

**TO:** Members of the Finance & Personnel Committee

**FR:** Bradford Paul, Assistant Executive Director

**DT:** September 3, 2014

**RE: HOW STAFF ADDRESSED THE RECENT STRUCTURAL BUDGET DEFICIT**

Staff recently completed a plan to eliminate the \$380,000 structural deficit created when PLAN decided to lay off four in-house claims examiners and contract out the work. This deficit included both a reduction of \$286,635 in overhead recoveries formerly anticipated from the overhead charged on the personnel costs of four claims examiners and the loss of PLAN demand for IT support of about \$94,073. Eliminating this deficit required increasing overhead recoveries and reducing overhead costs as follows:

#### **Revenue increases**

Increasing our overhead rate a full 2.0 percent from 42.95% to 44.95%, yielded additional overhead recovery of \$148,051, reducing the deficit to \$272,657.

#### **Cost reductions**

Eliminating a vacant Supply Clerk position (filled by temporary employee) and reducing a filled Supply Clerk to 60% resulted in net savings of \$80,492. The reduction of an Applications Programmer to 50% yielded a net savings of \$57,899. Finally, temp support for Accounting was reduced by \$20,000. Altogether, these reductions yielded net savings of \$158,391. This reduced the net imbalance in overhead to \$114,266.

Finally, a Senior Communications Officer has decided to retire early to help ABAG address this deficit. By not refilling the position, the Agency Administration budget will be reduced by some \$179,978 annually, but that includes \$80,900 in lost revenue to overhead. The net savings of \$100,000 comes close to closing the deficit. The remaining deficit will be addressed by transferring some remaining personnel expense from overhead to Agency Administration which is primarily funded through dues.

These changes will reduce ABAG's capacity, particularly in administrative services. ABAG will be compensating with a combination of efficiencies and offering several vacant cubicles to MTC staff in exchange for their providing some administrative services (e.g. picking up mail at the post office, servicing ABAG's vehicle fleet, and printing).