

NCUA Budget Briefing and Public Forum



November 7, 2002

Agenda

- Overview of 2003 budget
- Historical trends
- Budget formulation
 - Budget development process & issues
 - Current trends & comparisons
- Funding of budget
- Statements/written comments from the public
- *Preliminary recommendations**



NCUA Board Vision for Budget



Dennis Dollar, Chairman



JoAnn M. Johnson
Board Member



Deborah Matz
Board Member

Strategic Vision

- Streamline business processes
- Increase efficiencies
- Maintain effective examination process & product
- Control budget growth
- Match resources to mission requirements



NCUA Board Vision for Budget

Board Actions Impacting Budget

- Risk focused examination
- Extended examination cycle
- Accountability In Management (AIM) study
- More flexible rules & regulations
- Increased efficiencies from technology (video conferencing)
- Accountability, manager reviews



Dennis Dollar, Chairman



JoAnn M. Johnson
Board Member

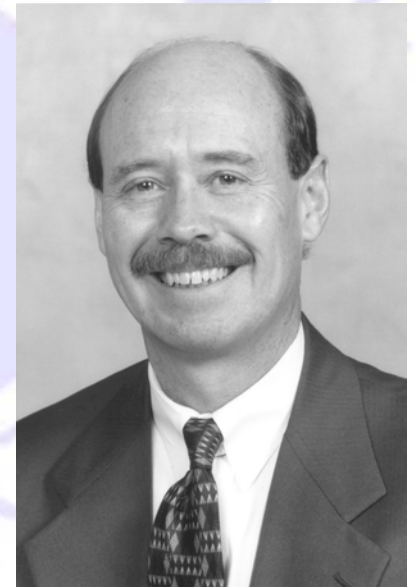


Deborah Matz
Board Member



Budget Development Process

- Board establishes policy
- Workload & program needs from regions & field staff assessed by E&I (Jul/Aug)
- Budgets formulated by offices based on safety & soundness program, **historical actual expenditures** (Aug)
- Review & analysis by OCFO (Sep/Oct)
- Budget briefings with office directors (Oct)
- Adjustments by OCFO (Oct)
- Public briefing (Nov)
- Board member briefings (Nov)
- Final adjustments (Nov)
- Board meeting (Nov)
- ★ **Oversight**



Dennis Winans, Chief Financial Officer

Oversight

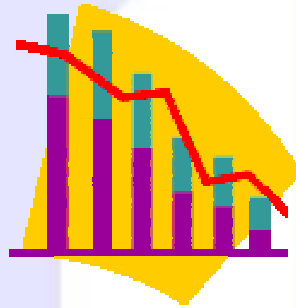


- NCUA Board
- Inspector General
- Stakeholders (CUs)
- State Supervisory Authorities
- Trade associations
- Treasury
- CBO
- GAO
- OMB
- Congressional Appropriations
- Congressional banking committees

Major Budget Objectives

2003

- FTE reductions achieved
- \$\$ reductions achieved



2004

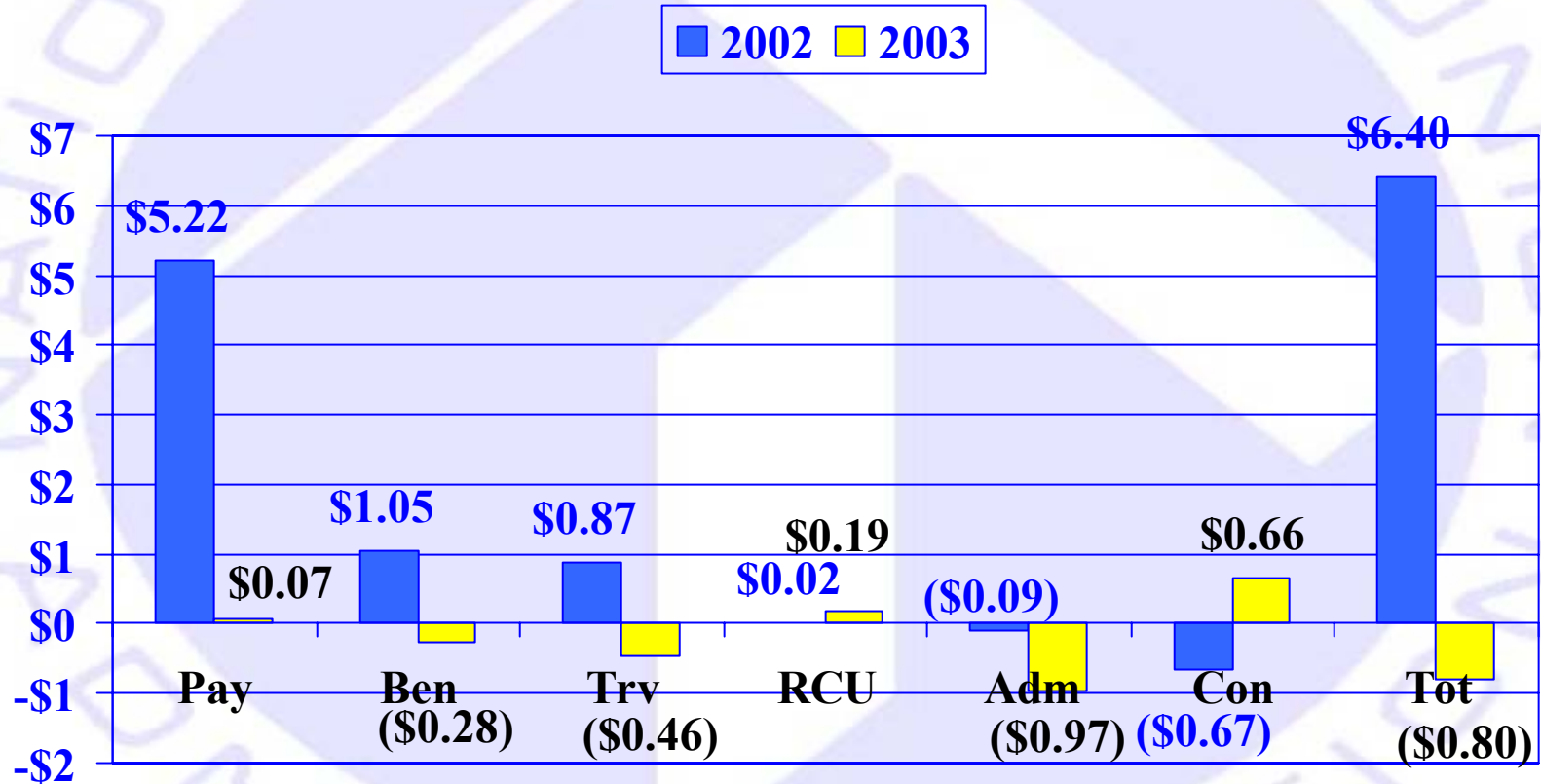
- AIM phase II
- Control growth

AIM Phase II

- Close Region IV
- Relocate Region VI
- Expected savings \$27 million over 10 years
- Begin reserving cash in 2002
- Breakeven in approximately 3 years

Overview of 2002/2003 Budget

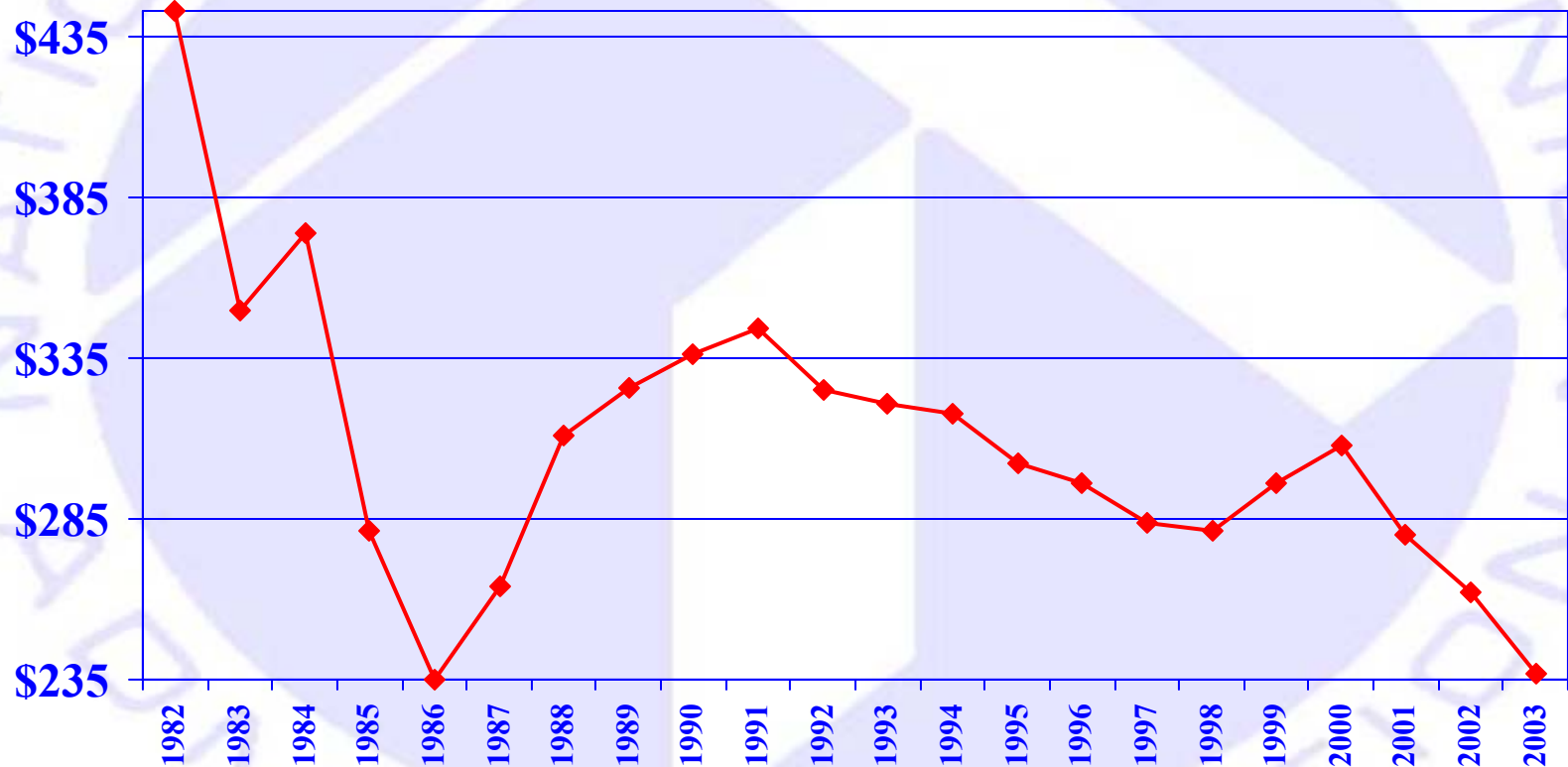
(Change in Millions)



The logo of the National Credit Union Administration (NCUA) is a circular emblem. It features a central shield with a stylized 'N' and 'C' intertwined. The shield is set against a background of a globe. The words 'NATIONAL CREDIT UNION' are written in a circle around the top, and 'ADMINISTRATION' is written around the bottom. The entire logo is rendered in a light blue color.

