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Office of the Chief Financial Officer



2016 Mid-Session Budget Review

July 21, 2016

Overview

- ❖ **Mid-Session Review Process**
- ❖ **Summary of Revised Estimates**
- ❖ **NCUA Contracted Services**
- ❖ **Results Highlights**
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NCUA Mid-Session Review Process

- ❖ OCFO disseminates budget guidance to NCUA offices to support development a revised estimate of the annual requirements for the following budgets:
 - the 2016 Operating Budget of \$290.9 million and 1,247 FTEs;
 - the 2016 Capital Acquisition budget of \$10.1 million; and
 - the 2016 Temporary Corporate Credit Union Stabilization Fund budget of \$4.0 million.

NCUA Mid-Session Review Process

- ❖ OCFO staff review each office budget and any summary adjustments recommended, comparing with prior and current year actuals.
- ❖ If changes are requested, non-pay budget requirements or new initiatives are evaluated for prioritized funding within existing Operating Fund budgetary resources.
- ❖ Recurring non-pay expense increases/decreases such as travel, supplies, training are reviewed to determine impact on budget.

NCUA Mid-Session Review Process

Budget Categories:

- ❖ **Pay and Benefits**: managed centrally and re-estimated based on most recent year-to-date spending, utilization of workload hours, and projected hiring to meet requirements for all examination program and mission support staff.
- ❖ **Travel**: requirements for all examination program staff reassessed and supported with workload analysis, group meetings, and revised training plans. Office staff travel also reevaluated.
- ❖ **Rent, Communications and Utilities**: review actual expenses to validate operational requirements and projected spending to update forecasts.

NCUA Mid-Session Review Process

- ❖ **Administrative**: recurring requirements evaluated and compared to historical spending and year-to-date actuals.
- ❖ **Contracted Services**: assess priority items based on statutory requirements and the agency's Strategic Plan. Revised estimates may include adjusted project expectations with lower cost estimates or deferred spending into 2017.
- ❖ **Capital Budget**: assess each project to ensure sufficient resources are available. Any new critical requirements may also be identified. Projects tend to execute over two or three years; spending may be less than Operating Fund budgeted amount in the first year.

