		1.134	192	10/10/2017
140420RR3	BCD3	Capital One Bank (USA),		06/03/2015	250,000.00	250,195.00	250,000.00	0.850		0.838	65	06/05/2017
254672PE2	BCD2	Discover Bank		06/03/2015	250,000.00	250,267.50	250,000.00	1.000		0.986	65	06/05/2017
38148JVE8	BCD4	Goldman Sachs Bank		06/03/2015	250,000.00	250,195.00	250,000.00	1.000		0.986	65	06/05/2017
40434AC72	BCD9	HSBC		11/17/2015	250,000.00	250,975.00	250,000.00	1.600		1.578	1,326	11/17/2020
55266CNY8	BCD7	MB Financial Bank, NA		10/09/2015	250,000.00	251,767.50	250,000.00	1.150		1.134	556	10/09/2018
795450XC4	BCD11	SALLIE MAE BANK		12/09/2015	250,000.00	251,452.50	250,000.00	1.600		1.578	618	12/10/2018
872278PW0	BCD5	TCF National Bank		09/30/2015	250,000.00	250,720.00	250,000.00	1.000		0.986	184	10/02/2017
		Subtotal and Average	**2,750,000.00**		**2,750,000.00**	**2,758,072.50**	**2,750,000.00**			**1.157**	**342**	
Federal Agency Issues - Coupon												
3130A8YU1	FAC168	FEDERAL HOME LOAN BANK		08/24/2016	5,000,000.00	4,937,500.00	5,000,000.00	1.020		1.006	783	05/24/2019
3134G3M49	FAC137	FED HOME LOAN MORTG CORP		09/26/2012	2,000,000.00	2,001,260.00	2,000,000.00	1.500		1.479	908	09/26/2019
3134G9XG7	FAC165	FED HOME LOAN MORTG CORP		06/30/2016	2,000,000.00	1,988,540.00	2,000,000.00	1.125		0.986	1,551	06/30/2021
3135G0UU5	FAC148	FEDERAL NATL MTG ASSN		06/03/2013	3,000,000.00	3,018,570.00	2,996,617.76	1.750		1.726	1,070	03/06/2020
3136G3QF5	FAC164	FEDERAL NATL MTG ASSN		05/25/2016	2,000,000.00	1,958,240.00	2,000,000.00	1.550		1.529	1,242	08/25/2020
3136G3UT0	FAC166	FEDERAL NATL MTG ASSN		06/30/2016	3,000,000.00	2,926,200.00	3,000,000.00	1.500		1.479	1,369	12/30/2020
3136G3ZZ1	FAC167	FEDERAL NATL MTG ASSN		07/19/2016	3,000,000.00	2,942,970.00	3,000,000.00	1.000		1.709	1,570	07/19/2021
3136G3Y25	FAC169	FEDERAL NATL MTG ASSN		08/25/2016	5,000,000.00	4,836,050.00	5,000,000.00	1.500		1.479	1,607	08/25/2021
3135G0Q30	FAC170	FEDERAL NATL MTG ASSN		10/06/2016	2,000,000.00	1,986,390.00	2,000,590.00	1.180		1.164	909	09/27/2019
		Subtotal and Average	**26,997,162.77**		**27,000,000.00**	**26,595,720.00**	**26,997,207.76**			**1.388**	**1,230**	
		Total and Average	**46,602,883.64**		**46,605,720.87**	**46,209,513.37**	**46,602,928.63**			**1.165**	**733**	

ABAG PLAN Corp.
Portfolio Management
Portfolio Summary
December 31, 2016

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Local Agency Investment Funds	17,825,357.12	17,825,357.12	17,825,357.12	37.47	1	1	0.709	0.719
Certificates of Deposit - Bank	2,750,000.00	2,757,935.00	2,750,000.00	5.78	915	432	1.157	1.173
Federal Agency Issues - Coupon	27,000,000.00	26,549,150.00	26,996,919.22	56.75	1,704	1,320	1.388	1.408
Investments	**47,575,357.12**	**47,132,442.12**	**47,572,276.34**	**100.00%**	**1,020**	**774**	**1.121**	**1.136**

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	42,916.83	239,047.09
Average Daily Balance	**47,572,231.36**	**43,591,982.32**
Effective Rate of Return	**1.06%**	**1.09%**

Courtney Ruby, Chief Financial Officer

Reporting period 12/01/2016-12/31/2016

Run Date: 01/31/2017 - 11:24

Portfolio PLAN
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Report Ver. 7.3.3a

ABAG PLAN Corp.
Portfolio Management
Portfolio Details - Investments
December 31, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Local Agency Investment Funds												
LAIF	LAIF	LOCAL AGENCY INVESTMENT FUND			17,825,357.12	17,825,357.12	17,825,357.12	0.719		0.709	1	
		Subtotal and Average	**17,825,357.12**		**17,825,357.12**	**17,825,357.12**	**17,825,357.12**			**0.709**	**1**	
Certificates of Deposit - Bank												
02587DYJ1	BCD1	American Express Centurion Bk.		06/03/2015	250,000.00	250,187.50	250,000.00	1.050		1.036	155	06/05/2017
02006LWJ8	BCD10	ALLY BANK		12/10/2015	250,000.00	251,435.00	250,000.00	1.600		1.578	708	12/10/2018
05573J5B6	BCD6	BMO Harris, NA		10/07/2015	250,000.00	250,167.50	250,000.00	0.900		0.888	96	04/07/2017
14042RAS0	BCD8	Capital One, NA		10/07/2015	250,000.00	250,537.50	250,000.00	1.150		1.134	282	10/10/2017
140420RR3	BCD3	Capital One Bank (USA),		06/03/2015	250,000.00	250,187.50	250,000.00	0.850		0.838	155	06/05/2017
254672PE2	BCD2	Discover Bank		06/03/2015	250,000.00	250,305.00	250,000.00	1.000		0.986	155	06/05/2017
38148JVE8	BCD4	Goldman Sachs Bank		06/03/2015	250,000.00	250,187.50	250,000.00	1.000		0.986	155	06/05/2017
40434AC72	BCD9	HSBC		11/17/2015	250,000.00	251,167.50	250,000.00	1.600		1.578	1,416	11/17/2020
55266CNY8	BCD7	MB Financial Bank, NA		10/09/2015	250,000.00	251,782.50	250,000.00	1.150		1.134	646	10/09/2018
795450XC4	BCD11	SALLIE MAE BANK		12/09/2015	250,000.00	251,435.00	250,000.00	1.600		1.578	708	12/10/2018
872278PW0	BCD5	TCF National Bank		09/30/2015	250,000.00	250,542.50	250,000.00	1.000		0.986	274	10/02/2017
		Subtotal and Average	**2,750,000.00**		**2,750,000.00**	**2,757,935.00**	**2,750,000.00**			**1.157**	**432**	
Federal Agency Issues - Coupon												
3130A8YU1	FAC168	FEDERAL HOME LOAN BANK		08/24/2016	5,000,000.00	4,930,200.00	5,000,000.00	1.020		1.006	873	05/24/2019
3134G3M49	FAC137	FED HOME LOAN MORTG CORP		09/26/2012	2,000,000.00	2,000,100.00	2,000,000.00	1.500		1.479	998	09/26/2019
3134G9XG7	FAC165	FED HOME LOAN MORTG CORP		06/30/2016	2,000,000.00	1,985,300.00	2,000,000.00	1.125		0.986	1,641	06/30/2021
3135G0UU5	FAC148	FEDERAL NATL MTG ASSN		06/03/2013	3,000,000.00	3,017,250.00	2,996,329.22	1.750		1.726	1,160	03/06/2020
3136G3QF5	FAC164	FEDERAL NATL MTG ASSN		05/25/2016	2,000,000.00	1,953,900.00	2,000,000.00	1.550		1.529	1,332	08/25/2020
3136G3UT0	FAC166	FEDERAL NATL MTG ASSN		06/30/2016	3,000,000.00	2,920,920.00	3,000,000.00	1.500		1.479	1,459	12/30/2020
3136G3ZZ1	FAC167	FEDERAL NATL MTG ASSN		07/19/2016	3,000,000.00	2,933,700.00	3,000,000.00	1.000		1.709	1,660	07/19/2021
3136G3Y25	FAC169	FEDERAL NATL MTG ASSN		08/25/2016	5,000,000.00	4,825,550.00	5,000,000.00	1.500		1.479	1,697	08/25/2021
3135G0Q30	FAC170	FEDERAL NATL MTG ASSN		10/06/2016	2,000,000.00	1,982,230.00	2,000,590.00	1.180		1.164	999	09/27/2019
		Subtotal and Average	**26,996,874.24**		**27,000,000.00**	**26,549,150.00**	**26,996,919.22**			**1.388**	**1,320**	
		Total and Average	**47,572,231.36**		**47,575,357.12**	**47,132,442.12**	**47,572,276.34**			**1.121**	**774**	