HISTORICAL TRENDS

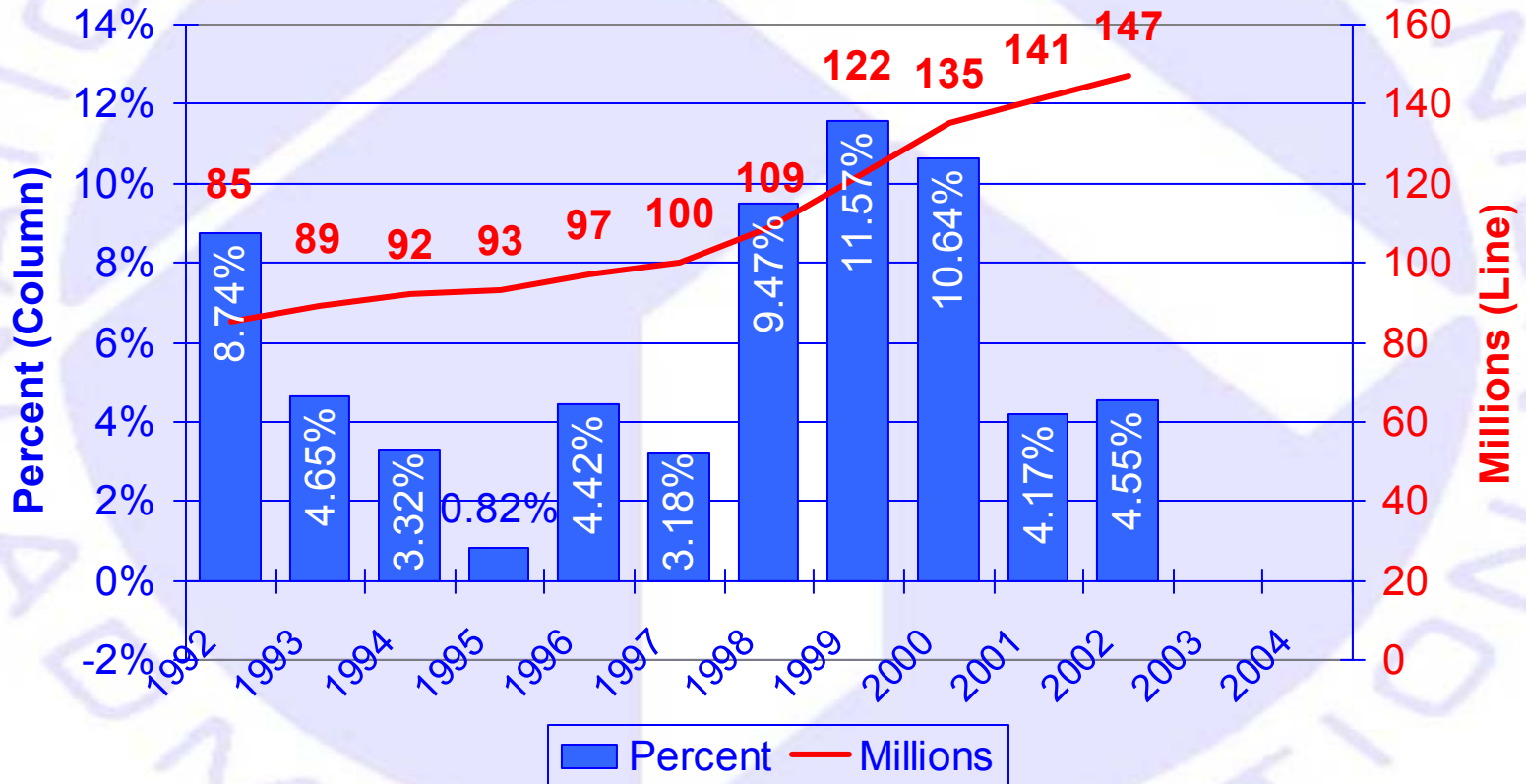
NCUA Budget per Million FICU Assets



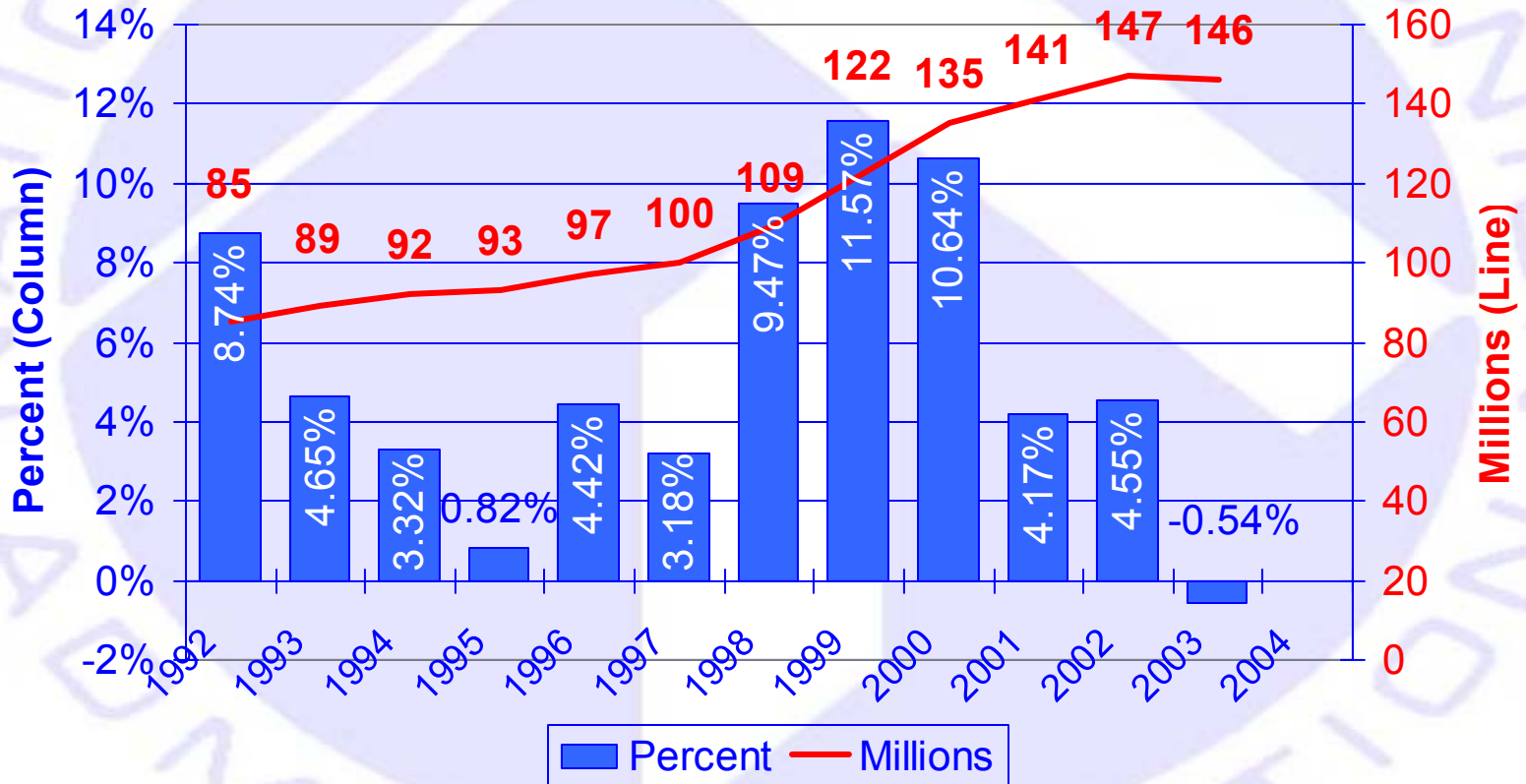
The range dropped from \$443 in 1982, to \$235 in 1986.

In 2003, the amount is \$237.

