



BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: November 15, 2012

FROM: Chief Financial Officer

SUBJ: FY 2013 Budget

ACTION REQUESTED: Board approval of the fiscal year 2013 operating and capital budgets.

DATE ACTION REQUESTED: November 15, 2012

OTHER OFFICES CONSULTED: All Regional and Central Office Directors

VIEWS OF OTHER OFFICES CONSULTED: All concur

BACKGROUND: The budget was prepared from requests submitted by all offices within NCUA. All submissions underwent thorough reviews by responsible regional and central office directors, the Office of the Chief Financial Officer, and executive management. The budget presented below has been discussed and agreed upon by the responsible regional and central office directors.

BUDGET IMPACT: Presented below

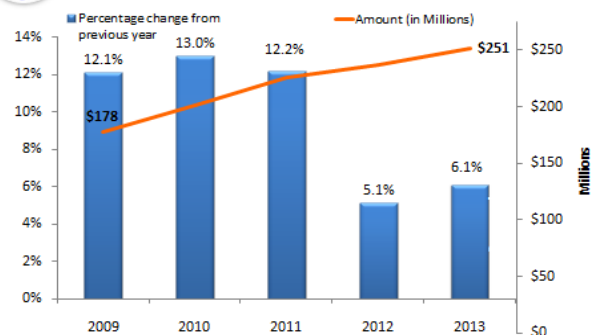
RESPONSIBLE STAFF MEMBERS: Executive Director David M. Marquis and Chief Financial Officer Mary Ann Woodson

SUMMARY: The 2013 budget of \$251,387,091 represents an increase of 6.1% or \$14,532,305 over the 2012 budget of \$236,854,786. The budget was formulated using zero based budgeting techniques to ensure each activity is individually justified to receive funding.

- There is **no increase in the total authorized staff level**. The 2013 Full Time Equivalents (FTE) level remains at the 2012 level of 1,261.50.
- The budget assumes normal inflationary increases, as well as a pay adjustment if Congress approves the President's pay raise request for federal employees. In compliance with the terms of the Collective Bargaining Agreement signed between NCUA and the National Treasury Employees Union (NTEU), NCUA's budget indexes pay adjustments against changes to the General Schedule pay scale.



HISTORICAL BUDGETS



Budget

The components of the 2013 budget are:

<u>Category</u>	2012 Budget	2013 Budget	\$ Change	Percent of Total Budget
Employee Pay and Benefits	\$ 170,814,790	\$ 183,601,304	\$ 12,786,514	73%
Travel	27,065,764	27,861,782	796,018	11%
Rent, Communications & Utilities	5,478,384	5,296,397	(181,987)	2%
Administrative	13,462,192	13,610,236	148,044	5%
Contracted Services	<u>20,033,656</u>	<u>21,017,372</u>	<u>983,716</u>	9%
Total	<u>\$ 236,854,786</u>	<u>\$ 251,387,091</u>	<u>\$ 14,532,305</u>	100%

SIGNIFICANT BUDGETARY CHANGES:

- 1) Employee pay and benefits increase by 7.5%, or a net of \$12.8 million; however, this amount may ultimately decrease if Congress does not pass a federal pay raise. On November 1, 2011, NCUA and NTEU executed their second collective bargaining agreement (CBA). Per the CBA, NCUA pay adjustments are indexed against the change to the General Schedule pay scale. If Congress does not approve the President's proposed federal pay raise, NCUA will return the request related to the pay raise at the mid-session budget review during the July Board meeting. The requested increase also includes amounts necessary to fully fund FTEs approved in 2012, which were only partially funded in the year they were approved, as well as adjustments for promotions and attrition.
- 2) Travel expenses increase by 2.9%, or a net of \$796,000 for a total budget of \$27.9 million. The percentage increase in 2013 is significantly lower than the average 15 percent average increase experienced for the past 5 years, because this budget does not have a significant FTE increase, and there was no increase to GSA travel rates. The 2.9% increase in travel is directly related to the 2013 increase in exam hours.
- 3) Rent, Communication, and Utilities expenses decreased by 3.3%, or a net reduction of \$182,000 for a total budget of \$5.3 million. The largest decrease was a decline in postage costs of \$223,000, a result of increased electronic distribution of information. Increases to this line item include inflationary and escalation costs for rent and common area maintenance charges of rented office space. These increases were more than offset with the reduction to postage and other cost savings.
- 4) Administrative expenses are increasing by 1%, or a net of \$148,000, for a total budget of \$13.6 million. This increase is related to additional software licenses for advanced analytical tools which will allow NCUA staff and examiners to develop custom analytics to review a variety of credit union related trends at the individual district level. Additionally, there was an increase in the supplies and materials budget to support the full year cost of employees approved in the 2012 budget.

- 5) Contracted Service expenses are increasing by 4.9%, or a net of \$984,000, for a total budget of \$21.0 million. The increase is related to efforts to improve webhosting, application support, project and application management in the Office of the Chief Information Officer, and to increase risk analysis and modeling of corporate and large credit union portfolios in the Office of National Examinations and Supervision and the Office of Examination and Insurance.