Summary of Revised Estimates

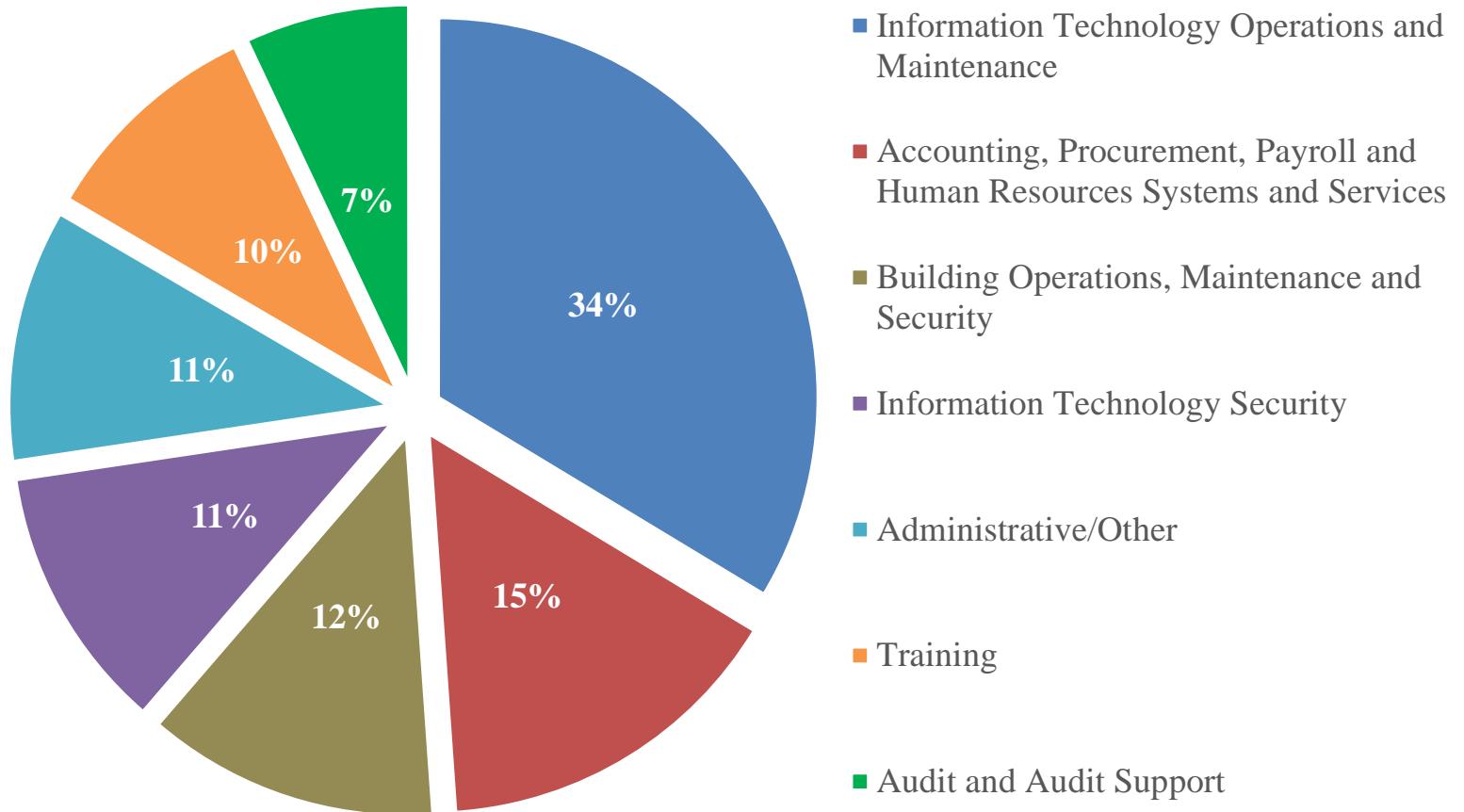
- ❖ **\$1.9 million reduction: Pay and benefits** re-estimated to project 1,214 FTE or 33 unused FTE. Revised costs are based on year-to-date actuals, employee turnover and projections of similar hiring and attrition rates through December 31.
- ❖ **\$234,00 reduction: Administrative** costs for Federal Financial Institution Examination Council assessments lower than planned (\$85,000). Meeting costs for the National Examination Program Training event was lower than planned (\$139,000).
- ❖ **\$30,000 reduction: Rent** costs lower with fewer offsite training events than originally planned.

Summary of Revised Estimates

- ❖ **\$191,000 Reduction: Contracted Services** based on revised estimates:
 - ❖ **\$120,000 - Office of Examination and Insurance** revised requirements based upon updated project schedules and reduced Office costs because of the Enterprise Solutions Modernization program.
 - ❖ **\$44,000 - Office of Human Resources** revised estimates for training costs and other minor contracts.
 - ❖ **\$19,000 - Office of Human Resources** revised training costs based on final cost of National Examination Program Training.
 - ❖ **\$ 8,000 - Other miscellaneous contract savings** associated with various offices.

