

Honorable Rick Metsger and the Honorable Mark McWaters

Thank you for making the NCUA budget process transparent and for providing the credit unions and credit union trade organizations the opportunity to comment on the budget.

On October 14th you released the proposed 2017 revised budget and the proposed 2018 budget in the form of a 24 page detailed line item document and a 53 page Budget Justification (BJ).

In reviewing the detailed line item document, the following items need clarification. All items in question appear on page 1

- Why is the Night Differential a negative expense?
- What does the Travel bonus cover?
- What is covered in the Refreshment Supp.?
-

Examining the approved budget 2016, the revised proposed budget for 2017 and the 2018 proposed budget identify an increasing trend. Page 38 of the BJ & other source for 2016 FTE.

- 2016 \$290,915,928 1,247 FTE
- 2017 Rev \$299,164,000 1,230 FTE
- 2018 \$313,109,000 1,208 FTE

Based on the above numbers the changes between 2016 approved and 2017 Revised and between 2017 Revised and 2018 proposed is as follows;

- 2016 – 2017R funding 2.84% FTE -1.36%
- 2017R – 2018 funding 4.66% FTE -1.79%

There appears to be no correlation between funding and FTE

Since the number of credit unions is declining each year is the increase justified?

What approach can we use to identify areas of possible budget reduction using the two documents provided? The pie chart on page 19 of the BJ shows that 72% of the operating funds are used for Pay & Benefits. The 2017 Rev budget is based on 1,230 FTE. The total FTE in the regions is 835.2 or 67.9% of the total. The FTE for 2018 is 1,208 but the FTE for the regions remains at 835.2 the percentage for the regions increases to 69.14%.

To get a better understanding of the cost attributed to personnel in the Regions, data from pages 43-45 for each of the regions was compiled in two attached spreadsheets, one for 2017R and the other for 2108. The salaries and benefits were added to obtain total compensation and that amount was divided by the FTE to obtain the average compensation per FTE. The average increase between 2017R and 2018 for each Region was also calculated. The results are as follows

- | • Region | 2017P Ave Comp/FTE | 2018 Ave Comp/FTE | |
|------------|--|-------------------|-------|
| • Region 1 | \$158,760 | \$166,137 | 4.65% |
| • Region 2 | \$163,340 | \$170,914 | 4.64% |
| • Region 3 | \$158,126 | \$165,383 | 4.59% |
| • Region 4 | 157,680 | \$164,947 | 4.61% |
| • Region 5 | \$168,556 | \$176,387 | 4.65% |
| • | The average increase between 2017P and 2018 is 4.63%. Note page 20 of the BJ states that a 4% increase is due to merit-based increase and a 0 – 3% | | |

locality adjustment. Is the 0.63% difference from the 4% attributed entirely to locality adjustment?

Since the FTE includes clerical workers, the Ave Comp/FTE for the examiners must be a little higher. Is the difference between Regions maybe attributed to locality pay or more senior examiners?

Any meaningful reduction in the budget would have to come in the reduction of FTE from each region, e.g. examiners. If you look at the data on FTE per Region shown in the spread sheets it shows that the average FTE per Regions is about 167.

Therefore the following questions arise:

- Is the number of credit unions in each Region similar?
- What is the total asset of the credit unions in each Region?
- How many CAMEL 4 and 5 credit union in each Region?
- What is the total asset of the CAMEL 4 and 5 credit unions in the Region?
- How many specialists are assigned in each Region?
- What was the actual FTE manning in 2016 compared to the budget in each region?
- Perhaps the blank spread sheet in the 2018 attachment could be used to fill in the answers to the above questions.

Based on the answers to the above questions is it possible to reduce the number of FTE in a region?

A similar analysis was done on the miscellaneous (travel; rent/comm./ util.) expenditures per FTE for each region. This is shown on each of the spread

sheets. Is the variance among regions, due to higher cost of living in certain regions or greater travel distances?

Thank you for affording me the time to present my views.