



Association of Bay Area Governments

**ABAG PLAN CORPORATION**

Executive Committee

*Summary Minutes*

375 Beale Street  
San Francisco, CA 94105  
“Bay Area” Conference Room # 6102

June 13<sup>th</sup>, 2016  
10:00 am – 2:00 pm

**Presiding:**

Kevin Bryant

**Jurisdiction:**

Woodside

**Committee Members Present:**

Ann Ritzma

Heather McLaughlin

Jesse Takahashi

Foster City

Benicia

Campbell

**ABAG PLAN Corporation - Staff Present:**

Ezra Rapport, ABAG Executive Director

Kenneth Moy, ABAG Legal Counsel

Courtney Ruby, ABAG Finance Director

Jim Hill, ABAG PLAN Risk Manager

Kim Chase, ABAG PLAN Administrative Assistant

**Legal Representatives:**

Greg Rubens – PLAN Attorney

1. **Call to Order** @ 10:16am By Kevin Bryant. Roll call taken and a quorum was present.
2. **Public Comments**– No comments
3. Meeting Minutes from March 1<sup>st</sup>, 2016  
**Action: Approval of Minutes - M//Takahashi //S//Ritzma //C//Unanimous**

**4. Actuary Committee Report – Actuary Report (April 7, 2016 and April 12, 2016); Member Premium Contributions**

Staff (Jim Hill) presented the Actuary reports, including recommendations from the Actuary Committee. As reported by staff, PLAN SIR Fund is robust and the program confidence level is well above 90%. PLAN expected liabilities continue to decrease over time as our claim reserves have declined. Target funding benchmarks (funding ratios) are in line with our funding policy requirements. The report also contemplated no increase in PLAN Administrative Expense.

During the committee discussion, it was noted by the Actuary that the method of allocating administrative costs for property claims varied from prior years. The Actuary used “net” claim values rather than “gross” values for all claims. This method resulted in a reduction in the amount and value of PLAN reported property claims and when applied to the calculation it impacted how administrative costs for property claims were distributed among members. The net results were positive for some members and negative for others. The actuaries provided revised reports dated May 9, 2016 which replace the preliminary reports approved by committee.

Staff referenced the May 9<sup>th</sup> report which indicates 17 PLAN members will have premium reductions while 11 members will face premium increases. The Actuary Committee recommends approval of the revised Actuarial Reports dated May 9, 2016. Chairman Bryant called for comments from Jesse Takahashi (Actuary Chairman). Jesse affirmed the reports, thanked staff and the actuarial consultant for their efforts. Jim closed by noting the Actuary Committee recommends approval of all reports as presented.

**Action: Approval of Actuary Report(s) and Member Premium Contributions**

Ann Ritzma made a motion to approve the referenced Actuarial Reports dated April 7<sup>th</sup> and April 12<sup>th</sup> in addition to the revised Actuarial Report dated May 9, 2016, including member premium distribution as reflected in May 9<sup>th</sup> report.

//M//Ritzma//S//McLaughlin//C//Unanimous

**5. Finance Committee Report – Financial Report Highlights; PLAN Administrative Budget**

Staff introduced Courtney Ruby, ABAG Finance Director. Staff noted the Finance Committee met on May 18, 2016; however, a quorum was not present. Finance Committee reconvened via teleconference on May 25, 2016 to review and approve the Finance/Investment Reports and PLAN Administrative budget for FY 2016/17. Courtney highlighted and summarized PLAN Financial Statements, Memorandum of Internal Controls (MOIC) and provided detail on the underlying fund statements.

The Finance Committee recommends approval of PLAN Financial Statements and Investment reports and approval of the PLAN Administrative budget for fiscal year 2016/17. Ann Ritzma (Finance Committee Chair) noted the Finance Committee did review these reports and had no changes to the reports or investments as presented and called for questions. None were raised.

A motion was made to approve the Financial and Investment reports.

**Action: Approval of Financial/Investment Reports.**

//M//Takahashi//S//Ritzma//C//Unanimous

**PLAN Administrative Budget**

Staff (Jim Hill) presented the PLAN Administrative Budget noting Courtney has already presented the Budget to the Finance Committee. The Finance Committee is recommending approval of PLAN budget in the amount of \$2,397,859. The PLAN Administrative Budget for FY 2016-17 was enclosed for review, discussion and approval by the Executive committee.