A summary of budget changes by office is presented in attachment 1.

Capital Acquisitions

An itemized listing of all capital acquisitions, totaling \$1.43 million, is provided by attachment 2.

- 1) To upgrade and increase data backup storage capability, replace network switches to improve network reliability, and continue to provide a stable and secure network environment across the nation while satisfying existing and future business requirements of the NCUA, \$1,030,000 is requested for information technology support.
- 2) To adequately maintain the premises of the aging 20 year old central office building, \$400,000 is requested for capitalizable building improvements, repairs, and maintenance.

RECOMMENDED ACTIONS: It is recommended that the NCUA Board approve the following actions:

1. The fiscal year 2013 budget of \$251,387,091 and 1,261.50 FTEs, as presented in attachment 1.
2. The 2013 capital acquisitions budget, as presented in attachment 2.

Chief Financial Officer

Attachments

2013 PROPOSED BUDGET

By Office	Budget			Full-Time Equivalents		
	2012	2013	Change	2012 ⁽¹⁾	2013	Change
Office of the Board	\$ 2,672,781	\$ 2,838,126	\$ 165,345	12.00	12.00	-
Office of the Executive Director	3,019,463	\$ 3,132,464	113,001	13.00	13.00	-
Office of Minority and Women Inclusion	959,282	\$ 1,131,214	171,932	5.00	6.00	1.00
Office of the Chief Economist	1,171,305	\$ 1,328,380	157,075	5.00	6.00	1.00
Office of Consumer Protection	6,613,219	\$ 7,216,501	603,282	41.00	41.00	-
Office of the Chief Financial Officer	19,252,292	\$ 20,455,783	1,203,492	39.00	39.00	-
Office of the Chief Information Officer	15,632,100	\$ 18,084,828	2,452,728	34.00	37.00	3.00
Office of National Examinations and Supervision	8,113,550	\$ 9,038,107	924,556	36.00	36.00	-
Office of Small Credit Union Initiatives	5,535,133	\$ 5,692,604	157,470	27.00	27.00	-
Office of Examination & Insurance	9,324,033	\$ 10,005,483	681,451	45.50	45.50 ⁽²⁾	-
Office of General Counsel	5,819,370	\$ 6,171,088	351,718	28.40	28.40	-
Office of Inspector General	4,050,081	\$ 3,599,309	(450,773)	9.00	9.00	-
Office of Human Resources	13,054,462	\$ 13,027,718	(26,744)	42.00	42.00	-
Office of Public and Congressional Affairs	1,137,514	\$ 1,460,520	323,007	6.00	6.00	-
Region I - Albany	24,645,163	\$ 25,216,534	571,371	165.00	161.00	(4.00)
Region II - Capital	36,871,121	\$ 38,650,295	1,779,174	233.00	233.00	-
Region III - Atlanta	26,892,676	\$ 28,423,768	1,531,091	177.00	176.00	(1.00)
Region IV - Austin	27,100,254	\$ 29,155,349	2,055,095	182.60	182.60	-
Region V - Tempe	19,449,856	\$ 21,146,864	1,697,008	123.00	123.00	-
Asset Management & Assistance Center	5,541,130	\$ 5,612,157	71,027	38.00	38.00 ⁽³⁾	-
Total	\$ 236,854,786	\$ 251,387,091	\$ 14,532,305	1,261.50	1,261.50	-

(1) Includes 2.00 FTE that were added through Board actions during 2012.

(2) This office contains 7.5 FTE related to other NCUA funds; 3.5 FTE are paid for by the Central Liquidity Facility and 4.0 FTE are paid for by the Temporary Corporate Credit Union Stabilization Fund. Amounts for 2011 include the Office of Capital Markets.

(3) This office contains 1.0 FTE paid for by the Temporary Corporate Credit Union Stabilization Fund.

2013 CAPITAL ACQUISITIONS

Office	Description	Useful Life Months	Months Used 2013	Deprec Exp 2013	Interest Exp 2013	Total Expense 2013	Cash Outlay 2013
OCIO	Audio/Visual equipment upgrade to the Board Room at \$100,000.	36	6	16,667	0	16,667	100,000
OCIO	Replacement of network switches at the Central Office, Regional Office and DR site to replace end of life units and enhance network	36	6	65,000	0	65,000	390,000
OCIO	Replacement of data domain appliance which will be end of life in 2013. The cost is \$250,000.	36	6	41,667	0	41,667	250,000
OCIO	Enhance data storage enclosure for the storage area network and file storage. Replace the end of life servers for email environment. The total cost is \$190,000.	36	6	31,667	0	31,667	190,000
OCIO	Replace VPN (SWAP Connection) as the current infrastructure is 5 year old and obsolete. The total cost is \$100,000	36	6	16,667	0	16,667	100,000
							1,030,000
KING	Capital building improvements, repairs, and maintenance	120	9	30,000	0	30,000	400,000
							400,000

TOTAL - OPERATING FUND PURCHASES **201,667** **0** **201,667** **1,430,000**