Contracted Services

2016 Contract Categories

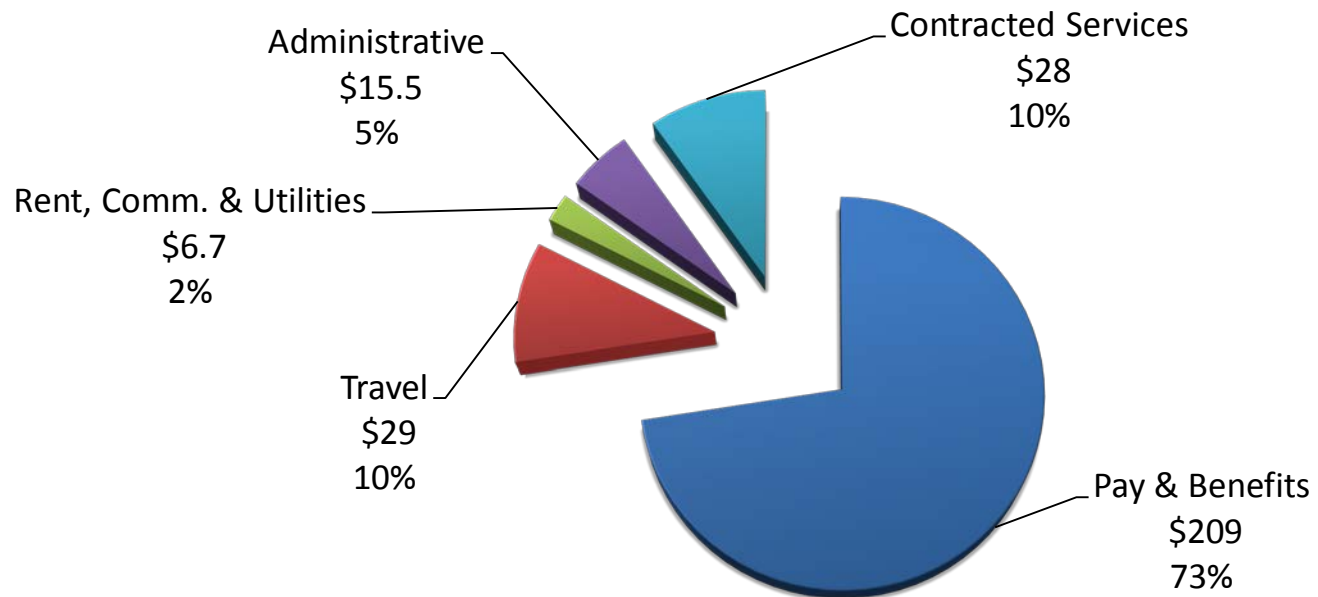


2016 Operating Budget by Cost Category

Cost Category	2015	2016	2016		
			Revised		
(\$000s thousands)	Budget	Budget	Estimate	\$ Change	% Change
Employee Pay & Benefits	\$ 201,895	\$ 210,928	\$ 209,008	\$ (1,920)	-0.9%
Employee Pay	145,784	151,054	149,679	(1,375)	-0.9%
Employee Benefits	56,111	59,874	59,329	(545)	-0.9%
Travel	29,289	29,293	28,970	(323)	-1.1%
Rent, Communications & Utilities	5,772	6,766	6,736	(30)	-0.4%
Administrative	16,335	15,702	15,468	(234)	-1.5%
Contracted Services	26,187	28,227	28,036	(191)	-0.7%
Total	\$ 279,478	\$ 290,916	\$ 288,218	\$ (2,698)	-0.9%
Capital Budget	\$ 8,873	\$ 10,069	\$ 10,069	0	

2016 Operating Budget Overview

	2015 (\$000 thousands)	2016 (\$000 thousands)	2016 Mid-Session Revised Estimates (\$000 thousands)	Change	Percent Change
BUDGET	\$ 279,478	\$ 290,916	\$288,218	-\$2,698	-0.9%
FTE	1,268.7	1,247.0	1,214.0	-33.0	-2.6%