ABAG PLAN Corp.
Portfolio Management
Portfolio Summary
September 30, 2016

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Local Agency Investment Funds	17,803,260.27	17,803,260.27	17,803,260.27	39.09	1	1	0.625	0.634
Certificates of Deposit - Bank	2,750,000.00	2,767,890.00	2,750,000.00	6.04	915	524	1.157	1.173
Federal Agency Issues - Coupon	25,000,000.00	25,059,170.00	24,996,040.69	54.88	1,753	1,437	1.406	1.426
Investments	**45,553,260.27**	**45,630,320.27**	**45,549,300.96**	**100.00%**	**1,018**	**821**	**1.086**	**1.101**

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	42,065.75	111,561.23
Average Daily Balance	**47,282,587.81**	**39,723,680.04**
Effective Rate of Return	**1.08%**	**1.11%**

Courtney Ruby, Chief Financial Officer

Reporting period 09/01/2016-09/30/2016

Run Date: 11/01/2016 - 13:43

Portfolio PLAN
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Report Ver. 7.3.3a

ABAG PLAN Corp.
Portfolio Management
Portfolio Details - Investments
September 30, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Local Agency Investment Funds												
LAIF	LAIF	LOCAL AGENCY INVESTMENT FUND			17,803,260.27	17,803,260.27	17,803,260.27	0.634		0.625	1	
		Subtotal and Average	**17,803,260.27**		**17,803,260.27**	**17,803,260.27**	**17,803,260.27**			**0.625**	**1**	
Certificates of Deposit - Bank												
02587DYJ1	BCD1	American Express Centurion Bk.		06/03/2015	250,000.00	250,495.00	250,000.00	1.050		1.036	247	06/05/2017
02006LWJ8	BCD10	ALLY BANK		12/10/2015	250,000.00	253,505.00	250,000.00	1.600		1.578	800	12/10/2018
05573J5B6	BCD6	BMO Harris, NA		10/07/2015	250,000.00	250,435.00	250,000.00	0.900		0.888	188	04/07/2017
14042RAS0	BCD8	Capital One, NA		10/07/2015	250,000.00	251,095.00	250,000.00	1.150		1.134	374	10/10/2017
140420RR3	BCD3	Capital One Bank (USA),		06/03/2015	250,000.00	250,495.00	250,000.00	0.850		0.838	247	06/05/2017
254672PE2	BCD2	Discover Bank		06/03/2015	250,000.00	250,677.50	250,000.00	1.000		0.986	247	06/05/2017
38148JVE8	BCD4	Goldman Sachs Bank		06/03/2015	250,000.00	250,495.00	250,000.00	1.000		0.986	247	06/05/2017
40434AC72	BCD9	HSBC		11/17/2015	250,000.00	252,427.50	250,000.00	1.600		1.578	1,508	11/17/2020
55266CNY8	BCD7	MB Financial Bank, NA		10/09/2015	250,000.00	253,680.00	250,000.00	1.150		1.134	738	10/09/2018
795450XC4	BCD11	SALLIE MAE BANK		12/09/2015	250,000.00	253,505.00	250,000.00	1.600		1.578	800	12/10/2018
872278PW0	BCD5	TCF National Bank		09/30/2015	250,000.00	251,080.00	250,000.00	1.000		0.986	366	10/02/2017
		Subtotal and Average	**2,750,000.00**		**2,750,000.00**	**2,767,890.00**	**2,750,000.00**			**1.157**	**524**	
Federal Agency Issues - Coupon												
3130A8YU1	FAC168	FEDERAL HOME LOAN BANK		08/24/2016	5,000,000.00	4,994,100.00	5,000,000.00	1.020		1.006	965	05/24/2019
3134G3M49	FAC137	FED HOME LOAN MORTG CORP		09/26/2012	2,000,000.00	2,027,060.00	2,000,000.00	1.500		1.479	1,090	09/26/2019
3134G9XG7	FAC165	FED HOME LOAN MORTG CORP		06/30/2016	2,000,000.00	1,999,420.00	2,000,000.00	1.000		0.986	1,733	06/30/2021
3135G0UU5	FAC148	FEDERAL NATL MTG ASSN		06/03/2013	3,000,000.00	3,055,380.00	2,996,040.69	1.750		1.726	1,252	03/06/2020
3136G3QF5	FAC164	FEDERAL NATL MTG ASSN		05/25/2016	2,000,000.00	2,000,320.00	2,000,000.00	1.550		1.529	1,424	08/25/2020
3136G3UT0	FAC166	FEDERAL NATL MTG ASSN		06/30/2016	3,000,000.00	3,000,510.00	3,000,000.00	1.500		1.479	1,551	12/30/2020
3136G3ZZ1	FAC167	FEDERAL NATL MTG ASSN		07/19/2016	3,000,000.00	2,988,180.00	3,000,000.00	1.000		1.709	1,752	07/19/2021
3136G3Y25	FAC169	FEDERAL NATL MTG ASSN		08/25/2016	5,000,000.00	4,994,200.00	5,000,000.00	1.500		1.479	1,789	08/25/2021
		Subtotal and Average	**26,729,327.54**		**25,000,000.00**	**25,059,170.00**	**24,996,040.69**			**1.406**	**1,437**	
		Total and Average	**47,282,587.81**		**45,553,260.27**	**45,630,320.27**	**45,549,300.96**			**1.086**	**821**	

Investment Summary

ABAG PLAN Corporation Investment Summary Report for Sept 2016 - March 2017 (market value)

	September 2016	December 2016	CHANGE	March 2017	CHANGE
INVESTMENTS					
Local Agency Investment Funds	$ 17,803,260	$ 17,825,357	$ 22,097	$ 16,855,721	$ (969,636)
Certificates of Deposit	$ 2,767,890	$ 2,757,935	$ (9,955)	$ 2,758,073	$ 138
Federal Agency Issues	$ 25,059,170	$ 26,549,150	$ 1,489,980	$ 26,595,720	$ 46,570
Portfolio's Market Value	**$ 45,630,320**	**$ 47,132,442**	**$ 1,502,122**	**$ 46,209,513**	**$ (922,929)**
Cash on hand	$ 3,697,267	$ 876,829	$ (2,820,438)	$ 779,960	$ (96,869)
Total Cash & Short-term Investments	$ 49,327,587	$ 48,009,271		$ 46,989,473	
Notes that are callable	$ 20,066,970	$ 21,556,950		$ 21,603,520	
% of Portfolio callable	44%	46%		47%	

Investment Policy

Revised: January 24th, 2017

ABAG PLAN CORPORATION

Investment Policy

Adopted: September, 1987
Revised: May 6, 1997
Revised: May 22, 2002
Revised: May 25, 2005
Reaffirmed: June 11, 2009
Revised: January 24, 2017

1.0 Policy

It is the policy of the ABAG Pooled Liability Assurance Network (PLAN) Corporation to invest its financial assets in a manner which will provide maximum security with the best investment return, while meeting the cash flow demands of the Corporation and conforming to all applicable laws governing the investment of public funds.

2.0 Scope

This investment policy applies to activities of the Corporation with regard to investing the financial assets of the Administrative, Liability and Property Funds.

3.0 Prudence

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the Corporation are trustees and therefore fiduciaries subject to the prudent investor standard: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

4.0 Objectives

The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The primary objectives, in order of priority, of the Corporation's investment activities shall be:

1) Safety. Safety of principal is the foremost objective of the investment program. The Corporation's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

2) Liquidity. The Corporation's investment portfolio will remain sufficiently liquid to enable the Corporation to meet its reasonably anticipated cash flow requirements.

3) Return on Investment. The Corporation seeks to attain the maximum possible yield on its investments, consistent with constraints imposed by its safety objectives and cash flow consideration.

5.0 Delegation of Authority

The Association of Bay Area Governments (ABAG) is designated as investment manager of the Corporation and is responsible for ensuring all investment activities are within the guidelines of these policies. ABAG shall develop and maintain administrative procedures for the operation of the investment program. In order to optimize investment performance through active portfolio management, resources shall be allocated to the investment program. The commitment of resources shall include financial and staffing considerations.

On an annual basis, the Board hereby delegates its authority to invest funds of the Corporation to the Chief Financial Officer, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked. Subject to review, the Board may renew the delegation of authority each year. The Chief Financial Officer shall make all investment decisions and transactions in strict accordance with state law and this investment policy.

The Chief Financial Officer and the delegated investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

6.0 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the President any material financial interests in financial institutions that conduct business with ABAG or the Corporation, and they shall further disclose any material financial interest that could be related to the performance of the Corporation, particularly with regard to the time of purchases and sales. For purposes of this section "material financial interests" means any interest described in Government Code Sections 87103(a)-(e), as they may be amended from time to time.

7.0 Internal Controls

The Chief Financial Officer shall establish a system of written internal controls to regulate the Corporation's investment activities, including the activities of any subordinate officials acting on behalf of the Corporation. As part of the annual financial audit, the Corporation's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

8.0 Authorized Financial Dealers and Institutions

A competitive bid process shall be used to place all investment transactions. It shall be the Corporation's policy to purchase securities only from those authorized institutions and firms. No deposit of public funds shall be made except in a qualified public depository as established by state laws

The Chief Financial Officer shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes. These may include primary or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). The Corporation requires each firm that will be used for the purchase or sale of securities to be evaluated by the Chief Financial Officer prior to any investments. The firms shall submit current financial statements, and annual audited financial statements each year thereafter, which are to be evaluated by the Chief Financial Officer. At a minimum, the firm must be financially sound and have been in business a minimum of three years. In addition, the firms must provide: proof of National Association of Security Dealers certification, trading resolutions, proof of state registration or exemption, and certificate of having read the Corporation's investment policy

9.0 Authorized and Suitable Investment

The Corporation is governed by Government Code, Sections 53600 et seq. Within the investments permitted by the Government Code, the Corporation seeks to further restrict eligible investment to the investments listed below. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters will take precedence. Credit criteria listed in this section refers to the credit quality of the issuing organization at the time the security is purchased. The maturity limits are applied at the time of purchase

The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

1. United States Treasury Issues.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. United States Treasury Issues cannot exceed a maturity of 5 years. There is no limitation as to the percentage of the portfolio that may be invested in this category.

2. Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Federal Agency Obligations cannot exceed a maturity of 5 years. There is no limitation as to the percentage of the portfolio that may be invested in this category. In addition, purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 percent of the portfolio.

3. Medium-term notes.** Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities rated "AA" or better by a nationally recognized rating service. A maximum of 10 percent of the portfolio may be invested in this category. The amount invested in corporate notes of any one issuer in combination with any other securities from that issuer shall not exceed 10 percent of the portfolio.

4. Bankers' Acceptances. Bankers' acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchasers are limited to issuers whose short-term debt is rated A-1/P-1. Bankers' acceptances cannot exceed a maturity of 180 days. A maximum of 25 percent of the portfolio may be invested in this category. The amount invested in bankers' acceptances with any one financial institution in combination with any other securities from that financial institution shall not exceed 10 percent of the portfolio.

5. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (A) or paragraph (B):

(A) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars ($500,000,000). (iii) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization.

(B) The entity meets the following criteria: (i) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 10 percent of the portfolio may be invested in this category. The amount invested in commercial paper of any one issuer in combination with any other securities from that issuer shall not exceed 10 percent of the portfolio.

6. Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases are limited to institutions which have long term debt rated AA or higher with a nationally recognized rating service; and/or have short term debt rated at least "A-1" with a nationally recognized rating service. NCDs may not exceed 5 years in maturity. A maximum of 30 percent of the portfolio may be invested in this category. The amount invested in NCDs with any one financial institution in combination with any other securities from that financial institution shall not exceed 10 percent of the portfolio.

7. Time Certificates of Deposit. Time Certificates of Deposit (TCDs) placed with commercial banks and savings and loans. The purchase of TCDs from out-of-state banks or savings and loans is prohibited. The amount on deposit shall not exceed the shareholder's equity in the financial institution. To be eligible for purchase, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. TCDs are required to be collateralized as specified under Government Code Section 53630 et. seq. The Chief Financial Officer, at his discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. The Corporation shall have a signed agreement with the depository per Government Code Section 53649. TCDs may not exceed 5 year in maturity. A maximum of 10 percent of the portfolio may be invested in this category. The amount invested in TCDs with any one financial institution in combination with any other securities from that financial institution shall not exceed 10 percent of the portfolio.

8. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million

dollars ($500,000,000). A maximum of 10 percent of the portfolio may be invested in this category.

9. State of California Local Agency Investment Fund (LAIF). There is no limitation as to the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the maximum allowed by LAIF. For due diligence, a copy of LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals shall be maintained on file.

   Under the California Government Code, LAIF is allowed greater investment flexibility than the Corporation is permitted. As such, LAIF's investment portfolio may contain investments not otherwise permitted under this policy. For funds invested with LAIF, LAIF's investment policy overrides the Corporation's investment policy.

** The aggregate total of investments in callable notes in is limited to 25.0% of the portfolio.

Please see Appendix A for a summary of authorized and suitable investments.

10.0 Prohibited Investment Practices and Instruments

Any investment in a security not specifically listed in Section 9.0 above, but otherwise permitted by the Government Code, is prohibited without the prior approval of the Board. Section 53601.6 of the Government Code specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. In addition to the limitations in Government Code Section 53601.6, this Policy further restricts investments as follows: (1) the Corporation shall not engage in leveraged investing, such as in margin accounts or any form of borrowing for the purpose of investment, (2) the Corporation shall not invest in securities with floating coupon interest rates, and (3) no investment will be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

11.0 Duration and Maximum Maturity

It is the objective of this Policy to provide a system which will accurately monitor and forecast revenues and expenditures so that the Corporation can invest funds to the fullest extent possible. Funds of the Corporation will be invested in accordance with sound treasury management principles.

Assets in the Operating Fund (projected administration expenses and claim payments for a fiscal year) will be invested in LAIF or other highly liquid securities. Assets in the Claims Liability Fund (assets needed to fully fund the Pool as determined by the actuary) will be invested to achieve an average duration that closely matches the duration of Claims Liability as calculated by the actuary. Assets in the Long-term Fund represent assets in excess of full funding requirements of the Pool. Assets in this category can be invested in securities with durations and yields that are higher than those in the Claims Liability Fund.

The maximum maturity of individual investments shall not exceed the limits set forth in Section 9.0. The Board has approved the investment in U.S. Treasury and Federal Agency obligations with a

maximum maturity of up to five years. No investment shall exceed a maturity of five years from the date of purchase unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

12.0 Safekeeping and Custody

All security transactions entered into by the Corporation shall be conducted on a delivery-versus-payment (DVP) basis. All cash and securities in the Corporation's portfolio shall be held in safekeeping in the Corporation's name by a third party bank trust department, acting as agent for the Corporation under the terms of a custody agreement executed by the bank and the Corporation. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these investments will be held by the Corporation.

13.0 Market Yield Benchmark

The Corporation seeks to attain market rates of return on its investments throughout economic cycles, consistent with constraints imposed by its safety objectives and cash flow consideration. The Chief Financial Officer shall continually monitor and evaluate the portfolio's performance. A comparison of the portfolio's performance against a performance benchmark shall be included in the Chief Financial Officer's quarterly report. The Chief Financial Officer shall recommend an appropriate, readily available market index to use as a performance benchmark.