Highlights: The proposed budget is \$60,729 (2%) below prior year. The reduction is a function of a decrease in Personnel Costs. PLAN personnel costs have decreased 6% this budget cycle. It was noted there is a temporary reduction of hours and costs for PLAN Risk Manager. The budget calls for a replacement of the Risk Manager in September, however, current merger activity may extend the recruitment efforts. The Executive Committee will resume the recruitment of a replacement Risk Manager when PLAN's due diligence study (RFP) is completed.

The ABAG indirect overhead rate of 44.95% is unchanged from the prior fiscal year. The indirect cost equates to \$504,845. The current Admin Fund contingent reserve is \$667,362 or 27.8% of admin fund revenue. The admin fund contingent reserve exceeds the minimum requirement of 25% of our operating budget.

Addition of a new expense category for Board/Committee expense will now be recognized. The new expense category will be used to record board/committee meeting expense, including annual board meeting and retreat. Courtney, Ann and committee discussed how personnel costs are calculated. Courtney explained the methodology and noted personnel costs are calculated with benefits costs embedded in salaries, including vacation, holiday and PERS costs.

Chairman Bryant called for questions. J Takahashi questioned whether the admin budget is down because we have fewer members. Staff noted that the number of members does not directly impact the Admin Budget cost but does impact the basis for allocation or distribution of these costs. Fewer members mean costs would be allocated among a smaller group and would naturally rise per member.

**Action: Approval of PLAN Administrative Budget as presented.**

//M//Ritzma//S//McLaughlin//C//Unanimous

**6. Risk Management Committee Report – PLAN Performance; Best Practices Update; Grant Funding; Training**

Jim advised the Executive committee of PLAN Risk Management Committee's activity this year noting the Risk Management Committee met on October 26, 2015 and April 5, 2016.

Staff pointed out the committee tasked PLAN staff with developing a reference guide for severe weather conditions (El Nino). The reference guide was presented to members at the annual Board retreat.

The Risk Management Committee also recommends approval of the Grant Program Funding recommendation and member allocations, as proposed, for the fiscal year 2016/17. **Action: Approval of RM Grant Program Funding recommendation and member allocations //M//Takahashi//S//Ritzma//C//Unanimous**

## **7. Board and Committee Activity FY 2015/2016**

### **a. Board/Committee Nominations**

### **b. Board and Committee Calendar**

Jim reviewed staff nominations for committee assignments and noted changes in the composition of committees due to personnel changes in member agencies and issues related to attendance (absenteeism). Staff advised the committee that Emma Karlen (Milpitas) retired and will leave the Executive Committee and Actuary Committee. Vice Chairman Marc Zafferano is being nominated as Chairman of the Board and will lead the Executive Committee. Kevin will remain on the Executive Committee as past chair. Committee members with poor attendance were identified and will be relieved of the committee assignments to ensure quorums are attained and PLAN business can be conducted with no impediments.

Ann Ritzma nominated Richard Lee for the Executive Committee as an at large member. Richard is an active participant on the Finance Committee and has also served as Chairman of the SHARP WC pool. Ann Ritzma also nominated Lorenzo Hines (Pacifica) for the Actuary Committee. Staff advised that Randy Hom (Cupertino) will replace his associate Jacqui Guzman on the Claims Committee. Staff nominated Brian Dossey as Chairman for the Risk Management Committee while recommending moving Mike Taylor to the Executive Committee as Vice Chairman. Staff also recommended David Benoun (Newark) for assignment to the Risk Management Committee. Jim noted floor nominations would be requested at the Board meeting.

Kevin requested a motion to approve the calendar and slate of officers.

### **Action: Approval of Slate of Officers and Board/Committee Calendar**

//M//McLaughlin//S//Ritzma//C//Unanimous

## **8. Other Business**

### **a. ABAG/MTC Merger Update – Merger Implementation Plan**

Kevin opened discussion with the ABAG Executive Team (Ezra Rapport and Ken Moy) advising ABAG leadership that PLAN as a risk management enterprise fund has concerns and would like more insight to evaluate how PLAN fits within the new MTC/ABAG organization. Cost containment implications were noted as a primary concern.

Kevin reiterated that as the Chairman of PLAN, his responsibility to participating member agencies is clear. His goal is to ensure we maintain a stable and efficient risk sharing organization operating in the best interest of all member agencies. PLAN has expressed concerns over the uncertainty of outcomes in the ABAG/MTC merger discussions on prior occasion.

Focus of discussion was Option 7 which has full support of policy makers and calls for consolidation of all staff functions of MTC and ABAG within MTC under one Executive Director. Kevin also pointed out that the majority of these principles are specific to the planning element of ABAG and **Principle F** in ABAG resolution 07-16 offers no concrete indication that the integration of all ABAG service programs will be successful.

Ezra spoke on the current challenges of the merger implementation plan and stated unequivocally his goal was to integrate all enterprise funds into the newly formed organization. He invited the ABAG Executive Team to participate in future ABAG Executive Committee meetings to offer additional insight on the PLAN enterprise fund and its value to ABAG and its members. Ezra made it clear that he will not support anything that doesn't include PLAN in the overall design of the merger.

Ken Moy gave a briefing from a legal standpoint and discussed the Contract for Services and the Implementation Action Plan (IAP). Greg Rubens, PLAN's legal representative spoke on behalf of PLAN, as general counsel, and stated it was imperative PLAN Executive team be a part of all discussions. He requested assurance that PLAN will have the opportunity to review all legal documents (contracts) pertaining to the merger. He also noted and affirmed that his legal research supports PLAN's ability to disengagement from ABAG should members elect to do so.

Ezra revisited the topic of ABAG and PLAN including the relationship to date. He provided details of the merger implementation activity to date. It is certain that ABAG staff will merge with a proposed timeline of year end. That timeline will more than likely be extended given the task at hand. Greg Rubens asked if there was an opportunity for ABAG PLAN members to speak to MTC at the meeting. Ken advised the committee there will be a day for PLAN to explain their program and benefits. Ken says he recommends that PLAN stay the course, see how the merger lays out with the PLAN program, and if it doesn't fit the needs, then the EC should look at other service options for PLAN.

Jesse asked if the goal was to have only one executive director for the new organization and Ezra affirmed. Jim asked how MTC will recoup costs for the staff portion once transitioned there. Ken says ABAG will pay its dues, grant and program revenues and align with the payment for services received.

Kevin advised Ezra the PLAN Board is directing staff to conduct a Request for Proposal which will serve two purposes. It forces PLAN to look at our expectations from any entity that administers the program (service components) and it will serve as a meaningful exercise to document our necessary due diligence. It will set some guidelines and benchmarks while also informing our stakeholders on alternatives to address our needs.

Ezra noted concerns regarding perceptions associated with the RFP, particularly how it would be viewed by MTC. He fully understands PLAN's rationale for doing so. Chairman Bryant noted PLAN is a little uncomfortable with the situation. He also stated we do not want to make it appear that we are looking for a new home, because that is not the objective. PLAN is not looking to find the cheapest option as there is broad Risk Management expertise in this agency that PLAN finds useful and very beneficial to its members. However, he noted the committee's fiduciary obligation to its members and being a risk pool an RFP is most prudent at this juncture.

Greg stated he didn't hear from Ken and Ezra that PLAN will be at the discussion table. He raised concerns regarding PLAN having to communicate the importance of their enterprise fund given the contract for services arrangement. Greg reiterated that if any agreement affects the PLAN then PLAN will need to have a say in it. Ken Moy agreed whole heartedly.

Based on the information provided and the uncertainty of outcomes, the Chairman recommends the committee direct PLAN staff (Interim Risk Manager) to prepare and release a Request for Proposal for PLAN Program Administration. Timing of release to be discussed further.

**Action: Executive Board directs PLAN staff to draft RFP for Administrative Services //M//McLaughlin//S//Ritzma//C//Unanimous**

**b. Announcements – Good of the Order - None**

**9. Adjourned** at 1:37pm by Kevin Bryant

Respectfully Submitted,



Jim Hill  
PLAN Corporate Secretary  
Risk Management Officer