Capital Budget

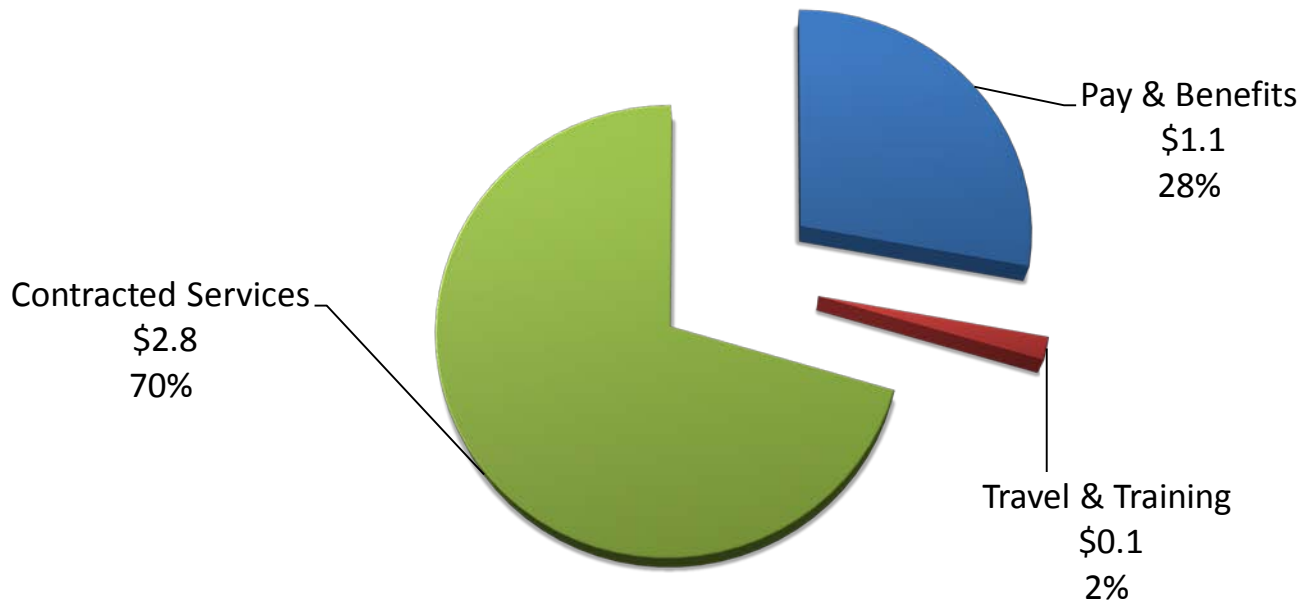
Description	2016 Budget (\$ millions)
Information technology systems upgrades and new system implementation	\$ 6.43
Information technology hardware and software	\$ 2.55
Capital Building improvements and renovation projects	\$ 1.09
Total	\$10.07

2016 Corporate Stabilization Fund Budget

Cost Category	2015	2016	2016	
<u>(\$000 thousands)</u>	<u>Budget</u>	<u>Budget</u>	Revised	<u>\$ Change</u>
			Estimate	
Employee Pay and Benefits	\$ 1,038	\$ 1,134	\$ 1,134	\$0
Travel	73	66	66	0
Administrative (Training)	11	14	14	0
Contracted Services				0
Consulting	992	795	795	0
Valuation Services	1,250	1,250	1,250	0
Software/Data Subscriptions	757	763	763	0
TOTAL	\$ 4,121	\$ 4,022	\$ 4,022	\$0

2016 Corporate Stabilization Fund Budget Overview

	2015 (\$000 thousands)	2016 (\$000 thousands)	2016 Mid-Session Revised Estimate (\$000 thousands)	Change	Percent Change
BUDGET	\$4,121	\$ 4,022	\$4,022	\$0	0%
FTE	5	5	5	0	0%



Results Highlights

- ❖ 2016 Operating Budget of \$290.9 million and 1,247 FTEs is estimated to be approximately \$2.7 million less than originally planned.
- ❖ Pay and benefits is the largest budget component that typically varies from the budget based on annual employee turnover and FTE utilization.
- ❖ The 2016 capital acquisitions requirements are still valid for \$10.1 million with several projects expected to continue execution into 2017.
- ❖ The 2016 budget of \$4.0 million for oversight of the Temporary Corporate Credit Union Stabilization Fund on track to fully execute.

