



National Credit Union Administration

BOARD ACTION MEMORANDUM

TO: NCUA Board
FROM: Chief Financial Officer *mmw*
DATE: July 24, 2012
SUBJECT: FY 2012 Mid-Session Budget Review

ACTION REQUESTED: Board approval of the reprogrammed 2012 Operating Budget and Temporary Corporate Credit Union Stabilization Fund as documented in the Board Action Memorandum and attachment.

DATE ACTION REQUESTED: July 24, 2012

OTHER OFFICES CONSULTED: All Office Directors

VIEWS OF OTHER OFFICES CONSULTED: Budget analyses provided by all office directors are summarized in this Board Action Memorandum.

SUBMITTED TO THE INSPECTOR GENERAL FOR REVIEW: Yes

BUDGET IMPACT: The recommended actions will result in a net decrease of \$2 million to the FY 2012 Board-approved Operating Budget and will have no budget impact on the 2012 Board-approved Temporary Corporate Credit Union Stabilization Fund (TCCUSF) budget.

RESPONSIBLE STAFF MEMBERS: Chief Financial Officer Mary Ann Woodson

BACKGROUND: NCUA conducted a mid-session budget review involving the participation of all offices. Offices were directed to promote stewardship of agency funds, increase efficiencies, and reduce line item budgets wherever possible. The review assessed the agency's budget at mid-year, projected spending through the end of the fiscal year, and requested Board approval of any adjustments to the original 2012 budget.

Projections for the remainder of 2012 support an Operating Budget reduction of \$2 million. This reduction will translate into excess cash. NCUA will use these funds to offset next year's budget requirements which are assessed to credit unions. The Board anticipates considering the 2013 budget in November.

BUDGET REPROGRAMMING: Total budgeted operating costs for the year ending December 31, 2012, are reduced by \$2 million for a revised total budget of **\$234,854,336**. Total staffing is increased by two (2) positions, bringing total Full Time Equivalents (FTE) to **1,261.50**.

The following table summarizes the adjustments to the original 2012 Operating Budget. These adjustments require no new funds and represent technical adjustments to support program needs.

Operating Budget	Board Approved Budget	Mid-Session Reprogramming	Revised Budget Needs
Employee Pay & Benefits	\$ 170,814,790	\$ (3,674,800)	\$ 167,139,990
Travel	27,065,764	449,450	\$ 27,515,214
Rent/Communications/Utilities	5,478,384	202,000	\$ 5,680,384
Administrative	13,459,192	25,000	\$ 13,484,192
Contracted Services	20,036,656	997,900	\$ 21,034,556
Total	\$ 236,854,786	\$ (2,000,450)	\$ 234,854,336

1) Employee Pay and Benefits, net decrease of \$3,674,800.

Projecting the cost of agency-wide staffing for the remainder of 2012 provides a \$3.7 million reduction to the budget. This adjustment includes the addition of two (2) new director positions within the Office of Consumer Protection. These new positions will lead agency efforts to improve responsiveness to consumer questions and member complaints, as well as credit union concerns on insurance-related issues.

2) Travel, net increase of \$449,450.

Travel costs are trending higher than originally budgeted due to an increase in the number of trips as well as an increase in the average cost per trip. Airfare costs are 5% higher than budgeted.

3) Rent, Communications, and Utilities, net increase of \$202,000.

The increase is primarily driven by a one-time cost adjustment to telecommunication expenses. Additionally, there were adjustments to enhance delivery of examiner training as well as to implement the government mandated Managed Trusted Internet Protocol Services (MTIPS) to ensure trusted internet connections for all online traffic.

4) Administrative, net increase of \$25,000.

NCUA is increasing participation in the Federal Financial Institutions Examination Council (FFIEC) training for federal and state examiners at a cost of \$100,000. NCUA is able to offset the majority of this increase by finding other administrative savings, for example limiting memberships to external professional groups and subscriptions.

5) Contracted Services, net increase of \$997,900.

The Office of the Chief Information Officer requests to reprogram \$700,000 of its pay and benefits budget to contracted services. Contractor support will improve project and application management, as well as improve internal and external customer service through increased help desk hours and web development. An additional \$120,000 is requested to purchase software necessary to address the Government Accountability Office report findings

on the lack of an automated financial disclosure solution and meeting the government-wide ethics requirements of the Stop Trading On Congressional Knowledge (STOCK) Act.

The Office of Human Resources requests \$177,000 for an automated performance management system. This system will expedite the creation of performance plans and streamline the appraisal rating process. This system will lessen the administrative burden on managers allowing them to spend more time on operational assignments. Finally, this system will move the NCUA from a burdensome paper process to the electronic submission of records. A cost benefit analysis of the time savings for NCUA employees demonstrates that the system will show a return on investment approximately two years after implementation.

The Office of the Inspector General requests \$120,000 to support the financial audits of NCUA's funds.

The remaining net decrease of \$119,100 is comprised of a number of increases and savings spread among various offices, including temporary labor, building maintenance, and management training.

TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND: The TCCUSF anticipates additional contractor support will be needed due to FTE vacancies and the continuing supervision needs of the NCUA Guaranteed Notes (NGN) Program. The TCCUSF requests that \$400,000 be reprogrammed from the pay and benefits budget to obtain additional contractor support. This request is budget neutral to the TCCUSF.

RECOMMENDATION:

It is recommended that the NCUA Board approve the following items:

1. The reprogramming of the fiscal year 2012 Operating Budget with a net decrease of \$2 million resulting in a budget of \$234,854,336, as presented in the Attachment.
2. The increasing of total full-time equivalent (FTE) staffing by 2.00 FTE to result in an authorized level of 1,261.50, as presented in the Attachment.
3. The reprogramming of \$400,000 of the TCCUSF pay and benefits budget to the contractor support.


Chief Financial Officer

Attachment

2012 MID-SESSION BUDGET

By Office	Budget		Full-Time Equivalents	
	2012	Mid-session	2012	Change
Office of the Board	2,677,884	2,692,884	12.00	-
Office of the Executive Director	3,010,762	3,006,046	13.00	-
Office of Minority and Women Inclusion	951,856	971,856	5.00	-
Office of the Chief Economist	1,171,791	1,024,753	5.00	-
Office of Consumer Protection	6,595,246	6,816,088	41.00	2.00
Office of the Chief Financial Officer	19,515,093	17,981,695	39.00	-
Office of the Chief Information Officer	15,639,896	16,114,896	34.00	-
Office of Corporate Credit Unions	8,113,295	7,998,295	37.00	-
Office of Small Credit Union Initiatives	5,730,596	5,597,596	27.00	-
Office of Examination & Insurance	9,812,254	9,437,454	44.50	-
Office of General Counsel	5,818,719	5,818,719	28.40	-
Office of Inspector General	4,051,420	4,170,652	9.00	-
Office of Human Resources	13,040,131	13,040,131	42.00	-
Office of Public and Congressional Affairs	1,137,948	1,355,948	6.00	-
Region I - Albany	24,519,012	24,808,440	165.00	-
Region II - Capital	36,764,788	35,994,788	233.00	-
Region III - Atlanta	26,798,675	26,798,675	177.00	-
Region IV - Austin	26,994,428	26,964,428	182.60	-
Region V - Tempe	19,447,075	19,447,075	123.00	-
Asset Management & Assistance Center	5,533,917	4,813,917	38.00	-
Total	236,854,786	234,854,336	1,259.50	2.00