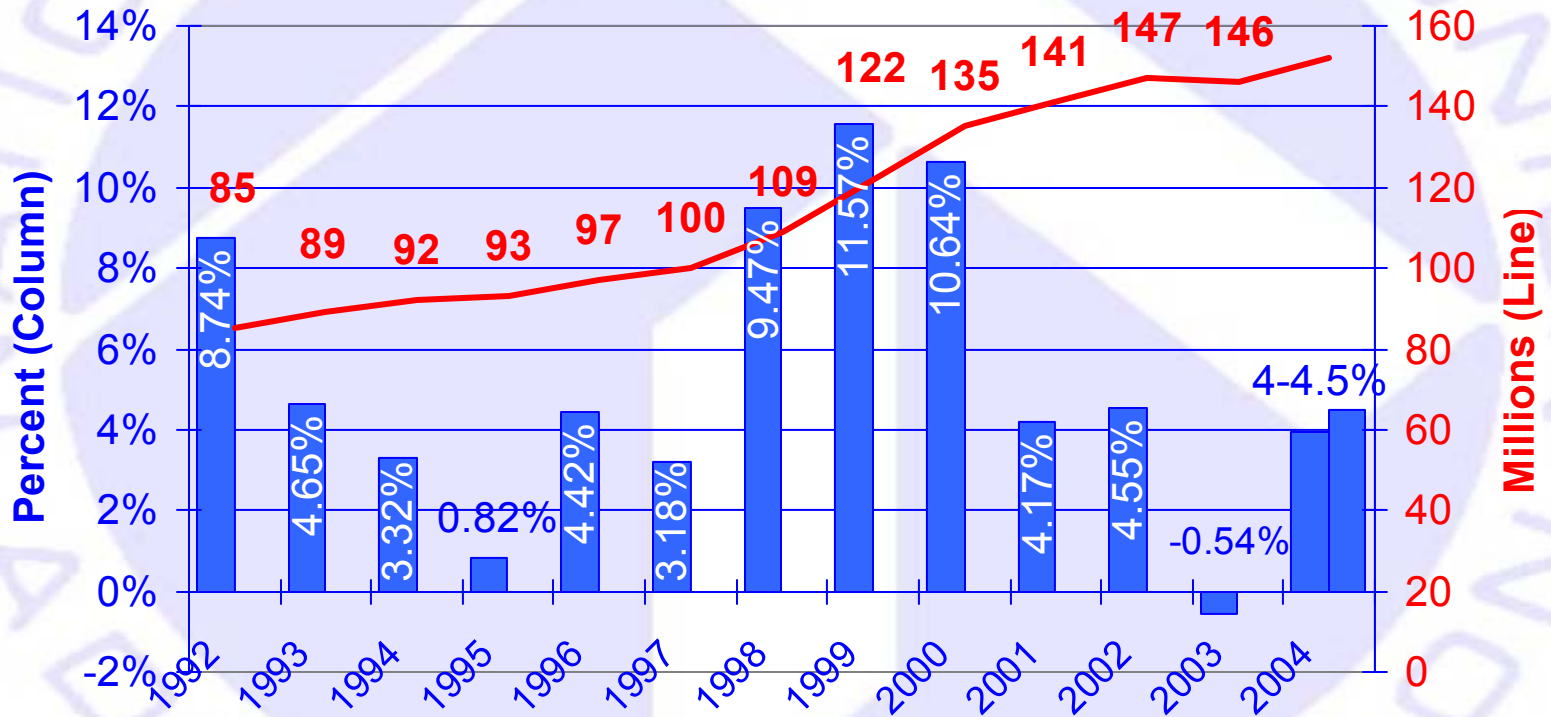
Budget 1992-2002



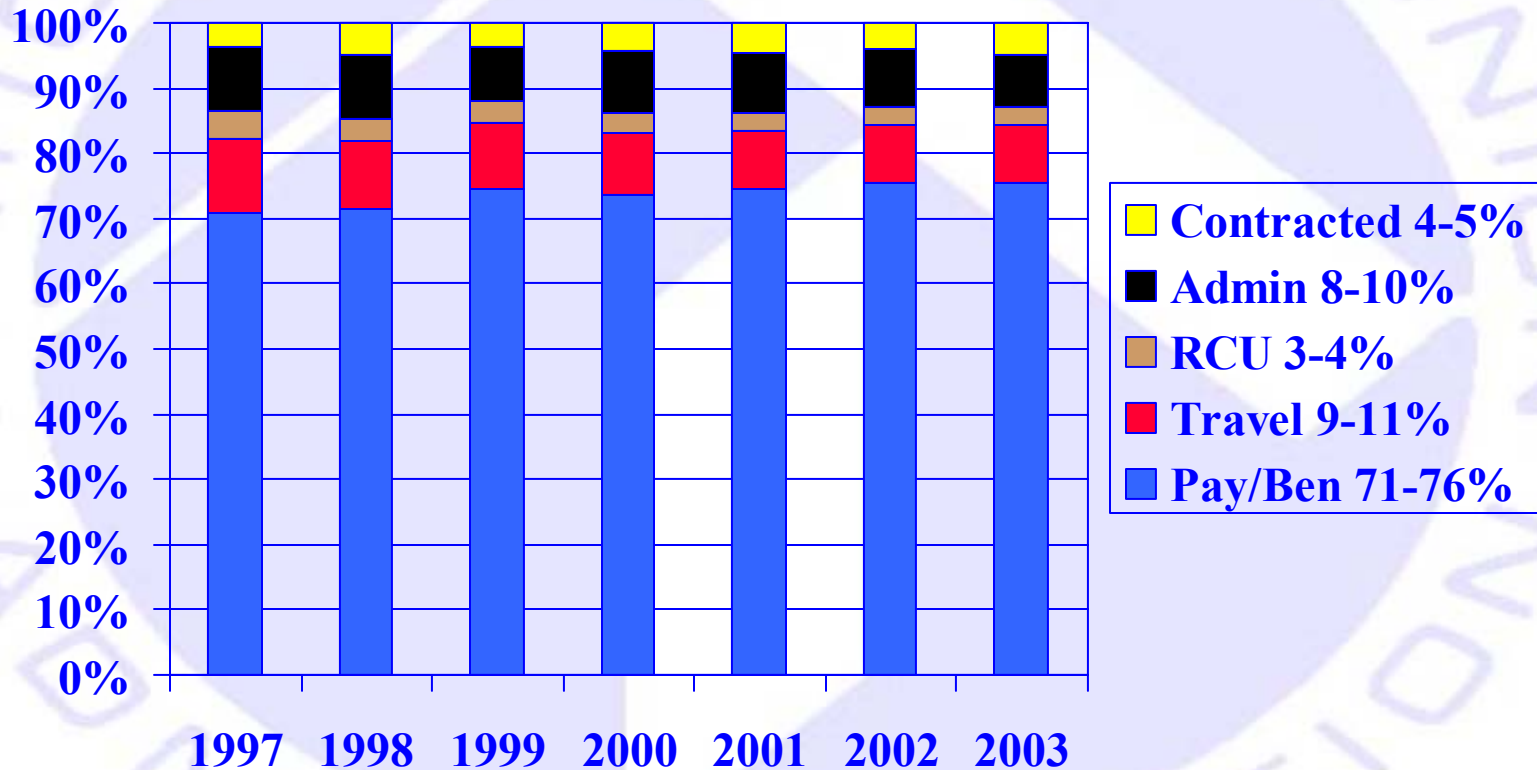
Budget 1992-2003



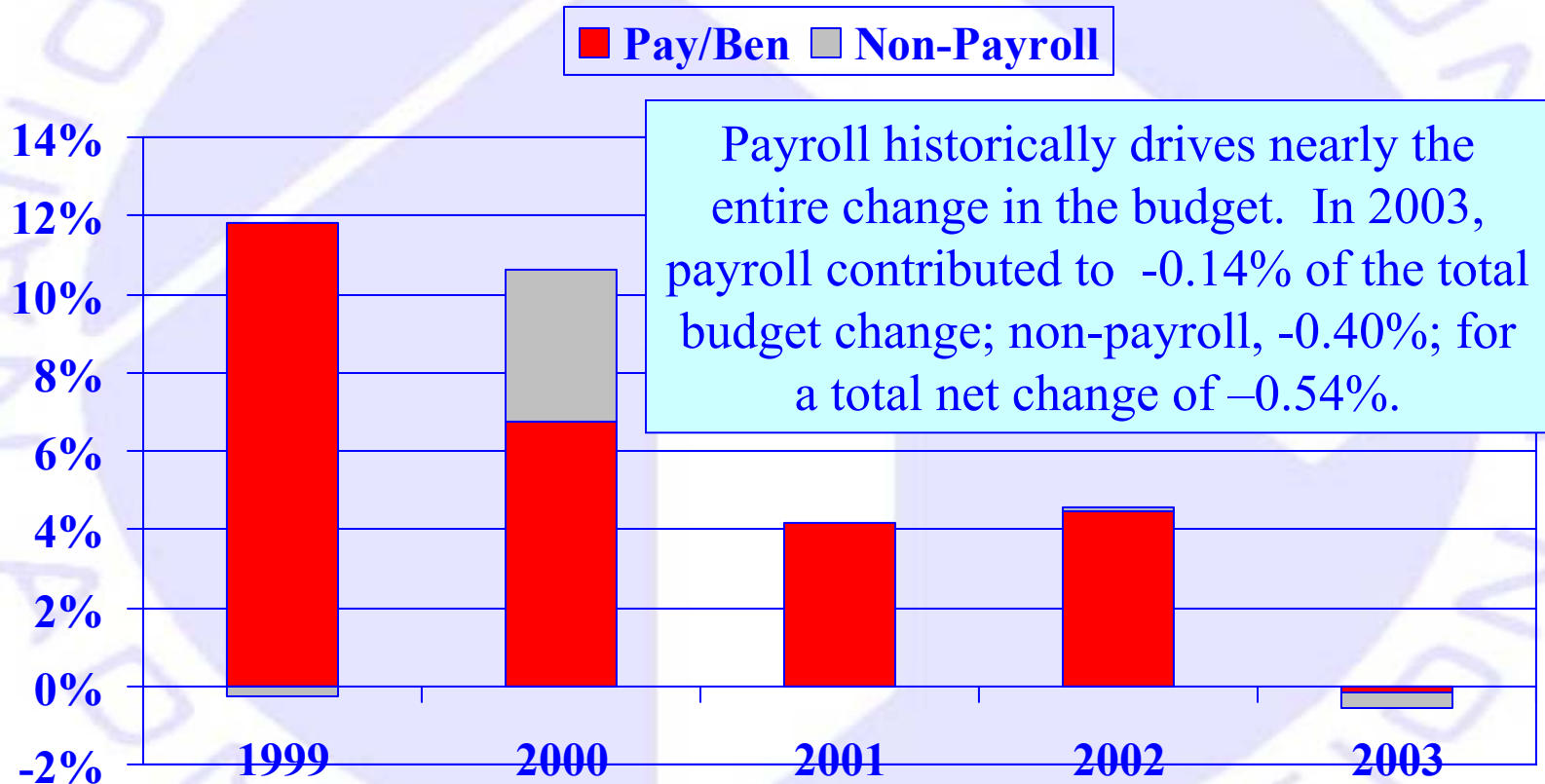
Budget 1992-2004



Major Expense Categories



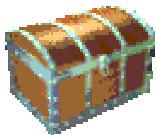
Contribution to Budget Growth



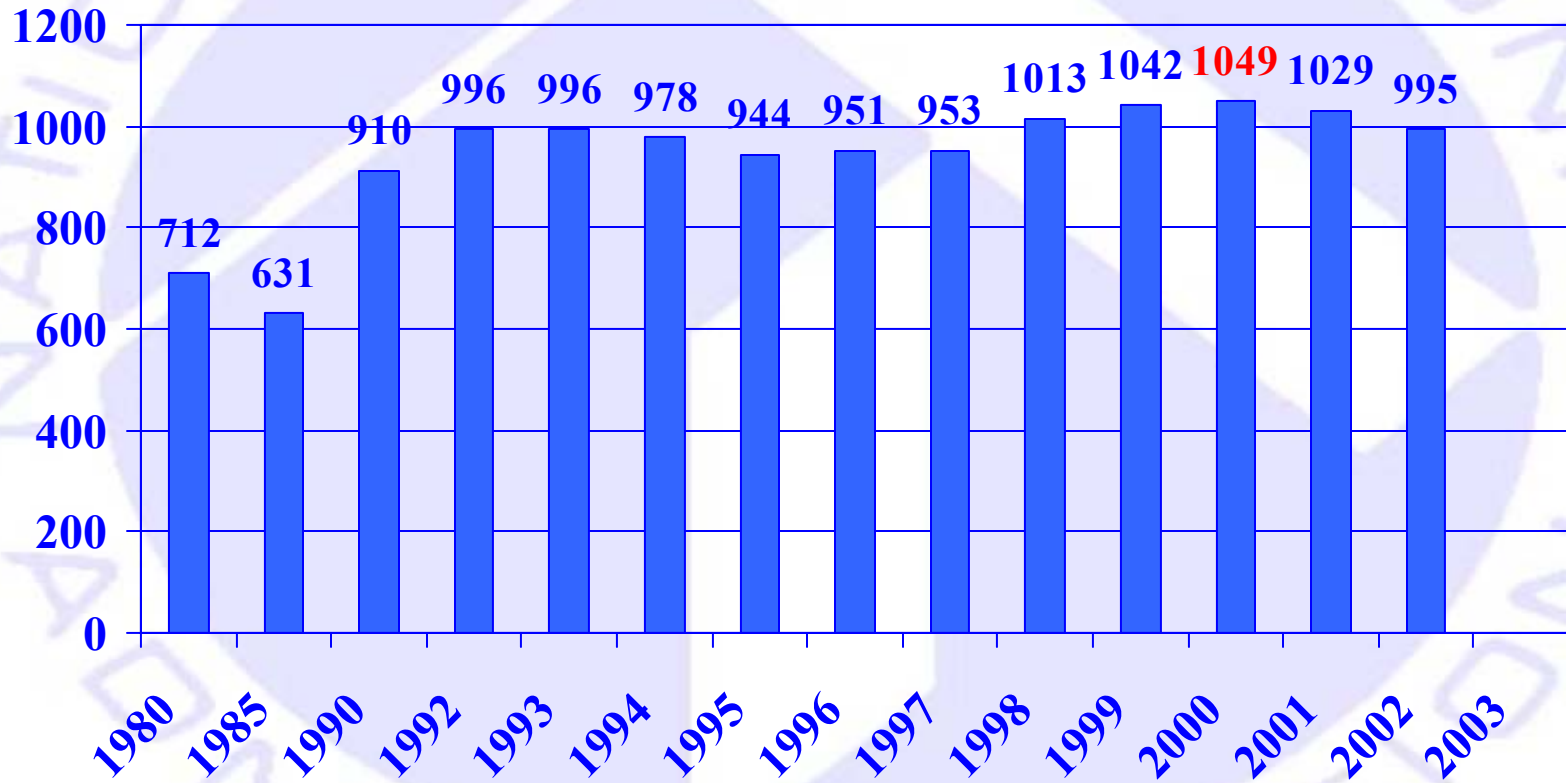
FULL-TIME EQUIVALENT (FTE)



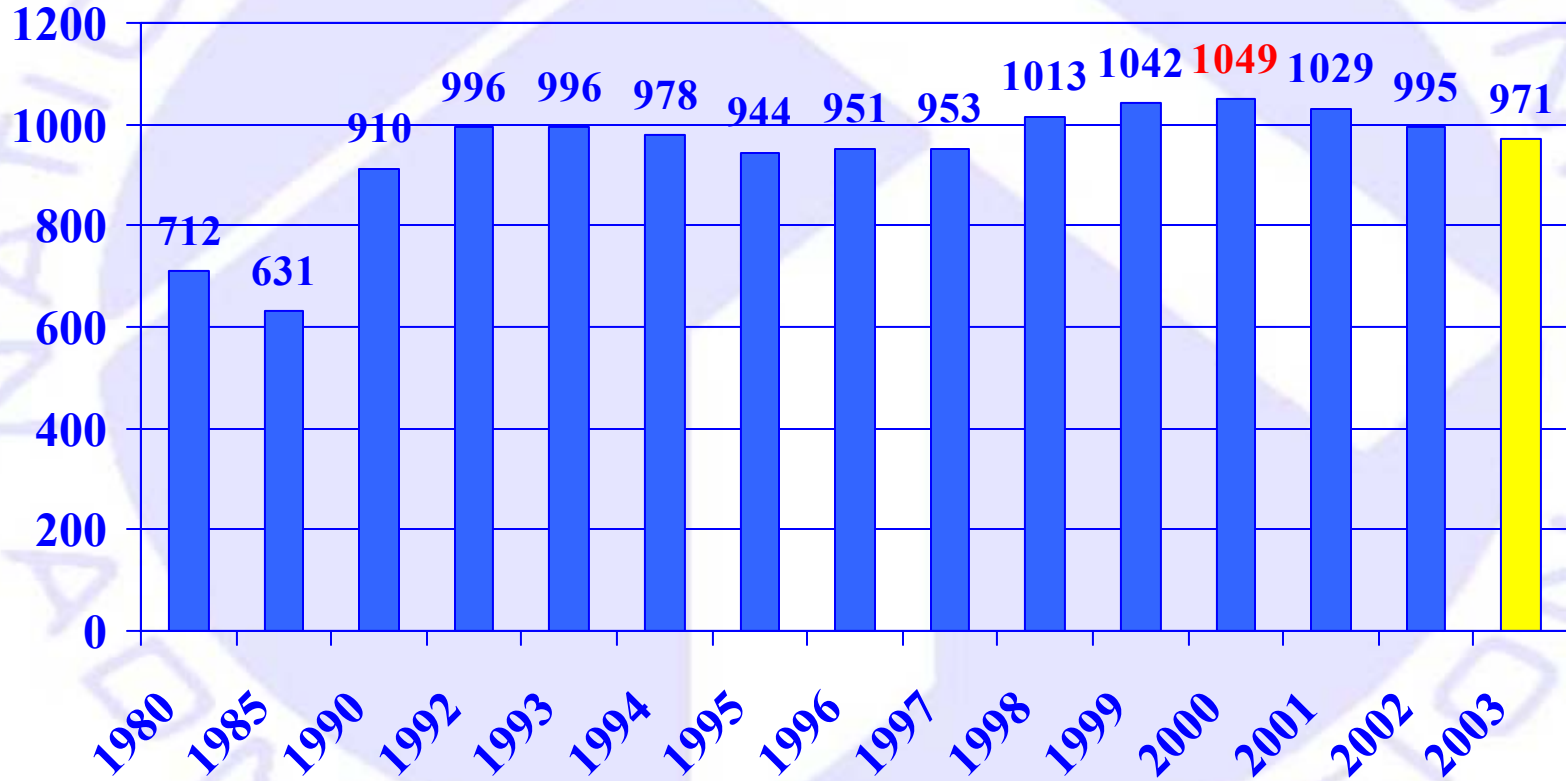
Pictured above: Region 2, SE Group K



Authorized FTE 1992 to 2002



Authorized FTE 1992 to 2003



FTE Reductions 2003

- -20.00 regional field staff
- -2.33 regional field supervisors
- -1.60 regional office staff
- -0.25 central office staff

2003 Total = -24.18

2002 Total = -33.55

2-Year Total = -57.73



It's about being accountable, streamlining operations, and being efficient – i.e., matching resources with actual needs



FTE 2-Year Goal

- Goal 41.15 /4.00% ↓
 - 2001 FTE 1,028.75 x
4.00% = 41.15
- 2002 FTE = 33.55 ↓
- 2003 FTE = 24.18 ↓
- Total = 57.73/5.61% ↓
- Goal met & exceeded



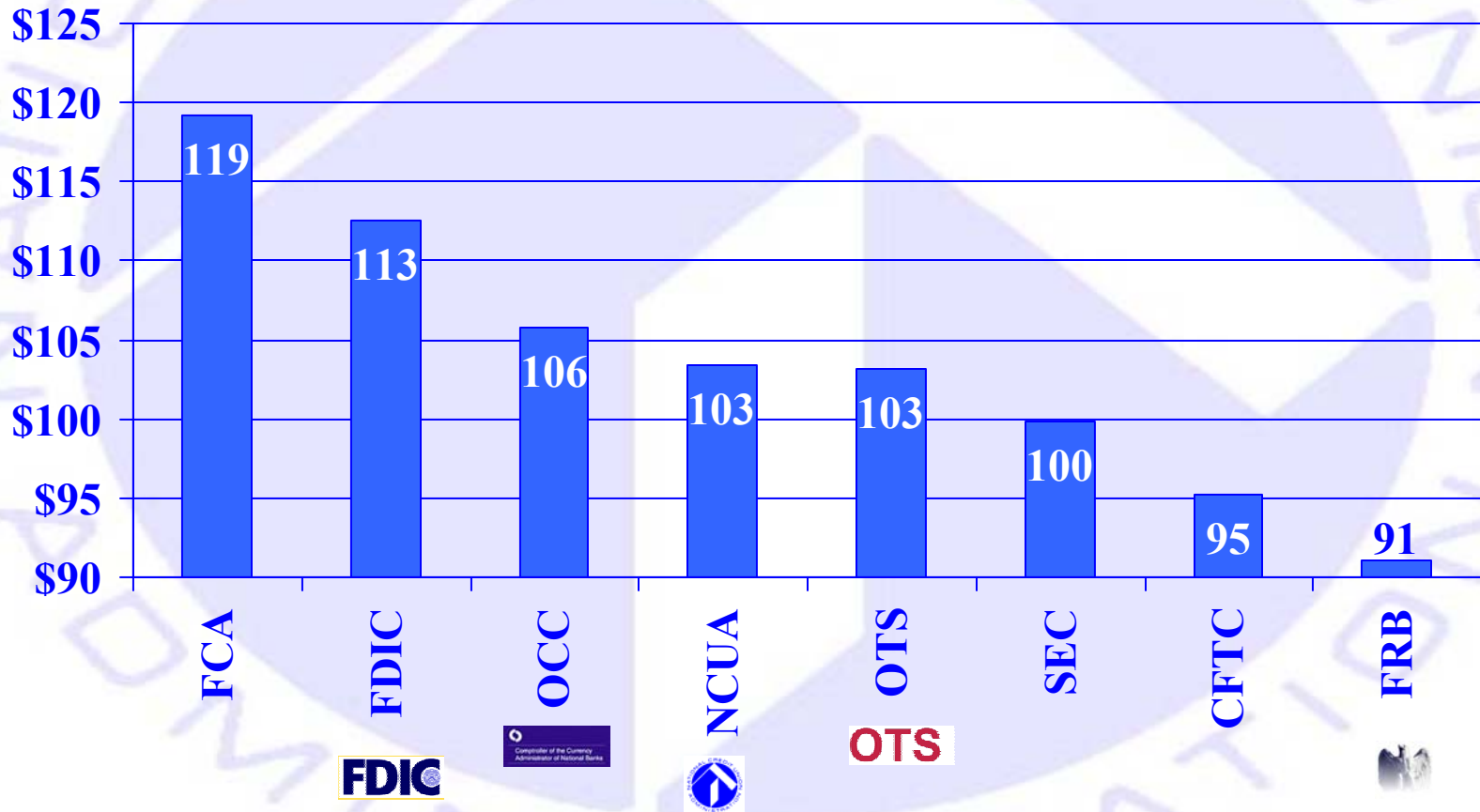
Change from 2000 (1,049.07) to 2003 (971.02) = 78.05 or 7.44%

Attrition Not Layoffs

- NCUA has made a concerted effort to avoid layoffs
- FTE reductions to-date from attrition
- This means that naturally occurring vacancies from retirements and separations are purposely not filled
- These vacancies, rather than filling them, are eliminated
- Vacancies will always exist in an organization
- **Vacancies are taken into consideration during development of the budget**

Average FTE Cost

Source: 2001 actual data in the President's Budget FY 2003 Appendix
Pay and benefits
[amounts in thousands]



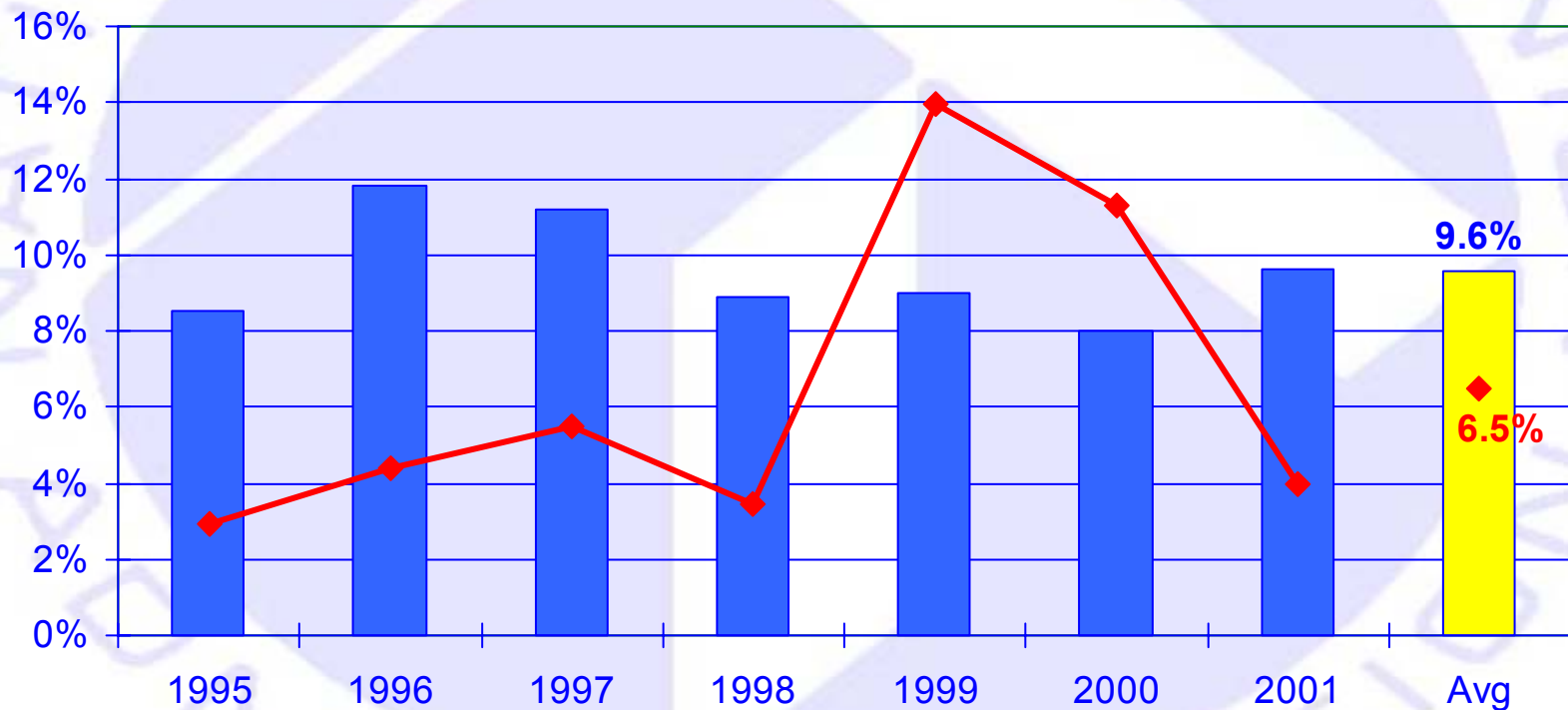
The background features a large, light blue watermark of the National Credit Union Administration logo. The logo is circular and contains a stylized globe with a vertical line through the center. The words "NATIONAL CREDIT UNION" are written along the top arc, and "ADMINISTRATION" is written along the bottom arc.