Results Highlights

- ❖ NCUA must maintain adequate cash balances to meet current and future obligations. Although we project spending \$2.7 million less than originally estimated for 2016, several open obligations from prior years impact the amount of cash needed. Since the Operating Fee is partially determined by the cash needs of the agency, no reduction is recommended for 2017.
- ❖ We will continue to evaluate cash needs and determine before the November Board meeting whether any potential credit may be applied to the 2017 operating fee schedule.
- ❖ Operating Fees collected in advance (April each year)
- ❖ The overhead transfer rate does not need a “true-up” because it does not pay budgeted expenses at the beginning of the year, and only charges actual expenses to the SIF as they occur monthly. (**see the August 2015 NCUA Report for full explanation**).

Additional Budget Details

Key NCUA Budget and Supplementary Materials:

<https://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx>

Operating Fund Board Action Memorandum

- Approves projects and spending for all NCUA offices

Budget in Brief

- Executive Summary of the approved budget

Fact Sheets

- Short informational summary of NCUA key processes

Budget Detail

- Office budget line item detail

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National Credit Union Administration

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NCUA Budget and Supplementary Materials

NCUA regulates, charters and supervises all federal credit unions, and insures the deposits in all federally insured credit unions. Each year, the NCUA Board considers and approves a budget to support these activities. For 2016, the Board approved a \$290.9 million budget and \$302.9 million budget for 2017.

To develop the budget, NCUA uses zero-based budgeting where every projected expense is justified.

NCUA is committed to providing transparency to the public about the agency's budget. The materials below include the Board Action Memorandum and accompanying slides presented at the Nov. 20, 2016, Board meeting as well as summary information and other historical trends related to the agency's budget.

2016/2017 Budget Documents

- [NCUA Chairman Debbie Matz Statement on the 2016/2017 Budget and Strategic Plan](#)
- [NCUA's 2016/2017 Budget Presentation](#)
- [NCUA's 2016/2017 Budget in Brief - Narrative](#)
- [NCUA's 2016/2017 Budget in Brief - Table](#)
- [NCUA's 2016/2017 Budget Board Action Memorandum](#)
- [NCUA's Operating Fee Budget Action Memorandum](#)
- [NCUA's Overhead Transfer Rate Budget Action Memorandum](#)
- [NCUA's 2016/2017 Line Item Budget](#)
- [2016 Cost Savings Fact Sheet](#)
- [2016 Budget Frequently Asked Questions](#)

2015 Budget Documents

- [NCUA Chairman Debbie Matz Statement on 2015 Operating Budget](#)
- [NCUA's 2015 Operating Fund Budget Board Action Memorandum](#)
- [NCUA's 2015 Mid-Session Budget Review](#)
- [NCUA's 2015 Budget Action Memorandum Attachment](#)
- [NCUA's 2015 Office Budget by Cost Element](#)
- [NCUA's 2015 Budget Slides](#)
- [NCUA's 2015 Budget in Brief - Narrative](#)
- [NCUA's 2015 Budget in Brief - Table](#)
- [NCUA 2015 Budget FAQs](#)
- [NCUA's 2015 Corporate Stabilization Fund Budget Board Action Memorandum](#)
- [Glossary of Budget Terms](#)
- [2015 Line-Item Budget](#)
 - [Operating Budget](#)
 - [Central Liquidity Fund](#)
 - [Stabilization Fund](#)
- [Travel Expense Report - Conferences](#)

Fact Sheets

- [Budget and Financial Transparency](#)
- [Budget Process](#)
 - [Mid-Session Budget Review Process Fact Sheet](#)
- [Prioritizing Information Technology Expenditures](#)
- [Procurement Process](#)
- [NCUA Budget Savings](#)

Office Contact Page

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<https://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx>