

Proposed FY 2009-10 Budget Amendment

At the June 9, 2009 meeting, the Trustees approved a continuation of the SBA's FY 2008-09 budget authority for FY 2009-10. Consistent with the direction of the Trustees, the Executive Director has reviewed the preliminary FY 2009-10 budget request and SBA fees with the Investment Advisory Council, Participant Local Government Advisory Council and SBA Audit Committee. As a result of the feedback from those groups, the Executive Director has reduced the preliminary FY 2009-10 budget request by 54%.

In sum, this amendment requests \$1,426,657.89 of additional spending authority relative to the FY 2008-09 budget and no change in SBA fees and charges to clients. In reviewing the SBA's preliminary FY 2009-10 budget request, the Investment Advisory Council, Participant Local Government Advisory Council and SBA Audit Committee indicated that all audit, consultant and compliance-related budget initiatives should be approved. Table 1 identifies these specific initiatives and necessary budget resources.

Table 1

Audit/Consultant/Compliance Budget Initiatives	Cost Estimates
Audit Committee/Office of Internal Audit: Audit Committee (\$235,000) External Systems Audit (\$155,000)	\$390,000
Disaster Recovery PBX Upgrade	250,000
Deloitte & Touche Compliance Review (Phase 3)	225,000
Email Archive Systems	100,000
Recording Trading/Wire and LGIP Phone Lines	26,000
Total	\$991,000

Additionally, the Executive Director has reviewed existing staff vacancies, relative to the preliminary budget request, and recommends 4.5 new positions within this amendment. Table 2 describes the associated budget resources (including salaries and benefits).

Table 2

New Positions	Salary & Benefits
Sr. Portfolio Manager-Fixed Income	\$132,800
Accounting Manager-Private Markets	91,500
Compliance Manager	91,500
Communications Manager	73,800
Sr. Accountant/Financial Analyst II (.5 FTE)	29,500
Total	\$419,100

Finally, the amendment provides only \$16,557.89 in new resources for normal inflationary cost increases across the entire SBA budget, due to planned reductions in travel, repairs and maintenance, and other charges and obligations. Throughout the current fiscal year, the SBA will continue to review operations for potential improvements in cost effectiveness, consistent with our fiduciary duties.

The SBA Budget Detail By Line Item and the SBA Budget Summary Comparison By Category charts can be found on the next page.

Revenue/Service Charges

The Investment Advisory Council, Participant Local Government Advisory Council and SBA Audit Committee recognized that both the SBA's cost and fee structure are low relative to our peers. However, given the current difficult economic environment, the Executive Director is recommending that the SBA hold fees at FY 2008-09 levels for FY 2009-10. To the extent actual operating costs exceed fee revenue, the difference will be charged to the SBA Administrative Fund. Assuming assets under management remain near current levels, the estimated revenue for FY 2009-10 will be \$20.4 million and the SBA Administrative Trust Fund will end June 30, 2010 with an estimated balance of \$27.6 million.

SBA FY 2009-2010 Budget Detail By Line Item

Description	Continuation FY 2008-09 Budget Effective 7/1/09	Amended FY 2009-10 Budget	% Inc./ (Dec.)
Salaries (FY2009 Recruitment; 4.5 New Positions)	\$ 12,037,609.93	\$ 12,910,990.43	7.26%
Recruitment & Retention (FY 2010)	568,380.50	284,190.25	-50.00%
Non-Recurring Compensation (FY 2010 ICP Payment; Leave Liability)	610,955.82	0.00	-100.00%
Social Security	971,004.70	1,010,420.54	4.06%
Retirement	1,389,216.83	1,455,622.73	4.78%
Health Insurance	1,974,665.28	2,080,739.55	5.37%
Life Insurance	60,304.25	63,319.46	5.00%
Disability Insurance	26,826.41	28,167.73	5.00%
Dental Insurance	187,294.92	196,659.67	5.00%
Temporary Employment	205,890.00	215,350.00	4.59%
Other Contractual Services (Audit/Consultant/Compliance Driven Items)	6,400,702.25	7,353,402.00	14.88%
Repairs and Maintenance	1,098,821.24	1,066,798.10	-2.91%
Rental of Building	1,464,045.70	1,495,456.92	2.15%
Rental of Equipment	8,814.00	8,238.00	-6.54%
Travel	800,656.23	748,090.34	-6.57%
Training	94,500.00	98,000.00	3.70%
Communications (Recording Trading/Wire and LGIP Telephone Lines)	287,510.50	328,270.00	14.18%
Freight & Postage	78,000.00	78,000.00	0.00%
Insurance & Surety Bonds (Risk/Casualty Premiums)	63,585.00	78,102.00	22.83%
Moving Expense (Investment Professional Recruitment)	40,000.00	50,000.00	25.00%
Office Materials & Supplies	171,032.00	171,032.00	0.00%
Other Materials & Supplies-EDP	108,400.00	108,400.00	0.00%
Other Charges & Obligations	218,119.65	208,908.10	-4.22%
Printing (New PLGAC Meeting Notices/Transcript Expenses)	67,150.00	68,320.00	1.74%
Unemployment Compensation	15,000.00	15,000.00	0.00%
Books => \$250	1,500.00	1,500.00	0.00%
Office Furniture & Equipment (Disaster Recovery-PBX Equipment Upgrade)	58,800.00	312,465.28	431.40%
Other Capital Outlay - EDP	244,150.00	244,150.00	0.00%
TOTAL	\$ 29,252,935.21	\$ 30,679,593.10	4.88%

SBA Budget Summary Comparison By Category

Category Description	FY 2008-2009 Continuation Budget (7/1/09)	Increase/ (Decrease)	Proposed Budget Amendment FY 2009-2010	% Inc./ (Dec.)
FTE	174	4.5	178.5	
Salaries & Benefits	\$17,826,258.64	\$203,851.72	\$18,030,110.36	1.14%
Other Personal Services Expense	6,606,592.25	962,159.75	7,568,752.00	14.56%
Capital Outlay	4,515,634.32	6,981.14	4,522,615.46	0.15%
	304,450.00	253,665.28	558,115.28	83.32%
TOTAL	\$29,252,935.21	\$1,426,657.89	\$30,679,593.10	4.88%