2016 Mid-Session Budget Review

July 21, 2016
Overview

- Mid-Session Review Process
- Summary of Revised Estimates
- NCUA Contracted Services
- Results Highlights
- Additional Budget Details
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.
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.
$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.

$234,000 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.
2016 Contract Categories

- Information Technology Operations and Maintenance: 34%
- Accounting, Procurement, Payroll and Human Resources Systems and Services: 15%
- Building Operations, Maintenance and Security: 10%
- Information Technology Security: 12%
- Administrative/Other: 11%
- Training: 11%
- Audit and Audit Support: 7%
## 2016 Operating Budget by Cost Category

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

<table>
<thead>
<tr>
<th></th>
<th>2015 (S000 thousands)</th>
<th>2016 (S000 thousands)</th>
<th>2016 Mid-Session Revised Estimates (S000 thousands)</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUDGET</td>
<td>$ 279,478</td>
<td>$ 290,916</td>
<td>$288,218</td>
<td>-$2,698</td>
<td>-0.9%</td>
</tr>
<tr>
<td>FTE</td>
<td>1,268.7</td>
<td>1,247.0</td>
<td>1,214.0</td>
<td>-33.0</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

### Pay & Benefits
- $209 (73%)

### Rent, Comm. & Utilities
- $6.7 (2%)

### Administrative
- $15.5 (5%)

### Travel
- $29 (10%)

### Contracted Services
- $28 (10%)

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2016 Mid-Session Budget Review
## Capital Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information technology systems upgrades and new system implementation</td>
<td>$ 6.43</td>
</tr>
<tr>
<td>Information technology hardware and software</td>
<td>$ 2.55</td>
</tr>
<tr>
<td>Capital Building improvements and renovation projects</td>
<td>$ 1.09</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10.07</strong></td>
</tr>
</tbody>
</table>
## 2016 Corporate Stabilization Fund Budget

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>2015 Budget</th>
<th>2016 Budget</th>
<th>2016 Revised Estimate</th>
<th>$ Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Pay and Benefits</td>
<td>$1,038</td>
<td>$1,134</td>
<td>$1,134</td>
<td>$0</td>
</tr>
<tr>
<td>Travel</td>
<td>73</td>
<td>66</td>
<td>66</td>
<td>0</td>
</tr>
<tr>
<td>Administrative (Training)</td>
<td>11</td>
<td>14</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Consulting</td>
<td>992</td>
<td>795</td>
<td>795</td>
<td>0</td>
</tr>
<tr>
<td>Valuation Services</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>0</td>
</tr>
<tr>
<td>Software/Data Subscriptions</td>
<td>757</td>
<td>763</td>
<td>763</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,121</strong></td>
<td><strong>$4,022</strong></td>
<td><strong>$4,022</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>
## 2016 Corporate Stabilization Fund Budget Overview

### 2015 Budget Data
- **2015 Budget ($000 thousands)**: $4,121
- **2016 Budget ($000 thousands)**: $4,022
- **2016 Mid-Session Revised Estimate ($000 thousands)**: $4,022
- **Change**: $0
- **Percent Change**: 0%

### FTE Data
- **2015 FTE**: 5
- **2016 FTE**: 5
- **Change**: 0
- **Percent Change**: 0%

### Pie Chart
- **Pay & Benefits**: $1.1 million (28%)
- **Contracted Services**: $2.8 million (70%)
- **Travel & Training**: $0.1 million (2%)
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.
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).
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
Office Contact Page

Feel free to contact our office with questions or comments.

Primary Staff: Rendell L. Jones
Chief Financial Officer

E-mail Address: rljones@ncua.gov

Office Phone: (703) 518-6570

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