



Association of Bay Area Governments

March 11, 2016

Ezra Rapport
Executive Director
Association of Bay Area Governments
101 Eighth Street
Oakland, CA 94604-2050

Re: PLAN Strategic Planning Initiative

Dear Ezra,

As Chairman of the PLAN Board of Directors and PLAN Executive Committee, I would like to provide you with insight on the unique challenges we face in PLAN with respect to our strategic and budget planning. As you are aware, our planning process has been impacted by the MTC/ABAG merger and consolidation project.

Our goal as a risk sharing organization remains the same. PLAN members desire to achieve stable loss funding rates for our insurance programs which assists our member agencies manage their budgetary needs. We also expect the highest level of customer service in managing our internal finances, member claim portfolio and risk management best practices program. The ABAG PLAN program has been highly effective in allowing us to do so over the course of almost 30 years. PLAN staff has also been very diligent in managing the program while ensuring full transparency and open communication on all matters pertaining to PLAN and ABAG. We appreciate everything ABAG PLAN and your staff has done on our behalf.

The PLAN Executive Committee met with you and Ken Moy on October 21, 2015 to discuss the issues at hand. The Executive Committee continues to meet periodically to obtain additional insight on how the merger/consolidation will impact the PLAN enterprise fund. Despite the high level of transparency, there are several questions regarding the future of ABAG PLAN that remain unanswered. At our December board retreat, PLAN members shared their thoughts and commented on the matter. It was abundantly clear from the discussion PLAN members fully support ABAG; however, our members are concerned about the future of the organization in light of the merger/consolidation. During our Executive Committee meeting on March 1st, the group initiated dialog about exploring options or alternatives to handling PLAN program administration.

Based on the data and information we have been provided to date, the future of ABAG PLAN within the ABAG organization remains uncertain. The absence of a clear picture of our future within ABAG creates several concerns in the minds of our stakeholders. There will be certain financial (cost) implications to the PLAN enterprise fund resulting from any merger/consolidation action. We also recognize there may be other financial implications on the finances of the ABAG organization based on any decision made by PLAN. These warrant further consideration by ABAG during the merger study.

The Executive Committee has called upon PLAN staff to explore alternative options for the administration of the PLAN program. Our goal is to be both proactive and transparent in our approach to conducting the necessary due diligence and required research. This will allow ABAG to factor in the financial impact created by the departure of PLAN into the current merger/consolidation discussion.

Item 5.B.

We would like to be very clear. Our member agencies value the ABAG organization and have attested to the fact during our retreat and also through testimonials provided to the MTC. The members of PLAN want to "stick together" and ABAG PLAN is an excellent program as evidenced by our financial performance and results. It is the uncertainty of outcomes that compels PLAN to conduct the necessary due diligence to ensure program stability and to protect the financial interest of our stakeholders. We need to plan for the future and address the uncertainty (organizational risk) our members currently face.

The Executive Committee has also informed PLAN staff of their desire to utilize a contract Risk Manager until this matter is settled. The PLAN Executive Committee noted this is the most prudent way to proceed with staffing this key position given the uncertainty of outcome(s). The impending move of ABAG offices to San Francisco adds additional complexity to the recruitment process. It is abundantly clear these two variables are having an impact on our recruitment efforts. This also affirms our desire to retain a highly qualified risk management professional to lead the organization through these challenging times and into our future.

We invite you to be part of the dialog and encourage your thoughts/feedback. We will keep you fully informed of the progress of our study.

Sincerely,



Kevin Bryant
PLAN Chairman/Town Manager
Town of Woodside

cc: Kenneth Moy, ABAG Counsel
Bob Lanzone, PLAN Counsel
Brad Paul, Deputy Executive Director
James Hill, PLAN Interim Risk Manager
PLAN Executive Committee