14.0 Reporting

The Chief Financial Officer shall submit a quarterly investment report to the Finance Committee and the Board. The report shall include the following information for each individual investment: Description of investment instrument, issuer name, maturity date, credit rating, coupon rate, effective yield, purchase price, par value, book value, current market value and the source of the valuation. The quarterly report shall also state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, and include a statement denoting the ability of the Corporation to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money may or may not be available. The report shall also include a list of monthly investment transactions. The quarterly report shall be submitted within 30 days following the end of the month covered by the report.

15.0 Policy Adoption

The policy shall be reviewed annually by the Finance Committee. The policy shall be adopted annually by the Board at a public meeting. Any change in the policy shall also be reviewed and approved by the Board at a public meeting.

Appendix A
Summary of Authorized and Suitable Investments

This table is for general reference only. Please see the body of the Policy for a listing of all requirements.

Security Type	**Maturity Limits**	**Maximum Portfolio Percentage Holdings**	**Rating Requirements**
United State Treasury Securities**	5 years maximum	100%	None (Treasuries are AAA rated)
Federal Agency Obligations**	5 years maximum	100% 20% limit on mortgage-backed securities.	None (Agencies are AAA rated)
Medium-Term Corporate Notes**	5 years	10% 10% limit per issuer (applies across security types)	AA
Bankers' Acceptances	180 days	25% 10% limit per issuer across security types	Issuers with a short-term rating of A-1/P-1
Commercial Paper	270 days	10% 10% limit per issuer (applies across security types)	A-1/P-1/F-1
Negotiable Certificates of Deposit	5 years	30% 10% limit per issuer (applies across security types)	Issuers with an AA long-term debt rating and/or a A-1 short-term debt rating
Time Certificates of Deposit	5 year	10% 10% limit per issuer (applies across security types)	Must have CRA rating "satisfactory"
Money Market Funds	N.A.	10%	AAA rated fund or manager with a minimum 5years experience and $500 million under management
State of California Local Agency Investment Fund	N.A.	100% (may not exceed the maximum allowed by LAIF)	None (LAIF is unrated)
** The aggregate total of investments in callable notes is limited to 25.0% of portfolio			

ABAG PLAN CORPORATION
375 Beale Street, Suite 700
San Francisco, CA 94105

MEMO

Date: May 30, 2017
To: PLAN Finance Committee Members
From: Jill Stallman, ABAG PLAN Claims Manager / Acting Risk Manager
Re: **TPA Claims Administration Contract Renewal (Amendment to Original)**

Action Required

Staff asks that the Committee review and accept the York Claims Administration contract renewal amendment.

Overview

Since August 1, 2014 York has served as PLAN's Claims Administrator after entering into a 3 year contract for such services that would end July 31, 2017. With this contract expiring and no material deficiencies in the service currently provided a contract amendment to extend the original agreement has been received. This amendment provides for services to continue annually for another three years with the provision of a 3% cost escalator on the service fee (flat rate) that would expire on July 31, 2020. Additional options exist to further extend the contract annually with two, one-year options that could carry the relationship through July 31, 2022 before revisiting the contract. The recent Member Satisfaction Survey feedback confirms that those who participated perceive no material issues with their engagement with York staff.

The amendment also addresses some housekeeping issues now existing in the original agreement (contact addresses for both York and for ABAG PLAN offices have since changed). The agreement still contains a provision for York to handle member subrogation for a fee of 20%. ABAG staff is currently managing this activity on a complimentary basis and is as assisting with recovery efforts for matters below deductible. ABAG staff intends to continue with this activity. Since the engagement with York through April 30, 2017 we have been involved with 325 subrogation efforts and have recouped $1,106,066 for members.

Summary

The cost escalator is the only material change which is why the amendment to the original was presented as opposed to an entirely new agreement. The 3% cost escalator is also consistent with the terms of the original agreement.

On May 18, 2017 the Claims Committee reviewed and accepted this amendment to the existing agreement and has directed staff to advance the agreement through the Finance Committee.

Enclosures

York Contract Renewal Amendment to Original Service Agreement
Original York Service Agreement

York Contract Renewal Amendment

AMENDMENT ONE TO THE
AGREEMENT FOR CLAIMS ADMINISTRATION SERVICES

This Amendment One to that certain Agreement for Claims Administration Services dated as August 1, 2014, (the "Agreement") by and between ABAG PLAN CORPORATION ("Principal") and YORK RISK SERVICES GROUP, INC. ("York").

WITNESSETH

WHEREAS, the parties wish to revise the title of their Agreement;

WHEREAS, the parties wish to extend the term of their Agreement;

WHEREAS, the parties wish to update their respective address information; and

WHEREAS, the parties wish to amend the fee schedule of the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The title of the Agreement shall be revised to read the following:

   "Agreement for General Liability / Automotive Liability / Property Program / Crime Program Claims Administration Services."

2. Section II of the Agreement entitled "TERM OF AGREEMENT" shall be revised to include the following contract period:

   "The term of this Agreement has been extended to include the period from August 1, 2017, through July 31, 2020. After July 31, 2020, the term may be extended for two additional one year periods by mutual agreement of the parties."

3. The introductory paragraph of the Agreement shall be revised to reflect the address for ABAG PLAN Corporation as the following:

   "375 Beale Street, Suite 700, San Francisco, California 94105."

4. The introductory paragraph of the Agreement shall be revised to reflect the address for York Risk Services Group, Inc. as the following:

   "One Upper Pond Road, Building F, Fourth Floor, Parsippany, New Jersey 07054."

5. Section XIII.C. shall be revised so that any notice to York shall be sufficient if sent via certified or express mail (with capacity to demonstrate a receipt) and addressed to:

   "York Risk Services Group, Inc., Attention: Jody A. Moses, Senior Vice President, 333 City Blvd. West, Suite 1500, Orange, California 92868. With a copy to: York

Risk Services Group, Inc., Attention: Michael Krawitz, General Counsel, One Upper Pond Road, Building F, Fourth Floor, Parsippany, New Jersey 07054."

6. Section XIII.C. shall be revised so that any notice to Principal shall be sufficient if sent via certified or express mail (with capacity to demonstrate a receipt) and addressed to:

   "ABAG – Risk Management Officer, 375 Beale Street, Suite 700, San Francisco, California."

7. Effective August 1, 2017, the provisions set forth in Section VII. A. (i) of the Agreement entitled "COMPENSATION" shall no longer apply. From and after such date, the provisions set forth in the attached Exhibit A shall apply instead.

8. All other terms of the Agreement shall remain in force and unchanged. Any conflicts between this Amendment and the original Agreement, including prior executed amendments, shall be superseded by the terms provided herein.

In witness whereof, the parties have executed this amendment to be effective as of August 1, 2017.

ABAG PLAN CORPORATION	YORK RISK SERVICES GROUP, INC.
By: _____	By: _____
Name: _____	Jody A. Moses
Title: _____	Senior Vice President

EXHIBIT A

Claims Services

York will provide claims handling at the following rates:

ANNUAL FEE	
LINE OF BUSINESS	**ANNUAL FEE**
General Liability	
Aug 1, 2017 – July 31, 2018	**$ 645,839**
Aug 1, 2018 – July 31, 2019	**$ 665,214**
Aug 1, 2019 – July 31, 2020	**$ 685,170**
Option Yr. 1 Aug 1, 2020– July 31, 2021	**$ 705,725**
Option Yr. 2 Aug 1, 2021– July 31, 2022	**$ 726,897**

Definitions:

Annual Fee: York's Annual Fee quotation is a guaranteed flat annual fee and applies to claims administration services provided during the applicable 12 month period listed above. Any additional administration beyond the periods listed above will be subject to an additional negotiated flat annual fee or other mutually agreed upon rate structure. If there is a significant increase in claims volume, York may propose additional charges. If client agrees to such additional charges, the fees will be adjusted accordingly. If client does not agree to such charges, York will have the right to terminate services on 60 days' notice.

Services of the Account Manager are provided at no additional charge.

General Fees, Services, Terms and Conditions

- Outside Activity/Field Investigations will be billed at time and expense.
- MMSEA Reporting: $8.75 per claim
- Billing: York will issue an electronic invoice monthly, via e-mail. Payments shall be due and payable no later than thirty days from the invoice date.
- Pricing has been developed based on provided loss data. In the event that the loss data is erroneous or otherwise incorrect both parties agree to discuss an equitable adjustment of service fees.
- ABAG may request that the services York performs be rendered in a particular or different way or additional services be provided, and York will make all reasonable efforts to comply. If such request

increases York's cost of providing the services, York shall be entitled to an equitable adjustment in its compensation.

- Subrogation: York's pricing includes placing parties that it deems responsible on notice and taking reasonable action to recover. Should referral to a specialist be required beyond this point if performed outside of the dedicated unit can be performed at 20% of recovery, plus costs, such as locate searches, skip traces, collection counsel fees and expenses, etc. No referrals will be made without ABAG approval.

Allocated Loss Adjustment Expenses

York will arrange for various services and other costs as agent for our client. These costs are referred to as Allocated Loss Adjustment Expenses (ALAE). A list of these expenses follows. Payment of ALAE is the responsibility of ABAG. York's fees do not cover ALAE, and York is under no obligation to pay ALAE with its own funds.

- Fees of outside counsel for claims in suit, coverage opinions and litigation and for representation at hearings or pretrial conferences
- Fees of court reporters
- All court costs, court fees and court expenses
- Fees for service of process
- Costs of undercover operatives and detectives
- Costs for employing experts for the preparation of maps, professional photographs, accounting, chemical or physical analysis, diagrams
- Costs for employing experts for the advice, opinions or testimony concerning claims under investigation or in litigation or for which a declaratory judgment is sought
- Costs for independent medical examination or evaluation for rehabilitation
- Costs of legal transcripts of testimony taken at coroner's inquests, criminal or civil proceeding
- Costs for copies of any public records or medical records
- Costs of depositions and court reported or recorded statements
- Costs and expenses of subrogation
- Costs of engineers, handwriting experts or any other type of expert used in the preparation of litigation or used on a one-time basis to resolve disputes
- Witness fees and travel expenses
- Costs of photographers and photocopy services
- Costs of appraisal fees and expenses (not included in flat fee or performed by others)
- Costs of indexing claimants
- Services performed outside York's normal geographical regions
- Costs of outside investigation, signed or recorded statements
- Out of the ordinary expenses incurred in connection with an individual claim or requiring meeting with Customer
- Any other extraordinary services performed by York at Customer's request
- Investigation of possible fraud including SIU services and related expenses

- Any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a claim or loss or to the protection or perfection of the subrogation rights of Customer.

York may, but need not, elect to utilize its own staff or affiliated entities to perform any of these services. Associated fees and costs will be charged as ALAE.

York

Original Service Agreement

AGREEMENT FOR GENERAL LIABILITY/ AUTOMOTIVE LIABILITY/ PROPERTY LIABILITY CLAIMS ADMINISTRATION SERVICES

This Agreement (the "Agreement") is effective as of the 1st day of August 2014 (the "Effective Date") between the **ABAG PLAN Corporation,** a nonprofit corporation, ("PRINCIPAL"), having offices at 101 8TH St. Oakland, CA 94607, and **YORK RISK SERVICES GROUP, INC.**, ("YORK"), a Corporation organized under the laws of the State of New York with its principal place of business at 99 Cherry Hill Road, Parsippany, New Jersey 07054.

WHEREAS, PRINCIPAL desires to retain YORK pursuant to the terms and provisions of this Agreement to provide Claims Administration Services on claims arising out of PRINCIPAL'S municipal self-insured GENERAL LIABILITY/ AUTOMOBILE LIABILITY/ PROPERTY pooling program (the "Plan Program") during the term of this Agreement; and

WHEREAS, PRINCIPAL names the ASSOCIATION OF BAY AREA GOVERNMENT (ABAG) its managing agent to oversee this agreement, and

WHEREAS, YORK desires to be retained by PRINCIPAL pursuant to the terms and provisions of this Agreement to provide Claims Administration Services on claims arising out of the Program during the term of this Agreement; and

WHEREAS, YORK, by entering into this Agreement, shall be obligated to provide Claims Administration Services to PRINCIPAL on the terms and conditions set forth herein;

NOW THEREFORE, for and in consideration of the promises set forth hereinabove, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, YORK and PRINCIPAL agree as follows:

I. DEFINITIONS

A. "PRINCIPAL" shall mean ABAG PLAN Corporation.

B. "ABAG" shall mean the Association of Bay Area Governments as agent of the Principal and administrator of the PLAN Program and of this Agreement for claims administrative services.

C. "CLAIMS ADMINISTRATION SERVICES" shall include the administration, adjustment, management, and oversight of claims arising out of PRINCIPAL'S self-insured GENERAL LIABILITY, AUTOMOBILE and PROPERTY programs.

D. CLAIMS ADMINISTRATION SERVICES shall also include, but not limited to, the services contained in the Scope of Work provided in Exhibit A.

E. "CLAIMS" shall mean claims, arising under the PLAN Program and which are referred to YORK for adjusting during the term of this Agreement.

F. "INFORMATION" or "CONFIDENTIAL INFORMATION" shall mean documentation, data or information relevant to PRINCIPAL or claimant that is created by YORK or that comes into its possession as a result of the rendering of services by YORK to PRINCIPAL, pursuant to the Agreement.

G. "CONFIDENTIAL INFORMATION" is information not publicly available and includes, without limitation, the work product, investigation materials, trial preparation materials including but not limited to opinions and mental impressions of YORK personnel, communications with defense and coverage counsel and non-public personal information of insureds.

H. "LOSS ADJUSTMENT EXPENSE" shall mean, in addition to fees to be paid in accordance with items listed or inferred herein Agreement, all reasonable expenses necessary to the adjustment of a claim in accordance with this Agreement, including but not limited to, legal fees, court costs and fees for court reporters, expert witnesses, investigation, photocopies, subpoenas, photographs, maps, accounting, chemical or physical analysis, independent medical exams or other evaluations, depositions, appraisal fees and expenses, bill review, utilization review and any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a claim or loss or subrogation actions. YORK may, but need not, elect to utilize its own staff to perform these services.

I. "SYSTEMS" shall mean severally or collectively, YORK's proprietary claims handling system.

J. "MEMBER" shall mean a municipal entity participating in the PLAN Program.

K. "PLAN Program" shall mean the self-funded municipal self-insurance pool created by PRINCIPAL, ABAG, and the participating cities and towns in the pool.

II. TERM OF AGREEMENT

The term of this Agreement shall commence on August 1, 2014 and shall continue until and through July 30, 2017 (the "Term"). This Agreement will be deemed extended to cover each additional claim that PRINCIPAL refers to YORK after the end of the aforesaid period (subject to the extensions as aforesaid) and which YORK accepts for handling.

III. CLAIMS ADMINISTRATION SERVICES (the "Services")

PRINCIPAL hereby retains YORK to provide Claims Administration Services, as set forth in this Agreement, including any Exhibit A attached hereto, for the Claims that arise out of the PLAN PROGRAM that are assigned via ABAG to YORK.

A. The Services to be rendered by YORK shall be in conformance with the requirements and provisions of this Agreement together with all applicable rules, orders, and interpretations issued by the applicable regulatory authorities as of the date hereof.

B. YORK acknowledges its obligation to comply with all applicable statutes and any rules or regulations of the applicable regulatory authorities.

C. YORK shall perform Claims Administration Services for each Claim assigned to it hereunder during the life of the claim.

D. YORK acknowledges that execution of this Agreement does not guarantee that YORK will be assigned any particular number of Claims.

IV. DUTIES OF YORK

A. YORK shall maintain sufficient staff with the necessary experience and management oversight. Adjusters assigned to Claims shall have a case load that allows proper attention to the work.

B. To the extent required by law, YORK shall utilize only licensed adjusters and licensed private investigators, where applicable and such adjusters and investigators shall in the rendering of their services conform to the provisions of all applicable laws, rules, orders, or written interpretations issued by the applicable regulatory authorities.

C. YORK shall investigate, evaluate, negotiate, settle, or deny Claims within the standing authority granted to YORK from time to time by ABAG. YORK may settle Claims in excess of its standing authority limits only with prior written approval of ABAG, which ABAG shall, in writing, promptly grant or deny upon York's request for authority.

D. Upon termination of the Agreement, all hard copy and electronic files will be transferred at PRINCIPAL'S expense.

E. YORK acknowledges that all of the Claims files in its possession are the property of PRINCIPAL and agrees to promptly provide access to or deliver any such file to PRINCIPAL, at PRINCIPAL'S reasonable expense, at any time upon PRINCIPAL'S request. In exchange for PRINCIPAL'S absolute right to obtain the Claims files, PRINCIPAL

agrees that it shall not have the right to set off any sums claimed due from YORK against fees due YORK under this Agreement.

F. YORK expressly agrees to hold all funds and assets of PRINCIPAL that come into its control or possession during the term of this Agreement as a fiduciary of PRINCIPAL in conjunction with direction from ABAG.

G. YORK shall make available, through YORK'S proprietary claims system, claim-related data with "web-enabled" access. PRINCIPAL, ABAG and MEMBERS will have "view only" access to the system. PRINCIPAL, ABAG and MEMBERS will bear their own hardware, software, connection and similar costs for accessing YORK'S electronic claims management system.

H. During the Term of this Agreement and at all times that there are open Claims being handled by YORK, YORK shall fully cooperate with PRINCIPAL, ABAG and Members, with ABAG retaining ultimate authority.

I. During the Term of this Agreement and thereafter until all Claims assigned hereunder are closed, YORK agrees to:

(1) Maintain in force a fidelity bond or equivalent insurance, such as Third Party Crime insurance, for the protection of PRINCIPAL, at a limit not less than one million dollars ($1,000,000), to cover the risk of loss due to the wrongful conversion of any funds and assets of PRINCIPAL by YORK or its employees or independent contractors during the term of this Agreement. YORK shall maintain said bond or insurance for a period of two (2) years after the expiration of this Agreement;

(2) Maintain in force an errors and omissions policy, at a limit not less than five million dollars ($5,000,000) per occurrence and to maintain coverage for a period of at least two (2) years after the expiration of the last contract with PRINCIPAL, or if the errors and omissions coverage is claims-made, YORK agrees that, for said two (2) year period, the "retro" date will not be later than the inception date of this Agreement;

(3) Maintain in force a general liability policy, which names PRINCIPAL as an Additional Insured and which provides limits not less than one million dollars ($1,000,000) per occurrence, two million dollars ($2,000,000) aggregate and two million dollars ($2,000,000) products/completed operations aggregate;

(4) Maintain in force a workers' compensation and employers liability policy, which provides coverage to employees of YORK at limits not less than one million dollars ($1,000,000);

(5) Maintain in force an automobile liability policy, which names PRINCIPAL as an additional insured and which provides a limit of no less than one million dollars ($1,000,000);

(6) Provide that the aforementioned policies are recognized as "primary and non-contributory" and contain a waiver of subrogation in favor of PRINCIPAL.

J. YORK shall notify PRINCIPAL's insurer of all claims which may affect the program insurance coverage in excess of PRINCIPAL's Self-Insured Retention layer in accordance with the instructions of PRINCIPAL's insurer as provided to YORK pursuant to Section V.(A) of this Agreement. York shall also notify PRINCIPAL on any claim which exceeds a Member's Self Insured Limits.

K. Notwithstanding anything to the contrary contained herein, and to the extent applicable, YORK agrees to comply with all obligations imposed upon it by law.

V. DUTIES OF ABAG

A. ABAG shall promptly provide YORK with such information as YORK may require, including, but not limited to, any copy of documents describing its self-insured GENERAL LIABILITY/ AUTOMOBILE LIABILITY/ PROPERTY program, and all amendments thereto including but not limited to documents submitted to any governmental tribunals for approval of the Program, as well as incident reports and information related thereto in PRINCIPAL'S possession and otherwise cooperate with YORK in carrying out YORK'S tasks hereunder.

B. Upon receipt of loss notices, primarily MEMBER through ABAG or, in special circumstances ABAG directly, shall promptly assign the loss to YORK.

C. ABAG shall promptly make funds available for Claim and Loss Adjustment Expense payments with respect to claims referred to YORK and respond to YORK's requests to issue checks in payment of Claims and such checks shall be distributed in accordance with ABAG's Claims processing procedures. Alternatively, ABAG may direct that YORK open and maintain an escrow account to pay Claims and Loss Adjustment Expenses with Funds provided by ABAG as required for that purpose. All bank charges associated with these accounts shall be borne by ABAG.

D. ABAG shall provide YORK with training material, along with initial and subsequent training on ABAG'S forms and other documents affecting ABAG'S obligations which are provided to YORK and any written

interpretation thereof issued by ABAG or any applicable regulatory body. During the term of this Agreement and at all times that there are open Claims being handled by York, PRINCIPAL, AGAG and MEMBER shall fully cooperate with YORK.

E. PRINCIPAL covenants and agrees that PRINCIPAL, its employees, agents, including but not limited to ABAG, MEMBERS or independent contractors, will not misuse the information contained within the Claims files. PRINCIPAL further covenants and agrees to maintain the confidentiality of the information contained within the Claims files, as required by applicable State and Federal law and regulations.

VI. SYSTEMS AND DATA PROCESSING

A. Although YORK authorizes PRINCIPAL, ABAG and MEMBERS to use or have access to its Systems in performance of Claims Administration Services enumerated in this Agreement, this does not license YORK's system to PRINCIPAL, ABAG or MEMBERS nor shall PRINCIPAL, ABAG or MEMBERS have, or assert, any property interest whatsoever in the Systems or any improvements or additions YORK makes to its Systems during and/or in the course of YORK's performance under this Agreement, whether or not such improvements or additions were made at the suggestions, request or direction of PRINCIPAL, ABAG or MEMBERS. Notwithstanding the foregoing, the data entered or maintained thereon pursuant to this Agreement is the property of PRINCIPAL.

B. This Agreement grants to PRINCIPAL, ABAG nor MEMBERS no right to possess or reproduce all or any part of the Systems used, owned or controlled by YORK performing all or any part of Claims Administration Services and PRINCIPAL, covenants that it, ABAG and MEMBERS shall not do so.

C. YORK expressly agrees that claim-related data generated and/or maintained in connection with this Agreement or any Exhibit hereto shall be and remain the sole property of PRINCIPAL and YORK shall have no right, title, or interest in such data other than such rights necessary to perform Claim Administration Services upon termination.

VII. COMPENSATION

A. YORK shall be entitled to receive and PRINCIPAL shall be obligated to pay only such fees, allowances, costs, reimbursements, or other compensation as are specified as follows:

PRINCIPAL shall pay YORK the following compensation:

(i) PRINCIPAL agrees to pay YORK an Administration Fee of $591,034.00 for the first year fee; $608,765.00 for the second year fee; and $627,028.00 for the third year fee; and

(ii) A one-time data conversion fee of $5,000.00 will be due upon execution;

B. PRINCIPAL shall pay YORK the fees due under VII. A of this Agreement no later than thirty (30) days after PRINCIPAL'S receipt of York's invoice for the conversion fee after execution of the contract and York's quarterly invoices in equal installments for the administration fee. Timely payment is an express condition of York's obligations hereunder.

VIII. AUDIT

A. YORK shall maintain books, records, reports and other documents, in electronic or other format reasonably acceptable to PRINCIPAL relating to its Claims Administration Services performed under this Agreement. All such records and documents pertaining to Claims and the services rendered by York shall be the property of PRINCIPAL and be open for inspection, audit and copying, at PRINCIPAL'S expense, by PRINCIPAL and its agents or their representatives during all regular business hours with reasonable prior notice to YORK. YORK shall cooperate fully with all such agents or other representatives of PRINCIPAL during audits or examinations conducted by PRINCIPAL or its agents.

B. At any time during the Term of this Agreement, or thereafter, provided PRINCIPAL is not in default under this Agreement, PRINCIPAL may conduct, or cause to have conducted, an audit of YORK's operations to determine whether YORK has performed its obligations hereunder in compliance with this Agreement.

C. Audits pursuant to this Section VIII shall be conducted in a manner that does not interfere with YORK'S daily operations. If third party is hired for the audit, a non-disclosure/confidentiality agreement will be signed by third party prior to access. YORK will review audit remarks and be allowed the opportunity to furnish remarks regarding the audit at the time the audit is submitted to PRINCIPAL.

IX. CONFIDENTIALITY

A. Both parties hereto acknowledge and agree that PRINCIPAL'S, ABAG's and Member's information, data and documentation, including but not limited to, non-public and personal information subject to the provisions of the Gramm-Leach-Bliley Act, 15 U.S.C. Subchapter 1, Sections 6801-6809 et. seq., personal health information under the Health Insurance Portability and Accountability Act, 42 U.S.C. 1301, et. seq., and further including, without limitation, all information, data and documentation related to manuals, lists, policyholder information, operating and other systems, business practices and procedures, any information regarding insureds insurance policies, claimants, and Claims, any business, governmental or regulatory matters of

PRINCIPAL, and other information furnished to or obtained by YORK, pursuant to or in connection with this Agreement or in connection with the Services to be rendered, may be confidential ("Confidential Information"). YORK shall not divulge, disclose or use the Confidential Information except for purposes of this Agreement, or as may be expressly agreed in writing by the parties, or as may otherwise be required or directed by applicable law or judicial process. This Section IX shall survive the termination of this Agreement, regardless of the reason for termination.

B. During the Term of this Agreement, and after its termination for any reason, PRINCIPAL shall have the right to request in writing and receive from York either: (i) the immediate return or (ii) confirmation of the immediate destruction of any tangible records, documents, e-mails, computer files, CDs, disks, and any other tangible item that contains, represents, or otherwise includes any Confidential Information of PRINCIPAL. In addition, PRINCIPAL shall have the right, during the Term of this Agreement and after its termination, to request that YORK permanently delete and destroy any Confidential Information contained in any computers, hard drives, servers or other data storage systems of YORK. YORK agrees that PRINCIPAL may seek an injunction by a court of competent jurisdiction enjoining YORK from violating any terms of this Agreement or the confidentiality and non-use provisions of this Section IX. Injunctive relief shall be in addition to any other remedies that PRINCIPAL may have under the law. Notwithstanding the foregoing, YORK may retain a record copy of Claims files and the data therein, for accounting, insurance and similar purposes. YORK shall secure said record copy against improper use or disclosure.

C. YORK acknowledges and agrees that any Confidential Information disclosed to, or acquired by it is disclosed and/or acquired solely for the purposes of facilitating the provision of the services to be rendered by the YORK for and on behalf of PRINCIPAL . YORK shall be solely responsible for informing its employers, officers, and directors of the provisions of the Section and for any acts of its employees, officers or directors that violate the provisions of the Section.

D. Notwithstanding the foregoing, PRINCIPAL agrees that information used for adjusting claims is not subject to statutory or regulatory restrictions against disclosure for that purpose.

X. INDEMNIFICATION

A. YORK agrees to indemnify, defend and hold harmless PRINCIPAL and PRINCIPAL directors, officers, employees, and agents, from and against any and all causes of action, claims, damage, loss, costs and expenses (including, without limitation, fines, damages, liabilities, liens, losses, costs and expenses, including reasonable attorney's fees and litigation expenses) incurred by PRINCIPAL or any of PRINCIPAL directors, officers, attorneys, employees and agents by reason and to the extent of any material breach of this Agreement by YORK, or by reason and to the extent of any negligent, or otherwise wrongful act or omission of YORK or of its officers directors, attorneys, employees or agents.

B. PRINCIPAL agrees to indemnify, defend and hold harmless YORK and its directors, officers, employees and agents from and against any and all causes of action, claim, damage, loss, costs and expenses (including, without limitation, fines, damages, liabilities, liens, losses, costs and expenses, including reasonable attorneys fees and litigation expenses) incurred by YORK and its directors, officers, employees and agents, to the extent such cause of action, claim, damage, loss, cost or expense is not attributable to the negligent or otherwise wrongful act or omission of York.

C. The above defense, indemnification and hold harmless undertakings shall survive the termination of this Agreement.

D. PRINCIPAL acknowledges that YORK has been engaged to provide professional services and that it is not the intent of the parties that YORK assumes any insurance risk. The parties agree that the foregoing defense, indemnification and hold harmless undertakings represent a reasonable allocation of commercial risk between the parties.

XI. BREACH AND TERMINATION

A. If a material breach by either party of this Agreement occurs, the non-breaching party shall identify the breach by delivery of written notice thereof to the breaching party.

B. Upon delivery of written notification of breach, the breaching party shall have a period of fifteen (15) business days or an agreed upon date made within the fifteen (15) business days within which time the breaching party shall cure the breach. Should the breaching party fail to fully cure the breach within the designated time frame, the non-breaching party may terminate this Agreement by delivery of thirty (30) days written notice of termination to the breaching party. Any notice of breach or termination shall be delivered pursuant to Section XIII C hereto.

C. This Agreement may be terminated by a party without the necessity of any notice or right to cure, upon the occurrence of any of the following events:

(1) The expiration of the Term set forth in Section II or any renewal thereof;

(2) The commencement of bankruptcy, insolvency or conservatorship proceedings by the other party, or, if such proceedings are brought against the other party, the other party's failure to have such proceedings dismissed within 45 days.

D. Either party may, without reason, terminate this Agreement with at least sixty (60) days prior written notice to the other party.

XII. EQUITABLE ADJUSTMENT

A. PRINCIPAL shall have the right to direct YORK to perform additional services or to perform services in a specific or different way.

B. This Agreement contemplates that the standards applicable to this Agreement are those in effect on the date of this Agreement, whether such standards are set forth in statutes, regulations, rules, orders, case law or otherwise.

C. In the event of a directive from PRINCIPAL as set forth in Section XII. A or a change in a standard as set forth in Section XII B., YORK shall be entitled to an equitable adjustment in its compensation if such directive or change increases YORK's cost of providing the services YORK renders under this Agreement.

XIII. GENERAL

A. YORK shall not be liable or deemed to be in default for any delay or failure in performance under this Agreement or any Exhibit of this Agreement, or any interruption of Claims Administration Services resulting, directly or indirectly, from acts of God, civil or military authority, or any similar cause beyond the reasonable control of YORK for as long as such condition exists. YORK shall give immediate notice to PRINCIPAL of any delay or failure in performance or of any interruption of Claims Administration Services that has or may occur as soon as YORK becomes aware of such events.

B. If any dispute or claim arises hereunder that the parties are not able to resolve amicably, the parties agree and stipulate that such litigation shall be resolved in the Superior Court in the State of California.

C. All notices which are required to be given or submitted pursuant of this Agreement shall be in writing and shall be transmitted or delivered by certified mail, return receipt requested or by a commercial overnight delivery service to the parties at the addresses set forth below, or to such other addresses as a party may, by notice, specify:

Notices to YORK shall be delivered to:

York Risk Services Group, Inc.
333 City Boulevard West, Suite 1500
Orange, CA 92868

York Risk Services Group, Inc.
99 Cherry Hill Road
Parsippany, New Jersey 07054

Attention: Jody A. Gray, Sr. VP Attn: Peter Lind, General Counsel, SR.VP

Notices to PRINCIPAL shall be delivered to:

ABAG - Risk Management Officer
101 8TH St.
Oakland, CA 94607
Attention: James Hill, Risk Manager

D. This Agreement and any Exhibit or Schedule made a part hereof constitute the entire Agreement between the parties and supersedes and merges any and all prior discussions, representations, negotiations, correspondence, writing, and other agreements and together states the entire understanding and agreement between PRINCIPAL and YORK with respect to Claims Administration Services to be provided hereunder. Except for unilateral changes made by the PRINCIPAL pursuant to Section XII, for which YORK shall, be entitled to an equitable adjustment in its compensation, this Agreement may be amended or modified only in writing if agreed to and signed by PRINCIPAL and YORK and enforced in all respects, in accordance with the laws of the State of California.

E. No party hereto shall be deemed to have waived any rights or remedies accruing to it hereunder unless such waiver is in writing and signed by such party. No delay or omission by either party hereto in exercising any right shall operate as a waiver of said right on any future occasion. All rights and remedies hereunder shall be cumulative and may be exercised singularly or concurrently.

F. The descriptive headings of this Agreement are intended for reference only and shall not affect the construction or interpretation of this Agreement.

G. Wherever the singular of any term is used herein it shall be deemed to include the plural wherever the plural thereof may be applicable.

H. No party may assign its rights or obligations under this Agreement; provided, however, that YORK may subcontract all or part of the Services required hereunder with PRINCIPAL'S written consent, (which consent shall not be unreasonably delayed or withheld) and may at its discretion delegate to a subsidiary such of its duties as it deems appropriate, provided that such subcontracting or delegation shall not relieve YORK of any of its obligations hereunder.

I. It is expressly understood and agreed that the relationship of YORK to PRINCIPAL shall be that of an independent contractor at all times, and nothing herein shall constitute either the YORK or PRINCIPAL as the partner, agent, or legal representative of the other, for any purpose whatsoever, except to the extent that YORK is the agent of PRINCIPAL for the purpose of adjusting claims. YORK shall have no right or authority to bind or obligate PRINCIPAL with respect to any matter that

is not specifically provided for in this Agreement without the prior approval of PRINCIPAL. All employees or agents of YORK performing duties hereunder for YORK shall be solely and exclusively under the direction and control of YORK and shall not be deemed employees of PRINCIPAL.

J. Nothing in this Agreement is intended to require YORK to engage in the practice of law.

K. PRINCIPAL shall not utilize YORK's trade names, logos, trademarks, service marks or other identification in any press release, advertisement, marketing materials, promotional literature, article, presentation or other type of communication without the prior written consent of YORK, which consent may be withheld or denied in YORK's sole discretion. This provision does not apply to internal communication of PRINCIPAL, ABAG or MEMBER or to communication among any of them regarding York's services under this agreement.

L. PRINCIPAL shall not hire any employee of YORK or induce any employee of YORK to terminate his or her employment (or encourage, and aid or abet any third party to do the same) at any time during which this Agreement or any extension or renewal thereof is in effect and for a period of twelve (12) months thereafter. PRINCIPAL agrees and acknowledges that YORK has invested time and resources in training its personnel and familiarizing them with PRINCIPAL's account and that YORK will suffer harm, the extent of which is difficult to quantify, should PRINCIPAL directly or indirectly cause YORK's employee to terminate their employment with YORK. Therefore, in the event that PRINCIPAL violates this provision, PRINCIPAL shall be liable to YORK for liquidated damages in a sum equal to the employee's salary for two (2) years based on the employee's salary over the two (2) months prior to the termination of that employee's employment with YORK. Notwithstanding the foregoing for purposes of this paragraph "YORK's employee" shall mean an employee of YORK who has adjusted claims of PRINCIPAL pursuant to YORK's work for PRINCIPAL under the Agreement.

IN WITNESS WHEREOF, the parties hereto have read and signed this Agreement as dated below and the Agreement is effective as of August 1, 2014.

YORK RISK SERVICES GROUP, INC.	ABAG PLAN Corporation
By: _____	By: _____
Jody A. Gray	James Hill
Senior Vice President	Risk Manager
Execution Date: _____	Execution Date: July 16, 2014

EXHIBIT A. Scope of Work

CLAIMS ADMINISTRATION SERVICES shall also include, but no be limited to, the following services:

1. Providing supervision of the loss adjustment process;
2. Determining and implementing appropriate claims practices to adjust assigned claims in accordance with YORK'S established practices and existing ABAG PLAN claim policy directives, including claim manual, whichever standard is higher, is agreed upon and becomes routinely performed;
3. Adhering to high standards of professional conduct;
4. Adjusting and managing assigned claims to assure that PRINCIPAL and claimants receive high quality service;
5. Establishing, monitoring and timely revisions of case reserves;
6. Settling claims within the applicable coverage terms and conditions;
7. Coordination of Reservation of Rights letters and coverage denials through ABAG.
8. Maintaining current knowledge of applicable adjustment practices and procedures, local practices, applicable insurance coverage, court decisions, current guidelines in the claims function, and Program changes and modifications (as advised by PRINCIPAL);
9. Assisting in the preparation of claims for suit, hearing, trial, or subrogation as appropriate;
10. Acting as MEMBER'S liaison with medical personnel, first notice of loss reporting services and defense counsel;
11. Reviewing bills of service providers;
12. Preparing and submitting status and administrative reports in accordance with YORK'S established practices and existing ABAG PLAN claim policy directives, including claim manual, whichever standard is higher, is agreed upon and becomes routinely performed;
13. Preserving subrogation rights and overseeing subrogation recovery as required.
14. Serve as reporting agent for Medicare/Medicaid and Index Bureau compliance.
15. Attend PLAN Claims Committee meetings and City Council meetings as required
16. Provide periodic (monthly, quarterly and annual) claim reports to ABAG PLAN and member agencies, including deductible billing reports.
17. Provide ABAG PLAN actuary with claim data for actuarial analysis.

ABAG PLAN CORPORATION
375 Beale Street, Suite 700
San Francisco, CA 94105

MEMO

Date: May 25, 2017
To: Ann Ritzma – Finance Committee Chair
From: Jill Stallman, ABAG PLAN Claims Manager / *Acting* Risk Manager
Re: **PLAN Administrative Fund – 2017/18 FY Preliminary Budget**

Action Required

Staff recommends the Committee approve the preliminary Administrative Budget, as presented, in the amount of $2,154,141.

Summary

The PLAN Administrative Budget for FY 2017-18 follows for review, discussion and approval by the Committee. The budget accounts for ongoing engagement with York as the program claims administrator with a renewal agreement on the table that includes an annual 3% cost escalator and no other material change. The York cost for 2017-18 is already incorporated into the budget. We are awaiting renewal pricing for insurance that is anticipated to be received in the upcoming weeks. Those numbers will be represented in the final budget proposal calculations.

PLAN operating costs include all direct and indirect expenses. With approval of the Contract for Services between ABAG and MTC moving forward and resulting in ABAG staff becoming MTC employees effective July 1, 2017, *MTC's* budget allocation methodology will be applied. The Pre-Merger and Post-Merger figures are shown on the attached exhibit. Most notable is that the core staff hours remain under Personnel Expense while the Administration and Finance staff will no longer be directly charged to the program. Another difference of significance appears under the Other Direct Cost category where certain cost items are also considered part of the indirect overhead by MTC.

The Administrative Budget has been maintained diligently leaving contingent reserves at $599,465 as of March 2017. This is 28.41% of present Admin Fund revenue. The Admin Fund contingent reserve exceeds the minimum requirement of 25% of our operating budget. The administrative surplus for the program is strong as reported by PLAN's Finance Officer.

Administrative Budget Highlights

The PLAN Administrative Budget presented to the committee this year is $2,154,141. The budget is $243,718 (10.2%) below prior year. The variance is, in part, a function of the MTC ICAP rate methodology based on a 2017-18 rate of 45.8% that results in a reduction of our Direct Personnel Costs as well as with Other Direct Costs as shown in the exhibit. In contrast, ABAG's Overhead rate for 2016-17FY was 44.95% for PLAN and was anticipated to increase to 46.15% in 2017-18FY

as reflected in the *Pre*-Merger numbers. Additional variances include a Claims Audit that is expected to be conducted this year and Legal Consultant amounts have increased in response to elevated activity.

Personnel Costs

As noted above, for the Proposed Admin Budget, ABAG Personnel Costs have decreased by 18% Post-Merger compared to 16-17FY with the associated Overhead Amount decreasing 16.4% for an overall reduction in Total Personnel costs at 17.5% (a savings of $284,263).

The Risk Manager position is currently vacant while Jill Stallman serves as *Acting* Risk Manager / Claims Manager. The recruitment activity is intended to ramp up now that the staff consolidation between ABAG and MTC is nearing completion.

Direct Expense and Other Direct Charges

Post-Merger, the Total Other Direct Charges is budgeted at $33,250 which is $8,750 (20.8%) down from 2016-17FY of $42,000. As shown on the exhibit, this is due to certain cost elements being considered part of Overhead that was a direct charge with ABAG. Further questions can be directed to the Finance Officer.