



October 15, 2009

MEMORANDUM TO: Board of Directors

FROM: Steven O. App *Steven O. App*
Deputy to the Chairman and
Chief Financial Officer

SUBJECT: Proposed Mid-Year Increase in 2009 Corporate Operating Budget

Proposal

This memorandum requests that the Board of Directors approve a \$16,014,000 (or 1.3 percent) increase in the Ongoing Operations component of the 2009 Corporate Operating Budget, from \$1,243,765,244 to \$1,259,779,244. If approved, the total Corporate Operating Budget would increase to \$2,259,779,244. This includes \$1,000,000,000 in the Receivership Funding component of the budget, which would be unchanged.

Background

The Board of Directors approved the 2009 Corporate Operating Budget in December 2008. Since that time, conditions in the banking industry have deteriorated much more extensively than anticipated in the 2009 budget planning assumptions. In response, the Chief Financial Officer (CFO), in accordance with the authority delegated to him by the Board, has had to reallocate funds among divisions and offices, and major expense categories several times over the past nine months. The primary purpose of these reallocations has been to provide funding for a substantial increase in authorized 2009 staffing (including associated support requirements).

Authorized 2009 staffing has increased by 741 positions (from 6,269 to 7,010) since the Board first approved the 2009 budget. Additionally, since 2008, on-board FDIC staff increased by approximately 1,300. The staffing increases associated with increased resolutions and receivership management workload have been funded from the contingency funds included in the approved 2009 Receivership Funding budget component, but those associated with increased supervisory workload (including related human resources, information technology (IT), and other support) have been funded from the Ongoing Operations budget component. These staffing increases have necessitated budget reallocations to provide increased funding for salaries and benefits, travel, leased space, IT equipment, and other expense categories in the affected FDIC organizations.

The Corporation recently completed a comprehensive mid-year budget review. That review determined that the remaining funds now available for reallocation are inadequate to support all projected Ongoing Operations funding requirements through the end of the year.

Overview of Major Budget Increase Requirements

As shown in Attachment 1, an increase in the total 2009 Ongoing Operations budget is required primarily to address funding needs in the Division of Information Technology (DIT), the Division of Resolutions and Receiverships (DRR), and the Division of Administration (DOA). Sufficient funds are available for reallocation elsewhere within the 2009 Ongoing Operations budget to meet increased funding requirements for other divisions and offices. After Board approval of this proposal, the CFO expects to approve an increase of an additional 20 positions in authorized 2009 staffing.

DIT needs approximately \$12.6 million in additional budget authority, largely for Outside Services-Personnel (\$4.8 million) and Equipment (\$7.4 million, primarily for software purchases) in order to address the following needs:

- Increased software licensing fees (generally based on the number of employees in the organization);
- Expanded data storage capacity at the FDIC's backup operations facility;
- Increased systems maintenance costs; and
- Equipment and contractual support associated with the leasing of supplemental office space for Headquarters.

DRR needs approximately \$5.4 million in additional budget authority. This includes \$2.2 million for Outside Services-Personnel to provide strategic financial advisory services and industry-wide analysis on trends affecting large financial institutions and complex financial instruments. This also includes \$2.8 million for increased travel costs associated with relocation of permanent staff to its Dallas and Washington offices.

DOA needs approximately \$3.9 million in additional budget authority, primarily to provide additional funding for Outside Services-Personnel for security, human resources and procurement contracts related to increased hiring and for building out additional leased office space in the Atlanta and Dallas Regional Offices.

In addition to these projected budget shortfalls, the Office of Inspector General has requested that its 2009 budget authority be increased by approximately \$1.9 million to reflect the OIG's actual Fiscal Year 2010 appropriation request, which includes the fourth quarter of 2009. The pending appropriation request was increased after the Board approved the 2009 Corporate Operating Budget. The additional budget authority will provide additional funding for contractor services and support for an increase of 16 positions in the OIG's authorized staffing levels. The OIG has acknowledged that it is unlikely to spend the additional funds requested in 2009, but feels that it is important that the approved 2009 budget and appropriations request be consistent.

Contact Information

If you have questions, please call Thomas E. Peddicord at (703) 562-6252.

Attachments