EXPENSE TRENDS & COMPARISONS

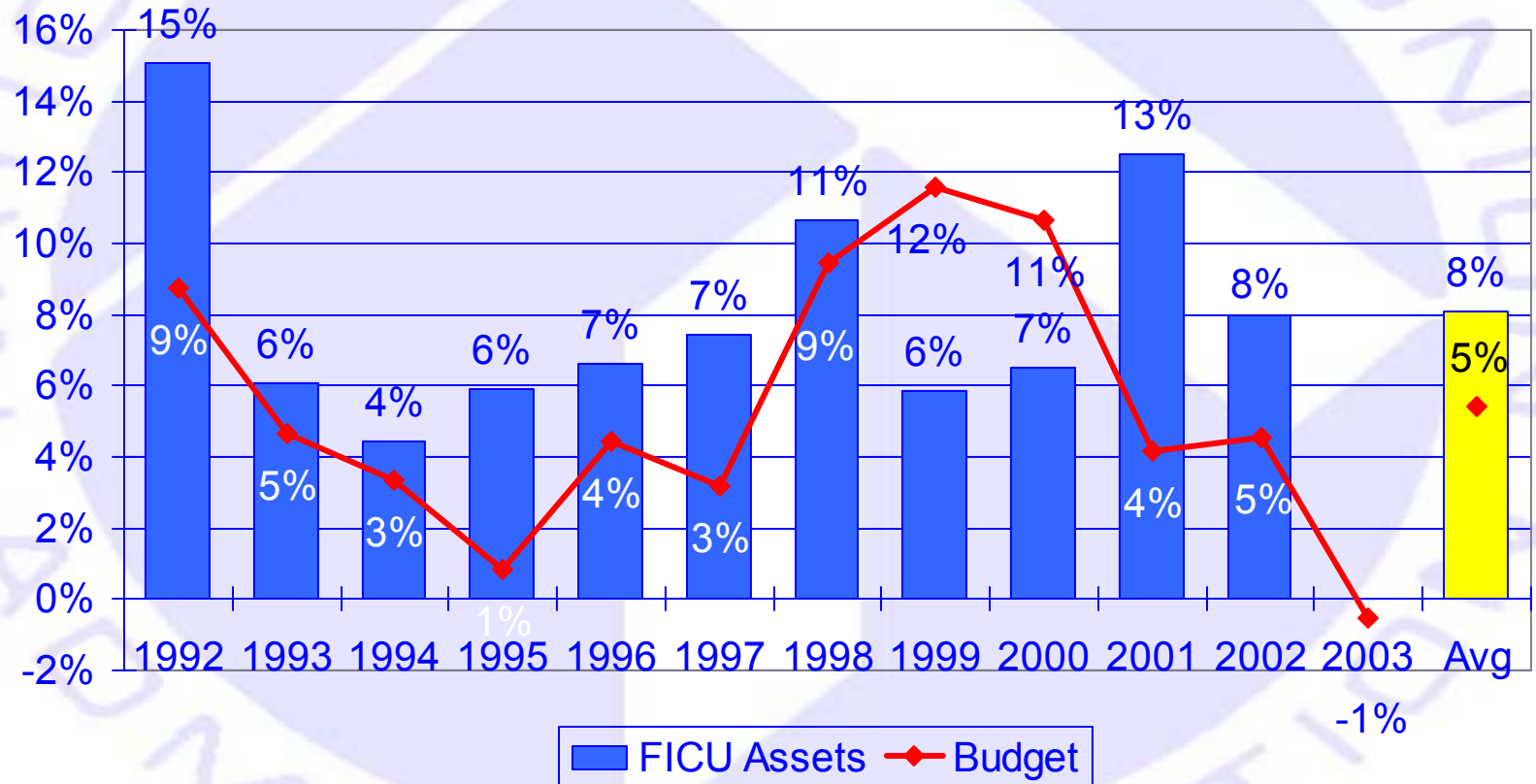
Change in Actual Expenses

FICU Operating Expenses & NCUA Expenses

■ FICU ◆ NCUA

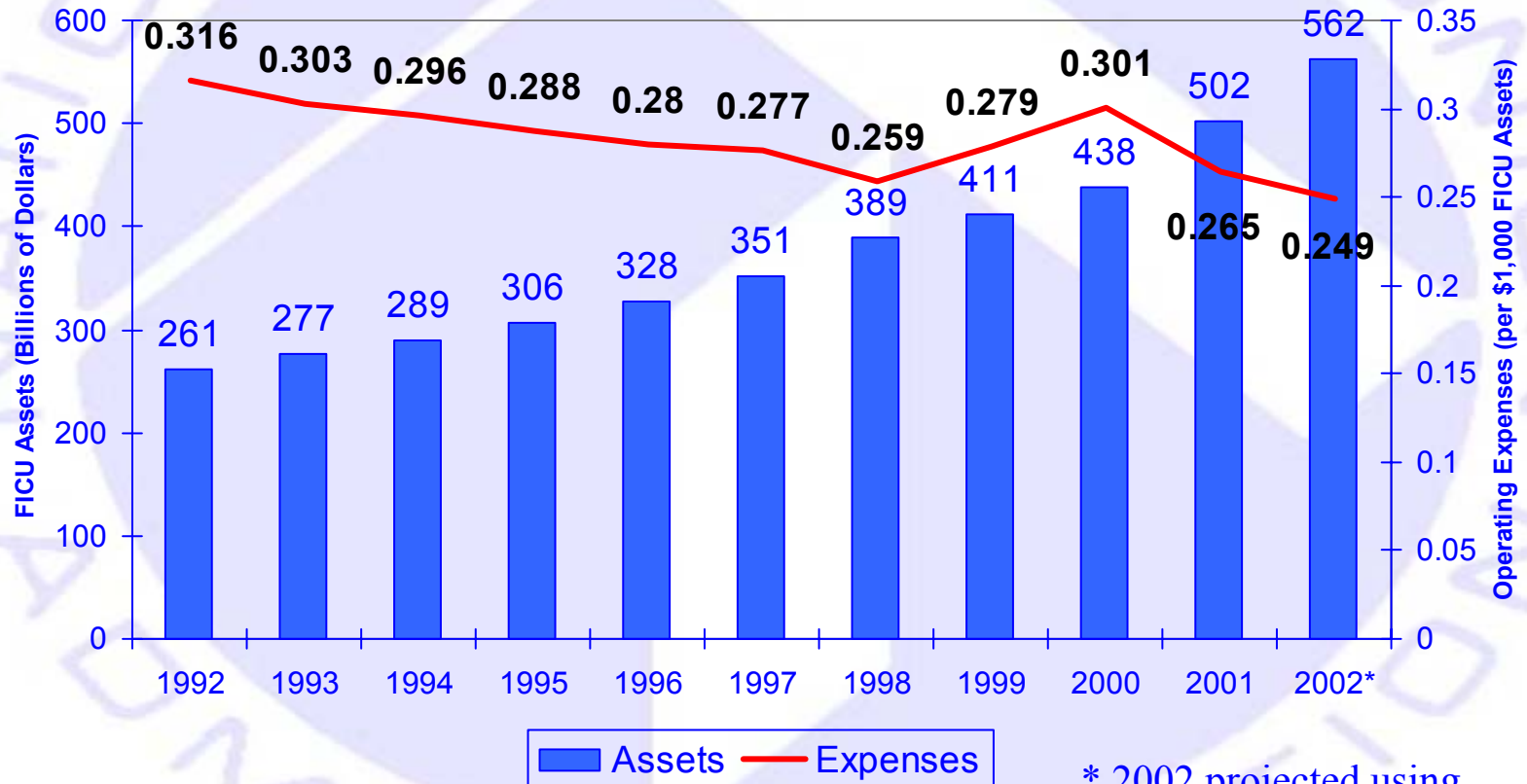


FICU Asset Growth vs. NCUA Budget Growth



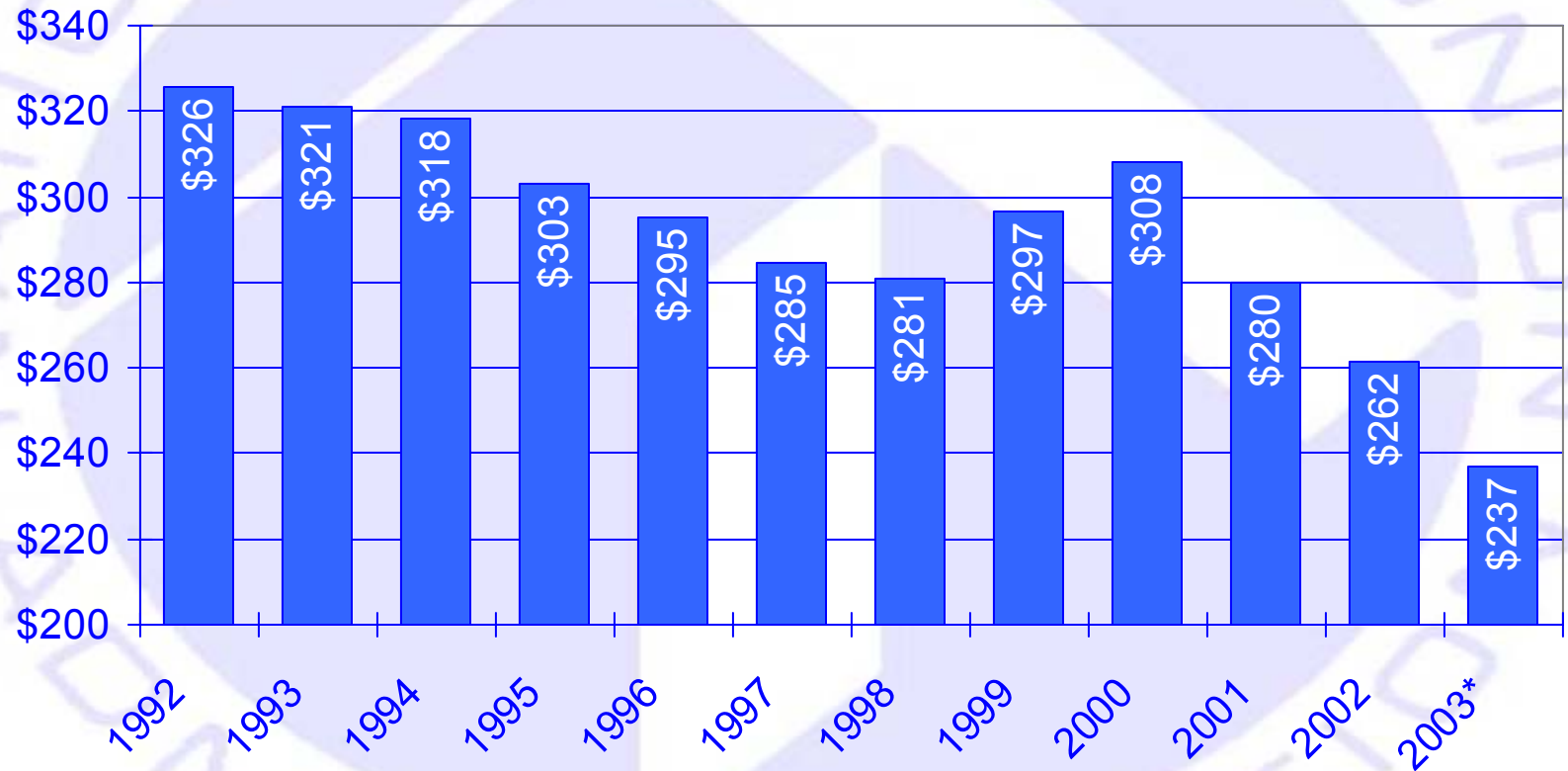
NCUA Total Expenses

Actual Expenses per \$1,000 FICU Assets



* 2002 projected using
12% asset growth

NCUA Budget to Million FICU Assets



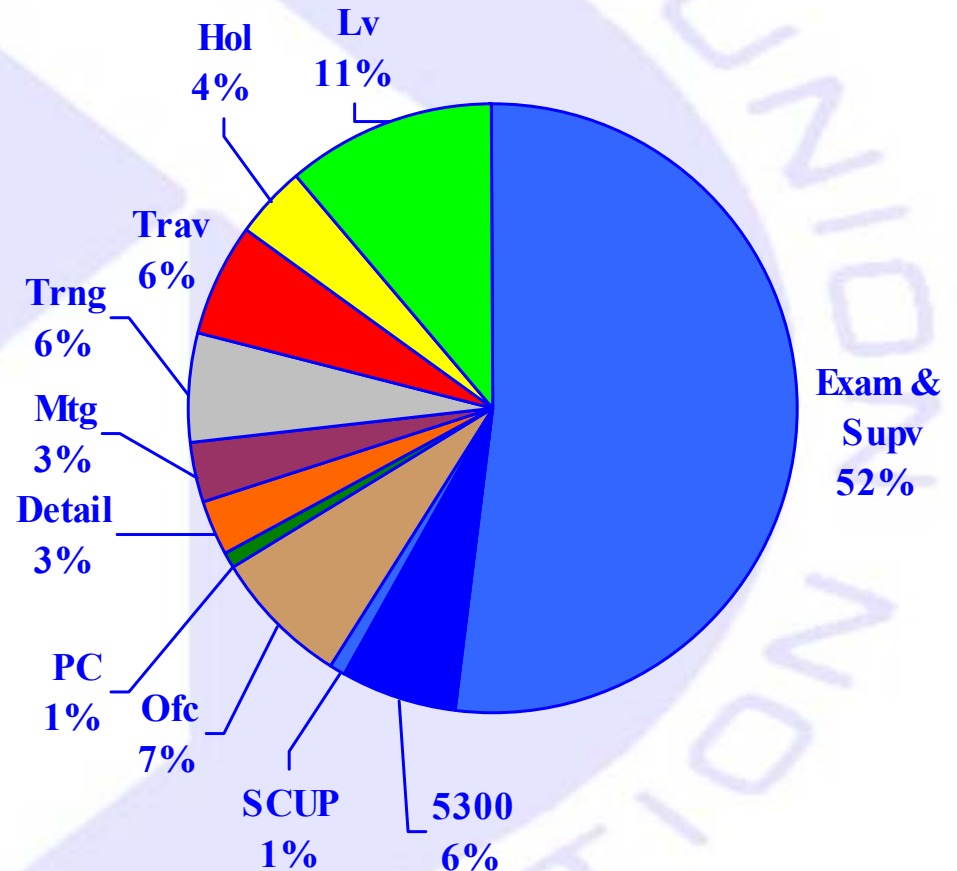
* 2003 projected
using 10% asset
growth

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BUDGET FORMULATION

Pay & Benefits 2003

- Program hours
 - Drive FTE
 - Determines pay
 - Determines benefits
- Benefits determined by OPM
- Accounts for 75.76% of the budget



CSRS vs. FERS 2003

CSRS

- Hired pre 1984
- Benefits 15% of pay
- 1983 FTE = 100%
- 2001 FTE = 28%
- 2002 FTE = 26%
- 2003 FTE = 25%
- *Includes:* CSRS, HBI, GLI, Medicare
- *Not included:* FERS, OASDI, TSP



FERS

- Hired post 1983
- Benefits 28% of pay
- 1983 FTE = 0%
- 2001 FTE = 72%
- 2002 FTE = 74%
- 2003 FTE = 75%
- *Includes:* FERS, HBI, GLI, Medicare, *plus* OASDI, TSP
- *Not included:* CSRS

CSRS/FERS Trends

- Cost during employment = FERS higher
 - Paid by NCUA
- Cost during retirement = CSRS higher
 - Paid by OPM
- Retirement funding proposed for 2003
 - Agency funds retirement costs
 - Includes CSRS, FERS, HBI
 - Initiative appears failed for FY2004
 - May pass for 2005
 - **Cost: About \$5 million annually**
 - +3.5% impact on budget



Retirement Eligible 2003

(Agency Wide FTE)

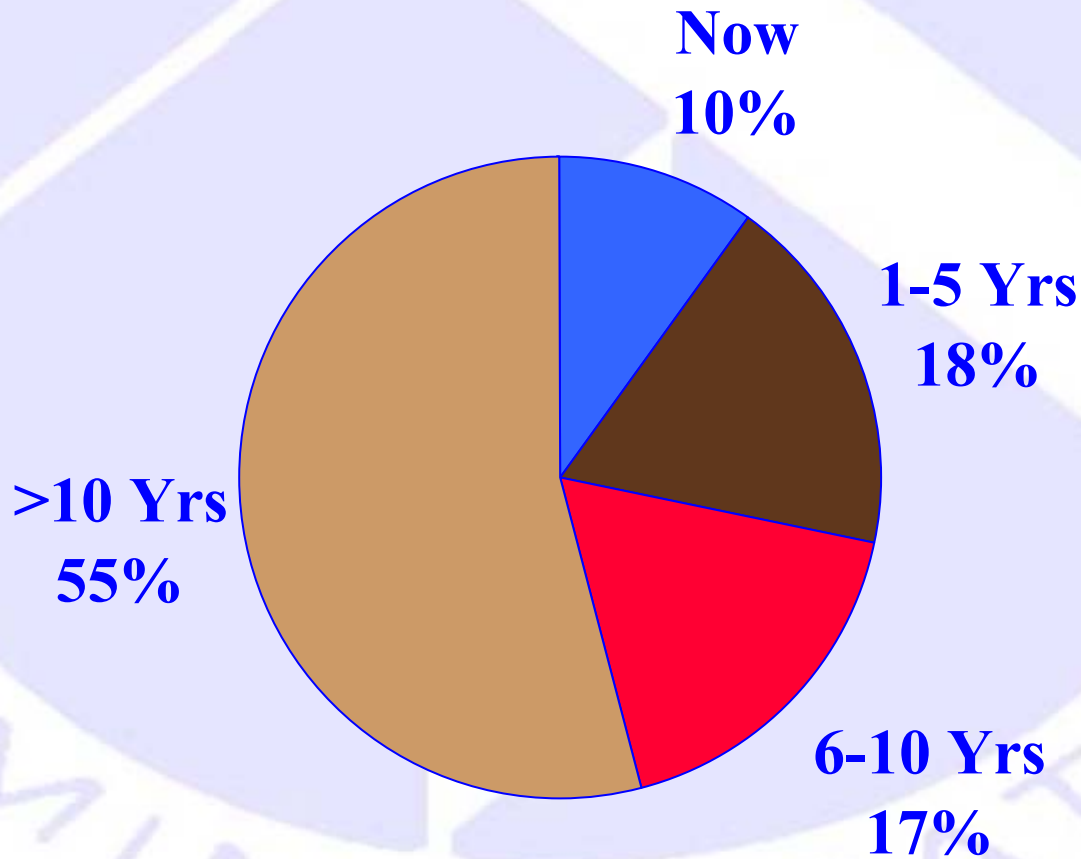
<=2003: 98

2004-2008: 178

2009-2013: 169

>2013: 526.02

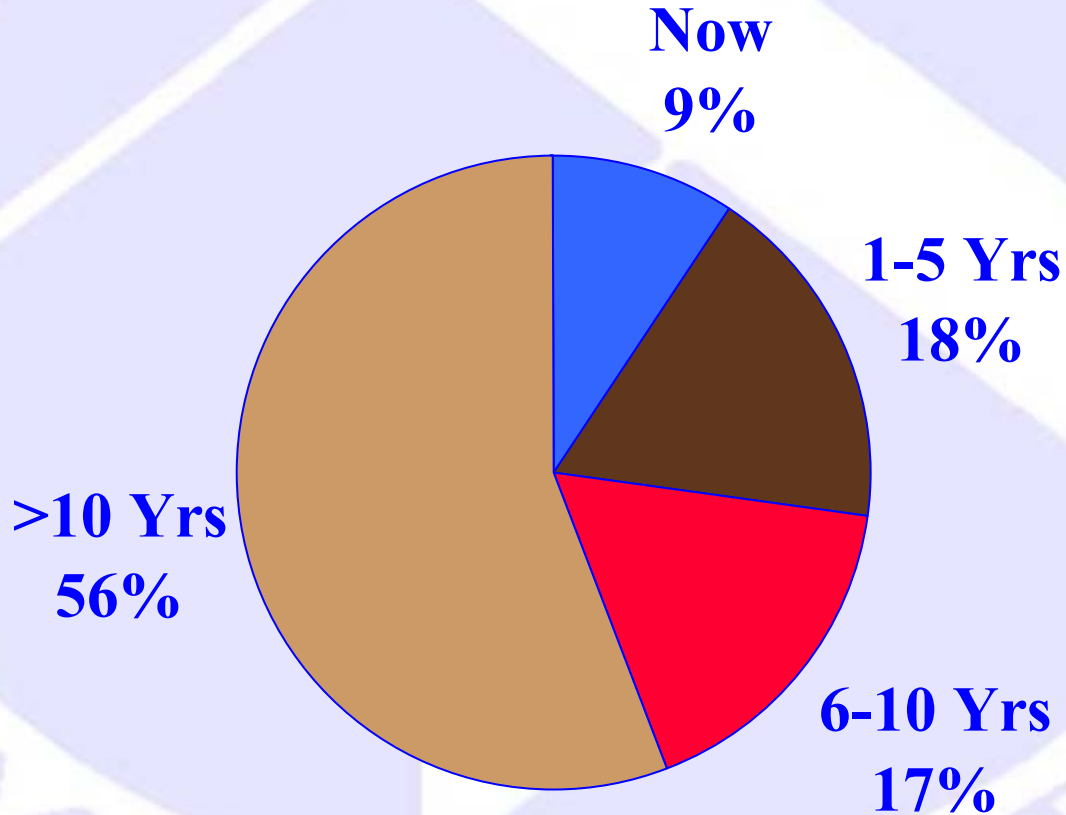
Total 971.02



Retirement Eligible 2003

(CU Staff)

<=2003: 87
2004-2008: 166
2009-2013: 159
>2013: 519.02



Retirement Eligible 2003

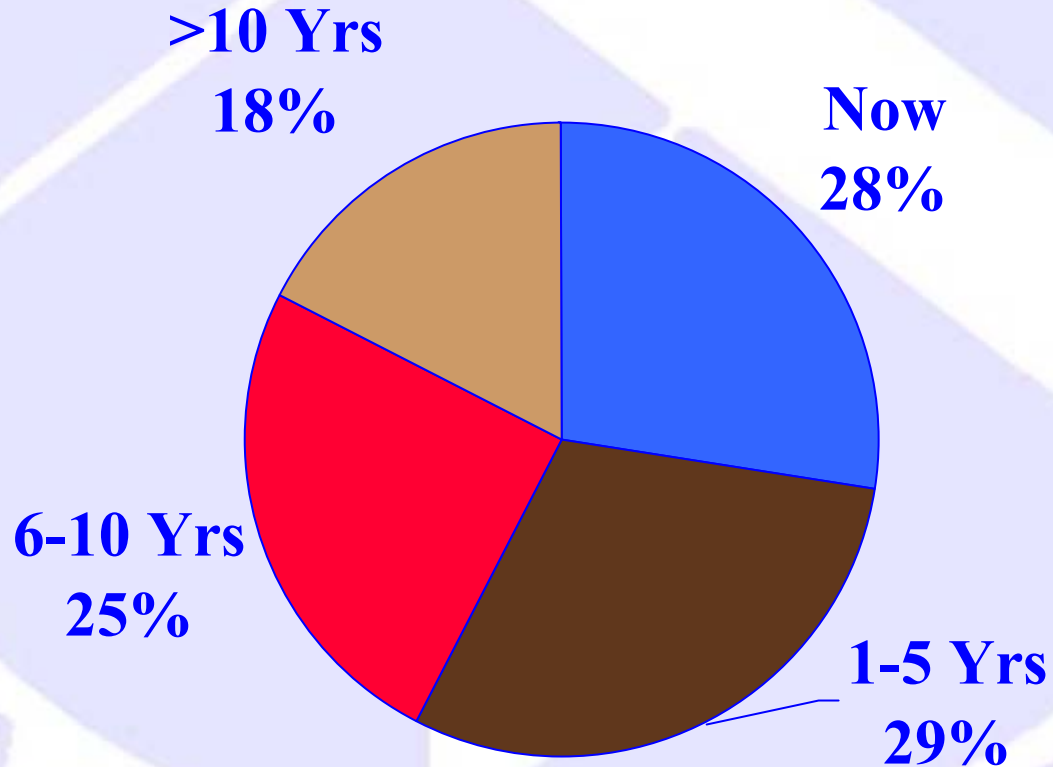
(SSP FTE)

<=2003: 11

2004-2008: 12

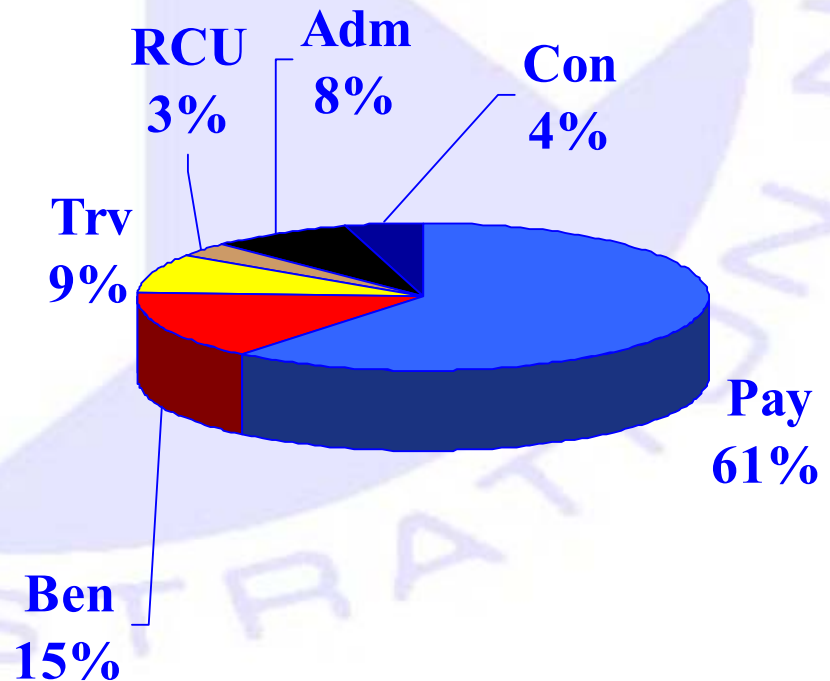
2009-2013: 10

>2013: 7



Non-Payroll 2003

- Total = \$35 million or 24% of total budget
- Travel
- Rent, communications, & utilities
- Administrative
- Contracted services



Travel 2003

- Travel \$12.8 million
- ↓ \$464,000 or 3.50%
- SE input to meet program
- Risk based scheduling
- More off-site supervision
- Risk focused exam
- Changes in FTE levels
- No regional conference
- More video conferencing
- Inflationary pressures ↑
- SME technical training ↑
- Development programs ↑



Video Conferencing Activity

March to October 2002

- Cost: \$231,000
- Benefit: \$289,000
 - 64 meetings, 209 hours, 498 participants
 - Saved \$197,000 in travel costs
 - Saved travel time of 1,849 hours and \$92,000 in unproductive payroll
 - Improved lines of communication
- Breakeven in less than 8 months



Rent, Communications & Utilities (RCU)

- RCU, \$4.4 million
- ↑ \$0.2 million or 4.61%
- Space rental ↑ in Regions 1, 4, 6
- King Street ↑ to update insurance coverage to include current computer equipment, contents, upgrades, and the building value



Administrative

- Budget \$11.7 million
- ↓ \$969,000 or 7.66%
- Computer lease costs ↓
- Interest expense on Note Payable ↓
- Regional conference ↓



Computer Lease

(amounts in millions)

- Lease capitalization \$5.8
- Lease interest \$0.5
- Lease payments \$6.3
- Purchases, contractors, smart cards, supplies \$0.2
- 3-Year Total \$6.5

Difference: \$1.1 or 14.53%
less than the 2000 acquisition



Contracted

- Budget \$6.6 million
- ↑ \$655,000 or 11.04%
- GISRA audit ↑
- Regional SME training ↑



Externally Mandated Budgetary Requirements 2003

- FIRREA pay comparability
- OPM mandated benefits
- Homeland security/FBIIC
- GISRA (Govt. Information Security Reform Act), up \$99,000 to \$459,000
- Strategic planning, \$530,000
- Retirement funding



Major \$\$ Changes 2003

- Pay policy saved \$2 million in 2003 alone
- FTE reduced \$2 million
- Travel down, exam program, technical training, development programs, inflation
- Space rental up \$200,000 or 5%
- New computers saved \$150,000 (9 months)
- Interest on Note Payable saved \$700,000 from lower interest rates



Budget 2003 Summary



- Total 21 offices
- FTE ↓ 9 offices
- Budget ↓ 10 offices after pay adjustment
- Agency budget ↓ after pay & benefits adjustments
- Pay impact 4.50%
- Congress:
 - Base 4.10%
 - Plus GEO 0.55%
 - Total 4.65%

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RECOMMENDATIONS

Major Recommendations

- 2003

- Computer lease
- Pay policy
- FTE reductions
- Start reserving cash now
- Budget lower than 2002
- Implement AIM phase II

- 2004

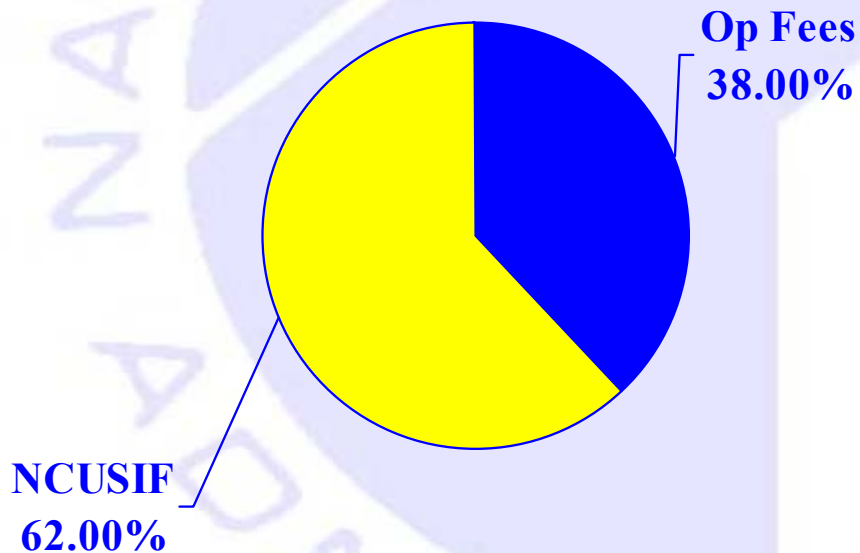
- AIM phase II
 - Benefit \$2.66 million/year
 - \$27 million over 10 years
- FTE reductions (minor decrease)
- Budget (modest increase)
- Salary study

The background features a large, light blue watermark of the National Credit Union Administration logo. The logo consists of a circular emblem with a stylized 'N' and 'C' intertwined, and a dollar sign (\$) in the center. The words 'NATIONAL CREDIT UNION' are arched across the top, and 'ADMINISTRATION' is arched across the bottom.

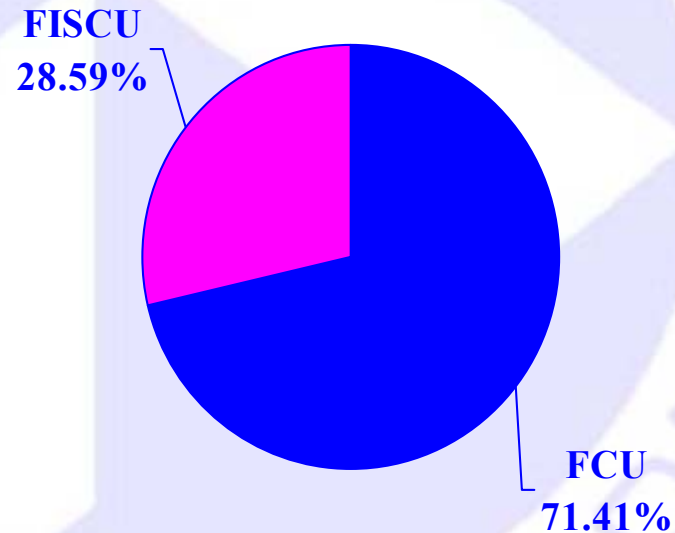
FUNDING OF BUDGET

Funding of Budget FY 2002

By Fund



Effect By CU Charter



NCUSIF split based on insured shares of FCU (53.89%) & FISCO (52.89%) as of December 31, 2001

FY 2001: NCUSIF 66.72%, Op 33.28%, FISCO 29.40%, FCU 70.60%

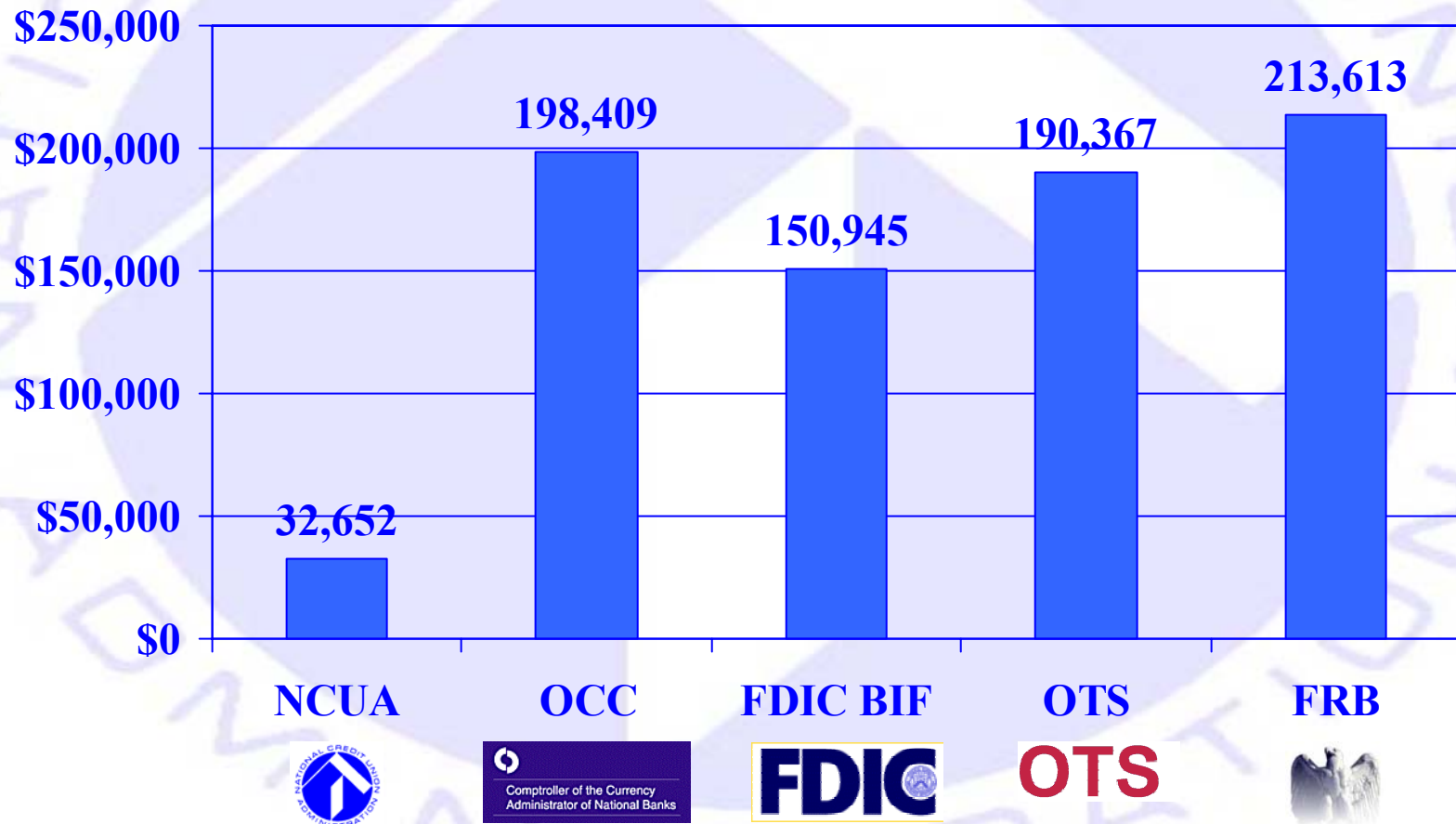
Paying Bills & Invoices

- Pay on monthly basis
- Only actual expenses charged to the NCUSIF & Operating Fund



FIRREA Expenses/Institution

Source: 2001 actual data in the President's Budget FY 2003 Appendix



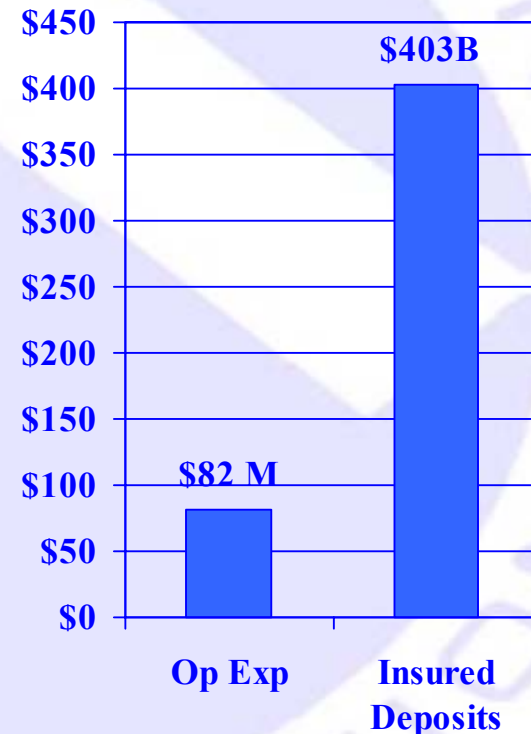
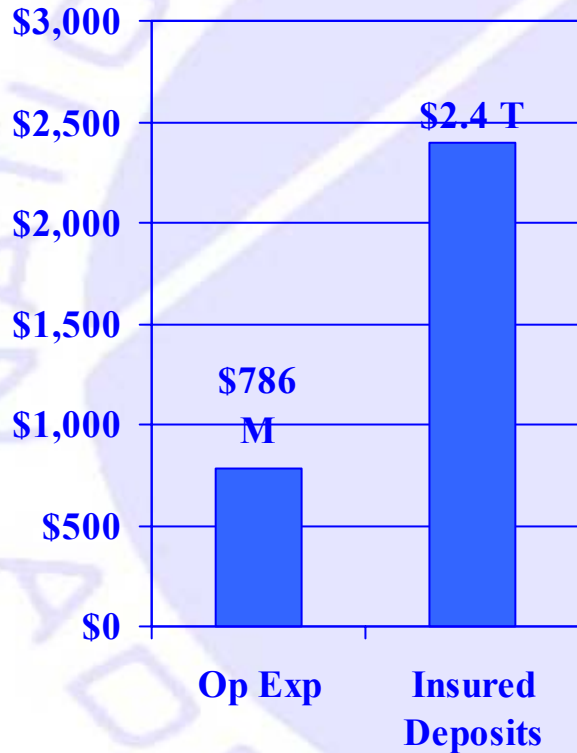
Operating Expenses Per Million Insured Deposits

(12/31/2001)

FDIC/BIF

NCUA/NCUSIF

(at 62.00%)



\$328

<62% Difference>



\$203

Sources: NCUA expenses are actual Operating Fund expenses per audited financial statements x OTR%; insured deposits per Call Reports. FDIC operating expenses per audited financial statements; insured deposits per annual report.

END OF BUDGET BRIEFING

This PowerPoint presentation is
available to the public at:

www.ncua.gov/budget